



County of Otsego, Michigan

BASIC FINANCIAL STATEMENTS

December 31, 2021

OTSEGO COUNTY, MICHIGAN

ORGANIZATION

MEMBERS OF THE COUNTY COMMISSION

CHAIR PERSON	KENNETH R. GLASSER
VICE CHAIR PERSON	DOUGLAS C. JOHNSON
COMMISSIONER	JULIE POWERS
COMMISSIONER	HENRY MASON
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COMMISSIONER	ROB PALLARITO
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APPOINTED/ELECTED OFFICIALS

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

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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 Audit of the Financial Statements

Opinions

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 Otsego County, Michigan, as of and for the year ending December 31, 2021; and the related notes to the financial statements, which collectively comprise the County of Otsego, Michigan's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of Otsego County, Michigan, as of December 31, 2021, 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.

We did not audit the financial statements of the Otsego Commission on Aging, which represents 7 percent, 3 percent, and 13 percent, respectively, of the assets, net position, and revenue of the discretely presented component unit as of December 31, 2021, and the respective changes in financial position thereof for the year then ended. 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 reports of the other auditors. The financial statements of the Otsego Commission on Aging were not audited in accordance with *Government Auditing Standards*.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Otsego County, Michigan and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Otsego County, Michigan's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedure that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Otsego County, Michigan's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Otsego County, Michigan's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, employee retirement and benefit systems, and budgetary comparison information on pages 4 through 9, pages 64 through 66 and pages 67 through 71 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Otsego County, Michigan's basic financial statements. The combining major and nonmajor fund financial statements, and scheduled of expenditures of federal awards, as required by Title 2 U.S *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standard generally accepted in the United States of America by us and other auditors. In our opinion, the combining major and nonmajor fund financial statements, and scheduled of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standard*, we have also issued our report dated June 27, 2022, on our consideration of Otsego County, 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 Otsego County, 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 Otsego County, Michigan's internal control over financial reporting and compliance.



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

June 27, 2022

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, 2021. 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 \$37,576,435 for 2020 and was \$39,824,449 for 2021, an increase of 6.1%. For 2021, net position for our business-type activities was \$15,128,496 or 38.2% of total net position, while net position in our governmental activities was \$24,695,953 or 61.8% of total net position.
- At December 31, 2021, Otsego County's governmental funds report a combined fund balance of \$16,741,810 compared to \$15,639,943 in 2020.
- At December 31, 2021, the fund balance for the general fund was \$6,427,835 with \$51,685 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 Ambulance Corporation, Otsego Commission on Aging, and Otsego County Sportsplex. 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 22-63 of this report.

Required Supplementary Information. Required supplementary information related to the County's pension and OPEB can be found on pages 64-66 and budgetary comparison information related to the County's major governmental funds can be found on pages 67-71 of this report.

Supplementary 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 \$39,824,449 at the close of the most recent fiscal year.

**Otsego County
Net Position**

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Current Assets	\$ 24,462,873	\$ 20,984,215	\$ 10,489,693	\$ 10,311,105	\$ 34,952,566	\$ 31,295,320
Capital Assets	13,881,384	13,431,511	4,999,884	5,627,174	18,881,268	19,058,685
Total Assets	38,344,257	34,415,726	15,489,577	15,938,279	53,833,834	50,354,005
Deferred Outflows of Resources	2,513,606	1,705,709	197,328	84,749	2,710,934	1,790,458
Current Liabilities	1,842,613	1,635,037	210,772	280,166	2,053,385	1,915,203
Noncurrent Liabilities	9,178,817	10,247,156	230,034	219,142	9,408,851	10,466,298
Total Liabilities	11,021,430	11,882,193	440,806	499,308	11,462,236	12,381,501
Deferred Inflows of Resources	5,140,480	2,123,600	117,603	62,927	5,258,083	2,186,527
Net Position						
Net Investment in Capital Assets	13,482,876	12,644,493	4,999,884	5,627,174	18,482,760	18,271,667
Restricted	7,796,835	7,382,558	-	-	7,796,835	7,382,558
Unrestricted	3,416,242	2,088,591	10,128,612	9,833,619	13,544,854	11,922,210
Total Net Position	\$ 24,695,953	\$ 22,115,642	\$ 15,128,496	\$ 15,460,793	\$ 39,824,449	\$ 37,576,435

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 \$7,796,835. The remaining balance of unrestricted net position of \$13,544,854 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	
	2021	2020	2021	2020	2021	2020
Program Revenues						
Charges for Services	\$ 2,663,003	\$ 3,481,781	\$ 1,790,954	\$ 1,484,541	\$ 4,453,957	\$ 4,966,322
Operating Grants and Contributions	2,453,110	2,579,822	1,047,332	858,712	3,500,442	3,438,534
Capital Grants and Contributions	153,118	-	-	-	153,118	-
General Revenues						
Property Taxes	7,656,518	8,319,954	806,333	782,728	8,462,851	9,102,682
State Revenue Sharing	516,280	565,696	-	-	516,280	565,696
Investment Earnings	194,091	262,275	(459,366)	306,265	(265,275)	568,540
Other Revenue	1,832,029	461,988	128,638	400,895	1,960,667	862,883
Total Revenues	15,468,149	15,671,516	3,313,891	3,833,141	18,782,040	19,504,657
Program Expenses						
Legislative	206,570	279,851	-	-	206,570	279,851
Judicial	1,947,336	2,768,499	-	-	1,947,336	2,768,499
General Government	3,180,430	2,566,783	-	-	3,180,430	2,566,783
Public Safety	4,503,686	4,847,703	-	-	4,503,686	4,847,703
Public Works	323,484	326,483	-	-	323,484	326,483
Health and Welfare	895,483	1,064,373	-	-	895,483	1,064,373
Community and Economic Development	321,644	263,439	-	-	321,644	263,439
Recreation and Culture	1,703,088	2,078,757	-	-	1,703,088	2,078,757
Interest Expense - Unallocated	(142,013)	21,615	-	-	(142,013)	21,615
Other Expenses	-	414,340	-	-	-	414,340
Delinquent Tax Collection	-	-	199,656	219,371	199,656	219,371
Bus System	-	-	1,292,243	922,834	1,292,243	922,834
Airport	-	-	1,831,124	1,417,969	1,831,124	1,417,969
Other Expenses	-	-	271,295	366,370	271,295	366,370
Total Expenses	12,939,708	14,631,843	3,594,318	2,926,544	16,534,026	17,558,387
Excess (Deficiency)						
Before Transfers	2,528,441	1,039,673	(280,427)	906,597	2,248,014	1,946,270
Transfers	51,870	161,773	(51,870)	(161,773)	-	-
Changes in Net Position	2,580,311	1,201,446	(332,297)	744,824	2,248,014	1,946,270
Net Position - Beginning	22,115,642	20,914,196	15,460,793	14,715,969	37,576,435	35,630,165
Net Position - Ending	\$ 24,695,953	\$ 22,115,642	\$ 15,128,496	\$ 15,460,793	\$ 39,824,449	\$ 37,576,435

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 \$6,427,835.

General Fund Budgetary Highlights

The General Fund realized \$248,222 less in revenues than anticipated for the fiscal year. The General Fund operations also expended \$514,497 less than appropriated and resulted in a net budget variance of \$267,885.

All of the General Fund services departments expended less than the budgeted amount for departmental operations in 2021. 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, 2021 the County had \$18,881,268 invested in a range of assets. This includes a net decrease of \$177,417 from last year as depreciation and deletions exceed additions.

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

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Land	\$ 2,810,482	\$ 2,801,732	\$ 99,998	\$ 99,998	\$ 2,910,480	\$ 2,901,730
Construction in Progress	32,092	17,470	-	-	32,092	17,470
Buildings	9,128,515	8,865,568	997,297	1,108,012	10,125,812	9,973,580
Furniture & Fixtures	1,242	29,135	-	-	1,242	29,135
Equipment	1,464,453	1,368,476	57,128	80,753	1,521,581	1,449,229
Vehicles	418,747	334,960	588,963	565,108	1,007,710	900,068
Infrastructure	25,853	14,170	3,256,498	3,773,303	3,282,351	3,787,473
Total	\$ 13,881,384	\$ 13,431,511	\$ 4,999,884	\$ 5,627,174	\$ 18,881,268	\$ 19,058,685

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 2021, the County had outstanding bond debt in the amount of \$395,000. This was due to decreasing its bond debt in the amount of \$385,000. 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	
	2021	2020	2021	2020	2021	2020
Installment and Bond Debt	395,000	780,000	-	-	395,000	780,000
Premium on Bond Issuance	3,508	7,018	-	-	3,508	7,018
Compensated Absences	235,607	216,490	-	-	235,607	216,490
Total	<u>\$ 634,115</u>	<u>\$ 1,003,508</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 634,115</u>	<u>\$ 1,003,508</u>

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 2022 Budget:

- Property tax revenues are projected to increase approximately 3%.

Highlight of the 2021 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, 2021

	Primary Government		Totals	Component Units
	Governmental Activities	Business-type Activities		
ASSETS:				
Cash and Equivalents	\$ 11,275,353	\$ 3,848,637	\$ 15,123,990	\$ 10,990,562
Investments	8,421,874	5,709,085	14,130,959	686,971
Receivables:				
Taxes	1,420,104	665,810	2,085,914	2,567,870
Accounts	2,990,242	146,923	3,137,165	2,688,260
Interest	-	86,430	86,430	-
Internal Loans	(7,000)	7,000	-	-
Inventories	11,984	22,988	34,972	788,213
Prepaid Items	160,444	2,820	163,264	102,648
Advance to Component Unit	189,872	-	189,872	-
Capital Assets Not Depreciated	2,842,574	99,998	2,942,572	13,523,841
Capital Assets (Net of Accumulated Depreciation)	11,038,810	4,899,886	15,938,696	27,835,765
TOTAL ASSETS	38,344,257	15,489,577	53,833,834	59,184,130
DEFERRED OUTFLOWS OF RECOURSES:				
Pension & OPEB Related Items	2,513,606	197,328	2,710,934	381,184
LIABILITIES:				
Accounts Payable	525,946	158,585	684,531	350,373
Accrued Liabilities	273,999	52,187	326,186	109,666
Advance from Government Units	-	-	-	494,747
Due to Governmental Units	-	-	-	648,048
Unearned Revenue	408,553	-	408,553	91,323
Advance from Primary Government	-	-	-	182,936
Vested Employee Benefits - Due in more than one year	235,607	-	235,607	224,969
Bonds Payable - Due within one year	398,508	-	398,508	-
Net OPEB Liability - Due in more than one year	1,011,280	-	1,011,280	787,852
Net Pension Liability - Due in more than one year	8,167,537	230,034	8,397,571	2,766,309
Note Payable - Due within one year	-	-	-	210,084
Note Payable - Due in more than one year	-	-	-	3,068,419
TOTAL LIABILITIES	11,021,430	440,806	11,462,236	8,934,726
DEFERRED INFLOWS OF RESOURCES:				
Pension & OPEB Related Items	548,323	117,603	665,926	1,043,975
Taxes Levied for a Subsequent Period	4,592,157	-	4,592,157	2,567,870
TOTAL DEFERRED INFLOWS	5,140,480	117,603	5,258,083	3,611,845
NET POSITION:				
Net Investment in Capital Assets	13,482,876	4,999,884	18,482,760	38,305,629
Restricted	7,796,835	-	7,796,835	2,390,363
Unrestricted	3,416,242	10,128,612	13,544,854	6,322,751
TOTAL NET POSITION	\$ 24,695,953	\$ 15,128,496	\$ 39,824,449	\$ 47,018,743

County of Otsego, Michigan

Statement of Activities For the Year Ended December 31, 2021

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	\$ 206,570	\$ -	\$ -	\$ -	\$ (206,570)	\$ -	\$ (206,570)	\$ -
Judicial	1,947,336	528,863	939,461	-	(479,012)	-	(479,012)	-
General Government	3,180,430	742,834	484,516	117,532	(1,835,548)	-	(1,835,548)	-
Public Safety	4,503,686	1,073,474	150,725	-	(3,279,487)	-	(3,279,487)	-
Public Works	323,484	-	-	35,586	(287,898)	-	(287,898)	-
Health and Welfare	895,483	-	94,330	-	(801,153)	-	(801,153)	-
Community/Economic Development	321,644	36,965	58,808	-	(225,871)	-	(225,871)	-
Recreation and Culture	1,703,088	280,867	725,270	-	(696,951)	-	(696,951)	-
Other	-	-	-	-	-	-	-	-
Interest - Unallocated	(142,013)	-	-	-	142,013	-	142,013	-
Total Governmental Activities	<u>12,939,708</u>	<u>2,663,003</u>	<u>2,453,110</u>	<u>153,118</u>	<u>(7,670,477)</u>	<u>-</u>	<u>(7,670,477)</u>	<u>-</u>
Business-type Activities:								
Delinquent Tax Collection	199,656	252,138	-	-	-	52,482	52,482	-
Tax Foreclosure	98,967	79,844	-	-	-	(19,123)	(19,123)	-
Airport	1,831,124	1,131,368	13,000	-	-	(686,756)	(686,756)	-
Public Transit	1,292,243	195,427	1,034,332	-	-	(62,484)	(62,484)	-
Non-Major Enterprise Funds	172,328	132,177	-	-	-	(40,151)	(40,151)	-
Total Business-type Activities	<u>3,594,318</u>	<u>1,790,954</u>	<u>1,047,332</u>	<u>-</u>	<u>-</u>	<u>(756,032)</u>	<u>(756,032)</u>	<u>-</u>
Total Primary Government	<u>\$ 16,534,026</u>	<u>\$ 4,453,957</u>	<u>\$ 3,500,442</u>	<u>\$ 153,118</u>	<u>(7,670,477)</u>	<u>(756,032)</u>	<u>(8,426,509)</u>	<u>-</u>
Component Units:								
Road Commission	\$ 7,946,848	\$ 3,791,556	\$ 6,419,836	\$ 1,856,526	-	-	-	4,121,070
Ambulance	2,989,465	1,809,127	124,571	-	-	-	-	(1,055,767)
Commission on Aging 9/30/2021	1,797,010	-	1,021,088	-	-	-	-	(775,922)
Sportsplex	895,983	692,777	-	-	-	-	-	(203,206)
Total Component Units	<u>13,629,306</u>	<u>6,293,460</u>	<u>7,565,495</u>	<u>1,856,526</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,086,175</u>
Total	<u>\$ 30,163,332</u>	<u>\$ 10,747,417</u>	<u>\$ 11,065,937</u>	<u>\$ 2,009,644</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
General Revenues and Transfers:								
Taxes	-	-	-	-	7,656,518	806,333	8,462,851	3,876,766
State Revenue Sharing	-	-	-	-	516,280	-	516,280	-
Investment Earnings	-	-	-	-	194,091	(459,366)	(265,275)	23,685
Transfers	-	-	-	-	51,870	(51,870)	-	-
Other	-	-	-	-	1,832,029	128,638	1,960,667	116,164
Total General Revenues and Transfers	-	-	-	-	<u>10,250,788</u>	<u>423,735</u>	<u>10,674,523</u>	<u>4,016,615</u>
Changes in Net Position	-	-	-	-	<u>2,580,311</u>	<u>(332,297)</u>	<u>2,248,014</u>	<u>6,102,790</u>
Net Position - Beginning	-	-	-	-	<u>22,115,642</u>	<u>15,460,793</u>	<u>37,576,435</u>	<u>40,915,953</u>
Net Position - Ending	-	-	-	-	<u>\$ 24,695,953</u>	<u>\$ 15,128,496</u>	<u>\$ 39,824,449</u>	<u>\$ 47,018,743</u>

See accompanying notes to financial statements.

County of Otsego, Michigan

Balance Sheet
Governmental Funds
December 31, 2021

	Special Revenue Funds				Capital Project	Nonmajor Governmental	Total Governmental Funds
	General	Housing Commission	Library	American Rescue Plan Act	Library Construction Millage		
ASSETS:							
Cash and Equivalents - Unrestricted	\$ 2,744,303	\$ 214,774	\$ 333,422	\$ 455,043	\$ 20,506	\$ 7,122,861	\$ 10,890,909
Investments - Unrestricted	3,618,615	-	600,285	1,949,749	-	2,082,964	8,251,613
Receivables:							
Taxes	319,915	-	547,663	-	512,203	1,100,189	2,479,970
Accounts	25,566	-	-	-	-	295,189	320,755
Loans	-	1,324,248	-	-	-	-	1,324,248
Due from Other Funds	-	-	-	-	-	-	-
Advance to Other Funds	-	-	-	-	-	189,872	189,872
Due from Governmental Units	180,508	-	-	-	-	94,946	275,454
Inventories	11,984	-	-	-	-	-	11,984
Prepaid Items	39,701	104	-	-	-	38,696	78,501
TOTAL ASSETS	\$ 6,940,592	\$ 1,539,126	\$ 1,481,370	\$ 2,404,792	\$ 532,709	\$ 10,924,717	\$ 23,823,306
LIABILITIES:							
Accounts Payable	\$ 226,081	\$ 30	\$ 4,501	\$ -	\$ -	\$ 244,822	\$ 475,434
Due to Other Funds	-	-	-	-	-	7,000	7,000
Accrued Liabilities	217,348	105	-	-	-	56,651	274,104
Unearned Revenue	69,328	24,801	-	2,395,735	-	349,491	2,839,355
TOTAL LIABILITIES	512,757	24,936	4,501	2,395,735	-	657,964	3,595,893
DEFERRED INFLOWS OF RESOURCES:							
Unavailable Resources	-	1,324,248	-	-	-	-	1,324,248
Taxes Levied for a Subsequent Period	-	-	547,663	-	512,203	1,101,489	2,161,355
TOTAL DEFERRED INFLOW OF RESOURCES	-	1,324,248	547,663	-	512,203	1,101,489	3,485,603
FUND BALANCES:							
Nonspendable	51,685	104	-	-	-	38,696	90,485
Restricted	-	189,838	929,206	9,057	-	6,668,734	7,796,835
Committed	-	-	-	-	20,506	2,457,834	2,478,340
Assigned	1,055,924	-	-	-	-	-	1,055,924
Unassigned	5,320,226	-	-	-	-	-	5,320,226
TOTAL FUND BALANCES	6,427,835	189,942	929,206	9,057	20,506	9,165,264	16,741,810
TOTAL LIABILITIES, INFLOWS OF RESOURCES AND FUND BALANCES	\$ 6,940,592	\$ 1,539,126	\$ 1,481,370	\$ 2,404,792	\$ 532,709	\$ 10,924,717	
Reconciliation to amounts reported for governmental activities in the statement of net position:							
Capital Assets used by Governmental Activities							13,881,384
Long-term Debt Payable for Governmental Activities							(398,508)
Accrued Interest Payable							(1,975)
Vested Employee Benefits							(235,607)
Pension Liability and Deferred Items							(6,202,254)
OPEB Liability and Deferred Items							(1,011,280)
Deferred Revenue Recognized as Current Revenue							1,324,248
Internal Service Funds							598,135
Net position of governmental activities							\$ 24,695,953

See accompanying notes to financial statements.

**Statement of Revenues, Expenditures, and
Changes in Fund Balance - Governmental Funds
For the Year Ended December 31, 2021**

	Special Revenue Funds			American Rescue Plan Act	Capital Project	Nonmajor Governmental	Total Governmental Funds
	General	Housing Commission	Library		Library Construction Millage		
REVENUES:							
Taxes	\$ 5,554,856	\$ -	\$ 525,731	\$ -	\$ 496,771	\$ 1,065,910	\$ 7,643,268
Licenses and Permits	48,988	-	-	-	-	-	48,988
Federal Sources	90,452	54,801	13,250	-	-	817,581	976,084
State Sources	1,361,676	-	35,171	-	-	357,604	1,754,451
Local Sources	36,134	4,007	-	-	-	15,000	55,141
Charges for Services	1,194,857	-	-	-	-	1,786,155	2,981,012
Fines and Forfeits	13,640	-	175,722	-	-	95	189,457
Interest and Rentals	95,218	23	12,287	12,857	1,315	71,809	193,509
Other Revenue	568,154	114,826	44,262	-	-	898,505	1,625,747
TOTAL REVENUES	8,963,975	173,657	806,423	12,857	498,086	5,012,659	15,467,657
EXPENDITURES:							
Legislative	206,570	-	-	-	-	-	206,570
Judicial	1,892,285	-	-	-	-	883,526	2,775,811
General Government	1,702,331	-	-	3,800	-	283,728	1,989,859
Public Safety	2,882,973	-	-	-	-	1,749,730	4,632,703
Public Works	4,390	-	-	-	-	357,940	362,330
Health and Welfare	667,929	-	-	-	-	244,218	912,147
Community/Economic Development	118,340	98,457	-	-	-	-	216,797
Recreation and Culture	-	-	672,972	-	-	1,133,921	1,806,893
Other Expenditures	532,121	-	-	-	-	-	532,121
Capital Outlay	-	-	-	-	-	583,829	583,829
Debt Service	-	-	-	-	-	401,100	401,100
TOTAL EXPENDITURES	8,006,939	98,457	672,972	3,800	-	5,637,992	14,420,160
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	957,036	75,200	133,451	9,057	498,086	(625,333)	1,047,497
OTHER FINANCING SOURCES (USES):							
Transfers In	72,300	163,953	-	-	-	1,246,022	1,482,275
Transfers Out	(761,451)	(163,953)	-	-	(484,201)	(18,300)	(1,427,905)
Total Other Financing Sources (Uses)	(689,151)	-	-	-	(484,201)	1,227,722	54,370
NET CHANGE IN FUND BALANCE	267,885	75,200	133,451	9,057	13,885	602,389	1,101,867
FUND BALANCES BEGINNING OF YEAR	6,159,950	114,742	795,755	-	6,621	8,562,875	15,639,943
FUND BALANCES END OF YEAR	<u>\$ 6,427,835</u>	<u>\$ 189,942</u>	<u>\$ 929,206</u>	<u>\$ 9,057</u>	<u>\$ 20,506</u>	<u>\$ 9,165,264</u>	<u>\$ 16,741,810</u>

**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, 2021**

Net changes in fund balances - total governmental funds \$ 1,101,867

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, (\$899,404) exceeded by capital outlay, \$1,349,276. 449,872

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	385,000

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 (135,799)

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	(19,117)
Accrued Interest Payable	(1,925)
OPEB Liability & Related Deferred Items	328,315
Pension Liability & Related Deferred Items	414,848

Internal service fund activity 53,740

Changes in net position of governmental activities \$ 2,580,311

**Statement of Net Position
Proprietary Funds
December 31, 2021**

	Business-type Activities - Enterprise Funds					Governmental	
	Major					Activities	
	Delinquent Tax Fund	Tax Foreclosure Fund	Airport	Bus System 9/30/2021	Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
ASSETS:							
Current Assets:							
Cash and Equivalents	\$ 2,139,809	\$ 695,919	\$ 4,314	\$ 699,654	\$ 308,941	\$ 3,848,637	\$ 384,444
Investments	3,318,711	1,588,115	-	802,259	-	5,709,085	170,261
Taxes Receivable	665,810	-	-	-	-	665,810	-
Interest Receivable	86,430	-	-	-	-	86,430	-
Accounts Receivable	571	-	97,205	36,005	13,142	146,923	9,919
Due from Other Funds	7,000	-	-	-	-	7,000	-
Prepaid Items	208	208	208	-	2,196	2,820	81,943
Inventory	-	-	22,988	-	-	22,988	-
Total Current Assets	6,218,539	2,284,242	124,715	1,537,918	324,279	10,489,693	646,567
Noncurrent Assets:							
Capital Assets (Not Depreciated)	-	-	-	99,998	-	99,998	-
Capital Assets (Net of Accumulated Depreciation)	-	-	4,097,338	777,969	24,579	4,899,886	-
Total Noncurrent Assets	-	-	4,097,338	877,967	24,579	4,999,884	-
TOTAL ASSETS	6,218,539	2,284,242	4,222,053	2,415,885	348,858	15,489,577	646,567
DEFERRED OUTFLOWS OF RESOURCES:							
Pension Related Items	-	-	-	197,328	-	197,328	-
LIABILITIES:							
Current Liabilities:							
Accounts Payable	5,233	361	51,896	68,744	32,351	158,585	38,935
Accrued Liabilities	4,481	2,663	10,323	34,720	-	52,187	9,497
Total Current Liabilities	9,714	3,024	62,219	103,464	32,351	210,772	48,432
Noncurrent Liabilities:							
Net Pension Liability	-	-	-	230,034	-	230,034	-
TOTAL LIABILITIES	9,714	3,024	62,219	333,498	32,351	440,806	48,432
Deferred Inflow of Resources							
Pension Related Items	-	-	-	117,603	-	117,603	-
NET POSITION:							
Net Investment in Capital Assets	-	-	4,097,338	877,967	24,579	4,999,884	-
Unrestricted	6,208,825	2,281,218	62,496	1,284,145	291,928	10,128,612	598,135
TOTAL NET POSITION	\$ 6,208,825	\$ 2,281,218	\$ 4,159,834	\$ 2,162,112	\$ 316,507	\$ 15,128,496	\$ 598,135

**Statement of Revenues, Expenses, and
Changes in Net Position - Proprietary Funds
For the Year Ended December 31, 2021**

	Business-type Activities - Enterprise Funds					Governmental	
	Major					Activities	
	Delinquent Tax Fund	Tax Foreclosure Fund	Airport	Bus System 9/30/2021	Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
OPERATING REVENUES:							
Charges for Services	\$ 13,724	\$ 79,844	\$ 1,131,368	\$ 195,427	\$ 132,177	\$ 1,552,540	\$ 2,366,676
Interest on Delinquent Taxes	238,414	-	-	-	-	238,414	-
Other Revenues	-	-	14,136	-	-	14,136	-
Local Sources	-	-	-	-	5,232	5,232	-
TOTAL REVENUES	252,138	79,844	1,145,504	195,427	137,409	1,805,090	2,366,676
OPERATING EXPENSES:							
Salaries, Wages, and Fringe Benefits	89,349	86,647	288,393	843,584	-	1,307,973	1,951,333
Contractual Services	64,865	-	22,512	-	21,482	108,859	64,040
Materials and Supplies	8,675	4,502	771,498	-	64,335	849,010	30,659
Equipment Repair and Maintenance	-	-	-	-	-	-	39,424
Utilities	-	-	-	-	-	-	213,670
Depreciation	-	-	592,221	174,372	12,301	778,894	-
Other Expenses	36,767	7,818	156,500	274,287	74,210	549,582	19,433
TOTAL EXPENSES	199,656	98,967	1,831,124	1,292,243	172,328	3,594,318	2,318,559
OPERATING INCOME (LOSS)	52,482	(19,123)	(685,620)	(1,096,816)	(34,919)	(1,789,228)	48,117
NON-OPERATING REVENUES (EXPENSES):							
State Grants	-	-	-	529,708	-	529,708	-
Federal Grants	-	-	13,000	504,624	-	517,624	7,500
Interest Earned on Investments	(523,086)	59,417	3,575	-	728	(459,366)	582
Property Taxes Levied	-	-	-	806,333	-	806,333	-
Other	2,739	59,933	-	46,598	-	109,270	41
TOTAL NONOPERATING REVENUES (EXPENSES)	(520,347)	119,350	16,575	1,887,263	728	1,503,569	8,123
INCOME (LOSS) BEFORE INTERFUND TRANSFERS	(467,865)	100,227	(669,045)	790,447	(34,191)	(280,427)	56,240
INTERFUND TRANSFERS:							
Transfers In	-	-	87,533	-	12,000	99,533	-
Transfers Out	(151,403)	-	-	-	-	(151,403)	(2,500)
CHANGES IN NET POSITION	(619,268)	100,227	(581,512)	790,447	(22,191)	(332,297)	53,740
NET POSITION, BEGINNING OF YEAR	6,828,093	2,180,991	4,741,346	1,371,665	338,698	15,460,793	544,395
NET POSITION, END OF YEAR	\$ 6,208,825	\$ 2,281,218	\$ 4,159,834	\$ 2,162,112	\$ 316,507	\$ 15,128,496	\$ 598,135

Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2021

	Business-type Activities - Enterprise Funds					Governmental	
	Major					Activities	
	Delinquent Tax Fund	Tax Foreclosure Fund	Airport	Bus System 9/30/2021	Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES:							
Receipts from Customers	\$ 437,010	\$ 79,886	\$ 1,101,832	\$ 224,827	\$ 146,984	\$ 1,990,539	\$ 2,369,171
Interest on Delinquent Taxes	-	-	-	-	-	-	-
Net Delinquent Taxes Collected (Purchased)	-	-	-	-	-	-	-
Payments to Suppliers	(109,568)	(125,576)	(932,095)	(274,285)	(143,142)	(1,584,666)	(346,994)
Payments to Employees for Services and Benefits	(88,922)	(88,076)	(282,912)	(912,711)	-	(1,372,621)	(1,960,806)
Net Cash Provided (Used) by Operating Activities	238,520	(133,766)	(113,175)	(962,169)	3,842	(966,748)	61,371
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES:							
State Grants	-	-	-	386,264	-	386,264	-
Federal Grants	-	-	13,000	546,482	-	559,482	-
Property Tax	-	-	-	805,726	-	805,726	-
Other	2,739	59,933	-	44,305	-	106,977	7,541
Transfers In	-	-	87,533	-	12,000	99,533	-
Transfers Out	(151,403)	-	-	-	-	(151,403)	(2,500)
Net Cash Provided (Used) by Noncapital and Related Financing Activities	(148,664)	59,933	100,533	1,782,777	12,000	1,806,579	5,041
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:							
Acquisition of Capital Assets	-	-	-	(151,604)	-	(151,604)	-
State Capital Grant	-	-	-	151,604	-	151,604	-
Net Cash Provided (Used) by Capital and Related Financing Activities	-	-	-	-	-	-	-
CASH FLOWS FROM INVESTING ACTIVITIES:							
Net Sale or (Purchase) of Investments	494,273	(650,823)	-	-	-	(156,550)	(10,522)
Interest Earnings	(523,086)	59,417	3,575	-	728	(459,366)	582
Net Cash Provided (Used) by Investing Activities	(28,813)	(591,406)	3,575	-	728	(615,916)	(9,940)
Net Increase (Decrease) in Cash and Equivalents	61,043	(665,239)	(9,067)	820,608	16,570	223,915	56,472
Balances - Beginning of the Year	2,078,760	1,361,158	13,381	681,305	292,371	4,426,975	327,972
Balances - End of the Year	\$ 2,139,803	\$ 695,919	\$ 4,314	\$ 1,501,913	\$ 308,941	\$ 4,650,890	\$ 384,444
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:							
Operating Income (Loss)	\$ 52,482	\$ (19,123)	\$ (685,620)	\$ (1,096,816)	\$ (34,919)	\$ (1,783,996)	\$ 48,117
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:							
Depreciation Expense	-	-	592,221	174,372	12,301	778,894	-
Change in Assets and Liabilities:							
Taxes Receivable	103,243	-	-	-	-	103,243	-
Interest Receivable	19,096	-	-	-	-	19,096	-
Accounts Receivable	(453)	56	(43,672)	29,402	9,575	(5,092)	2,495
Interfund Advances, Payables, & Receivables	63,000	-	-	-	-	63,000	-
Prepaid Items	(14)	(14)	(14)	-	1,381	1,339	(13,142)
Inventory	-	-	(4,058)	-	-	(4,058)	2,294
Accounts Payable	739	(113,256)	22,487	(22,116)	15,504	(96,642)	16,451
Accrued Liabilities	427	(1,429)	5,481	-	-	4,479	5,156
Change in Pension Liability and Deferred Amounts	-	-	-	(47,011)	-	(47,011)	-
Net Cash Provided (Used) by Operating Activities	\$ 238,520	\$ (133,766)	\$ (113,175)	\$ (962,169)	\$ 3,842	\$ (966,748)	\$ 61,371

**Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2021**

	Custodial Funds			Total
	General Agency Fund	Library Penal Fines	Michigan Municipal Risk Management Authority	
ASSETS:				
Cash and Equivalents	\$ 1,537,585	\$ 94,331	\$ 382,829	\$ 2,014,745
Taxes for Other Governments	1,341,554	-	-	1,341,554
 TOTAL ASSETS	 \$ 2,879,139	 \$ 94,331	 \$ 382,829	 \$ 3,356,299
LIABILITIES:				
Undistributed Tax Collections	\$ 2,248,418	\$ -	\$ -	\$ 2,248,418
Due to Other Governments	357,166	-	-	357,166
Bonds, Restitutions and Payables to Others	273,555	94,331	-	367,886
 TOTAL LIABILITIES	 2,879,139	 94,331	 -	 2,973,470
Net Position				
Restricted	\$ -	\$ -	\$ 382,829	\$ 382,829

**Statement of Changes of Fiduciary Net Position
Fiduciary Funds
December 31, 2021**

	Custodial Funds			Total
	General Agency Fund	Library Penal Fines	Michigan Municipal Risk Management Authority	
ADDITIONS:				
Contributions				
Members	\$ -	\$ -	\$ 50,000	\$ 50,000
Interest	-	-	8,700	8,700
Taxes Collected for Other Governments	25,221,539	-	-	25,221,539
Fees and Fines Collected on behalf of Other Governments	2,011,444	163,546	-	2,174,990
Fees and Fines Collected on behalf of Other Agencies	3,137,515	-	-	3,137,515
Collections from or On Behalf of Inmates	215,187	-	-	215,187
Gifts and Bequests	12,769	-	-	12,769
TOTAL ADDITIONS	30,598,455	163,546	58,700	30,820,701
DEDUCTIONS:				
Payment of Taxes to Other Governments	25,119,289	-	-	25,119,289
Fees and Fines Remitted to Other Units of Government	2,093,955	-	-	2,093,955
Fees and Fines Remitted to Other Agencies	3,186,809	163,546	-	3,350,355
Payments on Behalf of Inmates	187,612	-	-	187,612
Bonds, Restitutions, and Payables to Others	-	-	71,539	71,539
Beneficiary Payments to Individuals	10,790	-	-	10,790
TOTAL DEDUCTIONS	30,598,455	163,546	71,539	30,833,540
Change in Net Position	-	-	(12,839)	(12,839)
Net Position, Beginning of Year	-	-	395,668	395,668
Net Position, End of Year	\$ -	\$ -	\$ 382,829	\$ 382,829

Component Units

County of Otsego, Michigan

Statement of Net Position Component Units December 31, 2021

	Road Commission	Ambulance Corporation	Commission on Aging 9/30/2021	Sportsplex	Totals
ASSETS:					
Cash and Equivalents	\$ 9,181,118	\$ 153,330	\$ 1,629,482	\$ 26,632	\$ 10,990,562
Investments	-	458,622	1,737	226,612	686,971
Receivables:					
Taxes	1,158,739	1,066,631	-	342,500	2,567,870
Accounts (Net of Allowance)	2,235,975	428,000	9,398	14,887	2,688,260
Inventories	782,195	-	-	6,018	788,213
Prepaid Items	102,648	-	-	-	102,648
Capital Assets (Not Depreciated)	13,523,841	-	-	-	13,523,841
Capital Assets (Net of Accumulated Depreciation)	23,644,075	1,441,690	2,750,000	-	27,835,765
TOTAL ASSETS	50,628,591	3,548,273	4,390,617	616,649	59,184,130
DEFERRED OUTFLOWS OF RESOURCES					
Pension & OPEB Related Items	381,184	-	-	-	381,184
LIABILITIES:					
Accounts Payable	305,641	11,477	2,716	30,539	350,373
Accrued Liabilities	88,828	5,308	15,530	-	109,666
Due to Governmental Units	648,048	-	-	-	648,048
Advance from Governmental Units	494,747	-	-	-	494,747
Unearned Revenues	-	-	90,973	350	91,323
Installment Notes Payable - Due within one year	144,743	49,896	15,445	-	210,084
Installment Notes Payable - Due in more than one year	159,234	174,630	2,734,555	-	3,068,419
Advance from Primary Government	-	182,936	-	-	182,936
Net Pension Liabilities- Due in more than one year	2,766,309	-	-	-	2,766,309
(OPEB) Liabilities - Due in more than one year	787,852	-	-	-	787,852
Vested Employee Benefits - Due in more than one year	224,969	-	-	-	224,969
TOTAL LIABILITIES	5,620,371	424,247	2,859,219	30,889	8,934,726
DEFERRED INFLOWS OF RESOURCES:					
Pension & OPEB Related Items	1,043,975	-	-	-	1,043,975
Taxes Levied for a Subsequent Period	1,158,739	1,066,631	-	342,500	2,567,870
Total Deferred Inflows of Resources	2,202,714	1,066,631	-	342,500	3,611,845
NET POSITION:					
Net Investment in Capital Assets	36,863,939	1,441,690	-	-	38,305,629
Restricted for Ambulance and Emergency Services	-	615,705	-	-	615,705
Restricted for Sportsplex	-	-	-	243,260	243,260
Restricted for Commission on Aging	-	-	1,531,398	-	1,531,398
Unrestricted	6,322,751	-	-	-	6,322,751
TOTAL NET POSITION	\$ 43,186,690	\$ 2,057,395	\$ 1,531,398	\$ 243,260	\$ 47,018,743

County of Otsego, Michigan

Statement of Activities Component Units For the Year Ended December 31, 2021

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 9/30/2021	Sportsplex	Total
Road Commission:									
Public Works	\$ 7,946,848	\$ 3,791,556	\$ 6,419,836	\$ 1,856,526	\$ 4,121,070	\$ -	\$ -	\$ -	\$ 4,121,070
Ambulance Corporation:									
Health and Welfare	2,989,465	1,809,127	124,571	-	-	(1,055,767)	-	-	(1,055,767)
Commission on Aging 9/30/2021:									
Health and Welfare	1,797,010	-	1,021,088	-	-	-	(775,922)	-	(775,922)
Sportsplex:									
Recreation and Culture	895,983	692,777	-	-	-	-	-	(203,206)	(203,206)
Total Component Units	<u>\$ 13,629,306</u>	<u>\$ 6,293,460</u>	<u>\$ 7,565,495</u>	<u>\$ 1,856,526</u>	<u>4,121,070</u>	<u>(1,055,767)</u>	<u>(775,922)</u>	<u>(203,206)</u>	<u>2,086,175</u>
General Revenues:									
Property Tax					1,156,210	1,044,812	1,343,528	332,216	3,876,766
Investment Earnings					-	12,957	8,026	2,702	23,685
Other					9,000	-	104,512	2,652	116,164
Total General Revenues					<u>1,165,210</u>	<u>1,057,769</u>	<u>1,456,066</u>	<u>337,570</u>	<u>4,016,615</u>
Changes in Net Position					5,286,280	2,002	680,144	134,364	6,102,790
Net Position - Beginning					37,900,410	2,055,393	851,254	108,896	40,915,953
Net Position - Ending					<u>\$ 43,186,690</u>	<u>\$ 2,057,395</u>	<u>\$ 1,531,398</u>	<u>\$ 243,260</u>	<u>\$ 47,018,743</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 2021 was \$251,102.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Joint Ventures (Continued)

Financial information as of September 30, 2021 (the most recent audited financial statements) is as follows:

Assets	\$	8,469,204
Deferred outflows of resources		122,067
Liabilities		4,188,569
Deferred inflows of resources		203,781
Net position		4,198,921
Change in net position		254,095
Participant payments		
Total participant payments		1,094,575
County of Otsego		251,102
County of Otsego percentage of total		23%

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 2021 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, 2021, except for the following component unit and enterprise fund:

Fund	Fund Presentation	Fiscal Year End
Commission on Aging	Component Unit	September 30, 2021
Bus System	Enterprise Fund	September 30, 2021

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 2021 taxable valuation of the County of Otsego totaled \$1,365,881,861, 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.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The American Rescue Plan Act Fund

The fund accounts for fund received from the American Rescue Plan Act.

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

Cash, Equivalents, and Investments – Cash, equivalents 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 \$427,000.

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 \$90,485 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 \$7,796,835 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 \$2,478,340 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	\$ 11,275,353	\$ 3,848,637	\$ 15,123,990	\$ 2,014,745	\$ 10,990,562
Investments	<u>8,421,874</u>	<u>5,709,085</u>	<u>14,130,959</u>	-	<u>686,971</u>
Total	<u>\$ 19,697,227</u>	<u>\$ 9,557,722</u>	<u>\$ 29,254,949</u>	<u>\$ 2,014,745</u>	<u>\$ 11,677,533</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)	\$ 15,110,018	\$ 2,014,745	\$ 10,988,170
Investments	14,130,959	-	686,971
Petty Cash and Cash on Hand	<u>13,972</u>	-	<u>2,392</u>
Total	<u>\$ 29,254,949</u>	<u>\$ 2,014,745</u>	<u>\$ 11,677,533</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*	\$ 200,076	\$ 200,076	\$ -	\$ -	\$ -
Governmental					
Fixed Income	13,881,706	-	250,400	799,500	12,831,806
Money Market*	49,177	49,177	-	-	-
Total Investments	<u>\$ 14,130,959</u>	<u>\$ 249,253</u>	<u>\$ 250,400</u>	<u>\$ 799,500</u>	<u>\$ 12,831,806</u>

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, 2021:

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, 2021:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Governmental Fixed Income	\$13,881,706	\$ -	\$13,881,706	\$ -
Total	<u>\$13,881,706</u>	<u>\$ -</u>	<u>\$13,881,706</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	\$ 8,750	\$ -	\$ 2,810,482
Construction in Progress	<u>17,470</u>	<u>32,092</u>	<u>(17,470)</u>	<u>32,092</u>
Subtotal	<u>2,819,202</u>	<u>40,842</u>	<u>(17,470)</u>	<u>2,842,574</u>
<i>Capital assets being depreciated:</i>				
Buildings	21,548,059	829,623	17,470	22,395,152
Leasehold Improvements	24,854	-	-	24,854
Furniture & Fixtures	895,452	-	-	895,452
Equipment:				
Data Handling	2,026,681	180,609	-	2,207,290
Other Equipment	2,673,652	39,040	-	2,712,692
Vehicles	2,084,876	244,762	-	2,329,638
Infrastructure	<u>37,130</u>	<u>14,400</u>	<u>-</u>	<u>51,530</u>
Subtotal	<u>29,290,704</u>	<u>1,308,434</u>	<u>17,470</u>	<u>30,616,608</u>
<i>Less accumulated depreciation for:</i>				
Buildings	(12,682,492)	(576,272)	(7,873)	(13,266,637)
Leasehold improvements	(24,854)	-	(9,325)	(34,179)
Furniture & Fixtures	(866,317)	(18,568)	-	(884,885)
Equipment:				
Data Handling	(1,895,661)	(67,865)	-	(1,963,526)
Other Equipment	(1,436,196)	(55,810)	-	(1,492,006)
Vehicles	(1,749,915)	(160,973)	-	(1,910,888)
Infrastructure	<u>(22,960)</u>	<u>(2,717)</u>	<u>-</u>	<u>(25,677)</u>
Subtotal	<u>(18,678,395)</u>	<u>(882,205)</u>	<u>(17,198)</u>	<u>(19,577,798)</u>
Net Capital Assets Being Depreciated	<u>10,612,309</u>	<u>426,229</u>	<u>272</u>	<u>11,038,810</u>
Capital Assets – Net	<u>\$ 13,431,511</u>	<u>\$ 467,071</u>	<u>\$ (17,198)</u>	<u>\$ 13,881,384</u>

NOTE 4 - CAPITAL ASSETS (Continued)

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

Governmental Activities:	
General Government	\$ 348,060
Judicial	14,688
Public Safety	186,862
Recreation and Culture	<u>332,595</u>
Total Governmental Activities	<u>\$ 882,205</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	2,746,134	-	-	2,746,134
Furniture & Fixtures	6,000	-	-	6,000
Vehicles	2,436,955	151,604	(231,362)	2,357,197
Equipment	392,227	-	-	392,227
Infrastructure	<u>12,779,602</u>	<u>-</u>	<u>-</u>	<u>12,779,602</u>
Subtotal	<u>18,360,918</u>	<u>151,604</u>	<u>(231,362)</u>	<u>18,281,160</u>
<i>Less accumulated depreciation for:</i>				
Buildings	(1,638,122)	(110,715)	-	(1,748,837)
Furniture & Fixtures	(6,000)	-	-	(6,000)
Vehicles	(1,871,847)	(127,749)	231,362	(1,768,234)
Equipment	(311,474)	(23,625)	-	(335,099)
Infrastructure	<u>(9,006,299)</u>	<u>(516,805)</u>	<u>-</u>	<u>(9,523,104)</u>
Subtotal	<u>(12,833,742)</u>	<u>(778,894)</u>	<u>231,362</u>	<u>(13,381,274)</u>
Net Capital Assets Being Depreciated	<u>5,527,176</u>	<u>(627,290)</u>	<u>-</u>	<u>4,899,886</u>
Capital Assets – Net	<u>\$ 5,627,174</u>	<u>\$ (627,290)</u>	<u>\$ -</u>	<u>\$ 4,999,884</u>

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

Business-type Activities:	
Bus System 9/30/2021	\$ 174,372
Airport	592,221
University Center Metropolitan Area Network	<u>12,301</u>
Total Business-Type Activities	<u>\$ 778,894</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	249,128	-	947,873
Vehicles	<u>2,672,981</u>	<u>-</u>	<u>-</u>	<u>2,672,981</u>
Subtotal	<u>4,972,270</u>	<u>249,128</u>	<u>-</u>	<u>5,221,398</u>
<i>Less Accumulated Depreciation:</i>				
Buildings	(871,110)	(64,022)	-	(935,132)
Other Equipment	(649,975)	(64,155)	-	(714,130)
Vehicles	<u>(1,960,811)</u>	<u>(169,635)</u>	<u>-</u>	<u>(2,130,446)</u>
Subtotal	<u>(3,481,896)</u>	<u>(297,812)</u>	<u>-</u>	<u>(3,779,708)</u>
Net Capital Assets Being Depreciated	<u>1,490,374</u>	<u>(48,684)</u>	<u>-</u>	<u>1,441,690</u>
Total Net Capital Assets	<u>\$ 1,490,374</u>	<u>\$ (48,684)</u>	<u>\$ -</u>	<u>\$ 1,441,690</u>

OTSEGO COUNTY ROAD COMMISSION

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

	<u>Beginning Balances 01/01/21</u>	<u>Additions</u>	<u>Adjustments/ Deductions</u>	<u>Ending Balances 12/31/21</u>
<i>Capital Assets Not Being Depreciated</i>				
Land	\$ 125,501	\$ -	\$ -	\$ 125,501
Land Improvements – Infrastructure	<u>12,618,821</u>	<u>779,519</u>	<u>-</u>	<u>13,398,340</u>
Subtotal	<u>12,744,322</u>	<u>779,519</u>	<u>-</u>	<u>13,523,841</u>
<i>Capital Assets Being Depreciated</i>				
Buildings	3,936,130	-	-	3,936,130
Road Equipment	8,357,850	642,321	15,173	8,984,998
Shop Equipment	106,679	-	12,413	94,266
Office Equipment	46,846	-	-	46,846
Engineers' Equipment	13,562	-	4,979	8,583
Yard and Storage Equipment	1,800	-	-	1,800
Traffic Signals	49,557	-	-	49,557
Infrastructure – Bridges	1,287,553	159,281	-	1,446,834
Infrastructure – Roads	<u>35,428,190</u>	<u>917,726</u>	<u>1,110,789</u>	<u>35,235,127</u>
Subtotal	<u>49,228,167</u>	<u>1,719,328</u>	<u>1,143,354</u>	<u>49,804,141</u>

NOTE 4 - CAPITAL ASSETS (Continued)

	Beginning Balances 01/01/21	Additions	Adjustments/ Deductions	Ending Balances 12/31/21
<i>Less Accumulated Depreciation</i>				
Buildings	2,152,791	87,241	-	2,240,032
Road Equipment	7,069,110	601,996	15,173	7,655,933
Shop Equipment	106,552	127	12,413	94,266
Office Equipment	41,237	2,413	-	43,650
Engineers' Equipment	13,562	-	4,979	8,583
Yard and Storage Equipment	1,800	-	-	1,800
Traffic Signals	46,356	320	-	46,676
Infrastructure – Bridges	385,206	31,568	-	416,774
Infrastructure – Roads	15,052,050	1,711,091	1,110,789	15,652,352
Subtotal	<u>24,868,664</u>	<u>2,434,756</u>	<u>1,143,354</u>	<u>26,160,066</u>
Net Capital Assets Being Depreciated	<u>24,359,503</u>	<u>(715,428)</u>	<u>-</u>	<u>23,644,075</u>
Capital Assets - Net	<u>\$ 37,103,825</u>	<u>\$ 64,091</u>	<u>\$ -</u>	<u>\$ 37,167,916</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	\$ 2,750,000	\$ -	\$ 2,890,189
<i>Less accumulated depreciation</i>	<u>(140,189)</u>	<u>-</u>	<u>-</u>	<u>(140,189)</u>
Net Capital Assets	<u>\$ -</u>	<u>\$ 2,750,000</u>	<u>\$ -</u>	<u>\$ 2,750,000</u>

NOTE 5 - RECEIVABLES

	Governmental Activities	Business-type Activities	Component Units
Accounts	\$ 2,990,242	\$ 146,923	\$ 3,115,260
Less:			
Allowance for uncollectible accounts	-	-	(427,000)
Due from other governments	-	-	-
Loans	-	-	-
Interest	-	86,430	-
Totals	<u>\$ 2,990,242</u>	<u>\$ 233,353</u>	<u>\$ 2,688,260</u>

NOTE 6 - INTERFUND RECEIVABLES, PAYABLES, & TRANSFERS

The composition of interfund balances as of December 31, 2021, 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
Primary Government	\$ 182,936	\$ -
Ambulance	-	189,872
	\$ 182,936	\$ 189,872

Advances differ because of the timing of a principal payment of \$6,936 between the Ambulance and the County.

All 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) payment between funds are made.

	Transfers In	Transfers Out
General Fund	\$ 72,300	\$ 761,451
Housing Commission	163,953	163,953
Library Millage	-	484,201
Nonmajor governmental funds	1,246,022	18,300
Delinquent Tax Fund	-	151,403
Airport	87,533	-
Nonmajor enterprise funds	12,000	-
Internal service funds	-	2,500
	\$ 1,581,808	\$ 1,581,808

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, 2021, 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	\$ 780,000	\$ -	\$ (385,000)	\$ 395,000	\$ 395,000
Total Installment Debt			780,000	-	(385,000)	395,000	395,000
Premium on Bond Issuance			7,018	-	(3,510)	3,508	3,508
Accrued Compensated Absences			216,490	533,110	(513,993)	235,607	-
Total Governmental Activities Debt			\$ 1,003,508	\$ 533,110	\$ (902,503)	\$ 634,115	\$ 398,508

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>
2022	\$ 395,000	\$ 7,900
Total	\$ 395,000	\$ 7,900

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>01/01/21</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>12/31/21</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.	\$ 204,131	\$ -	\$ 22,082	\$ 182,049	\$ 22,815
equipment, payable in annual installments of \$14,122 including interest of 4.18%, due 2023.	<u>130,516</u>	<u> </u>	<u>8,588</u>	<u>121,928</u>	<u>121,928</u>
Subtotal	334,647	-	30,670	303,977	<u>\$ 144,743</u>
Vested Employee Benefits (1)	<u>223,514</u>	<u>1,455</u>	<u>-</u>	<u>224,969</u>	
TOTAL LONG-TERM DEBT	<u>\$ 558,161</u>	<u>\$ 1,455</u>	<u>\$ 30,670</u>	<u>\$ 528,946</u>	

(1) Net increase.

<u>Year End December 31</u>	<u>Installments Payable</u>	
	<u>Principal</u>	<u>Interest</u>
2022	\$ 144,743	\$ 11,214
2023	23,573	5,286
2024	<u>135,661</u>	<u>4,504</u>
Total	<u>\$ 303,977</u>	<u>\$ 21,004</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, 2021, 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,	
	2021	2020
Estimated liability, beginning of year	\$ 43,253	\$ 30,256
Receipts	58,700	60,019
Estimated claims incurred	(65,608)	(44,369)
Claim payments	(20,113)	(2,653)
Estimated liability, end of year	\$ 16,232	\$ 43,523
	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, 2021 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, 2021, 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, 2021, 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, 2021, Otsego County property taxes were reduced by \$11,317 under this program.

Bagley Township Tax Abatements: For the year ended December 31, 2021, Otsego County property taxes were reduced by \$7,294 under this program.

Corwith Township Tax Abatements: For the year ended December 31, 2021, Otsego County property taxes were reduced by \$1,422 under this program.

Livingston Township Tax Abatements: For the year ended December 31, 2021, Otsego County property taxes were reduced by \$1,221 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, 2021, 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, 2021, 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 – Gnl Non Union: Closed to new hires

	<u>2020 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>2020 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 – Gnl Local 214 Bus: Closed to new hires

	<u>2020 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>2020 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>2020 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>2020 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>2020 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>2020 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>20120 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>2020 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>2020 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>2020 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>2020 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>2020 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>2020 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>2020 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>2020 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>2020 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, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	113
Inactive employees entitled to but not yet receiving benefits	61
Active employees	<u>93</u>
	267

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	\$	10,975	21	\$	1,482
07	\$	291	70	\$	0
10	\$	2,178	HA	\$	0
11	\$	5,113	HB	\$	2,178
13	\$	30,256	HC	\$	4,242
14	\$	14,487	HD	\$	1,670
16	\$	4,740	HE	\$	633
17	\$	1,437	HF	\$	0
20	\$	10,705	HG	\$	1,437

NOTE 12 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

Net Pension Liability

The County’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	3.00%
Salary increases	3.50% in the long-term
Investment rate of return	7.35%, 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%	5.25%
Global Fixed Income	20.00%	1.25%
Private Investment	20.00%	7.25%

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, 2019	\$ 24,509,942	\$ 16,001,747	\$ 8,508,195
Service cost	313,918	-	313,918
Interest on total pension liability	1,819,682	-	1,819,682
Changes in benefits	(196,491)	-	(196,491)
Difference between expected and actual experience	378,255	-	378,255
Changes in assumptions	1,002,405	-	1,002,405
Employer contributions	-	1,329,086	(1,329,086)
Employee contributions	-	45,526	(45,526)
Net investment income	-	2,073,805	(2,073,805)
Benefit payments, including employee refunds	(1,447,430)	(1,447,430)	-
Other	(12,291)	-	(12,291)
Administrative expense	-	(32,315)	32,315
Net changes	<u>1,858,048</u>	<u>1,968,672</u>	<u>(110,624)</u>
Balances as of December 31, 2020	<u>\$ 26,367,990</u>	<u>\$ 17,970,419</u>	<u>\$ 8,397,571</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	\$11,199,094	\$8,397,571	\$5,616,579

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, 2021, the County recognized pension expense of \$969,874. At December 31, 2021, 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	\$ 256,893	\$ 34,355
Changes in assumptions	1,117,326	-
Net difference between projected and actual earnings on pension plan investments	-	631,571
Contributions subsequent to the measurement date	1,336,715	-
Total	\$ 2,710,934	\$ 665,926

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:

2022	\$ 428,101
2023	570,424
2024	(118,086)
2025	(172,146)

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	
	2020 Valuation
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	
	2020 Valuation
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	
	2020 Valuation
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, 2021, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	48
Inactive employees entitled to but not yet receiving benefits	10
Active employees	<u>32</u>
	90

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 2021 of \$17,893 of nonunion payroll and \$30,622 of general employees.

Net Pension Liability

The Road Commission’s net pension liability was measured as of December 31, 2021, 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	7.35 %, net of interest and administrative expense including inflation

Mortality rates used were based on the Pub 2010 General employees and health retirees, head-count weighted, with MP-2019 improvement scale.

The actuarial assumptions used in valuation were based on the results of the most recent actuarial experience study of January 1, 2014, through December 31, 2018.

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%	5.25%
Global Fixed Income	20.00%	1.25%
Private Investments	20.00%	7.25%

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, 2020	\$ 13,590,093	\$ 10,139,010	\$ 3,451,083
Service cost	205,702	-	205,702
Interest on total pension liability	1,008,462	-	1,008,462
Changes in benefits	(13,367)	-	(13,367)
Difference between expected and actual experience	94,043	-	94,043
Changes in assumptions	278,276	-	278,276
Employer contributions	-	676,103	(676,103)
Employee contributions	-	121,826	(121,826)
Net investment income	-	1,425,633	(1,425,633)
Benefit payments, including employee refunds	(847,422)	(847,422)	-
Administrative expense	-	(16,377)	16,377
Other changes	(50,705)	-	(50,705)
Net changes	674,989	1,359,763	(684,774)
Balances as of December 31, 2021	\$ 14,265,082	\$ 11,498,773	\$ 2,766,309

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	Current Discount Rate	1% Increase
	(6.60%)	(7.60%)	(8.60%)
Road Commission’s net pension liability	\$4,321,476	\$2,766,309	\$1,448,058

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, 2021, the Road Commission recognized pension expense of \$206,020. At December 31, 2021, 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	\$ -	\$ 15,453
Difference between expected and actual experience	68,178	-
Changes in assumptions	313,006	-
Net difference between projected and actual earnings on pension plan investments	-	852,252
Total	<u>\$ 381,184</u>	<u>\$ 867,705</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>	
2022	\$ 96,788
2023	(206,498)
2024	(240,243)
2025	(136,568)

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 2021, the County contributed \$67,380 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	13
Inactive employees entitled to but not yet receiving benefits	-
Active employees	<u>2</u>
 Total participants covered by OPEB Plan	 <u>15</u>

Total OPEB Liability and Trust Assets - The County's total OPEB liability of \$1,011,280 was measured as of December 31, 2021, and was determined by an actuarial valuation as of that date.

NOTE 14 - OTHER POST EMPLOYMENT BENEFITS PLAN (Continued)

As of December 31, 2021, 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, 2021 and the following actuarial assumptions, applies to all periods included in the measurement:

Inflation	Included in investment rate
Salary Increases	3.0%
Investment rate of return	NA
20-year Aa Municipal bond rate	2.25%
Mortality	Public General and Police, Headcount-weighted 2010 Employee and Healthy Retiree with MP-2021 Mortality Improvement Scale

Discount Rate - The discount rate used to measure the total OPEB liability was 2.25%. 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, 2021 was 1.93%.

	Increases (Decreases)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at December 31, 2020	\$ 1,339,595	\$ -	\$ 1,339,595
Service cost	5,020	-	5,020
Interest	25,301	-	25,301
Change in plan term	-	-	-
Difference between expected and actual experience Assumptions	(232,040)	-	(232,040)
Employer contributions	(59,216)	-	(59,216)
Net investment income	-	67,380	(67,380)
Benefit Payments	-	-	-
Administrative expense	(67,380)	(67,380)	-
	-	-	-
Net changes	(328,315)	-	(328,315)
Balances as of December 31, 2021	\$ 1,011,280	\$ -	\$ 1,011,280

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	\$1,116,739	\$1,011,280	\$921,910

	<u>1% Decrease</u>	<u>Trend Current Rate</u>	<u>1% Increase</u>
Net OPEB Liability	\$921,504	\$1,011,280	\$1,115,409

OPEB Expense - Components of County’s OPEB Expense for the fiscal year ending December 31, 2021 are as follows:

	<u>12/31/2021</u>
Service Cost	\$ 5,020
Interest on Total OPEB Liability	25,301
Experience (Gains)/Losses	(232,040)
Changes of Assumptions	(59,216)
Changes in Plan Terms	-
Other Changes in Fiduciary Net Position	<u>-</u>
Total OPEB Expense	<u>\$ (260,935)</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>		
2022	\$	-
2023		-
2024		-
2025		-
2026		-

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 2021, the Commission contributed \$534,715 to the plan.

Employees Covered by Benefit Terms

As of December 31, 2021, 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>

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, head with MP-2021 mortality improvement.
20 year Aa Municipality Bond rate	2.25%

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 7.0%. The projection of cash flows used to determine the discount rate assumed that Employer contributions of \$800,000 will be made to the trust. 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, 2020	\$ 4,516,347	\$ 2,152,187	\$ 2,364,160
Change in assumptions	64,745	-	64,745
Service cost	173,392	-	173,392
Interest	(69,503)	-	(69,503)
Experience (Gains)/Losses	(969,366)	-	(969,366)
Contributions to OPEB Trust	-	333,340	(333,340)
Contributions paid from operations	-	201,375	(201,375)
Net investment income	-	253,378	(253,378)
Benefit payments	(201,375)	(201,375)	-
Administrative expense	-	(12,517)	12,517
Net changes	<u>(1,002,107)</u>	<u>574,201</u>	<u>(1,576,308)</u>
Balances as December 31, 2021	<u>\$ 3,514,240</u>	<u>\$ 2,726,388</u>	<u>\$ 787,852</u>

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	\$ 1,023,385	\$ 787,852	\$ 578,277

Trend

	<u>1% Decrease</u>	<u>Current Rate</u>	<u>1% Increase</u>
Net OPEB Liability	\$ 543,872	\$ 787,852	\$ 1,059,814

OPEB Expense – Components of Road Commission’s OPEB Expense for the fiscal year ending December 31, 2021 are as follows:

Changes in Assumptions	\$ 64,745
Service Cost	173,392
Interest on Total OPEB Liability	(111,457)
Experience Losses	(962,378)
Projected Earnings on OPEB Plan Investments	(161,882)
Investment Earnings (Gains)/Losses	(51,461)
Administrative Expenses	<u>12,517</u>
Total OPEB Expense	<u>\$ (1,036,524)</u>

Deferred Outflows and Inflows of Resources Related to OPEB Plan

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Investment Earnings (Gains)/Losses	\$ -	\$ <u>176,270</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>	
2022	\$ (51,462)
2023	(60,943)
2024	(45,565)
2025	(18,300)

Required Supplementary Information

Required Supplementary Information
Employee Retirement and Benefit Systems
Schedule of Changes in Pension Liability
Year Ended December 31, 2021

	2020	2019	2018	For MERS Years Ending 12/31		2015	2014
				2017	2016		
Total pension liability							
Service cost	\$ 313,918	\$ 388,399	\$ 370,158	\$ 336,412	\$ 349,718	\$ 348,000	\$ 338,932
Interest	1,819,682	1,749,783	1,767,809	1,719,681	1,696,843	1,543,901	1,479,439
Changes in benefits	(196,491)	(386,275)	391	(91,145)	(10,695)	-	-
Difference between expected and actual experience	378,255	(65,132)	11,745	(48,394)	(503,144)	724,207	-
Changes in assumptions	1,002,405	746,482	-	-	-	1,036,885	-
Benefit payments, including refund of member contributions	(1,447,430)	(1,384,939)	(1,392,250)	(1,271,380)	(1,209,751)	(1,104,777)	(978,368)
Other changes	(12,291)	80,821	14,309	(54)	-	-	-
Net change in total pension liability	1,858,048	1,129,139	772,162	645,120	322,971	2,548,216	840,003
Total pension liability - beginning	24,509,942	23,380,803	22,608,641	21,963,521	21,640,550	19,092,334	18,252,331
Total pension liability - ending	<u>\$ 26,367,990</u>	<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	\$ 1,329,086	\$ 1,062,073	\$ 1,128,063	\$ 1,096,794	\$ 865,641	\$ 693,476	\$ 640,433
Contributions - employee	45,526	49,203	46,517	30,679	7,937	5,905	3,630
Net investment income	2,073,805	1,942,926	(598,116)	1,806,557	1,422,497	(195,083)	800,044
Benefit payments, including refunds of member contributions	(1,447,430)	(1,384,939)	(1,392,250)	(1,271,380)	(1,209,751)	(1,104,777)	(978,368)
Administrative expense	(32,315)	(33,464)	(29,330)	(28,580)	(28,053)	(28,591)	(29,357)
Other changes	-	-	(12,290)	(57)	-	-	-
Net change in plan fiduciary net position	1,968,672	1,635,799	(857,406)	1,634,013	1,058,271	(629,070)	436,382
Plan fiduciary net position - beginning	16,001,747	14,365,948	15,223,354	13,589,341	12,531,070	13,160,140	12,723,758
Plan fiduciary net position - ending	<u>\$ 17,970,419</u>	<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>\$ 8,397,571</u>	<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	68.2%	65.3%	61.4%	67.3%	61.9%	57.9%	68.9%
Covered - employee payroll	\$ 5,065,928	\$ 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	165.8%	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, 2021**

	For MERS Years Ending 12/31									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Actuarially determined contribution	\$ 1,047,430	\$ 959,573	\$ 878,063	\$ 934,199	\$ 856,396	\$ 715,641	\$ 693,477	\$ 640,433	\$ 727,962	\$ 705,702
Contributions in relation to the actuarially determined contribution	<u>(1,447,430)</u>	<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>
Contribution deficiency (excess)	<u>\$ (400,000)</u>	<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>
Covered - employee payroll	\$ 5,146,779	\$ 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
Contributions as a percentage of covered-employee payroll	28%	21%	24%	27%	24%	19%	16%	15%	18%	18%

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, 2021

	2021	2020	2019	2018
Total OPEB Liability - Beginning of Year	\$ 1,339,595	\$ 1,220,934	\$ 1,930,701	\$ 1,848,952
Service cost	5,020	4,303	48,184	46,710
Interest	25,301	38,728	60,282	58,758
Change in Plan Term	-	-	(510,178)	-
Assumption changes and differences between actual and expected experience	(291,256)	150,130	(236,836)	48,727
Benefit payments	(67,380)	(74,500)	(71,219)	(72,446)
OPEB Liability - End of Year	<u>1,011,280</u>	<u>1,339,595</u>	<u>1,220,934</u>	<u>1,930,701</u>
Plan fiduciary net position				
Contributions - employer	67,380	74,500	71,219	72,446
Net investment income	-	-	-	-
Benefits payments, including refunds of member contributions	(67,380)	(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	<u>\$ 1,011,280</u>	<u>\$ 1,339,595</u>	<u>\$ 1,220,934</u>	<u>\$ 1,930,701</u>
Plan fiduciary net position as a percentage of the total OPEB liability	42.9%	42.9%	42.9%	42.9%
Covered Payroll	\$ 81,566	\$ 59,734	\$ 1,259,742	\$ 4,401,556
Net OPEB liability as a percentage of covered payroll	1239.8%	2242.6%	33.1%	33.1%
Schedule of Employer Contributions				
Actuarially determined employer contribution	90,008	88,495	155,657	155,520
Employer contribution	(67,380)	(74,500)	(71,219)	(72,446)
Contribution deficiency/(excess)	<u>22,628</u>	<u>13,995</u>	<u>84,438</u>	<u>83,074</u>
Covered Payroll	\$ 81,566	\$ 59,734	\$ 4,401,556	\$ 4,401,556
ADC as percentage of covered payroll	110.3%	148.1%	11.2%	11.2%

Notes to Schedule:

Actuarially determined contribution rates are calculated as of December 31, 2021

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Discount rate	2.25%, 20 year Aa Municipal Band Rate
Salary increases	3.0%, 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 Heathly Retiree, Headcount weighted with MP-2021 Improvement Scale

Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended December 31, 2021

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Taxes and Penalties	\$ 5,545,293	\$ 5,545,293	\$ 5,554,856	\$ 9,563
Licenses and Permits	47,200	47,200	48,988	1,788
Federal Sources	101,894	111,794	90,452	(21,342)
State Sources	1,551,905	1,551,905	1,361,676	(190,229)
Local Contributions	20,500	28,600	36,134	7,534
Charges for Services	1,048,055	1,153,665	1,194,857	41,192
Fines and Forfeits	12,025	12,025	13,640	1,615
Interest and Rentals	169,833	169,833	95,218	(74,615)
Other Revenues	597,053	591,882	568,154	(23,728)
TOTAL REVENUES	9,093,758	9,212,197	8,963,975	(248,222)
EXPENDITURES:				
Legislative:				
Board of Commissioners	222,942	218,242	206,570	11,672
Judicial:				
Circuit Court	1,123,128	1,133,028	1,006,271	126,757
Lien Fees	10,500	18,600	16,133	2,467
Drug Court	181,874	153,741	117,898	35,843
RDSS Transport	15,000	15,000	1,523	13,477
District Court	5,000	14,876	14,376	500
Jury Commission	43,900	18,718	18,716	2
Probate Court	204,587	204,587	200,489	4,098
Probation/Parole	1,500	1,500	1,142	358
Prosecuting Attorney	597,918	532,264	514,769	17,495
Family Counseling	3,500	3,500	968	2,532
Total Judicial	2,186,907	2,095,814	1,892,285	203,529
General Government:				
Administrative Services	261,245	261,245	261,245	-
Building and Grounds	324,240	324,240	324,240	-
Clerk and Register of Deeds	387,342	400,127	370,428	29,699
Audit Services	15,000	15,000	14,385	615
IT Department	100,850	95,895	90,576	5,319
Equalization	197,496	197,496	190,262	7,234
Treasurer	140,888	143,431	142,083	1,348
Cooperative Extension	62,695	60,195	59,233	962
Elections	20,300	47,119	47,119	-
Legal Defense	40,000	60,000	56,055	3,945
Human Resources	106,919	106,919	106,919	-
Surveyor	200	200	200	-
Soil Conservation	4,000	4,000	4,000	-
Survey and Remonumentation	35,586	35,586	35,586	-
Total General Government	1,696,761	1,751,453	1,702,331	49,122
Public Safety:				
Sheriff	1,331,379	1,421,933	1,316,065	105,868
Civil Division	95,448	95,448	87,882	7,566
Justice Training	3,000	3,000	1,200	1,800
Marine Safety	8,190	8,190	7,232	958
Motorcycle Safety Education	52,000	57,792	51,807	5,985
Snowmobile	10,200	10,200	5,927	4,273
Secondary Road Patrol	91,712	91,712	77,993	13,719
ORV	9,104	9,104	8,246	858
Jail	1,229,433	1,289,428	1,286,621	2,807
Emergency Services	40,000	40,000	40,000	-
Total Public Safety	2,870,466	3,026,807	2,882,973	143,834

**Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended December 31, 2021**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Public Works:				
Drains	6,000	6,000	4,390	1,610
Health And Welfare:				
Communicable Diseases	500	500	500	-
Medical Examiner	87,000	85,000	56,568	28,432
District Health	251,102	251,102	251,102	-
Mental Health	94,003	94,003	94,003	-
Soldiers and Sailors Relief	5,000	6,000	2,659	3,341
Veterans' Burial	6,550	6,550	4,135	2,415
Veterans' Affairs	176,064	176,064	172,053	4,011
Substance Abuse	91,039	91,039	86,909	4,130
Total Health and Welfare	711,258	710,258	667,929	42,329
Community and Economic Development:				
Planning and Zoning	117,686	118,841	118,340	501
Capital Outlay	14,000	7,624	-	7,624
Other Expenditures:				
Appropriations	21,500	21,500	21,500	-
Bonds and Insurance	229,780	229,780	229,407	373
Retiree Insurance	59,800	59,800	53,979	5,821
Additional Pension Contribution	184,691	184,691	184,691	-
Other	125,600	92,236	42,544	49,692
Total Other Expenditures	621,371	588,007	532,121	55,886
TOTAL EXPENDITURES	8,447,391	8,523,046	8,006,939	514,497
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	646,367	689,151	957,036	267,885
OTHER FINANCING SOURCES (USES):				
Transfers In	52,300	72,300	72,300	-
Transfers Out	(698,667)	(761,451)	(761,451)	-
Total Other Financing Sources (Uses)	(646,367)	(689,151)	(689,151)	-
NET CHANGE IN FUND BALANCES	\$ -	\$ -	267,885	\$ 267,885
FUND BALANCES BEGINNING OF YEAR			6,159,950	
FUND BALANCES END OF YEAR			\$ 6,427,835	

**Required Supplementary Information
Budgetary Comparison Schedule
Housing Commission Fund
For the Year Ended December 31, 2021**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Federal Sources	\$ 97,500	\$ 165,927	\$ 54,801	\$ (111,126)
Local Sources	30,000	30,000	4,007	(25,993)
Interest and Rentals	100	100	23	(77)
Other Revenues	8,470	10,470	114,826	104,356
	136,070	206,497	173,657	(32,840)
TOTAL REVENUES				
EXPENDITURES:				
Community and Economic Development	137,570	136,662	98,457	38,205
	137,570	136,662	98,457	38,205
TOTAL EXPENDITURES				
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	(1,500)	69,835	75,200	5,365
OTHER FINANCING SOURCES (USES):				
Transfers In	99,780	99,780	163,953	64,173
Transfers Out	(98,280)	(169,615)	(163,953)	5,662
	Total Other Financing Sources (Uses)			
NET CHANGE IN FUND BALANCES	\$ -	\$ -	75,200	\$ 75,200
FUND BALANCES BEGINNING OF YEAR			114,742	
FUND BALANCES END OF YEAR			\$ 189,942	

County of Otsego, Michigan

**Required Supplementary Information
Budgetary Comparison Schedule
Library
For the Year Ended December 31, 2021**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Taxes and Penalties	\$ 536,452	\$ 536,452	\$ 525,731	\$ (10,721)
Federal Sources	9,250	9,250	13,250	4,000
State Sources	23,805	23,805	35,171	11,366
Fines and Forfeits	133,424	133,424	175,722	42,298
Interest and Rentals	16,200	16,200	12,287	(3,913)
Other Revenues	19,000	19,000	44,262	25,262
TOTAL REVENUES	738,131	738,131	806,423	68,292
EXPENDITURES:				
Recreation & Culture	776,780	776,780	672,972	103,808
TOTAL EXPENDITURES	776,780	776,780	672,972	103,808
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	(38,649)	(38,649)	133,451	172,100
OTHER FINANCING SOURCES (USES):				
Transfers In	38,649	38,649	-	(38,649)
Total Other Financing Sources (Uses)				
NET CHANGE IN FUND BALANCES	\$ -	\$ -	133,451	\$ 133,451
FUND BALANCES BEGINNING OF YEAR			795,755	
FUND BALANCES END OF YEAR			\$ 929,206	

**Required Supplementary Information
Budgetary Comparison Schedule
American Rescue Plan Act (ARPA) Fund
For the Year Ended December 31, 2021**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Interest and Rentals	-	3,800	12,857	9,057
TOTAL REVENUES	<u>-</u>	<u>3,800</u>	<u>12,857</u>	<u>9,057</u>
EXPENDITURES:				
General Government	-	3,800	3,800	-
TOTAL EXPENDITURES	<u>-</u>	<u>3,800</u>	<u>3,800</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	<u>\$ -</u>	<u>\$ -</u>	9,057	<u>\$ 9,057</u>
FUND BALANCES BEGINNING OF YEAR			<u>-</u>	
FUND BALANCES END OF YEAR			<u>\$ 9,057</u>	

Supplementary Information

	General	Budget Stabilization	Legal Defense	Soldiers and Sailors Relief	Totals
ASSETS:					
Cash and Equivalents	\$ 1,997,719	\$ 710,569	\$ 29,991	\$ 6,024	\$ 2,744,303
Investments	3,304,102	314,513	-	-	3,618,615
Receivables:					
Taxes	319,915	-	-	-	319,915
Accounts	25,566	-	-	-	25,566
Due from Other Governmental Units	180,508	-	-	-	180,508
Inventories	11,984	-	-	-	11,984
Prepaid Expense	39,701	-	-	-	39,701
TOTAL ASSETS	\$ 5,879,495	\$ 1,025,082	\$ 29,991	\$ 6,024	\$ 6,940,592
LIABILITIES:					
Accounts Payable	\$ 220,908	\$ -	\$ 5,173	\$ -	\$ 226,081
Accrued Liabilities	217,348	-	-	-	217,348
Unearned Revenue	69,328	-	-	-	69,328
TOTAL LIABILITIES	507,584	-	5,173	-	512,757
FUND BALANCES:					
Nonspendable	51,685	-	-	-	51,685
Assigned	-	1,025,082	24,818	6,024	1,055,924
Unassigned	5,320,226	-	-	-	5,320,226
TOTAL FUND BALANCES	5,371,911	1,025,082	24,818	6,024	6,427,835
TOTAL LIABILITIES AND FUND BALANCES	\$ 5,879,495	\$ 1,025,082	\$ 29,991	\$ 6,024	\$ 6,940,592

**Combining Statement of Revenues, Expenditures, and
Changes in Fund Balance - General Fund
For the Year Ended December 31, 2021**

	General	Budget Stabilization	Legal Defense	Soldiers and Sailors Relief	Totals
REVENUES:					
Taxes and Penalties	\$ 5,554,856	\$ -	\$ -	\$ -	\$ 5,554,856
Licenses and Permits	48,988	-	-	-	48,988
Federal Sources	90,452	-	-	-	90,452
State Sources	1,361,676	-	-	-	1,361,676
Local Sources	36,134	-	-	-	36,134
Charges for Services	1,194,857	-	-	-	1,194,857
Interest and Rentals	88,287	6,912	19	-	95,218
Fines and Forfeitures	13,640	-	-	-	13,640
Other Revenue	567,154	-	-	1,000	568,154
TOTAL REVENUES	8,956,044	6,912	19	1,000	8,963,975
EXPENDITURES:					
Legislative	206,570	-	-	-	206,570
Judicial	1,892,285	-	-	-	1,892,285
General Government	1,646,277	-	56,054	-	1,702,331
Public Safety	2,882,973	-	-	-	2,882,973
Public Works	4,390	-	-	-	4,390
Health and Welfare	665,270	-	-	2,659	667,929
Community/Economic Development	118,340	-	-	-	118,340
Other Expenditures	532,121	-	-	-	532,121
TOTAL EXPENDITURES	7,948,226	-	56,054	2,659	8,006,939
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	1,007,818	6,912	(56,035)	(1,659)	957,036
OTHER FINANCING SOURCES (USES):					
Transfers In	12,300	-	60,000	-	72,300
Transfers Out	(761,451)	-	-	-	(761,451)
Total Other Financing Sources (Uses)	(749,151)	-	60,000	-	(689,151)
NET CHANGE IN FUND BALANCES	258,667	6,912	3,965	(1,659)	267,885
FUND BALANCES BEGINNING OF YEAR	5,113,244	1,018,170	20,853	7,683	6,159,950
FUND BALANCES END OF YEAR	\$ 5,371,911	\$ 1,025,082	\$ 24,818	\$ 6,024	\$ 6,427,835

	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	\$ 3,950	\$ 321,771	\$ 168,743	\$ 346,466	\$ 99,391	\$ 8,213	\$ 103,096	\$ 112,323
Investments	-	-	-	-	300,000	-	187,058	-
Taxes Receivable	-	-	4,383	-	410,830	-	341,899	-
Accounts Receivable	-	-	-	80	-	-	350	-
Advance to Component Units	-	-	-	-	-	-	-	-
Due from Other Governmental Units	9,425	-	-	68,548	6,513	-	-	-
Prepaid Items	104	-	-	10,584	311	-	-	-
TOTAL ASSETS	\$ 13,479	\$ 321,771	\$ 173,126	\$ 425,678	\$ 817,045	\$ 8,213	\$ 632,403	\$ 112,323
LIABILITIES:								
Due to Other Funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts Payable	3,092	8,180	-	6,531	7,958	-	23,712	-
Accrued Liabilities	3,000	2,151	-	25,992	6,175	-	-	-
Unearned Revenues	-	210,000	-	-	-	-	-	-
TOTAL LIABILITIES	6,092	220,331	-	32,523	14,133	-	23,712	-
DEFERRED INFLOWS OF RESOURCES								
Taxes Levied for a Subsequent Period	-	-	4,383	-	410,830	-	341,899	-
TOTAL DEFERRED INFLOWS OF RESOURCES	-	-	4,383	-	410,830	-	341,899	-
FUND BALANCES:								
Nonspendable	104	-	-	10,584	311	-	-	-
Restricted	-	101,440	168,743	-	391,771	8,213	266,792	112,323
Committed	7,283	-	-	382,571	-	-	-	-
TOTAL FUND BALANCES	7,387	101,440	168,743	393,155	392,082	8,213	266,792	112,323
TOTAL LIABILITIES, INFLOWS OF RESOURCES AND FUND BALANCES	\$ 13,479	\$ 321,771	\$ 173,126	\$ 425,678	\$ 817,045	\$ 8,213	\$ 632,403	\$ 112,323

	Special Revenue Funds							
	Brownfield Redevelopment Authority	Building Department	Register of Deeds Automation Fund	Emergency 911 Funds	Concealed Pistol Licensing	Local Officers Training	Law Library	Department of Human Services
ASSETS:								
Cash and Equivalents	\$ 289,160	\$ 858,723	\$ 140,075	\$ 196,914	\$ 46,164	\$ 37,127	\$ 20,740	\$ 12,527
Investments	60,735	304,359	-	-	-	-	-	5,000
Taxes Receivable	-	-	-	-	-	-	-	-
Accounts Receivable	-	2,944	-	121,506	504	-	-	-
Advance to Component Units	-	-	-	-	-	-	-	-
Due from Other Governmental Units	-	-	-	-	-	-	-	-
Prepaid Items	-	830	-	11,286	-	-	-	-
TOTAL ASSETS	\$ 349,895	\$ 1,166,856	\$ 140,075	\$ 329,706	\$ 46,668	\$ 37,127	\$ 20,740	\$ 17,527
LIABILITIES:								
Due to Other Funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts Payable	-	12,234	4,929	1,763	-	-	322	99
Accrued Liabilities	-	3,363	-	-	-	-	-	-
Unearned Revenues	-	-	-	-	-	-	-	-
TOTAL LIABILITIES	-	15,597	4,929	1,763	-	-	322	99
DEFERRED INFLOWS OF RESOURCES								
Taxes Levied for a Subsequent Period	-	-	-	-	-	-	-	-
TOTAL DEFERRED INFLOWS OF RESOURCES	-	-	-	-	-	-	-	-
FUND BALANCES:								
Nonspendable	-	830	-	11,286	-	-	-	-
Restricted	349,895	1,150,429	135,146	316,657	46,668	37,127	20,418	17,428
Committed	-	-	-	-	-	-	-	-
TOTAL FUND BALANCES	349,895	1,151,259	135,146	327,943	46,668	37,127	20,418	17,428
TOTAL LIABILITIES, INFLOWS OF RESOURCES AND FUND BALANCES	\$ 349,895	\$ 1,166,856	\$ 140,075	\$ 329,706	\$ 46,668	\$ 37,127	\$ 20,740	\$ 17,527

	Special Revenue Funds							Debt
	Child Care Probate	Iron Belle Trail Maintenance	Michigan Indigent Defense	Equipment Revolving	Bradford Lake Dam	Park & Recreation	Technology Funds	Debt Service
ASSETS:								
Cash and Equivalents	\$ 142,685	\$ 11,051	\$ 93,112	\$ 970	\$ 20,351	\$ 113,183	\$ 1,475	\$ -
Investments	-	-	-	-	-	510,774	-	-
Taxes Receivable	-	-	-	-	-	342,234	-	-
Accounts Receivable	-	-	-	43,000	-	392	-	-
Advance to Component Units	-	-	-	-	-	-	-	-
Due from Other Governmental Units	7,960	2,500	-	-	-	-	-	-
Prepaid Items	2,263	-	13,007	-	-	311	-	-
TOTAL ASSETS	\$ 152,908	\$ 13,551	\$ 106,119	\$ 43,970	\$ 20,351	\$ 966,894	\$ 1,475	\$ -
LIABILITIES:								
Due to Other Funds	\$ -	\$ -	\$ -	\$ 7,000	\$ -	\$ -	\$ -	\$ -
Accounts Payable	6,666	6,770	7,856	26,619	2,100	18,493	-	-
Accrued Liabilities	9,965	-	-	-	-	6,005	-	-
Unearned Revenues	-	-	-	-	-	139,491	-	-
TOTAL LIABILITIES	16,631	6,770	7,856	33,619	2,100	163,989	-	-
DEFERRED INFLOWS OF RESOURCES								
Taxes Levied for a Subsequent Period	-	-	-	-	-	343,534	-	-
TOTAL DEFERRED INFLOWS OF RESOURCES	-	-	-	-	-	343,534	-	-
FUND BALANCES:								
Nonspendable	2,263	-	13,007	-	-	311	-	-
Restricted	-	6,781	85,256	-	18,251	-	-	-
Committed	134,014	-	-	10,351	-	459,060	1,475	-
TOTAL FUND BALANCES	136,277	6,781	98,263	10,351	18,251	459,371	1,475	-
TOTAL LIABILITIES, INFLOWS OF RESOURCES AND FUND BALANCES	\$ 152,908	\$ 13,551	\$ 106,119	\$ 43,970	\$ 20,351	\$ 966,894	\$ 1,475	\$ -

	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	\$ 19,633	\$ 1,485,083	\$ 130,153	\$ 264,933	\$ 21,193	\$ 227	\$ 130,064	\$ 806,464
Investments	-	188,032	-	-	-	-	498,176	25,951
Taxes Receivable	-	-	-	-	-	-	750	-
Accounts Receivable	-	25,358	-	-	101,055	-	-	-
Advance to Component Units	-	189,872	-	-	-	-	-	-
Due from Other Governmental Units	-	-	-	-	-	-	-	-
Prepaid Items	-	-	-	-	-	-	-	-
TOTAL ASSETS	\$ 19,633	\$ 1,888,345	\$ 130,153	\$ 264,933	\$ 122,248	\$ 227	\$ 628,990	\$ 832,415
LIABILITIES:								
Due to Other Funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts Payable	-	-	-	-	101,055	-	-	-
Accrued Liabilities	-	-	-	-	-	-	-	-
Unearned Revenues	-	-	-	-	-	-	-	-
TOTAL LIABILITIES	-	-	-	-	101,055	-	-	-
DEFERRED INFLOWS OF RESOURCES								
Taxes Levied for a Subsequent Period	-	-	-	-	-	-	750	-
TOTAL DEFERRED INFLOWS OF RESOURCES	-	-	-	-	-	-	750	-
FUND BALANCES:								
Nonspendable	-	-	-	-	-	-	-	-
Restricted	-	1,888,345	-	-	-	-	628,240	832,415
Committed	19,633	-	130,153	264,933	21,193	227	-	-
TOTAL FUND BALANCES	19,633	1,888,345	130,153	264,933	21,193	227	628,240	832,415
TOTAL LIABILITIES, INFLOWS OF RESOURCES AND FUND BALANCES	\$ 19,633	\$ 1,888,345	\$ 130,153	\$ 264,933	\$ 122,248	\$ 227	\$ 628,990	\$ 832,415

	Capital Project Funds						
	Library Capital Projects	Trail Head Capital Project	Capital Projects	Facilities Planning Fund	EMS Building Capital Project Fund	Capital Project Sinking Fund	Total
	Bond Fund	Capital Project	Projects	Planning Fund	Fund	Fund	Total
ASSETS:							
Cash and Equivalents	\$ 13,102	\$ 86,846	\$ 669,199	\$ 1	\$ 1,015	\$ 346,738	\$ 7,122,861
Investments	-	-	-	-	2,879	-	2,082,964
Taxes Receivable	-	-	-	-	93	-	1,100,189
Accounts Receivable	-	-	-	-	-	-	295,189
Advance to Component Units	-	-	-	-	-	-	189,872
Due from Other Governmental Units	-	-	-	-	-	-	94,946
Prepaid Items	-	-	-	-	-	-	38,696
TOTAL ASSETS	\$ 13,102	\$ 86,846	\$ 669,199	\$ 1	\$ 3,987	\$ 346,738	\$ 10,924,717
LIABILITIES:							
Due to Other Funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,000
Accounts Payable	-	450	5,993	-	-	-	244,822
Accrued Liabilities	-	-	-	-	-	-	56,651
Unearned Revenues	-	-	-	-	-	-	349,491
TOTAL LIABILITIES	-	450	5,993	-	-	-	657,964
DEFERRED INFLOWS OF RESOURCES							
Taxes Levied for a Subsequent Period	-	-	-	-	93	-	1,101,489
TOTAL DEFERRED INFLOWS OF RESOURCES	-	-	-	-	93	-	1,101,489
FUND BALANCES:							
Nonspendable	-	-	-	-	-	-	38,696
Restricted	-	86,396	-	-	-	-	6,668,734
Committed	13,102	-	663,206	1	3,894	346,738	2,457,834
TOTAL FUND BALANCES	13,102	86,396	663,206	1	3,894	346,738	9,165,264
TOTAL LIABILITIES, INFLOWS OF RESOURCES AND FUND BALANCES	\$ 13,102	\$ 86,846	\$ 669,199	\$ 1	\$ 3,987	\$ 346,738	\$ 10,924,717

County of Otsego, Michigan

Combining Statement of Revenues, Expenditures, and Changes in Fund Balance Nonmajor Governmental Funds For the Year Ended December 31, 2021

	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	\$ -	\$ -	\$ 191	\$ -	\$ 399,398	\$ -	\$ 332,819	\$ -
Federal Sources	5,188	-	-	287,697	-	-	-	-
State Sources	-	-	-	42,410	9,600	-	-	-
Local Sources	-	-	-	-	-	-	-	-
Charges for Services	120,855	-	-	37,972	39,435	-	-	-
Fines and Forfeits	-	-	-	-	95	-	-	-
Interest and Rentals	-	-	-	-	13,748	5	2,788	47
Other Revenues	91	265,916	-	-	31,809	-	3,102	-
TOTAL REVENUES	<u>126,134</u>	<u>265,916</u>	<u>191</u>	<u>368,079</u>	<u>494,085</u>	<u>5</u>	<u>338,709</u>	<u>47</u>
EXPENDITURES:								
Judicial	-	-	-	454,567	-	-	-	-
General Government	-	-	1	-	-	-	-	-
Public Safety	189,848	-	-	-	476,923	1	-	-
Public Works	-	-	-	-	-	-	354,186	-
Health And Welfare	-	-	-	-	-	-	-	2,804
Recreation and Culture	-	281,491	-	-	-	-	-	-
Capital Outlay	-	-	-	-	30,222	-	-	-
Debt Service	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	<u>189,848</u>	<u>281,491</u>	<u>1</u>	<u>454,567</u>	<u>507,145</u>	<u>1</u>	<u>354,186</u>	<u>2,804</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	<u>(63,714)</u>	<u>(15,575)</u>	<u>190</u>	<u>(86,488)</u>	<u>(13,060)</u>	<u>4</u>	<u>(15,477)</u>	<u>(2,757)</u>
OTHER FINANCING SOURCES (USES):								
Transfers In	52,000	-	-	96,461	-	-	-	-
Transfers Out	-	-	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>52,000</u>	<u>-</u>	<u>-</u>	<u>96,461</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	<u>(11,714)</u>	<u>(15,575)</u>	<u>190</u>	<u>9,973</u>	<u>(13,060)</u>	<u>4</u>	<u>(15,477)</u>	<u>(2,757)</u>
FUND BALANCES BEGINNING OF YEAR	<u>19,101</u>	<u>117,015</u>	<u>168,553</u>	<u>383,182</u>	<u>405,142</u>	<u>8,209</u>	<u>282,269</u>	<u>115,080</u>
FUND BALANCES END OF YEAR	<u>\$ 7,387</u>	<u>\$ 101,440</u>	<u>\$ 168,743</u>	<u>\$ 393,155</u>	<u>\$ 392,082</u>	<u>\$ 8,213</u>	<u>\$ 266,792</u>	<u>\$ 112,323</u>

County of Otsego, Michigan

Combining Statement of Revenues, Expenditures, and Changes in Fund Balance Nonmajor Governmental Funds For the Year Ended December 31, 2021

	Special Revenue Funds							
	Brownfield Redevelopment Authority	Building Department	Register of Deeds Automation Fund	Emergency 911 Funds	Concealed Pistol Licensing	Local Officers Training	Law Library	Department of Human Services
REVENUES:								
Taxes and Penalties	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Federal Sources	-	-	-	-	-	-	-	-
State Sources	-	-	-	151,198	-	-	-	-
Local Sources	-	-	-	-	-	-	-	-
Charges for Services	-	678,971	47,310	518,195	11,896	8,451	-	-
Fines and Forfeits	-	-	-	-	-	-	-	-
Interest and Rentals	1,250	5,486	-	42	-	-	-	35
Other Revenues	-	-	-	-	-	-	3,501	500
TOTAL REVENUES	<u>1,250</u>	<u>684,457</u>	<u>47,310</u>	<u>669,435</u>	<u>11,896</u>	<u>8,451</u>	<u>3,501</u>	<u>535</u>
EXPENDITURES:								
Judicial	-	-	-	-	-	-	3,486	-
General Government	-	-	33,178	-	-	-	-	-
Public Safety	-	506,804	-	561,220	14,369	565	-	-
Public Works	-	-	-	-	-	-	-	-
Health And Welfare	-	-	-	-	-	-	-	3,283
Recreation and Culture	-	-	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-	-	-
Debt Service	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	<u>-</u>	<u>506,804</u>	<u>33,178</u>	<u>561,220</u>	<u>14,369</u>	<u>565</u>	<u>3,486</u>	<u>3,283</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	<u>1,250</u>	<u>177,653</u>	<u>14,132</u>	<u>108,215</u>	<u>(2,473)</u>	<u>7,886</u>	<u>15</u>	<u>(2,748)</u>
OTHER FINANCING SOURCES (USES):								
Transfers In	-	-	-	-	-	-	-	9,480
Transfers Out	-	(6,000)	-	(12,300)	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>(6,000)</u>	<u>-</u>	<u>(12,300)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,480</u>
NET CHANGE IN FUND BALANCES	<u>1,250</u>	<u>171,653</u>	<u>14,132</u>	<u>95,915</u>	<u>(2,473)</u>	<u>7,886</u>	<u>15</u>	<u>6,732</u>
FUND BALANCES BEGINNING OF YEAR	<u>348,645</u>	<u>979,606</u>	<u>121,014</u>	<u>232,028</u>	<u>49,141</u>	<u>29,241</u>	<u>20,403</u>	<u>10,696</u>
FUND BALANCES END OF YEAR	<u>\$ 349,895</u>	<u>\$ 1,151,259</u>	<u>\$ 135,146</u>	<u>\$ 327,943</u>	<u>\$ 46,668</u>	<u>\$ 37,127</u>	<u>\$ 20,418</u>	<u>\$ 17,428</u>

County of Otsego, Michigan

Combining Statement of Revenues, Expenditures, and Changes in Fund Balance Nonmajor Governmental Funds For the Year Ended December 31, 2021

	Special Revenue Funds							Debt Service Fund
	Child Care Probate	Iron Belle Trail Maintenance	Michigan Indigent Defense	Equipment Revolving	Bradford Lake Dam	Park & Recreation	Technology Funds	Debt Service
REVENUES:								
Taxes and Penalties	\$ -	\$ -	\$ -		\$ -	\$ 332,789	\$ -	\$ -
Federal Sources				108,847				
State Sources	39,381		115,015					
Local Sources								
Charges for Services						280,867	1,475	
Fines and Forfeits								
Interest and Rentals			47	27	12	14,314		
Other Revenues	20,674	10,000				27,411		
TOTAL REVENUES	60,055	10,000	115,062	108,874	12	655,381	1,475	-
EXPENDITURES:								
Judicial			256,228					
General Government				224,374				
Public Safety								
Public Works								
Health And Welfare	238,131							
Recreation and Culture		8,270			2,100	511,212		
Capital Outlay				6,890				
Debt Service								401,100
TOTAL EXPENDITURES	238,131	8,270	256,228	231,264	2,100	511,212	-	401,100
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	(178,076)	1,730	(141,166)	(122,390)	(2,088)	144,169	1,475	(401,100)
OTHER FINANCING SOURCES (USES):								
Transfers In	300,000	2,500	82,193	89,500				401,100
Transfers Out								
TOTAL OTHER FINANCING SOURCES (USES)	300,000	2,500	82,193	89,500	-	-	-	401,100
NET CHANGE IN FUND BALANCES	121,924	4,230	(58,973)	(32,890)	(2,088)	144,169	1,475	-
FUND BALANCES BEGINNING OF YEAR	14,353	2,551	157,236	43,241	20,339	315,202	-	-
FUND BALANCES END OF YEAR	\$ 136,277	\$ 6,781	\$ 98,263	\$ 10,351	\$ 18,251	\$ 459,371	\$ 1,475	\$ -

**Combining Statement of Revenues, Expenditures,
and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended December 31, 2021**

	Capital Project Funds							
	Library Building	Public Improvements Capital Project	Court Restoration Building	Airport Construction	Groen Capital Projects II	Groen Nature Preserve Capital Projects	Sportsplex Building Maintenance	University Center Capital Projects Fund
REVENUES:								
Taxes and Penalties	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 678	\$ -
Federal Sources	-	-	-	-	-	-	-	-
State Sources	-	-	-	-	-	-	-	-
Local Sources	-	-	-	-	-	-	-	-
Charges for Services	-	-	40,728	-	-	-	-	-
Fines and Forfeits	-	-	-	-	-	-	-	-
Interest and Rentals	1	18,761	-	-	14	-	14,376	759
Other Revenues	-	-	-	-	535,501	-	-	-
TOTAL REVENUES	1	18,761	40,728	-	535,515	-	15,054	759
EXPENDITURES:								
Judicial	-	-	-	-	-	-	-	-
General Government	-	-	-	26,175	-	-	-	-
Public Safety	-	-	-	-	-	-	-	-
Public Works	-	-	-	-	-	-	-	-
Health And Welfare	-	-	-	-	-	-	-	-
Recreation and Culture	-	-	-	-	-	-	26,725	-
Capital Outlay	-	-	-	-	535,500	-	-	-
Debt Service	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	-	-	-	26,175	535,500	-	26,725	-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	1	18,761	40,728	(26,175)	15	-	(11,671)	759
OTHER FINANCING SOURCES (USES):								
Transfers In	-	-	-	50,000	-	-	-	-
Transfers Out	-	-	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	50,000	-	-	-	-
NET CHANGE IN FUND BALANCES	1	18,761	40,728	23,825	15	-	(11,671)	759
FUND BALANCES BEGINNING OF YEAR	19,632	1,869,584	89,425	241,108	21,178	227	639,911	831,656
FUND BALANCES END OF YEAR	\$ 19,633	\$ 1,888,345	\$ 130,153	\$ 264,933	\$ 21,193	\$ 227	\$ 628,240	\$ 832,415

**Combining Statement of Revenues, Expenditures,
and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended December 31, 2021**

Capital Project Funds

	Library Capital Projects Bond Fund	Trail Head Capital Projects	Capital Projects	Facilities Planning Fund	EMS Building Capital Project Fund	Capital Project Sinking Fund	Total
REVENUES:							
Taxes and Penalties	\$ -	\$ -	\$ -	\$ -	\$ 35	\$ -	\$ 1,065,910
Federal Sources	-	298,317	117,532	-	-	-	817,581
State Sources	-	-	-	-	-	-	357,604
Local Sources	-	15,000	-	-	-	-	15,000
Charges for Services	-	-	-	-	-	-	1,786,155
Fines and Forfeits	-	-	-	-	-	-	95
Interest and Rentals	-	46	-	-	26	25	71,809
Other Revenues	-	-	-	-	-	-	898,505
TOTAL REVENUES	-	313,363	117,532	-	61	25	5,012,659
EXPENDITURES:							
Judicial	-	-	169,245	-	-	-	883,526
General Government	-	-	-	-	-	-	283,728
Public Safety	-	-	-	-	-	-	1,749,730
Public Works	-	-	-	3,754	-	-	357,940
Health And Welfare	-	-	-	-	-	-	244,218
Recreation and Culture	-	304,123	-	-	-	-	1,133,921
Capital Outlay	-	-	11,216	-	-	1	583,829
Debt Service	-	-	-	-	-	-	401,100
TOTAL EXPENDITURES	-	304,123	180,461	3,754	-	1	5,637,992
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	-	9,240	(62,929)	(3,754)	61	24	(625,333)
OTHER FINANCING SOURCES (USES):							
Transfers In	13,101	-	5,000	1,903	-	142,784	1,246,022
Transfers Out	-	-	-	-	-	-	(18,300)
TOTAL OTHER FINANCING SOURCES (USES)	13,101	-	5,000	1,903	-	142,784	1,227,722
NET CHANGE IN FUND BALANCES	13,101	9,240	(57,929)	(1,851)	61	142,808	602,389
FUND BALANCES BEGINNING OF YEAR	1	77,156	721,135	1,852	3,833	203,930	8,562,875
FUND BALANCES END OF YEAR	\$ 13,102	\$ 86,396	\$ 663,206	\$ 1	\$ 3,894	\$ 346,738	\$ 9,165,264

**Combining Statement of Net Position
Internal Service Funds
December 31, 2021**

	<u>Building and Grounds</u>	<u>Administrative Services</u>	<u>Health Care</u>	<u>Total</u>
ASSETS:				
Cash and Equivalents	\$ 81,118	\$ 187,873	\$ 115,453	\$ 384,444
Investments	-	-	170,261	170,261
Accounts Receivable	8,294	41	1,584	9,919
Prepaid Items	104	605	81,234	81,943
TOTAL ASSETS	<u>\$ 89,516</u>	<u>\$ 188,519</u>	<u>\$ 368,532</u>	<u>\$ 646,567</u>
LIABILITIES:				
Accounts Payable	\$ 37,178	\$ 313	\$ 1,444	\$ 38,935
Accrued Liabilities	-	9,497	-	9,497
TOTAL LIABILITIES	<u>37,178</u>	<u>9,810</u>	<u>1,444</u>	<u>48,432</u>
NET POSITION:				
Unrestricted	<u>52,338</u>	<u>178,709</u>	<u>367,088</u>	<u>598,135</u>
TOTAL NET POSITION	<u>52,338</u>	<u>178,709</u>	<u>367,088</u>	<u>598,135</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 89,516</u>	<u>\$ 188,519</u>	<u>\$ 368,532</u>	<u>\$ 646,567</u>

**Combining Statement of Revenues, Expenses, and Changes
in Net Position - Internal Service Funds
For the Year Ended December 31, 2021**

	Building and Grounds	Administrative Services	Health Care	Total
OPERATING REVENUES:				
Charges for Services	\$ 478,001	\$ 681,529	\$ 1,207,146	\$ 2,366,676
TOTAL OPERATING REVENUES	478,001	681,529	1,207,146	2,366,676
OPERATING EXPENSES:				
Salaries, Wages, and Fringe Benefits	145,593	632,960	1,172,780	1,951,333
Contractual Services	64,040	-	-	64,040
Materials and Supplies	22,426	5,497	2,736	30,659
Equipment Repair and Maintenance	38,774	650	-	39,424
Utilities	212,737	933	-	213,670
Other	4,291	15,142	-	19,433
TOTAL OPERATING EXPENSES	487,861	655,182	1,175,516	2,318,559
OPERATING INCOME (LOSS)	(9,860)	26,347	31,630	48,117
Non Operating Revenues (Expenses):				
Interest Earnings	-	-	582	582
Federal	-	7,500	-	7,500
Other	-	41	-	41
Total Non Operating Revenues (Expenses):	-	7,541	582	8,123
INCOME (LOSS) BEFORE TRANSFERS	(9,860)	33,888	32,212	56,240
Operating Transfers In(Out)	(2,500)	-	-	(2,500)
Changes in Net Position	(12,360)	33,888	32,212	53,740
Net Position Beginning of Year	64,698	144,821	334,876	544,395
Net Position End of Year	\$ 52,338	\$ 178,709	\$ 367,088	\$ 598,135

**Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended December 31, 2021**

	Building and Grounds	Administrative Services	Health Care	Totals
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from Customers	\$ 479,866	\$ 681,786	\$ 1,207,519	\$ 2,369,171
Payments to Suppliers	(324,643)	(22,351)	-	(346,994)
Payments to Employees for Services and Benefits	(145,593)	(627,804)	(1,187,409)	(1,960,806)
Net Cash Provided (Used) by Operating Activities	<u>9,630</u>	<u>31,631</u>	<u>20,110</u>	<u>61,371</u>
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES:				
Other Receipts	-	7,541	-	7,541
Operating Transfers In(Out)	(2,500)	-	-	(2,500)
Net Cash Provided (Used) by Noncapital and Related Financing Activities	<u>(2,500)</u>	<u>7,541</u>	<u>-</u>	<u>5,041</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest Earnings	-	-	582	582
Net Sale or (Purchase) of Investments	-	-	(10,522)	(10,522)
Net Cash Provided (Used) by Investing Activities	<u>-</u>	<u>-</u>	<u>(9,940)</u>	<u>(9,940)</u>
Net Increase (Decrease) in Cash and Equivalents	7,130	39,172	10,170	56,472
Balances - Beginning of the Year	<u>73,988</u>	<u>148,701</u>	<u>105,283</u>	<u>327,972</u>
Balances - End of the Year	<u><u>\$ 81,118</u></u>	<u><u>\$ 187,873</u></u>	<u><u>\$ 115,453</u></u>	<u><u>\$ 384,444</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating Income (Loss)	\$ (9,860)	\$ 26,347	\$ 31,630	\$ 48,117
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Change in Assets and Liabilities:				
Accounts Receivable	1,865	257	373	2,495
Due from Governmental Units	-	-	-	-
Prepaid Expense	(7)	162	(13,297)	(13,142)
Inventory	2,294	-	-	2,294
Accounts Payable	15,338	(291)	1,404	16,451
Accrued Liabilities	-	5,156	-	5,156
Net Cash Provided (Used) by Operating Activities	<u><u>\$ 9,630</u></u>	<u><u>\$ 31,631</u></u>	<u><u>\$ 20,110</u></u>	<u><u>\$ 61,371</u></u>

County of Otsego, Michigan

Combining Statement of Net Position Nonmajor Enterprise Funds December 31, 2021

	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	\$ 77,441	\$ 151,579	\$ 45,545	\$ 1,575	\$ 17,749	\$ 15,052	\$ 308,941
Accounts Receivable	3,924	3,024	-	-	6,194	-	13,142
Prepaid Expense	208	1,988	-	-	-	-	2,196
Total Current Assets	<u>81,573</u>	<u>156,591</u>	<u>45,545</u>	<u>1,575</u>	<u>23,943</u>	<u>15,052</u>	<u>324,279</u>
Noncurrent Assets							
Capital Assets (Net of Accumulated Depreciation)	-	24,579	-	-	-	-	24,579
TOTAL ASSETS	<u><u>\$ 81,573</u></u>	<u><u>\$ 181,170</u></u>	<u><u>\$ 45,545</u></u>	<u><u>\$ 1,575</u></u>	<u><u>\$ 23,943</u></u>	<u><u>\$ 15,052</u></u>	<u><u>\$ 348,858</u></u>
LIABILITIES:							
Accounts Payable	\$ 24,112	\$ 164	\$ 365	\$ -	\$ 7,710	\$ -	\$ 32,351
TOTAL LIABILITIES	<u>24,112</u>	<u>164</u>	<u>365</u>	<u>-</u>	<u>7,710</u>	<u>-</u>	<u>32,351</u>
NET POSITION:							
Net Investment in Capital Assets	-	24,579	-	-	-	-	24,579
Unrestricted	57,461	156,427	45,180	1,575	16,233	15,052	291,928
TOTAL NET POSITION	<u><u>\$ 57,461</u></u>	<u><u>\$ 181,006</u></u>	<u><u>\$ 45,180</u></u>	<u><u>\$ 1,575</u></u>	<u><u>\$ 16,233</u></u>	<u><u>\$ 15,052</u></u>	<u><u>\$ 316,507</u></u>

County of Otsego, Michigan

Combining Statement of Revenues, Expenses, and Changes in Net Position - Nonmajor Enterprise Funds For the Year Ended December 31, 2021

	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	\$ 7,200	\$ 84,670	\$ -	\$ -	\$ 36,413	\$ 3,894	\$ 132,177
Local Sources	5,232	-	-	-	-	-	5,232
TOTAL OPERATING REVENUES	12,432	84,670	-	-	36,413	3,894	137,409
OPERATING EXPENSES:							
Contractual Services	21,482	-	-	-	-	-	21,482
Materials and Supplies	24,410	-	4,850	-	35,075	-	64,335
Depreciation	-	12,301	-	-	-	-	12,301
Other Expenses	-	73,091	-	252	-	867	74,210
TOTAL OPERATING EXPENSES	45,892	85,392	4,850	252	35,075	867	172,328
OPERATING INCOME (LOSS)	(33,460)	(722)	(4,850)	(252)	1,338	3,027	(34,919)
NON OPERATING REVENUES (EXPENSES):							
Interest Earnings	-	-	-	-	-	728	728
TOTAL NONOPERATING REVENUES (EXPENSES):	-	-	-	-	-	728	728
INCOME (LOSS) BEFORE TRANSFERS	(33,460)	(722)	(4,850)	(252)	1,338	3,755	(34,191)
Transfers In	12,000	-	-	-	-	-	12,000
Changes in Net Position	(21,460)	(722)	(4,850)	(252)	1,338	3,755	(22,191)
NET POSITION BEGINNING OF YEAR	78,921	181,728	50,030	1,827	14,895	11,297	338,698
NET POSITION END OF YEAR	\$ 57,461	\$ 181,006	\$ 45,180	\$ 1,575	\$ 16,233	\$ 15,052	\$ 316,507

County of Otsego, Michigan

**Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Year Ended December 31, 2021**

	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	\$ 8,577	\$ 85,108	\$ -	\$ -	\$ 49,405	\$ 3,894	\$ 146,984
Payments to Suppliers	(29,780)	(72,235)	(6,735)	(252)	(33,273)	(867)	(143,142)
Net Cash Provided (Used) by Operating Activities	(21,203)	12,873	(6,735)	(252)	16,132	3,027	3,842
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES:							
Transfers In	12,000	-	-	-	-	-	12,000
Net Cash Provided (Used) by Noncapital and Related Financing Activities	12,000	-	-	-	-	-	12,000
CASH FLOWS FROM INVESTING ACTIVITIES:							
Interest Earnings	-	-	-	-	-	728	728
Net Cash Provided (Used) by Investing Activities	-	-	-	-	-	728	728
Net Increase (Decrease) in Cash and Equivalents	(9,203)	12,873	(6,735)	(252)	16,132	3,755	16,570
Balances - Beginning of the Year	86,644	138,706	52,280	1,827	1,617	11,297	292,371
Balances - End of the Year	<u>\$ 77,441</u>	<u>\$ 151,579</u>	<u>\$ 45,545</u>	<u>\$ 1,575</u>	<u>\$ 17,749</u>	<u>\$ 15,052</u>	<u>\$ 308,941</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:							
Operating Income (Loss)	\$ (33,460)	\$ (722)	\$ (4,850)	\$ (252)	\$ 1,338	\$ 3,027	\$ (34,919)
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	(3,855)	438	-	-	12,992	-	9,575
Prepaid Expenses	-	1,381	-	-	-	-	1,381
Accounts Payable	16,112	(525)	(1,885)	-	1,802	-	15,504
Net Cash Provided (Used) by Operating Activities	<u>\$ (21,203)</u>	<u>\$ 12,873</u>	<u>\$ (6,735)</u>	<u>\$ (252)</u>	<u>\$ 16,132</u>	<u>\$ 3,027</u>	<u>\$ 3,842</u>

Reports on Compliance



ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

KINROSS OFFICE

KENNETH A. TALSMAN, CPA, PRINCIPAL
AMBER N. MACK, CPA, PRINCIPAL

PHILLIP J. WOLF, CPA
LESLIE A. BOHN, CPA
TORI N. KRUISE, CPA

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, 2021, 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 27, 2022. 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*.

Report on 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) as a basis for designing 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 identified a certain deficiency in internal control, described in the accompany schedule of findings and questioned costs as item 2021-001 that we consider to be a material weakness.

Report on 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 statements. 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

Government Auditing Standards requires the auditor to perform limited procedures on the County of Otsego, Michigan's response to the finding identified in our audit and described in the accompanying schedule of findings and questioned costs. The County of Otsego, Michigan's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 28, 2022



ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

KINROSS OFFICE

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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

Opinion on Each Major Federal Program

We have audited the County of Otsego, Michigan's, compliance with the types of compliance requirements identified as subject to audit 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, 2021. 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.

Otsego County, Michigan's basic financial statements include the operations of the Otsego Commission on Aging which expended \$167,950, in federal awards which is not included in Otsego County's Michigan schedule of expenditures of federal awards during the year ended December 31, 2021. Our audit, described below, did not include the operations of the Otsego Commission on Aging because the component unit engaged other auditors to perform a separate financial audit and it did not meet the compliance requirements for a single audit in accordance with the Uniform Guidance.

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, 2021.

Basis for Opinion on Each Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the County of Otsego, Michigan and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the County of Otsego, Michigan's compliance with the compliance requirements referred to above.

To the Board of Commissioners
County of Otsego, Michigan

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the County of Otsego, Michigan's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the County of Otsego, Michigan's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, Government Auditing Standards, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the County of Otsego, Michigan's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the County of Otsego, Michigan's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the County of Otsego, Michigan's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the County of Otsego, Michigan's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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.

To the Board of Commissioners
County of Otsego, Michigan

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 27, 2022

County of Otsego, Michigan

Schedule of Expenditures of Federal Awards For the Year Ended December 31, 2021

Federal Grantor/Pass-through Grantor/Program Title	COVID-19	Federal CFDA Number	Agency or Pass-through Number	Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE:				
Direct Award:				
Community Facility Loans and Grants - <i>Cluster</i>	No	10.766	N/A	\$ 43,000
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	No	14.228	MSC 218013-CPF	298,317
Non-Entitlement Grants in Hawaii	No	14.228	PI 2019 MEDC	53,626
Non-Entitlement Grants in Hawaii	Yes	14.228	CARES Act	152,912
Non-Entitlement Grants in Hawaii	No	14.228	PI 2020	1,176
Total U.S. Department of Housing and Urban Development				506,031
U.S. Department of Justice:				
Pass-through Michigan State Police				
Coronavirus Emergency Supplemental Funding Program	Yes	16.034	CESF-0244-2020	57,847
Total U.S. Department of Justice				57,847
U.S. Department of Transportation:				
Direct Award:				
Airport Improvement Program	Yes	20.106	3-26-SBGP-117-2020	13,000
Pass-through the Michigan Department of Transportation				
Formula Grants for Rural Areas and Tribal Transit Programs	No	20.509	N/A	219,006
Formula Grants for Rural Areas and Tribal Transit Programs	Yes	20.509	CARES Act	285,618
Subtotal MDOT				504,624
Pass-through the Michigan State Police				
Interagency Hazardous Materials Public Sector Training and Planning Grants	No	20.616	N/A	5,549
Interagency Hazardous Materials Public Sector Training and Planning Grants	No	20.703	N/A	3,745
Total U.S. Department of Transportation				526,918

See accompanying notes to scheduled of expenditures of federal awards.

County of Otsego, Michigan

Schedule of Expenditures of Federal Awards For the Year Ended December 31, 2021

Federal Grantor/Pass-through Grantor/Program Title	COVID-19	Federal CFDA Number	Agency or Pass-through Number	Federal Expenditures
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:				
Direct Award:				
PRF - General Distribution	Yes	93.498	N/A	121,723
Pass-through from the State of Michigan				
Department of Health and Human Services				
Child Support Enforcement	No	93.563	CSPA-13-69002	47,211
Child Support Enforcement	No	93.563	CSFOC13-69001	34,046
Child Support Enforcement	No	93.563	CSFOC17-69001	253,651
Subtotal - MDHHS				334,908
Total U.S. Department of Health and Human Services				456,631
U.S. DEPARTMENT OF HOMELAND SECURITY:				
Pass-through from the Michigan Department of Natural Resources				
Boating Safety Financial Assistance	No	97.012	N/A	5,549
Pass-through from the Michigan State Police				
Pre-Disaster Mitigation Program	No	97.042	N/A	18,846
Pre-Disaster Mitigation Program	No	97.067	2019--SS-00013	21,206
Subtotal - MSP				40,052
Total U.S. Department of Homeland Security				45,601
TOTAL EXPENDITURES OF FEDERAL AWARDS				\$ 1,636,028

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 Otsego, Michigan under programs of the federal government for the year ended December 31, 2021. 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 Otsego, Michigan, it is not intended to and does not present the financial position, changes in net position, or cash flows of the County of Otsego, 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 2021.

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>
14.228	Community Development Block Grant
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 2021-001

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.



ANDERSON, TACKMAN & COMPANY, PLC
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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, 2021, and have issued our report thereon dated June 27, 2022. 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 Standard* and the Uniform Guidance

As stated in our engagement letter dated May 16, 2022 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.

In planning and performing our audit, we will consider the County of Otsego, Michigan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. We will also consider internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance.

As part of obtaining reasonable assurance about whether the County of Otsego, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants. However, providing an opinion on compliance with those provisions is not an objective of our audit. Also, in accordance with the Uniform Guidance, we will examine, on a test basis, evidence about the County of Otsego, Michigan's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Compliance Supplement applicable to each of its major federal programs for the purpose of expressing an opinion on the County of Otsego, Michigan's compliance with those requirements. While our audit will provide a reasonable basis for our opinion, it does not provide a legal determination on the County of Otsego, Michigan's compliance with those requirements.

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 May 16, 2022.

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. No new accounting policies were adopted 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 \$427,000.
- 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 27, 2022.

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

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 of levy to be in compliance with county policy.

Staus: In the process of being corrected

Uniform Chart of Accounts

Effective for fiscal years ending October 21, 2022

In April 2017, the State released an updated Uniform Chart of Accounts. On April 20, 2020, the Michigan Department of Treasury issued a memo that established an implementation date for fiscal years ending on October 31, 2022 and thereafter. A final release of the chart of accounts was issued in November 2020 and is available at this link: http://www.michigan.gov/documents/uniformchart_24524_7.pdf. This final version follows statutory changes and reformats the document to make it more user-friendly. Treasury will provide alerts for any guidance and resources, and local units can sign up for alerts at this link:

https://public.govdelivery.com/accounts/MITREAS/subscriber/new?qsp+MITREAS_1.

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.

GASB 83 – Certain Asset Retirement Obligations

Effective 06/15/2020 (your FY 2020)

This statement addresses accounting and financial reporting for certain asset retirement obligations--legally enforceable liabilities associated with the retirement of tangible capital assets.

GASB Statement No. 89, Accounting for Interest Cost Incurred Before the End of a Construction Period

Effective for fiscal years beginning after December 15, 2021 (County's fiscal year 2022).

This Statement establishes accounting requirements for interest cost incurred before the end of a construction period.

Such interest cost includes all interest that was previously accounted for in accordance with the requirements of Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statement prepared using the economic resources measurement focus.

GASB Statement No. 96, Subscription-based Information Technology Arrangements

In May 2020, the GASB issued Statement No. 96, Subscription-based Information Technology Arrangements. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for governments. The statement:

1. Defines a SBITA
2. Establishes that a SBITA results in a right-to-use subscription asset/liability
3. Provides capitalization criteria for outlays other than subscription payments/implementation costs
4. Requires note disclosures

The standards for SBITAs are based on similar standards established in GASB Statement No. 87, Leases. The County should evaluate the impact of this standard will have on its operations. The adoption date will be during the fiscal 2022 year.

GASB Statement No. 97 – Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans

This standard has certain aspects impacting defined contribution pension and OPEB plans and other employee benefit plans that were effective immediately. It also clarifies when a Section 457 plan should be considered a pension plan or another employee benefit plan to assist in the application of GASB Statement No. 84 to these types of plans. The County is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of the statement that relate to 457 plans are effective for the County's financial statements for the year ending March 31, 2023.

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.

A handwritten signature in blue ink that reads "Anderson Tackman & Co. PLC".

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

June 27, 2022