

**MONTMORENCY COUNTY**  
**MONTMORENCY COUNTY, MICHIGAN**

**FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION**  
**FOR THE FISCAL YEAR ENDED DECEMBER 31, 2021**



**SCHULZE, OSWALD, MILLER & EDWARDS PC**  
**CERTIFIED PUBLIC ACCOUNTANTS**  
**989-354-8707**

**MONTMORENCY COUNTY  
MONTMORENCY COUNTY, MICHIGAN  
COUNTY OFFICIALS  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2021**

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**MEMBERS OF THE COUNTY COMMISSION**

<b>CHAIRPERSON</b>	<b>ROBERT STACY</b>
<b>VICE CHAIRPERSON</b>	<b>GEYER BALOG</b>
<b>COMMISSIONER</b>	<b>DON EDWARDS</b>
<b>COMMISSIONER</b>	<b>JAMES MADISON</b>
<b>COMMISSIONER</b>	<b>GARY GIRARDIN</b>

**ELECTED OFFICIALS**

<b>COUNTY TREASURER</b>	<b>CHERI EGGETT</b>
<b>COUNTY CLERK</b>	<b>CHERYL A. NEILSEN</b>
<b>SHERIFF</b>	<b>CHAD BROWN</b>
<b>PROSECUTING ATTORNEY</b>	<b>VICKI P. KUNDINGER</b>
<b>REGISTER OF DEEDS</b>	<b>TERESA WALKER</b>
<b>PROBATE JUDGE</b>	<b>LORA E. GREENE</b>

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**INDEPENDENT AUDITORS' REPORT**

Board of Commissioners  
Montmorency County  
Atlanta, Michigan

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 aggregate remaining fund information of Montmorency County, Michigan (the "County"), as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the County'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 accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County, as of December 31, 2021, and the respective changes in financial position, and where applicable, cash flows thereof, and the budgetary comparisons for the general fund and each major special revenue fund 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 following entities, which represent the indicated percentages of total aggregate discretely presented component units:

	Percent of Assets and Deferred Outflows	Percent of Revenues	Percent of Net Position
Montmorency County Road Commission	95%	78%	96%
Montmorency County Public Library	3%	6%	2%
Montmorency County Commission on Aging	2%	16%	2%

Those statements were audited by other auditors whose report thereon has been furnished to us, and our opinions, insofar as they relate to the amounts included for the above entity, are based solely on the report of the other auditors.

**Basis for Opinions**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) 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 Independent Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the County 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. The financial statements of the component units were not audited in accordance with *Government Auditing Standards*.

### ***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 County'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.

### ***Independent Auditors' 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 auditors' 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 GAAS 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 GAAS and *Government Auditing Standards*, we:

- exercise professional judgment 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 procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County'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 the County'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.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the schedules for the pension and other post-employment benefit plans, as listed in the table of contents, 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

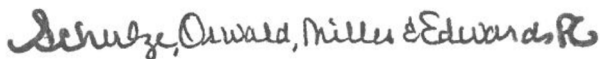
States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying combining and individual fund financial statements and schedules 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 were derived from and relate 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 standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued, under separate cover, our report dated June 15, 2022 on our consideration of Montmorency 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 the County'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 Montmorency County, Michigan's internal control over financial reporting and compliance.



Schulze, Oswald, Miller & Edwards PC  
Alpena, Michigan  
June 20, 2022

As management of Montmorency County, we offer readers of the Montmorency County's (the "County") 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

- The liabilities and deferred inflows of resources of Montmorency County exceeded its assets and deferred outflows at the close of the most recent fiscal year by \$3,326,204 (total *net position*). Of this amount, there was \$91,864 in unrestricted *net position*.
- The Montmorency County primary government's total net position increased by \$2,821,765. Montmorency County experienced an increase in net position of governmental activities of \$2,599,128 and an increase in the net position of its business-type activities of \$222,637.
- Montmorency County paid for services of \$4,712,742 in governmental activities and \$40,970 of business-type activities for expenses totaling \$4,753,712 during the year ended December 31, 2021.
- At December 31, 2021, the unassigned fund balance for the General Fund was \$1,734,879 (40%) of total General Fund expenditures prior to transfers out. This was an increase of \$417,033 compared to the prior year.
- The primary government of Montmorency County did not issue any additional long-term debt obligations during the year ended December 31, 2021 and ended the year with a total long-term debt obligation of \$108,125, a decrease of \$17,543, which consists entirely of compensated absences.

### Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the County's financial statements. The County's basic financial statements are comprised of three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**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 of resources, liabilities and deferred inflows of resources with the difference being reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of Montmorency County is improving or deteriorating.

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

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the County include legislative, judicial, general government, public safety, health and welfare, recreation and culture and others.

The business-type activities of the County include delinquent tax payment funds and sheriff commissary.



The government-wide financial statements include not only the County itself (known as the primary government), but also the Montmorency County Road Commission, Montmorency County Library, and Montmorency County Commission on Aging which Montmorency County is financially accountable. Financial information for these component units is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 12 & 13 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 of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The County maintains twenty-eight individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund. The General Fund, CDBG, Sheriff, American Rescue and MSU Extension are considered to be major funds. Data from the other twenty-three governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these governmental funds is provided in the form of combining statements elsewhere in this report.

The basic governmental fund financial statements can be found on pages 14 – 22 of this report.

**Proprietary funds.** The County maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The County uses enterprise funds to account for its delinquent tax payments and sheriff commissary.

The basic proprietary fund financial statements can be found on pages 23 – 25 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 basic fiduciary fund financial statement can be found on page 26 & 27 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 30 – 59 of this report.

**Other information.** In addition of the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning Montmorency County's general and major governmental funds'

budget comparisons and net pension liability, employer's pension contributions, and other postemployment healthcare benefit liability. Required supplementary information can be found on pages 60 – 62 of this report.

Combining and individual fund statements and schedules can be found on pages 63 – 73 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 Montmorency County, liabilities and deferred inflows exceeded assets and deferred outflows of resources by \$3,333,495 at the close of the most recent fiscal year.

A significant portion of Montmorency County's net position \$91,864 reflects its unrestricted net position which represents funds available to meet the government's ongoing obligations to citizens and creditors.

**MONTMORENCY COUNTY'S STATEMENT OF NET POSITION**

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL	
	2021	2020	2021	2020	2021	2020
<b>ASSETS</b>						
Current and Other Assets	\$ 6,363,621	\$ 4,622,545	\$ 3,931,528	\$ 3,745,214	\$ 10,295,149	\$ 8,367,759
Capital Assets, Net	2,169,771	2,144,972	-	-	2,169,771	2,144,972
<b>TOTAL ASSETS</b>	<b>8,533,392</b>	<b>6,767,517</b>	<b>3,931,528</b>	<b>3,745,214</b>	<b>12,464,920</b>	<b>10,512,731</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
	<b>1,762,593</b>	354,513	-	-	<b>1,762,593</b>	354,513
<b>LIABILITIES</b>						
Current Liabilities	1,533,125	316,936	1,153	3,589	1,534,278	320,525
Non-current Liabilities	7,322,524	8,274,308	-	-	7,322,524	8,274,308
<b>TOTAL LIABILITIES</b>	<b>8,855,649</b>	<b>8,591,244</b>	<b>1,153</b>	<b>3,589</b>	<b>8,856,802</b>	<b>8,594,833</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
	<b>2,048,643</b>	1,734,085	-	-	<b>2,048,643</b>	1,734,085
<b>NET POSITION</b>						
Invested in Capital						
Assets, Net of Related Debt	2,169,771	2,144,972	-	-	2,169,771	2,144,972
Nonspendable	7,738	-	-	-	-	-
Restricted	990,790	1,147,101	66,041	100,254	1,056,831	1,247,355
Unrestricted	(3,772,470)	(6,495,372)	3,864,334	3,641,371	91,864	(2,854,001)
<b>TOTAL NET POSITION</b>	<b>\$ (604,171)</b>	<b>\$ (3,203,299)</b>	<b>\$ 3,930,375</b>	<b>\$ 3,741,625</b>	<b>\$ 3,326,204</b>	<b>\$ 538,326</b>

As noted previously, net position serves over time as a useful indicator of a government's financial position. In the case of Montmorency County, liabilities exceeded assets by (\$604,171) at the close of the fiscal year. This includes other noncurrent liabilities of a net pension liability of \$4,928,470 and a net other post-employment benefits of \$2,394,054.

The primary government's net position includes approximately \$2,169,771 in capital assets comprised of land, buildings, vehicles and equipment less any outstanding related debt used to acquire those assets. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

Certain other limitations on the use of net position apply primarily to legal restrictions on the use of special revenue funds. At December 31, 2021 this total was \$990,790.

Business-type activities close the year with a net position of \$3,930,375.

A summarized illustration of change in net position is as follows:

## Montmorency County's Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenue:						
Program Revenue:						
Charges for						
Services	\$ 1,011,917	\$ 1,060,544	\$ 46,679	\$ 306,377	\$ 1,058,596	\$ 1,366,921
Operating Grants	273,055	638,327	-	-	273,055	638,327
Capital Grants	-	32,100	-	-	-	32,100
General Revenue:						
Property Taxes	4,663,391	3,547,944	-	-	4,663,391	3,547,944
State-Shared						
Revenues	781,533	742,665	-	-	781,533	742,665
Investment Earnings	84,025	44,372	3,515	5,952	87,540	50,324
(Gain) Loss on assets	-	-	404,863	-	404,863	-
Other	306,499	311,846	-	-	306,499	311,846
Total Revenue	<u>7,120,420</u>	<u>6,377,798</u>	<u>455,057</u>	<u>312,329</u>	<u>7,575,477</u>	<u>6,690,127</u>
Expenses:						
Legislative	105,343	98,830	-	-	105,343	98,830
Judicial	848,592	816,530	-	-	848,592	816,530
General Government	9,548	1,586,109	-	-	9,548	1,586,109
Public Safety	3,002,664	2,175,483	-	-	3,002,664	2,175,483
Health & Welfare	378,168	380,075	-	-	378,168	380,075
Other Expenses	253,328	309,443	-	-	253,328	309,443
Community & Economic	115,099	121,810	-	-	115,099	121,810
Contracted Services	-	-	40,970	48,452	40,970	48,452
Total Expenses	<u>4,712,742</u>	<u>5,488,280</u>	<u>40,970</u>	<u>48,452</u>	<u>4,753,712</u>	<u>5,536,732</u>
Revenues Over (Under)						
Expenditures	2,407,678	889,518	414,087	263,877	2,821,765	1,153,395
Transfers	191,450	900,000	(191,450)	(900,000)	-	-
Change in Net Position	<u>2,599,128</u>	<u>1,789,518</u>	<u>222,637</u>	<u>(636,123)</u>	<u>2,821,765</u>	<u>1,153,395</u>
Net Position,						
Beginning of Year*	<u>(3,203,299)</u>	<u>(4,992,817)</u>	<u>3,707,738</u>	<u>4,377,748</u>	<u>504,439</u>	<u>(615,069)</u>
Net Position,						
End of Year	<u>\$ (604,171)</u>	<u>\$ (3,203,299)</u>	<u>\$ 3,930,375</u>	<u>\$ 3,741,625</u>	<u>\$ 3,326,204</u>	<u>\$ 538,326</u>

\*As restated

The preceding table shows that the governmental activities reflected a positive change in net position due to operations of \$2,599,128. This was an increase of \$809,610 in comparison to 2020 activity. This was the result of an increase in revenues of \$742,622. In addition, expenses decreased by \$775,538, and the governmental unit received a \$191,450 transfer from business-type activities.

The net position of Montmorency County's business-type activities increased by \$222,637 for the year ended December 31, 2021, which was due to a \$404,863 in other revenue.

**Governmental activities.** The following depicts revenues of the governmental activities for the year ended December 31, 2021:

**Revenues by Source – Governmental Activities**

- Property Taxes: 64%
- State Shared: 11%
- Investing Earnings: 1%
- Charges for Services: 14%
- Operating Grants and Contributions: 4%
- Other: 4%

In total, 2021 governmental activities program revenues decreased by \$445,999 in comparison to 2020 revenues. Other notable changes from the prior year include a net decrease in charges for services of \$48,627, an increase in property taxes of \$1,115,447 and a decrease in other revenue of \$5,347.

Property tax revenue, which is not assigned to any particular activity, remains a major source of support for governmental activities at 64%. The taxable values of real and personal property in 2021 was \$516,816,810. The overall increase in property taxes of \$1,115,447 was a result of the government increasing the amount of taxes they collected in 2021 over the 2020 fiscal year.

The investment earnings of the governmental activities increased in 2021 to \$84,025 compared to \$44,372 in 2020.

**Expenses by Functions/Program – Governmental Activities**

- Public Safety: 64%
- Health and Welfare: 8%
- Other Expenses: 5%
- Legislative: 2%
- Judicial: 18%
- Community & Economic Development: 2%
- Finance/Tax and Other General Government: 1%

Total governmental activity expenses decreased in 2021 by \$775,538 over 2020 expenses. Montmorency County continues to attempt to make reductions in expenditures where appropriate.

Public safety continues to be the largest governmental activity, expending \$3,002,664 of the \$4,712,742 total (64%). Judicial expenses are the second largest category at \$848,592 (18%). General government expenses are the third largest category at \$693,855 (15%). Almost ninety-seven percent (97%) of the 2021 governmental activity expenses are a result of these three activities.

**Business-type activities.** County tax foreclosure funds continue to provide local units within the County payment for their delinquent real property taxes. The operation of these funds also continues to be a source of revenue to the County. There was a restated net position of \$3,707,738 and an increase of \$222,637 in the operation of the business-type activities in 2021, due in part to other revenue of \$404,863 to governmental activities.

	<u>TOTAL COST OF SERVICES</u>	<u>PROGRAM REVENUES</u>	<u>NET COST OF SERVICES</u>
Function/Programs:			
Business-type Activities	\$ <u>45,970</u>	\$ <u>268,607</u>	\$ <u>222,637</u>

**Revenues by source – business-type activities.** In the business-type funds, charges for services accounted for a portion the revenue totaling \$46,679, or 18% of revenues. The other revenue source was investment income and other revenue which amounted to \$216,928, totaling 82% of revenues.

### **Financial Analysis of the Government's Funds**

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

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

As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$3,511,587 an increase of \$765,692 in comparison with the prior year. Approximately \$1,910,708 (54%) of this total amount constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder fund balance of \$1,483,517 is restricted to indicate that it is for the specific purpose of the fund, and \$117,362 was committed by a Board of Commissioners action.

The General Fund is the chief operating fund of Montmorency County. At the end of the current fiscal year, the fund balance of the General Fund was \$1,734,879 of which all of it was unassigned. As a measure of the General Fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represented 37% of total general fund expenditures and operating transfers to other funds.

The fund balance of the County's General Fund was increased by \$417,033 during the current fiscal year. Key factors are as follows:

- General Government Finance and Tax activity expenses decreased in the amount of \$773,479, while the general fund received a transfer in from business type activities in the amount of \$191,450.
- Health and Welfare activity expenses decreased in the amount of \$58,268.
- Public safety activity expenses decreased in the amount of \$194,568.
- Transfers out of the General Fund increased by \$255,457.

### **General Fund Budgetary Highlights**

The actual revenues came in below the budgeted amounts by \$116,588. Taxes were under the budgeted amount by \$86,261, State sources were under budgeted amounts by \$6,470 and interest earnings were under by \$3,133. All other revenue items were materially within or lower than expected.

There was a net increase of about \$62,140 between the original and final amended expenditure budget, excluding other financing sources. The general government – finance and tax budget decreased by \$2,498. The public safety budget decreased by \$16,167. The area of Health and Welfare decreased the budget by \$2,177.

The overall budget for transfers from other funds increased over \$200,000 from the original to the amended budget. The actual transfers in were \$212,037, and transfers out totaled \$377,607.

**Capital Asset and Debt Administration**

**Capital assets.** A capital asset is an asset whose cost exceeds \$5,000 and useful life is greater than two years. Included in the cost of a capital asset are items such as labor and freight and any other costs associated with bringing the asset into full operation. Assets are depreciated using the straight-line method over the course of their useful lives. A schedule of capital assets is shown in Note 6 of this report.

The County's investment in capital assets for its governmental and business type activities as of December 31, 2021, amounts to \$2,169,771 (net of accumulated depreciation). This investment in capital assets includes land, land improvements, buildings and improvements, office and computer equipment, and vehicles.

**MONTMORENCY COUNTY'S CAPITAL ASSETS**

(Net of Depreciation)

	GOVERNMENTAL ACTIVITIES: HISTORICAL COST		GOVERNMENTAL ACTIVITIES: ACCUMULATED DEPRECIATION		TOTAL	
	2021	2020	2021	2020	2021	2020
	Land	\$ 69,078	\$ 69,078	\$ -	\$ -	\$ 69,078
Buildings and Improvements	3,133,218	3,133,218	(1,526,642)	(1,461,617)	1,606,576	1,671,601
Office & Computer Equipment	1,390,070	1,289,350	(1,130,076)	(1,080,071)	259,994	209,279
Vehicles	613,501	522,995	(379,378)	(327,981)	234,123	195,014
<b>NET CAPITAL ASSETS</b>	<b>\$ 5,205,867</b>	<b>\$ 5,014,641</b>	<b>\$ (3,036,096)</b>	<b>\$ (2,869,669)</b>	<b>\$ 2,169,771</b>	<b>\$ 2,144,972</b>

Depreciation expense of \$166,427 was charged to function/programs of the primary government.

**Long-term debt.** At the end of the current fiscal year, the County had total long-term liabilities of \$108,125. The full amount of debt represents future compensated absences of \$108,125.

	GOVERNMENTAL ACTIVITIES	
	2021	2020
Compensated Absences	\$ 108,125	\$ 125,668
<b>Total</b>	<b>\$ 108,125</b>	<b>\$ 125,668</b>

The County is required to report the actuarially computed liability for the pension. The total actuarial calculated liability is approximately \$7,430,649. The net pension liability at the end of the fiscal year amounted to approximately \$4,928,470. The OPEB liability totaled \$2,394,054 as of December 31, 2021.

**Economic Factors and Next Year's Budgets and Rates**

The following factors were considered in preparing the County's budget for the 2022 fiscal year:

- Continued annual unemployment rates of 8.7% through 2022, which is in the top ten in the State of Michigan.
- Median household income continues to be well below the State average.
- Management continues to be concerned about levels of State revenues sharing amounts in fiscal year 2022.
- Property tax values will increase for the year 2022.
- Legislative changes in the Equalization Department and Indigent Defense Council may be of concern for additional County expense.

**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 referred to:

**Board of Commissioners  
Montmorency County  
P.O. Box 789  
Atlanta, Michigan 49709**

MONTMORENCY COUNTY  
MONTMORENCY COUNTY, MICHIGAN  
GOVERNMENT-WIDE FINANCIAL STATEMENTS  
STATEMENT OF NET POSITION  
DECEMBER 31, 2021

	PRIMARY GOVERNMENT			COMPONENT UNITS
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	
<b>ASSETS</b>				
Cash and Equivalents	\$ 4,629,697	\$ 3,333,897	\$ 7,963,594	\$ 4,012,172
Receivables (Net):				
Taxes	786,609	597,680	1,384,289	790,440
Accounts and Interest	260,388	-	260,388	802,154
Mortgage Loans	679,140	-	679,140	-
Inventories	-	-	-	590,895
Prepaid Items	7,738	-	7,738	32,658
Capital Assets Not Being Depreciated	69,078	-	69,078	13,204,884
Capital Assets Being Depreciated, Net	2,100,693	-	2,100,693	12,872,857
Internal Balances	49	(49)	-	-
<b>TOTAL ASSETS</b>	<b>8,533,392</b>	<b>3,931,528</b>	<b>12,464,920</b>	<b>32,306,060</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred Pension Amounts	1,762,593	-	1,762,593	19,475
<b>LIABILITIES</b>				
Accounts Payable	171,654	250	171,904	66,053
Accrued Liabilities	33,919	-	33,919	84,255
Due to Other Governmental Units	31,924	903	32,827	-
Deferred Revenue	1,183,367	-	1,183,367	-
Long - Term Liabilities:				
Due Within One Year	108,125	-	108,125	129,506
Due in More Than One Year	-	-	-	-
Other Noncurrent Liabilities:				
Net Pension Liability - Due in More Than One Year	4,928,470	-	4,928,470	130,931
Net Other Post - Employment Benefits	2,394,054	-	2,394,054	356,794
<b>TOTAL LIABILITIES</b>	<b>8,851,513</b>	<b>1,153</b>	<b>8,852,666</b>	<b>767,539</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Property Taxes Levied for Subsequent Period	652,030	-	652,030	824,840
Deferred OPEB Amounts	-	-	-	329,247
Deferred Pension Amounts	717,473	-	717,473	-
Unavailable Revenue - Mortgage Loans	679,140	-	679,140	-
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>2,048,643</b>	<b>-</b>	<b>2,048,643</b>	<b>1,154,087</b>
<b>NET POSITION</b>				
Net Investment in Capital Assets	2,169,771	-	2,169,771	26,077,741
Nonspendable, prepaid items	7,738	-	7,738	-
Restricted for:				
Other Purposes	990,790	66,041	1,056,831	4,046,801
Unrestricted (Deficit)	(3,772,470)	3,864,334	91,864	279,367
<b>TOTAL NET POSITION</b>	<b>\$ (604,171)</b>	<b>\$ 3,930,375</b>	<b>\$ 3,326,204</b>	<b>\$ 30,403,909</b>

SEE ACCOMPANYING NOTES WHICH ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS.



MONTMORENCY COUNTY  
MONTMORENCY COUNTY, MICHIGAN  
GOVERNMENT-WIDE FINANCIAL STATEMENTS  
STATEMENT OF ACTIVITIES  
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	TOTAL	
<b>PRIMARY GOVERNMENT</b>								
<b>Governmental Activities:</b>								
General Government - Legislative	\$ 105,343	\$ 170,029	\$ 59,998	\$ -	\$ 124,684	\$ -	\$ 124,684	\$ -
General Government - Finance and Tax	693,855	835,809	213,057	-	355,011	-	355,011	-
General Government - Other	(684,307)	6,079	-	-	690,386	-	690,386	-
Judicial	848,592	-	-	-	(848,592)	-	(848,592)	-
Public Safety	3,002,664	-	-	-	(3,002,664)	-	(3,002,664)	-
Health and Welfare	378,168	-	-	-	(378,168)	-	(378,168)	-
Other	253,328	-	-	-	(253,328)	-	(253,328)	-
Community & Economic Development	115,099	-	-	-	(115,099)	-	(115,099)	-
Total Governmental Activities	<u>4,712,742</u>	<u>1,011,917</u>	<u>273,055</u>	<u>-</u>	<u>(3,427,770)</u>	<u>-</u>	<u>(3,427,770)</u>	<u>-</u>
<b>Business-Type Activities:</b>								
Commissionary	6,226	11,805	-	-	-	5,579	5,579	-
County Foreclosure	34,144	16,713	-	-	-	(17,431)	(17,431)	-
Delinquent Tax	600	18,161	-	-	-	17,561	17,561	-
Total Business-Type Activities	<u>40,970</u>	<u>46,679</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,709</u>	<u>5,709</u>	<u>-</u>
Total Primary Government	<u>\$ 4,753,712</u>	<u>\$ 1,058,596</u>	<u>\$ 273,055</u>	<u>\$ -</u>	<u>\$ (3,427,770)</u>	<u>\$ 5,709</u>	<u>\$ (3,422,061)</u>	<u>\$ -</u>
<b>COMPONENT UNITS</b>								
Montmorency County Road Commission	\$ 3,391,595	\$ 36,213	\$ 2,914,907	\$ 2,721,485				\$ 2,281,010
Montmorency County Public Library	352,075	-	144,992	-				(207,083)
Montmorency County Commission on Aging	1,034,129	221,374	162,805	-				(649,950)
Total Component Units	<u>\$ 4,777,799</u>	<u>\$ 257,587</u>	<u>\$ 3,222,704</u>	<u>\$ 2,721,485</u>				<u>\$ 1,423,977</u>
<b>GENERAL REVENUES AND TRANSFERS</b>								
Taxes - Property					\$ 4,663,391	\$ -	\$ 4,663,391	\$ 1,327,065
State Sources					781,533	-	781,533	-
Investment Earnings					84,025	3,515	87,540	2,422
Transfers					191,450	(191,450)	-	15,605
Other					306,499	404,863	711,362	-
Gain (Loss) on Disposal of Assets					-	-	-	129,546
Total General Revenues and Transfers					<u>6,026,898</u>	<u>216,928</u>	<u>6,243,826</u>	<u>1,474,638</u>
<b>CHANGES IN NET POSITION</b>					<u>2,599,128</u>	<u>222,637</u>	<u>2,821,765</u>	<u>2,898,615</u>
<b>NET POSITION - Beginning of Year, as restated</b>					<u>(3,203,299)</u>	<u>3,707,738</u>	<u>504,439</u>	<u>27,505,294</u>
<b>NET POSITION - End of Year</b>					<u>\$ (604,171)</u>	<u>\$ 3,930,375</u>	<u>\$ 3,326,204</u>	<u>\$ 30,403,909</u>

SEE ACCOMPANYING NOTES WHICH ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS.

MONTMORENCY COUNTY  
MONTMORENCY COUNTY, MICHIGAN  
FUND FINANCIAL STATEMENTS  
BALANCE SHEET - GOVERNMENTAL FUNDS  
DECEMBER 31, 2021

	GENERAL	SHERIFF FUND	CDBG HOUSING	MSUE MILLAGE	AMERICAN RESCUE	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<b>ASSETS</b>							
Cash and Equivalents	\$ 1,986,211	\$ 105,317	\$ 21,746	\$ 37,730	\$ 892,702	\$ 1,585,991	\$ 4,629,697
Receivables (Net):							
Taxes	206,233	464,375	-	116,001	-	-	786,609
Accounts and Interest	72,530	-	-	-	-	187,858	260,388
Mortgage Loans	-	-	679,140	-	-	-	679,140
Due from Other Funds	49	-	-	-	-	1,257	1,306
Prepaid Items	7,738	-	-	-	-	-	7,738
<b>TOTAL ASSETS</b>	<b>\$ 2,272,761</b>	<b>\$ 569,692</b>	<b>\$ 700,886</b>	<b>\$ 153,731</b>	<b>\$ 892,702</b>	<b>\$ 1,775,106</b>	<b>\$ 6,364,878</b>
<b>LIABILITIES</b>							
Accounts Payable	\$ 92,599	\$ 22,882	\$ -	\$ -	\$ 149	\$ 56,024	\$ 171,654
Accrued Liabilities	21,230	6,214	-	-	250	6,225	33,919
Deferred Revenue	291,095	-	-	-	892,272	-	1,183,367
Due to Other Governments	31,924	-	-	-	-	-	31,924
Due to Other Funds	101,034	-	223	-	-	-	101,257
<b>TOTAL LIABILITIES</b>	<b>537,882</b>	<b>29,096</b>	<b>223</b>	<b>-</b>	<b>892,671</b>	<b>62,249</b>	<b>1,522,121</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Property Taxes Levied for a Subsequent Period	-	521,708	-	130,322	-	-	652,030
Unavailable Revenue - Mortgage Loans	-	-	679,140	-	-	-	679,140
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>-</b>	<b>521,708</b>	<b>679,140</b>	<b>130,322</b>	<b>-</b>	<b>-</b>	<b>1,331,170</b>
<b>FUND BALANCES</b>							
Restricted	-	18,888	21,523	23,409	31	1,419,666	1,483,517
Committed	-	-	-	-	-	117,362	117,362
Unassigned	1,734,879	-	-	-	-	175,829	1,910,708
<b>TOTAL FUND BALANCES</b>	<b>1,734,879</b>	<b>18,888</b>	<b>21,523</b>	<b>23,409</b>	<b>31</b>	<b>1,712,857</b>	<b>3,511,587</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 2,272,761</b>	<b>\$ 569,692</b>	<b>\$ 700,886</b>	<b>\$ 153,731</b>	<b>\$ 892,702</b>	<b>\$ 1,775,106</b>	<b>\$ 6,364,878</b>

SEE ACCOMPANYING NOTES WHICH ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS.

**MONTMORENCY COUNTY  
MONTMORENCY COUNTY, MICHIGAN  
FUND FINANCIAL STATEMENTS  
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION  
DECEMBER 31, 2021**

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Fund Balance - Total Governmental Funds	\$	3,511,587
Net position of internal service fund		100,000
Amounts reported for governmental activities in the statement of net position are different because:		
Capital Assets	\$ 5,205,867	
Accumulated Depreciation	<u>(3,036,096)</u>	
		2,169,771
Long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the governmental funds.		
Compensated Absences		(108,125)
Certain pension and OPEB related amounts, such as net pension, OPEB liability and deferred amounts are not due and payable in the current period or do not represent current financial resources and therefore are not reported in the government funds.		
Net OPEB Obligation	(2,394,054)	
Net Pension Liability	(4,928,470)	
Deferred Outflows Related to Net Pension Liability	1,762,593	
Deferred Inflows Related to the Net Pension Liability	<u>\$ (717,473)</u>	
		<u>(6,277,404)</u>
Net Position of Governmental Activities	\$	<u><u>(604,171)</u></u>

SEE ACCOMPANYING NOTES WHICH ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS.

MONTMORENCY COUNTY  
MONTMORENCY COUNTY, MICHIGAN  
FUND FINANCIAL STATEMENTS  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS  
DECEMBER 31, 2021

	GENERAL FUND	SHERIFF	CDBG HOUSING	MSUE MILLAGE	AMERICAN RESCUE	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<b>REVENUES</b>							
Taxes	\$ 3,480,839	\$ 514,823	\$ -	\$ 129,589	\$ -	\$ 538,140	\$ 4,663,391
Licenses and Permits	5,176	-	-	-	-	179,493	184,669
Federal Sources	64,462	-	-	-	13,656	397,974	476,092
State Sources	602,326	-	-	-	-	390,057	992,383
Charges for Services	615,795	-	6,064	-	-	3,000	624,859
Fines and Forfeitures	6,083	-	-	-	-	915	6,998
Interest and Rentals	82,432	504	46	97	31	40,925	124,035
Other Revenue	45,439	2,555	-	-	-	-	47,994
<b>TOTAL REVENUES</b>	<b>4,902,552</b>	<b>517,882</b>	<b>6,110</b>	<b>129,686</b>	<b>13,687</b>	<b>1,550,504</b>	<b>7,120,421</b>
<b>EXPENDITURES</b>							
Current							
General Government - Legislative	105,343	-	-	-	-	-	105,343
General Government - Finance and Tax	693,855	-	-	-	-	-	693,855
General Government - Other	809,241	-	-	-	-	77,552	886,793
Judicial	623,311	-	-	-	-	225,281	848,592
Public Safety	1,649,186	494,675	-	-	13,656	905,980	3,063,497
Health and Welfare	191,327	-	-	-	-	186,841	378,168
Other Expenditures	247,686	-	-	-	-	-	247,686
Capital Outlay	-	101,504	-	-	-	5,641	107,145
Community and Economic Development	-	-	-	115,100	-	-	115,100
<b>TOTAL EXPENDITURES</b>	<b>4,319,949</b>	<b>596,179</b>	<b>-</b>	<b>115,100</b>	<b>13,656</b>	<b>1,401,295</b>	<b>6,446,179</b>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES</b>	<b>582,603</b>	<b>(78,297)</b>	<b>6,110</b>	<b>14,586</b>	<b>31</b>	<b>149,209</b>	<b>674,242</b>
<b>OTHER FINANCING SOURCES (USES)</b>							
Operating Transfers In	212,037	-	-	-	-	274,757	486,794
Operating Transfers (Out)	(377,607)	-	-	-	-	(17,737)	(395,344)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(165,570)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>257,020</b>	<b>91,450</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>417,033</b>	<b>(78,297)</b>	<b>6,110</b>	<b>14,586</b>	<b>31</b>	<b>406,229</b>	<b>765,692</b>
<b>FUND BALANCES - Beginning of Year</b>	<b>1,317,846</b>	<b>97,185</b>	<b>15,413</b>	<b>8,823</b>	<b>-</b>	<b>1,306,628</b>	<b>2,745,895</b>
<b>FUND BALANCES - End of Year</b>	<b>\$ 1,734,879</b>	<b>\$ 18,888</b>	<b>\$ 21,523</b>	<b>\$ 23,409</b>	<b>\$ 31</b>	<b>\$ 1,712,857</b>	<b>\$ 3,511,587</b>

SEE ACCOMPANYING NOTES WHICH ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS.

**MONTMORENCY COUNTY**  
**MONTMORENCY COUNTY, MICHIGAN**  
**FUND FINANCIAL STATEMENTS**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**DECEMBER 31, 2021**

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Net Change in Fund Balances - Total Governmental Funds	\$	765,692
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Amounts reported for governmental activities are different because:

Change in net position of internal service fund		100,000
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Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives and reported as depreciation expense.

Capital Outlay, Net	\$	191,226	
Gain (Loss) on Disposal of Assets		-	
Depreciation		<u>(166,427)</u>	24,799

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Net Pension Liability and Related Deferred Amounts		1,531,034	
Change in Compensated Absences		17,543	
Change in Net Other Post-Employment Benefit Obligations	\$	<u>160,060</u>	<u>1,708,637</u>

Changes in Net Position of Governmental Activities	\$	<u><u>2,599,128</u></u>
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SEE ACCOMPANYING NOTES WHICH ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS.

MONTMORENCY COUNTY  
MONTMORENCY COUNTY, MICHIGAN  
FUND FINANCIAL STATEMENTS  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
GENERAL FUND - BUDGET AND ACTUAL  
DECEMBER 31, 2021

	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
<b>REVENUES</b>				
Taxes	\$ 3,155,949	\$ 3,567,100	\$ 3,480,839	\$ (86,261)
Licenses and Permits	5,800	5,200	5,176	(24)
Federal Sources	7,148	64,462	64,462	-
State Sources	605,473	608,796	602,326	(6,470)
Charges for Services	589,890	621,467	615,795	(5,672)
Fines and Forfeitures	4,000	6,150	6,083	(67)
Interest and Rentals	51,015	85,565	82,432	(3,133)
Other Revenue	65,450	60,400	45,439	(14,961)
<b>TOTAL REVENUES</b>	<b>4,484,725</b>	<b>5,019,140</b>	<b>4,902,552</b>	<b>(116,588)</b>
<b>EXPENDITURES</b>				
General Government - Legislative	104,316	106,203	105,343	860
General Government - Finance and Tax	696,369	693,871	693,855	16
General Government - Other	789,231	809,744	809,241	503
Judicial	610,773	623,620	623,311	309
Public Safety	1,677,032	1,660,865	1,649,186	11,679
Health and Welfare	193,550	191,373	191,327	46
Other Expenditures	251,213	298,948	247,686	51,262
Capital Outlay	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>4,322,484</b>	<b>4,384,624</b>	<b>4,319,949</b>	<b>64,675</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>162,241</b>	<b>634,516</b>	<b>582,603</b>	<b>(51,913)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating Transfers In	-	212,037	212,037	-
Operating Transfers (Out)	(198,899)	(1,180,557)	(377,607)	802,950
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(198,899)</b>	<b>(968,520)</b>	<b>(165,570)</b>	<b>802,950</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(36,658)</b>	<b>(334,004)</b>	<b>417,033</b>	<b>751,037</b>
<b>FUND BALANCE - Beginning of Year</b>	<b>1,317,846</b>	<b>1,317,846</b>	<b>1,317,846</b>	<b>-</b>
<b>FUND BALANCE - End of Year</b>	<b>\$ 1,281,188</b>	<b>\$ 983,842</b>	<b>\$ 1,734,879</b>	<b>\$ 751,037</b>

SEE ACCOMPANYING NOTES WHICH ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS.

MONTMORENCY COUNTY  
MONTMORENCY COUNTY, MICHIGAN  
FUND FINANCIAL STATEMENTS  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
SHERIFF FUND - BUDGET AND ACTUAL  
DECEMBER 31, 2021

	BUDGETED AMOUNTS		ACTUAL AMOUNT	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
<b>REVENUES</b>				
Taxes	\$ 506,419	\$ 572,157	\$ 514,823	\$ (57,334)
State Grants	-	2,554	2,555	1
Interest and Rents	3,400	530	504	(26)
<b>TOTAL REVENUES</b>	<b>509,819</b>	<b>575,241</b>	<b>517,882</b>	<b>(57,359)</b>
<b>EXPENDITURES</b>				
Public Safety	495,490	494,882	494,675	207
Capital Outlay	42,000	101,505	101,504	1
<b>TOTAL EXPENDITURES</b>	<b>537,490</b>	<b>596,387</b>	<b>596,179</b>	<b>208</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(27,671)</b>	<b>(21,146)</b>	<b>(78,297)</b>	<b>(57,151)</b>
<b>FUND BALANCE - Beginning of Year</b>	<b>97,185</b>	<b>97,185</b>	<b>97,185</b>	<b>-</b>
<b>FUND BALANCE - End of Year</b>	<b>\$ 69,514</b>	<b>\$ 76,039</b>	<b>\$ 18,888</b>	<b>\$ (57,151)</b>

SEE ACCOMPANYING NOTES WHICH ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS.

**MONTMORENCY COUNTY**  
**MONTMORENCY COUNTY, MICHIGAN**  
**FUND FINANCIAL STATEMENTS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**HOME IMPROVEMENT FUND - BUDGET AND ACTUAL**  
**DECEMBER 31, 2021**

	<b>BUDGETED AMOUNTS</b>		<b>ACTUAL AMOUNT</b>	<b>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</b>
	<b>ORIGINAL</b>	<b>FINAL</b>		
<b>REVENUES</b>				
State Grants	\$ -	\$ -	\$ -	\$ -
Charges for Services	20,000	6,100	6,064	(36)
Interest and Rentals	100	50	46	(4)
<b>TOTAL REVENUES</b>	<b>20,100</b>	<b>6,150</b>	<b>6,110</b>	<b>(40)</b>
<b>EXPENDITURES</b>				
Health and Welfare	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>20,100</b>	<b>6,150</b>	<b>6,110</b>	<b>(40)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating Transfers In	-	-	-	-
Operating Transfers (Out)	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>20,100</b>	<b>6,150</b>	<b>6,110</b>	<b>(40)</b>
<b>FUND BALANCE - Beginning of Year</b>	<b>15,413</b>	<b>15,413</b>	<b>15,413</b>	<b>-</b>
<b>FUND BALANCE - End of Year</b>	<b>\$ 35,513</b>	<b>\$ 21,563</b>	<b>\$ 21,523</b>	<b>\$ (40)</b>

SEE ACCOMPANYING NOTES WHICH ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS.



MONTMORENCY COUNTY  
MONTMORENCY COUNTY, MICHIGAN  
FUND FINANCIAL STATEMENTS  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
MSUE MILLAGE - BUDGET AND ACTUAL  
DECEMBER 31, 2021

	BUDGETED AMOUNTS		ACTUAL AMOUNT	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
<b>REVENUES</b>				
Taxes	\$ 127,610	\$ 127,610	\$ 129,589	\$ 1,979
Charges for Services	-	-	-	-
Interest and Rentals	225	225	97	(128)
<b>TOTAL REVENUES</b>	<b>127,835</b>	<b>127,835</b>	<b>129,686</b>	<b>1,851</b>
<b>EXPENDITURES</b>				
Community & Economic Development	127,605	121,796	115,100	6,696
<b>TOTAL EXPENDITURES</b>	<b>127,605</b>	<b>121,796</b>	<b>115,100</b>	<b>6,696</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>230</b>	<b>6,039</b>	<b>14,586</b>	<b>8,547</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating Transfers In	-	-	-	-
Operating Transfers (Out)	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>230</b>	<b>6,039</b>	<b>14,586</b>	<b>8,547</b>
<b>FUND BALANCE - Beginning of Year</b>	<b>8,823</b>	<b>8,823</b>	<b>8,823</b>	<b>-</b>
<b>FUND BALANCE - End of Year</b>	<b>\$ 9,053</b>	<b>\$ 14,862</b>	<b>\$ 23,409</b>	<b>\$ 8,547</b>

SEE ACCOMPANYING NOTES WHICH ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS.

**MONTMORENCY COUNTY**  
**MONTMORENCY COUNTY, MICHIGAN**  
**FUND FINANCIAL STATEMENTS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**AMERICAN RESCUE - BUDGET AND ACTUAL**  
**DECEMBER 31, 2021**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL AMOUNT</u>	<b>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</b>
	<u>ORIGINAL</u>	<u>FINAL</u>		
<b>REVENUES</b>				
Federal Grants	\$ 13,656	\$ 13,656	\$ 13,656	\$ -
Charges for Services	-	-	-	-
Interest and Rentals	-	35	31	(4)
<b>TOTAL REVENUES</b>	<u>13,656</u>	<u>13,691</u>	<u>13,687</u>	<u>(4)</u>
<b>EXPENDITURES</b>				
Public Safety	<u>14,050</u>	<u>14,050</u>	<u>13,656</u>	<u>394</u>
<b>TOTAL EXPENDITURES</b>	<u>14,050</u>	<u>14,050</u>	<u>13,656</u>	<u>394</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(394)</u>	<u>(359)</u>	<u>31</u>	<u>390</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating Transfers In	-	-	-	-
Operating Transfers (Out)	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>(394)</u>	<u>(359)</u>	<u>31</u>	<u>390</u>
<b>FUND BALANCE - Beginning of Year</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCE - End of Year</b>	<u>\$ (394)</u>	<u>\$ (359)</u>	<u>\$ 31</u>	<u>\$ 390</u>

SEE ACCOMPANYING NOTES WHICH ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS.

MONTMORENCY COUNTY  
MONTMORENCY COUNTY, MICHIGAN  
PROPRIETARY FUNDS  
STATEMENT OF NET POSITION  
DECEMBER 31, 2021

	BUSINESS-TYPE ACTIVITIES				GOVERNMENTAL
	COUNTY FORECLOSURE FUND	DELINQUENT TAX REVOLVING FUND	OTHER ENTERPRISE FUNDS	TOTAL ENTERPRISE FUNDS	INTERNAL SERVICE
<b>ASSETS</b>					
Cash and Equivalents	\$ 1,187,156	\$ 2,096,023	\$ 50,718	\$ 3,333,897	\$ -
Due from other funds	-	-	-	-	-
Taxes Receivable (Net)	(420)	598,100	-	597,680	100,000
<b>TOTAL ASSETS</b>	<b>\$ 1,186,736</b>	<b>\$ 2,694,123</b>	<b>\$ 50,718</b>	<b>\$ 3,931,577</b>	<b>\$ 100,000</b>
<b>LIABILITIES</b>					
Current Liabilities					
Accounts Payable	\$ 250	\$ -	\$ -	\$ 250	\$ -
Due to Other Governments	903	-	-	903	-
Due to Other Funds	-	49	-	49	-
<b>TOTAL CURRENT LIABILITIES</b>	<b>1,153</b>	<b>49</b>	<b>-</b>	<b>1,202</b>	<b>-</b>
<b>NET POSITION</b>					
Restricted	-	-	36,000	36,000	-
Unrestricted	1,185,583	2,694,074	14,718	3,894,375	100,000
<b>TOTAL NET POSITION</b>	<b>\$ 1,185,583</b>	<b>\$ 2,694,074</b>	<b>\$ 50,718</b>	<b>\$ 3,930,375</b>	<b>\$ 100,000</b>

SEE ACCOMPANYING NOTES WHICH ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS.

MONTMORENCY COUNTY  
MONTMORENCY COUNTY, MICHIGAN  
PROPRIETARY FUNDS  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2021

	BUSINESS-TYPE ACTIVITIES				GOVERNMENTAL
	COUNTY FORECLOSURE FUND	DELINQUENT TAX REVOLVING FUND	OTHER ENTERPRISE FUNDS	TOTAL ENTERPRISE FUNDS	INTERNAL SERVICE
<b>OPERATING REVENUES</b>					
Charges for Services	\$ 300,157	\$ 139,580	\$ 11,805	\$ 451,542	\$ -
Interest on Taxes	978	2,477	60	3,515	-
Other Revenue	-	-	-	-	-
<b>TOTAL OPERATING REVENUES</b>	<u>301,135</u>	<u>142,057</u>	<u>11,865</u>	<u>455,057</u>	<u>-</u>
<b>OPERATING EXPENSES</b>					
Public Safety	-	-	6,226	6,226	-
Contracted Services	34,144	600	-	34,744	-
<b>TOTAL OPERATING EXPENSES</b>	<u>34,144</u>	<u>600</u>	<u>6,226</u>	<u>40,970</u>	<u>-</u>
<b>OPERATING INCOME (LOSS)</b>	<u>266,991</u>	<u>141,457</u>	<u>5,639</u>	<u>414,087</u>	<u>-</u>
<b>NON-OPERATING REVENUE (EXPENSES)</b>					
Investment Income and Rents	-	-	-	-	-
<b>TOTAL NON-OPERATING REVENUE (EXPENSES)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>INCOME (LOSS) BEFORE TRANSFERS</b>	<u>266,991</u>	<u>141,457</u>	<u>5,639</u>	<u>414,087</u>	<u>-</u>
Operating Transfers In	-	-	-	-	100,000
Operating Transfers (Out)	(188,624)	(2,826)	-	(191,450)	-
<b>CHANGE IN NET POSITION</b>	<u>78,367</u>	<u>138,631</u>	<u>5,639</u>	<u>222,637</u>	<u>100,000</u>
<b>NET POSITION - Beginning of Year, as restated</b>	<u>1,107,216</u>	<u>2,555,443</u>	<u>45,079</u>	<u>3,707,738</u>	<u>-</u>
<b>NET POSITION - End of Year</b>	<u>\$ 1,185,583</u>	<u>\$ 2,694,074</u>	<u>\$ 50,718</u>	<u>\$ 3,930,375</u>	<u>\$ 100,000</u>

SEE ACCOMPANYING NOTES WHICH ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS.

MONTMORENCY COUNTY  
MONTMORENCY COUNTY, MICHIGAN  
PROPRIETARY FUNDS  
STATEMENT OF CASH FLOWS  
DECEMBER 31, 2021

	BUSINESS-TYPE ACTIVITIES			
	COUNTY FORECLOSURE FUND	DELINQUENT TAX REVOLVING FUND	OTHER ENTERPRISE FUNDS	TOTAL
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash Payments	\$ 301,561	\$ 211,246	\$ 11,805	\$ 524,612
Payments to Suppliers	(41,776)	(600)	(6,591)	(48,967)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>259,785</b>	<b>210,646</b>	<b>5,214</b>	<b>475,645</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING AND RELATED FINANCING ACTIVITIES</b>				
Operating Transfers In	-	-	-	-
Operating Transfers (Out)	(188,624)	(2,826)	-	(191,450)
<b>NET CASH PROVIDED (USED) BY NONCAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>(188,624)</b>	<b>(2,826)</b>	<b>-</b>	<b>(191,450)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest and Dividends	978	2,477	60	3,515
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<b>978</b>	<b>2,477</b>	<b>60</b>	<b>3,515</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>72,139</b>	<b>210,297</b>	<b>5,274</b>	<b>287,710</b>
<b>BALANCES - Beginning of Year</b>	<b>1,115,017</b>	<b>1,885,726</b>	<b>45,444</b>	<b>3,046,187</b>
<b>BALANCES - End of Year</b>	<b>\$ 1,187,156</b>	<b>\$ 2,096,023</b>	<b>\$ 50,718</b>	<b>\$ 3,333,897</b>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>				
Operating Income (Loss)	\$ 266,991	\$ 141,457	\$ 5,579	\$ 414,027
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
(Increase) Decrease in Assets:				
Taxes Receivable	426	69,189	-	69,615
Accounts Payable	(2,973)	-	(365)	(3,338)
Due to Other Funds	-	-	-	-
Due to Other Governmental Units	(4,659)	-	-	(4,659)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>\$ 259,785</b>	<b>\$ 210,646</b>	<b>\$ 5,214</b>	<b>\$ 475,645</b>

SEE ACCOMPANYING NOTES WHICH ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS.

MONTMORENCY COUNTY  
MONTMORENCY COUNTY, MICHIGAN  
FIDUCIARY FUNDS  
STATEMENT OF FIDUCIARY NET POSITION  
DECEMBER 31, 2021

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	<u>AGENCY FUNDS</u>
<b>ASSETS</b>	
Cash and Equivalents	\$ 82,729
Due From Other Funds	-
	<hr/>
<b>TOTAL ASSETS</b>	<b>\$ 82,729</b>
	<hr/> <hr/>
<b>LIABILITIES</b>	
Accrued Liabilities	\$ 38,555
Undistributed Tax Collections	30,076
Due to Other Funds/Governmental Units	-
Undistributed Receipts	14,098
	<hr/>
<b>TOTAL LIABILITIES</b>	<b>\$ 82,729</b>
	<hr/> <hr/>

SEE ACCOMPANYING NOTES WHICH ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS.

**MONTMORENCY COUNTY  
MONTMORENCY COUNTY, MICHIGAN  
FIDUCIARY FUNDS  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
DECEMBER 31, 2021**

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	<b>CUSTODIAL FUNDS</b>
<b>ADDITIONS</b>	
Property taxes collected	\$ 4,546,205
Miscellaneous collections for other governmental units	<u>2,111,561</u>
<b>TOTAL ADDITIONS</b>	<u>6,657,766</u>
<b>DEDUCTIONS</b>	
Property taxes distributed	4,546,205
Miscellaneous collections for other governmental units	<u>2,111,561</u>
<b>TOTAL DEDUCTIONS</b>	<u>6,657,766</u>
<b>CHANGE IN NET POSITION</b>	-
<b>NET POSITION - Beginning of Year</b>	<u>-</u>
<b>NET POSITION - End of Year</b>	<u><u>\$ -</u></u>

SEE ACCOMPANYING NOTES WHICH ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS.

MONTMORENCY COUNTY  
MONTMORENCY COUNTY, MICHIGAN  
COMPONENT UNITS  
STATEMENT OF NET POSITION  
DECEMBER 31, 2021

	MONTMORENCY COUNTY ROAD COMMISSION	MONTMORENCY COUNTY PUBLIC LIBRARY	MONTMORENCY COUNTY COMMISSION ON AGING 9/30/2021	TOTALS
<b>ASSETS</b>				
Cash and Equivalents	\$ 2,985,386	\$ 327,301	\$ 699,485	\$ 4,012,172
Receivables (Net):				
Taxes	515,525	274,915	-	790,440
Accounts and Interest	736,101	-	66,053	802,154
Due from Other Governmental Units	-	-	-	-
Inventories	588,643	-	2,252	590,895
Prepaid Items	32,658	-	-	32,658
Capital Assets (Not Depreciated)	13,104,884	100,000	-	13,204,884
Capital Assets (Net of Accumulated Depreciation)	<u>12,578,711</u>	<u>192,951</u>	<u>101,195</u>	<u>12,872,857</u>
<b>TOTAL ASSETS</b>	<u>30,541,908</u>	<u>895,167</u>	<u>868,985</u>	<u>32,306,060</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
OPEB Items	<u>19,475</u>	<u>-</u>	<u>-</u>	<u>19,475</u>
<b>LIABILITIES</b>				
Accounts Payable	66,053	-	-	66,053
PPP Loan	-	-	129,506	129,506
Accrued Liabilities	30,351	13,534	40,370	84,255
Long-Term Liabilities:				
Due Within One Year	-	-	-	-
Due in More Than One Year	-	-	-	-
Other Noncurrent Liabilities:				
Vested Employee Benefits -				
Due in More Than One Year	130,931	-	-	130,931
Other Post-Employment Benefits -				
Due in More Than One Year	<u>356,794</u>	<u>-</u>	<u>-</u>	<u>356,794</u>
<b>TOTAL LIABILITIES</b>	<u>584,129</u>	<u>13,534</u>	<u>169,876</u>	<u>767,539</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
OPEB Items	329,247	-	-	329,247
Property Taxes Levied for Subsequent Period	<u>515,525</u>	<u>309,315</u>	<u>-</u>	<u>824,840</u>
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>844,772</u>	<u>309,315</u>	<u>-</u>	<u>1,154,087</u>
<b>NET POSITION</b>				
Net Investment in Capital Assets	25,683,595	292,951	101,195	26,077,741
Restricted	3,448,887	-	597,914	4,046,801
Unrestricted	<u>-</u>	<u>279,367</u>	<u>-</u>	<u>279,367</u>
<b>TOTAL NET POSITION</b>	<u>\$ 29,132,482</u>	<u>\$ 572,318</u>	<u>\$ 699,109</u>	<u>\$ 30,403,909</u>

SEE ACCOMPANYING NOTES WHICH ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS.



MONTMORENCY COUNTY  
MONTMORENCY COUNTY, MICHIGAN  
COMPONENT UNITS  
STATEMENT OF ACTIVITIES  
DECEMBER 31, 2021

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSES) REVENUES AND CHANGES IN NET POSITION
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	
<b>ROAD COMMISSION</b>					
Montmorency County Road Commission	\$ 3,391,595	\$ 36,213	\$ 2,914,907	\$ 2,721,485	\$ 2,281,010
Montmorency County Public Library	352,075	-	144,992	-	(207,083)
Montmorency County Commission on Aging	1,034,129	221,374	162,805	-	(649,950)
<b>TOTAL COMPONENT UNITS</b>	<b>\$ 4,777,799</b>	<b>\$ 257,587</b>	<b>\$ 3,222,704</b>	<b>\$ 2,721,485</b>	<b>1,423,977</b>
<b>GENERAL REVENUES</b>					
Property Taxes					1,327,065
State Shared Revenue					-
Investment Earnings					2,422
Gain (Loss) on Disposal of Assets					15,605
Other					129,546
<b>TOTAL GENERAL REVENUES</b>					<b>1,474,638</b>
<b>CHANGES IN NET POSITION</b>					<b>2,898,615</b>
<b>NET POSITION - Beginning of Year</b>					<b>27,505,294</b>
<b>NET POSITION - End of Year</b>					<b>\$ 30,403,909</b>

SEE ACCOMPANYING NOTES WHICH ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS.

MONTMORENCY COUNTY  
MONTMORENCY COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The County of Montmorency, Michigan (the County) was organized in 1881 and covers an area of approximately 550 square miles, with the county seat located in Atlanta, Michigan. The County operates under an elected Board of Commissioners (5 members) and provides the following services to its 9,765 residents (2010 census) in many areas including legislative, administration of justice, community enrichment and development and human services.

Montmorency County's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the County are discussed below:

**Reporting Entity**

As required by generally accepted accounting principles the accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Although blended component units are legal separate entities, in substance, they are part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the government.

**Blended Components Units.** A blended component unit is a legally separate entity from the County but is so intertwined with the County that it is, in substance, the same as Montmorency County. It is reported as a part of the County and blended into the appropriate fund types.

**Economic Development Commission:**

The Montmorency County Economic Development Corporation (EDC) is governed by a board appointed by the County's Board of Commissioners. Although it is legally separate from the County, the EDC is reported as if it were part of the primary government because its sole purpose is the procurement and management of small business debt financing for the County. It is reported in the special revenue funds and has a December 31, 2021 year end. A separate report is not prepared for the EDC.

**Discretely Presented Component Units.** The governing bodies of these component units are appointed by the County Board of Commissioners. The component units are included as part of the County's annual financial statements since all debt and taxes levied must be approved by the County. The discretely presented component units are entities that are legally separate from the County, but for which the County is financially accountable, or its relationship with the County is such that exclusion would cause the County's financial statements to be misleading or incomplete.

**Montmorency County Road Commission:**

The Montmorency County Road Commission is responsible for the maintenance and constructions of the County road system. The citizens elect the members of the Road Commission and are a direct beneficiary of the services provided. The Road Commission may not issue debt or levy taxes without the approval of the County Board of Commissioners. The component unit is audited by other auditors and complete financial statements can be obtained from the Road Commission's administrative office at 1145 M-32, Atlanta, Michigan 49709.

MONTMORENCY COUNTY  
MONTMORENCY COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Montmorency County Public Library**

The Library has a separate board that oversees the day to day operations. The County levies property taxes of .6000 mills for library operations. The County Library may not issue debt or levy taxes without the approval of the County Board of Commissioners. The component unit is audited by other auditors and complete financial statements can be obtained from the County Library's administrative office at 11901 Haymeadow Road, Atlanta, Michigan 49709.

**Montmorency County Commission on Aging**

The Commission collects the county-wide tax millage which is then appropriated to a private non-profit corporation contracted to improve the quality of life of the senior citizens of Montmorency County. The County levies property taxes of 1.0000 mills for the Commission on Aging's operations. The Commission on Aging may not issue debt or levy taxes without the approval of the County Board of Commissioners. The component unit is audited by other auditors and complete financial statements can be obtained from the Montmorency County Commission on Aging administration office at 11463 McArthur Road, Atlanta, Michigan 49709.

**Basic Financial Statements - Government-Wide Statements**

The County's basic financial statements include both government-wide (reporting the County as a whole) and fund financial statements (reporting the County's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The County's General Government: Legislative, Judicial, Finance and Tax and Other General Government, Public Safety, Health and Welfare, Community & Economic Development and Capital Outlay are classified as governmental activities.

In the government-wide Statement of Net Position, both the governmental and business-type activities columns are (a) presented on a consolidated basis by column, and (b) reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations.

The government-wide Statement of Activities reports both the gross and net cost of each of the County's functions and business-type activities. The functions are also supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, etc.) The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reports capital-specific grants.

The net costs (by function or business-type activity) are normally covered by general revenue (property taxes, and interest income, etc.).

This government-wide focus is more on the sustainability of the County as an entity and the change in the County's net position resulting from the current year's activities.

**Basic Financial Statements - Fund Financial Statements**

The financial transactions of the County are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, fund equity, revenues and expenditures/expenses.

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. GASB No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. Nonmajor funds by category are summarized into a single column.

**Governmental Funds**

The focus of the governmental funds' measurement (in the funds statements) is upon determination of financial position and changes in financial positions (sources, uses, and balances of financial resources) rather than upon net income.

The County reports these major governmental funds:

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

**Sheriff Fund.** This fund is a county wide millage that funds public safety in the County by providing county-wide law enforcement, road patrol services, and continuing operations for the Montmorency County Sheriff's Department.

**CDBG/Housing Fund.** This fund (Community Development Block Grant, or Housing Fund) provides annual grants on a formula basis to states, cities, and counties to develop viable urban communities by providing decent housing and a suitable living environment, and by expanding economic opportunities, principally for low- and moderate-income persons.

**MSUE Millage Fund.** This Michigan State University Extension fund is funded by a unique partnership with federal, state, and local governments in order to successfully meet the needs of Michigan communities by providing funding for 4-H youth development, agriculture, health and nutrition, horticulture, and other services through Michigan State University Extension within Montmorency County.

**American Rescue Plan Act Fund.** This fund accounts for the monies provided under the American Rescue Plan Act (ARPA). It is a \$1.9 trillion economic stimulus bill passed on March 11, 2021 designed to speed up the country's recovery from the economic and health effects of the COVID-19 pandemic and the related ongoing recession. This package was in large part a continuation and expansion of the Coronavirus Aid, Relief, and Economic Security Act from 2020. It provided assistance at all levels of society, from direct payments to citizens, the extension of supplemental unemployment benefits and grants to small businesses to keep them afloat. The Act also allocated up to \$350 billion to help state, local, and tribal governments to bridge budget shortfalls and mitigate the fiscal shock. These monies are reserved for revenue replacement for funding that was reduced due to the COVID-19 emergency, to cover expenditures or negative economic impacts of the virus, premium pay for essential workers, or investments in water, sewer, or broadband infrastructure. They may not be used to directly or indirectly offset tax reduction or delay a tax or tax increase, nor are they allowed to supplement

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

a government's pension fund. The County was awarded a total of over \$1.8 million under the Act, of which \$905,000 was received during the fiscal year ending December 31, 2021.

Additionally, Montmorency County reports the following fund types:

**Special Revenue Funds.** These funds are used to account for specific governmental revenues requiring separate accounting for legal, regulatory or administrative purposes.

**Capital Projects Funds.** These funds are used to account for the acquisition or construction of major capital facilities.

**Proprietary Funds**

The focus of proprietary fund measurement is upon determination of operating income, changes in net position, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. Proprietary funds distinguish operating revenues and expenses from nonoperating items. The County reports the following fund types:

Enterprise funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity is financed with debt that is solely secured by a pledge of the net revenues. The activities reported in these funds are reported as business-type activities in the government-wide financial statements.

The government reports the following major proprietary funds:

**County Tax Foreclosure.** This fund is used to account for the foreclosures of properties in the County.

**Delinquent Tax Revolving.** This fund is used to account for the payment to each local unit of government within Montmorency County the delinquent real property taxes outstanding as of March 1, of each year. This fund also is used to account for the collection of those delinquent taxes along with penalties and interest.

**Internal Service Funds.** This fund accounts for operations that provide services to other departments or agencies of the County, or to other governments, on a cost-reimbursement basis.

**Agency Funds:**

These funds are used to account for assets held in trust or as an agent for others.

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Basis of Accounting**

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

**Accrual**

Both governmental and business-type activities in the government-wide financial statements and the proprietary and fiduciary fund financial statements are presented on the accrual basis of accounting. Property taxes are reported in the period for which levied. Other nonexchange revenues, including intergovernmental revenues and grants, are reported when all eligibility requirements have been met. Fees and charges and other exchange revenues are recognized when earned and expenses are recognized when incurred.

**Modified Accrual**

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year end. Property tax revenues are recognized in the period for which levied provided they are also available. Intergovernmental revenues and grants are recognized when all eligibility requirements are met and the revenues are available. Expenditures are recognized when the related liability is incurred. Exceptions to this general rule include principal and interest on general obligation long-term debt and employee vacation and sick leave, which are recognized when due and payable.

**Financial Statement Amounts**

**Cash and Cash Equivalents**

The County pools cash resources of various funds in order to facilitate the management of cash. Each fund's or component unit's portion of a pool is displayed on its respective balance sheet as "cash and cash equivalents". In addition, cash and cash equivalents are cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired.

**Investments**

Investments consist of certificates of deposit, governmental money market funds, and commercial paper with original maturities of greater than 90 days. Investments are stated at fair value which is determined using selective bases.

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Receivables**

Receivables consist of amounts due from property taxes, accounts receivable related to charges for services, interest receivable, business loans issued by the Economic Development Fund and mortgage loans issued by the Home Improvement Fund to the County at year end.

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

**Interfund 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".

**Inventories and Prepaid Items**

Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect cost applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

**Capital Assets**

Capital assets, which included property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks and related items) 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 of more than 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:

Building and Improvements	15 - 60 years
Equipment	4 - 10 years
Vehicles	3 - 5 years
Infrastructure - Roads	8 - 30 years
Infrastructure - Bridges	12 - 50 years
Depletable Assets	10 - 50 years

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Vacation, Sick Leave and Other Compensated Absences**

Eligible employees are permitted to accumulate earned but unused sick and vacation pay benefits in varying amounts based on length of service and certain other established criteria. Vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

**Long-Term Obligations**

In the government-wide financial statements and the 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.

**Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of net position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until that time. The County currently has no items that qualify for reporting in that category.

In addition to liabilities, the statement of net position and/or 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 and so will not be recognized as an inflow of resources (revenues) until that time. The government has three types of items, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Unavailable revenues from property taxes, contracts, grants, special assessments and other. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The other item reported deferred inflows in the government-wide statement of net position is the difference between projected and actual earnings on the pension plan investments. This amount is deferred in earnings difference and amortized over five years.

**Property Taxes**

Property taxes (excluding those for the General Fund, which are subject to a different timeline) are levied and attach as an enforceable lien on property on December 1. Property taxes unpaid as of February 28 are considered to be delinquent. Although the County's 2020 ad valorem tax (excluding the portion for general operations) is levied and collectible on December 1, 2020, it is the County's policy to recognize revenues from the December 1 tax levy in the subsequent year when the proceeds of the levy are budgeted and made available for the financing of the County's operations. Therefore, the entire amount of the December 1, 2020 levies is reported as deferred inflows of resources at year-end.



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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Net Pension Liability**

Beginning with fiscal year 2015, GASB Statement No. 68, Accounting and Financial Reporting for Pensions, requires governments that provided defined benefit pensions to recognize the net pension liability and the pension expense on their financial statements. As a result, the government-wide statement now includes a liability for the unfunded legacy cost related to the County's pension plan. The net pension liability is the difference between the total pension liability and the plan's fiduciary net position. The pension expense recognized each fiscal year is equal to the change in the net pension liability from the beginning of the year to the end of the year, adjusted for the deferred recognition of the liability and investment experience. The net pension liability is recorded on the government-wide and the discretely presented component units statements. This change does not impact the General Fund or any other governmental fund. Refer to the pension note for further detail.

**Other Postemployment Benefit Cost (OPEB)**

The County offers retiree health benefits for retirees. The County receives a calculation of its liability using an alternative measurement method to compute the annual required contribution (ARC) necessary to fund the obligation over the remaining amortization period. In the governmental funds, OPEB costs are recognized as contributions are made. For the government-wide statements and the discretely presented component units the County reports the full accrual cost of maintaining the Plan using GASB 75 OPEB reporting guidance.

**Government-Wide and Proprietary Fund Net Position**

Government-wide and proprietary fund net position is divided into three components:

**Net investment in capital assets.** Consist of historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets plus deferred outflows of resources less deferred inflows of resources related to those assets.

**Nonspendable.** Amounts related to prepaid expenses.

**Restricted net position.** Consist of assets that are restricted by the County's creditors (for example, through debt covenants), by the state enabling legislation (through restrictions on shared revenues), by grantors (both federal and state), and by other restrictions of special revenue funds.

**Unrestricted.** All other net position is reported in this category.

**Governmental Fund Balances**

In the fund financial statements, governmental funds report various components of fund balance. The following classifications describe the relative strength of the spending constraints placed on the purposes of which the resources can be used.

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Nonspendable fund balance.** Consist of amounts that are not in a spendable form (such as inventory) or are required to be maintained intact.

**Restricted fund balance.** Consist of amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

**Committed fund balance .** Consist of amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest-level action to remove or change the constraint.

**Assigned fund balance.** Consist of amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority.

**Unassigned fund balance.** Amounts that do not fall into any other category above. This is the residual classification for amounts in the general fund and represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes in the general fund. In other governmental funds, only negative unassigned amounts are reported, if any, and represent expenditures incurred for specific purposes exceeding the amounts previously restricted, committed, or assigned to those purposes.

The County establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund. Assigned fund balance is established by the County through adoption or amendment of the budget as intended for specific purpose (such as the purchase of fixed assets, construction, debit service, or for other purposes).

The County has not established a policy for its use of unrestricted fund balance amounts. Therefore, in accordance with GASB Statement 54, committed amounts would be reduced first, followed by assigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

**Encumbrances**

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve the portion of the applicable appropriation, is not employed by the County. Commitments outstanding at year end are charged against the subsequent year's appropriation once received and approved.

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and deferred inflows of resources; disclosure of contingent assets and liabilities at the date of the financial statements; and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimated.

**Reported Periods**

The reporting period for all funds and account groups of the County is the year ended December 31, 2021, except for the Montmorency County Commission on Aging, a component unit activity, where the reporting period is the year ended September 30, 2021.

**NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**Budgetary Information**

Budgets presented in the financial statements were prepared on a basis consistent with generally accepted accounting principles (GAAP). The general fund and special revenue funds are subject to legal budgetary accounting controls and all are budgeted annually. The County follows these procedures in establishing the budgetary data reflected in the financial statements:

**Budgets and Budgetary Accounting**

Prior to adoption of the budgets, County departments prepare and submit their proposed operating budgets commencing the following January 1. A public hearing is conducted to obtain taxpayer comments. Prior to December 31, the budget is adopted by the Board of Commissioners. Budgeted amounts are as originally adopted, or as amended by the Board of Commissioners during the year. Individual amendments were not material in relation to the original appropriations which were amended. Unused appropriations at December 31 are not carried forward to the following year.

The budget document presents information by fund, function, department and line items. The legal level of budgetary control adopted by the governing body is at the functional level. Any revisions that alter the total expenditures of any department or fund (i.e., budget amendments) require approval by the Board of Commissioners. Individual budget amendments were not material in relation to the original appropriations.

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**NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (continued)**

**Excess of Expenditures Over Appropriations in Budget Funds**

The Uniform Budgeting and Accounting Act, PA 2 of 1968 as amended (MCL 141.421 et seq.), provides that a local governmental unit shall not incur expenditures in excess of the amount appropriated. During the year, Montmorency County incurred expenditures in certain budget funds, which were in excess of the functional amounts appropriated. Budgetary comparison schedules and violations are noted in the relevant fund financial statements as follows:

<u>Budget Item</u>	<u>Final Appropriation</u>	<u>Expended</u>	<u>Variance</u>
NONE			

**NOTE 3 - DEPOSITS AND INVESTMENTS**

The County utilizes various pooled cash accounts and investments for approximately 30 funds. The County's pooled cash accounts consist of common checking and related sweep accounts.

The County's pooled cash accounts are utilized by the General Fund, Special Revenue Funds, Capital Project Fund, Proprietary Fund, Trust and Agency Funds, and the Component Units. Each fund's portion of these pooled accounts is included in the cash and cash equivalents caption on the applicable balance sheet or statement of net position.

Component Unit Funds of the County utilize separate savings and interest-bearing checking accounts and are recorded as imprest cash in the financial records of the County.

A reconciliation of cash is as reflected in the basic financial statements to the County's deposits and is as follows:

	<u>Primary Government</u>	<u>Component Units</u>	<u>Total</u>
<b>Statement of Net Position</b>			
Cash and Cash Equivalents	\$ 7,963,594	\$ 4,012,172	\$ 11,975,766
<b>Statement of Fiduciary Net Position</b>			
Cash and Cash Equivalents	82,729	-	82,729
	<u>\$ 8,046,323</u>	<u>\$ 4,012,172</u>	<u>\$ 12,058,495</u>

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**NOTE 3 - DEPOSITS AND INVESTMENTS (continued)**

The breakdown between deposits is as follows:

	Primary Government	Fiduciary Funds	Component Units	Total
<b>Carrying Amounts</b>				
Cash and Cash Equivalents				
Bank Deposits				
(Checking and Savings Accounts, Certificates of Deposit, Money Market)	\$ 7,961,844	\$ 82,729	\$ 4,011,972	\$ 12,056,545
Cash on Hand and Imprest	1,750	-	200	1,950
	\$ 7,963,594	\$ 82,729	\$ 4,012,172	\$ 12,058,495

**Statutory Authority.** State statutes authorize the county to invest in:

Bond, securities, other direct obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.

Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution.

Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.

Bankers acceptances of United States banks.

Obligations of the State of Michigan and its political subdivisions that, at the time of purchase, are rated as investment grade by at least one standard rating service.

Mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

External investment pools as authorized by Public Act 20 as amended through December 31, 1997. The County's investment policy allows for all of these types of investments.

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

The County does not hold any investments as of December 31, 2021.

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**NOTE 3 - DEPOSITS AND INVESTMENTS (continued)**

**Investment and deposit risk.** The County's cash is subject to several types of risk, which are examined in more detail below.

**Interest Rate Risk.** State law limits the allowable investments and the maturities of some of the allowable investments as identified above. The County's investment policy does not have specific limits of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Credit Risk**

State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, banker's acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified above. The County's investment policy does not have specific limits in excess of state law on investment credit risk. The ratings for each investment type are identified above for investments held at year end.

**Custodial Credit Risk - Deposits**

Deposits are exposed to custodial credit risk if they are not covered by depository insurance. The federal government provides up to \$250,000 of FDIC insurance per customer on both interest-bearing accounts and non-interest-bearing accounts. The County had \$8,542,623 of insured deposits through this coverage. At December 31, 2021, of the County's total bank balance of \$11,631,730 (total book balance was \$11,393,234) \$3,089,107 was exposed to custodial credit risk as it was uninsured and uncollateralized.

In accordance with County's investment policy and State law, all deposits are uncollateralized, held in the County's name, and evidenced by a safekeeping receipt. Due to the dollar amounts of cash deposits and the limits of FDIC insurance, the County believes it is impractical to obtain FDIC insurance for all bank deposits. The County evaluates each financial institution and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

**NOTE 4 - RECEIVABLES**

Receivables for the primary government and component units at December 31, 2021 are as follows:

	Governmental Activities	Business-Type Activities	Total	Component Units
Taxes Receivable - Current	\$ 786,609	\$ -	\$ 786,609	\$ 790,440
Taxes Receivable - Delinquent	-	598,100	598,100	-
Receivables (Net of Allowance for Uncollectable)	260,388	-	260,388	802,154
Interest and Penalties	-	(420)	(420)	-
	<u>\$ 1,046,997</u>	<u>\$ 597,680</u>	<u>\$ 1,644,677</u>	<u>\$ 1,592,594</u>

**MONTMORENCY COUNTY  
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**NOTE 5 - INTER-FUND RECEIVABLES, PAYABLES, AND TRANSFERS**

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 212,037	\$ 377,607
Budget Stabilization	175,824	-
911 Service	30,000	-
Economic Dev Corp	-	13,137
Law ENF Training	1,000	-
Law Enforcement	25,000	-
Law Library	13,000	-
Local Corrections Officer Training	3,000	-
MIDC Temp	16,899	-
Internal Service Fund	50,000	-
Internal Service Fund	50,000	-
Veterans Treatment Center	10,000	-
Concealed Pistol	-	4,600
Victim's Advocacy Program	34	-
County Foreclosure	-	188,624
Del. Tax Revolving	-	2,826
	<u>\$ 586,794</u>	<u>\$ 586,794</u>

<u>DUE FROM</u>	<u>DUE TO</u>				
	<u>General Fund</u>	<u>Delinquent Tax</u>	<u>County Foreclosure</u>	<u>CDBG</u>	<u>Total</u>
General Fund	\$	\$	\$ 903	\$	\$ 903
Veterans Service	1,000				1,000
Victim Advocacy	34				34
EDC				223	223
Internal Service	100,000				100,000
<b>Total</b>	<u>\$ 101,034</u>	<u>\$ -</u>	<u>\$ 903</u>	<u>\$ 223</u>	<u>\$ 102,160</u>

Permanent reallocation of resources between funds of the reporting entity is classified as inter-fund transfers. For the purpose of the statement of activities, all inter-fund transfers between individual governmental, enterprise funds, and component units have been eliminated.

Inter-fund transfers include transfer of unrestricted revenues collected in the General Fund to finance

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**NOTE 5 - INTER-FUND RECEIVABLES, PAYABLES, AND TRANSFERS (continued)**

various programs accounted for in other funds, in accordance with budgetary authorizations; and, transfer of revenues from the fund that is required to collect them to the fund that is required or allowed to expend them.

The Business-type activities fund transferred funds to subsidize the operations of the General Fund.

**NOTE 6 - CAPITAL ASSETS**

**Primary Government**

Capital asset activity of the primary government for the year ended December 31, 2021 is as follows:

	<u>Balance 1/1/2021</u>	<u>Additions</u>	<u>Adjustments &amp; Retirements</u>	<u>Balance 12/31/2021</u>
<b>Governmental Activities</b>				
Capital Assets, Not Depreciated				
Land	\$ 69,078	\$ -	\$ -	\$ 69,078
Capital Assets, Being Depreciated				
Buildings and Improvements	3,133,218	-	-	3,133,218
Office and Computer Equipment	1,289,350	100,720	-	1,390,070
Vehicles	522,995	90,506	-	613,501
<b>Total</b>	<u>4,945,563</u>	<u>191,226</u>	<u>-</u>	<u>5,136,789</u>
Less Accumulated Depreciation				
Building and Improvements	(1,461,617)	(65,025)	-	(1,526,642)
Office and Computer Equipment	(1,080,071)	(50,005)	-	(1,130,076)
Vehicles	(327,981)	(51,397)	-	(379,378)
<b>Total</b>	<u>(2,869,669)</u>	<u>(166,427)</u>	<u>-</u>	<u>(3,036,096)</u>
<b>Net Capital Assets Being Depreciated</b>	<u>2,075,894</u>	<u>24,799</u>	<u>-</u>	<u>2,100,693</u>
<b>Governmental Activities Assets</b>	<u>\$ 2,144,972</u>	<u>\$ 24,799</u>	<u>\$ -</u>	<u>\$ 2,169,771</u>

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

**Governmental Activities**

General Government:

Judicial	\$ 13,300
Other General Government	48,730
Public Safety	97,815
Other	6,582
	<u>\$ 166,427</u>



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**NOTE 6 - CAPITAL ASSETS (continued)**

**DISCRETELY PRESENTED COMPONENT UNITS**

	Balance 1/1/2021	Additions	Retirements	Balance 12/31/2021
<b>Montmorency County Road Commission</b>				
<b>Capital Assets, Not Depreciated:</b>				
Land Improvements	\$ 47,476	\$ -	\$ -	\$ 47,476
Infrastructure	12,664,465	392,943	-	13,057,408
<b>Total</b>	<b>12,711,941</b>	<b>392,943</b>	<b>-</b>	<b>13,104,884</b>
<b>Capital Assets, Being Depreciated</b>				
Buildings and Improvements	2,217,761	242,565	-	2,460,326
Road Equipment	4,363,069	306,088	(285,869)	4,383,288
Shop Equipment	160,821	-	-	160,821
Office and Computer Equipment	61,248	-	-	61,248
Engineering Equipment	7,235	-	-	7,235
Yard and Storage	55,700	-	-	55,700
Infrastructure - Roads	27,940	-	-	27,940
Infrastructure - Bridges	2,574,420	925,478	-	3,499,898
Depletable Assets	10,847,831	1,403,064	(143,239)	12,107,656
	<u>20,316,025</u>	<u>2,877,195</u>	<u>(429,108)</u>	<u>22,764,112</u>
<b>Less Accumulated Depreciation:</b>				
Buildings and Improvements	(885,032)	(62,999)	-	(948,031)
Road Equipment	(3,213,655)	(298,700)	284,234	(3,228,121)
Shop Equipment	(124,278)	(8,561)	-	(132,839)
Office and Computer Equipment	(58,760)	(1,103)	-	(59,863)
Engineering Equipment	(7,235)	-	-	(7,235)
Yard and Storage	(27,940)	-	-	(27,940)
Infrastructure - Roads	(1,150,263)	(93,388)	-	(1,243,651)
Infrastructure - Bridges	(3,906,015)	(774,945)	143,239	(4,537,721)
	<u>(9,373,178)</u>	<u>(1,239,696)</u>	<u>427,473</u>	<u>(10,185,401)</u>
<b>Net Capital Assets Being Depreciated</b>	<b>10,942,847</b>	<b>1,637,499</b>	<b>(1,635)</b>	<b>12,578,711</b>
<b>Net Component Unit Assets</b>	<b>\$ 23,654,788</b>	<b>\$ 2,030,442</b>	<b>\$ (1,635)</b>	<b>\$ 25,683,595</b>

Total depreciation expense for the year end December 31, 2020 for the Montmorency County Road Commission was as follows:

Primary Road	\$ 407,128
Local Road	461,205
Equipment	298,700
Allocated	71,560
Administration	1,103
<b>Total Depreciation Expense</b>	<b>\$ 1,239,696</b>

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**NOTE 6 - CAPITAL ASSETS (continued)**

	<u>Balance 1/1/2021</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 12/31/2021</u>
<b>Montmorency County Public Library</b>				
Capital Assets, Not Depreciated				
Books	\$ 100,000	\$ -	\$ -	\$ 100,000
Total	<u>100,000</u>	<u>-</u>	<u>-</u>	<u>100,000</u>
Capital Assets, Being Depreciated				
Buildings and Improvements	254,767	-	-	254,767
Furniture and Fixtures	8,021	-	-	8,021
Office and Computer Equipment	33,306	-	-	33,306
	<u>296,094</u>	<u>-</u>	<u>-</u>	<u>296,094</u>
Less Accumulated Depreciation				
Buildings and Improvements	(59,930)	(6,323)	-	(66,253)
Office and Computer Equipment	(6,812)	(302)	-	(7,114)
Furniture and Fixtures	(26,248)	(3,528)	-	(29,776)
Subtotal	<u>(92,990)</u>	<u>(10,153)</u>	<u>-</u>	<u>(103,143)</u>
Net Capital Assets Being Depreciated:	<u>203,104</u>	<u>(10,153)</u>	<u>-</u>	<u>192,951</u>
Net Component Unit Assets	<u>\$ 303,104</u>	<u>\$ (10,153)</u>	<u>\$ -</u>	<u>\$ 292,951</u>

Total depreciation expense for the year ended December 31, 2021 for the Montmorency County Public Library was \$10,153.

	<u>Balance 10/1/2020</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 9/30/2021</u>
<b>Montmorency County Commission on Aging</b>				
Capital Assets, Not Depreciated				
Land	\$ 25,989	\$ -	\$ -	\$ 25,989
	<u>25,989</u>	<u>-</u>	<u>-</u>	<u>25,989</u>
Capital Assets, Being Depreciated				
	<u>358,426</u>	<u>5,425</u>	<u>-</u>	<u>363,851</u>
Less Accumulated Depreciation				
	<u>(277,208)</u>	<u>(11,437)</u>	<u>-</u>	<u>(288,645)</u>
Net Component Unit Assets	<u>\$ 107,207</u>	<u>\$ (6,012)</u>	<u>\$ -</u>	<u>\$ 101,195</u>

Total depreciation expense for the year ended September 30, 2021 for the Montmorency County Commission on Aging was \$12,104.

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**NOTE 7 - LONG-TERM DEBT**

The government may issue bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge with full faith and credit of the government. County contractual agreements and installment purchase agreements are also general obligations of the government.

Contractual obligations can be summarized as follows:

	<b><u>PRIMARY GOVERNMENT</u></b>				
	<u>Balance</u> <u>1/1/2021</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>12/31/2021</u>	<u>Due Within</u> <u>One Year</u>
Compensated Absences	\$ 125,668	\$ -	\$ 17,543	\$ 108,125	\$ 108,125
<b>Total Primary Government</b>	<b>\$ 125,668</b>	<b>\$ -</b>	<b>\$ 17,543</b>	<b>\$ 108,125</b>	<b>\$ 108,125</b>

**DISCRETELY PRESENTED COMPONENT UNITS**

	<u>Balance</u> <u>1/1/2021</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>12/31/2021</u>	<u>Due Within</u> <u>One Year</u>
<b>Montmorency County Road Commission</b>					
Promissory note payable due in monthly installments of \$3,877. Truck noted as collateral. Final payment due October 2021.	\$ 38,405	\$ -	\$ 38,405	\$ -	\$ -
Promissory note payable due in monthly installments of \$4,908. Truck noted as collateral. Final payment due October 2021.	<u>48,612</u>	<u>-</u>	<u>48,612</u>	<u>-</u>	<u>-</u>
<b>Total Loans Payable</b>	<b><u>87,017</u></b>	<b><u>-</u></b>	<b><u>87,017</u></b>	<b><u>-</u></b>	<b><u>-</u></b>
Compensated Absences	<u>135,866</u>	<u>-</u>	<u>4,935</u>	<u>130,931</u>	<u>-</u>
<b>Total Road Commission</b>	<b>\$ <u>222,883</u></b>	<b>\$ <u>-</u></b>	<b>\$ <u>91,952</u></b>	<b>\$ <u>130,931</u></b>	<b>\$ <u>-</u></b>

**Montmorency County Public Library** had no long-term debt at December 31, 2021.

**Montmorency County on Aging** had no long-term debt at September 30, 2021.

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**NOTE 8 - LEASES**

The County is party to numerous operating leases for small office equipment. Minimum future rental payments under existing leases are not significant.

**Discretely Presented Components Units**

**Montmorency County Road Commission**

The Road Commission has entered into cancelable operating equipment leases as follows:

Equipment Item	Lease Date	Lease Maturity Date	Annual Lease Payment	Guaranteed Purchase Amount
JD 644KXDW Wheel Loader	08/30/17	08/30/23	\$ 24,055	\$ 138,280
JD 544KXDW Wheel Loader	10/16/17	10/16/23	16,441	93,550
JD 544KXDW Wheel Loader	10/16/17	10/16/23	16,755	93,550
JD 672GP Motor Grader	12/01/17	12/01/23	23,049	202,100
JD 772GP Motor Grader	12/19/17	12/19/23	23,641	222,100
JD 772GP Motor Grader	12/21/17	12/21/23	23,489	\$ 217,650
			<u>\$ 127,430</u>	

Subsequent maturities are as follows for lease commitments:

2022	<u>127,430</u>
	<u>\$ 127,430</u>

**Montmorency County Commission on Aging**

The Montmorency County Commission on Aging has separate operating leases for each of its three locations: Atlanta Hillman, and Lewiston. The leases all expire on September 30th and each location has the option to renew the leases each year. The payment for each lease is \$45 per day of use. The rent expense for these facilities for the year ending September 30, 2021, approximated \$17,140.

In August 2015 the Commission leased a new copier. The lease terms are \$2,616 annually for 60 months, with final payment made in July 2021.

**NOTE 9 - DEFERRED COMPENSATION PLAN**

Montmorency County offers all its employees a deferred compensation plan created in accordance with the Internal Revenue Code, Section 457. The assets of the plans were held in trust (custodial account annuity contract) as described in IRC section 457(g) for the exclusive benefit of the participants (employees) and their beneficiaries. The custodian

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**NOTE 9 - DEFERRED COMPENSATION PLAN (continued)**

thereof for the exclusive benefit of the participants holds the custodial account for the beneficiaries of this Section 457 plan, and the assets may not be diverted to any other use. The administrators are agents of the employer (Montmorency County) for the purposes of providing direction to the custodian of the custodial account from time to time for the investment of the funds held in the account, transfer of assets to or from the account and all other matters. In accordance with the provision of GASB Statement No. 32, plan balances and activities are not reflected in the Montmorency County financial statements.

In January 2019 the County adopted the Montmorency Co. DC Plan, a defined contribution plan, which qualifies under Internal Revenue Code Section 401(a). Nonunion employees in the County hired after January 1, 2019 would be eligible for this plan in place of the defined benefit pension plan.

The DC Plan maintains a schedule of vesting, with the participants becoming fully vested upon completion of six years of continuous service. The employer contributes 100% of the employee's deferral amount with a flat dollar cap equal to \$1,000 per year ending December 31. All contributions are remitted to a third-party plan administrator.

The County's payroll for employees covered by the DC Plan for the year ended December 31, 2021 was \$275,207. The required contributions, which matched those actually made, were \$7,508 by employees and \$17,519 by the County, representing 2.7% and 6.4% of covered payroll, respectively.

**NOTE 10 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEM**

**Summary of Significant Accounting Policies**

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

**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 by accessing the MERS website at [www.mersofmich.com](http://www.mersofmich.com).

**Benefits Provided**

Benefits provided include plans with multipliers ranging from 2.0% to 2.25%.

Vesting periods range from 6 to 10 years.

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**NOTE 10 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEM (continued)**

Normal retirement age is 60 with early retirement at 50 to 55 with 15 to 25 years of service. Final average compensation is calculated based on 3 to 5 years.

Members contributions range from 0% to 3.0%.

Act 88 was adopted August 15, 1979.

**Employees covered by benefit terms** . At the December 31, 2021 valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	72
Inactive employees entitled to but not yet receiving benefits	30
Active employees	37
	<hr/> 139

**Contributions.** The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by the MERS Retirement Board. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer may establish contribution rates to be paid by its covered employees.

Employer contributions range from 6.9% to 7.7% based on annual payroll for open divisions. One division that is closed to new employees has an annual employer contribution amount of \$477.

**Net Pension Liability.** The employer'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 annual actuarial valuation as of the date.

**Actuarial Assumptions.** The total pension liability in the December 31, 2021 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation: 2.5%

Salary increases 3% plus merit and longevity: 3.0% in the long-term

Investment rate of return: 7.35%, net of investment expense, including inflation.

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

Mortality rates used were based on a version of Pub-2010 and fully generational MP-2019.

The actuarial assumptions used in valuation were based on the results of the most recent actuarial experience study of 2014-2018.

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**NOTE 10 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEM (continued)**

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 geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Target Allocation Gross Rate of Return	Long-Term Expected Gross Rate of Return	Inflation Assumption	Long-Term Expected Real Rate of Return
Global Equity	60.0%	7.45%	4.47%	2.50%	2.97%
Global Fixed Income	20.0%	4.90%	0.98%	2.50%	0.48%
Private Investments	20.0%	9.50%	1.90%	2.50%	1.40%
	100.0%		7.35%		4.85%

**Discount rate.** The discount rate used to measure the total pension liability is 7.6%. The current discount rate shown for GASB 68 purposes is higher than the MERS assumed rate of return. This is because, for GASB 68 purposes, the discount rate must be gross of administrative expenses, whereas for funding purposes, it is net of administrative expenses. 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.

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**NOTE 10 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEM (continued)**

**CHANGES IN NET PENSION LIABILITY**

	<u>Total Pension Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net Pension Liability (a) - (b)</u>
<b>Balances at January 1, 2021</b>	\$ 14,083,676	\$ 8,489,149	\$ 5,594,527
<b>Changes for the Year</b>			
Service Cost	199,900	-	199,900
Interest on Total Pension Liability	1,045,774	-	1,045,774
Changes in Benefits	-	-	-
Difference Between Expected and Actual Experiences	(592,129)	-	(592,129)
Changes in Assumptions	534,216	-	534,216
Employer Contributions	-	665,829	(665,829)
Employee Contributions	-	19,812	(19,812)
Net Investment Income	-	1,181,810	(1,181,810)
Benefit Payments, Including Employee Refunds	(846,889)	(846,889)	-
Administrative Expense	-	(13,634)	13,634
Other Changes	(1)	-	(1)
<b>Net Changes</b>	<u>340,871</u>	<u>1,006,928</u>	<u>(666,057)</u>
<b>Balances as of December 31, 2021</b>	<u>\$ 14,424,547</u>	<u>\$ 9,496,077</u>	<u>\$ 4,928,470</u>

**Sensitivity of the Net Pension Liability to changes in the discount rate.** The following presents the Net Liability of the employer, calculated using the discount rate of 7.60% as well as what the employer's Net Pension Liability would be using a discount rate that is 1 percentage point lower (6.60%) or 1 percentage point higher (8.60%) than the current rate.

**SENSITIVITY TO CHANGES TO DISCOUNT RATE**

	<u>1% Decrease (6.60%)</u>	<u>Current Discount Rate (7.60%)</u>	<u>1% Increase (8.60%)</u>
Net Pension Liability at 12/31/21	\$ 4,928,470	\$ 4,928,470	\$ 4,928,470
Change in Net Pension Liability	1,728,710	-	(1,442,903)
Calculated Net Pension Liability	<u>\$ 6,657,180</u>	<u>\$ 4,928,470</u>	<u>\$ 3,485,567</u>



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**NOTE 10 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEM (continued)**

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

For the year ended December 31, 2021 the employer recognized pension expense of \$1,122,172. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred inflows of Resources
Differences in Experience	\$ -	\$ 717,473
Differences in Assumptions	1,106,472	-
Excess (Deficit) Investments Returns	656,121	-
Total	\$ 1,762,593	\$ 717,473

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

	Year Ended	
2022	\$	216,795
2023		230,667
2024		180,210
2025	\$	108,479

**Component Unit Retirement Disclosures**

*Montmorency County Road Commission & Montmorency County Public Library*

The Road Commission and Public Library have a separate defined contribution retirement plan from the County. Details applicable to their plans are readily available in their separately issued financial statements and are not duplicated here in accordance with GASB Statement No. 61. It appears actuarially determined contribution requirements have been met for the fiscal year presented.

**NOTE 11 - OTHER POSTEMPLOYMENT BENEFITS**

**General Information About the Other Postemployment Benefit Plan**

**Plan Description.** Montmorency County administers a single-employer defined benefit healthcare plan (the Plan). The Plan provides healthcare benefits to all full-time employees upon retirement, in accordance with labor contracts and personnel policies. The benefits are provided under the collective bargaining agreement for union employees and by personnel policies for nonunion employees.

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**NOTE 11 - OTHER POSTEMPLOYMENT BENEFITS (continued)**

**Eligibility.** County policy established that retiring employees, who terminate employment after becoming eligible for immediate commencement of retirement benefits from the County, shall be eligible for health benefits. Retiring employees reach eligibility based on hire date, years of retirement plan, credited service and age at retirement. Employees are eligible at age 62 and 15 years of service. Retirees under the age of 65 are responsible for 20% of the premium cost. Retirees age 65 or over receive a stipend of \$200 per month.

These benefits are established and can be amended by the County Board of Commissioners.

**Contributions.** The contribution requirements of Plan members and the County are established and may be amended by the County Board of Commissioners. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually by the County Board of Commissioners. For the year ended December 31, 2021, the County contributions totaled \$42,500. The County a \$200 per month stipend for eligible retired plan members over the age of 65 and 80% of the cost of current-year premiums for eligible retired plan members under the age of 65. For fiscal year 2021, the retiree contributions totaled \$0.

**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	27
Active employees	52
	79

**Net OPEB Liability**

The County's Net OPEB liability of \$2,394,054 was measured as of December 31, 2021.

**Actuarial Assumptions.** The County's net OPEB liability was determined by an actuarial valuation as of December 31, 2021. Using the alternative measurement method permitted by GASB Statement No. 75 for employers in plans with fewer than one hundred total plan members, using the following assumptions:

Salary Increases, Including Inflation:	2.00%
Healthcare Cost Trend Rates:	3.50% - 5.50%

**Mortality Rates.** Mortality rates are based on mortality tables from the National Center for Health Statistics. The 2012 United States Life Tables for Males and Females were used.

**Discount Rate.** The discount rate used to measure the total OPEB liabilities was 2.06% based on the AA 20-year bond rate as of December 31, 2020.

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**NOTE 11 - OTHER POSTEMPLOYMENT BENEFITS (continued)**

**Changes in the Net OPEB Liability.** The components of the change in the net OPEB liability are summarized as follows:

Changes in Total OPEB Liability	<u>Total OPEB Liability</u>
Balance at January 1, 2021	\$ <u>2,554,114</u>
Changes for the Year:	
Service cost	115,927
Interest	48,322
Change in benefits	-
Differences in experience	(281,809)
Employer Contributions	(42,500)
Employee Contributions	-
Net Changes	<u>(160,060)</u>
Balance at December 31, 2021	\$ <u><u>2,394,054</u></u>

**Sensitivity of the Total OPEB Liability to Changes in the Discount Rate.** The following presents the net OPEB liability of the County, calculated using a discount rate that is 1 percentage point lower (1.06 percent) or 1 percentage point higher (3.06 percent) than the current discount rate:

	1% Decrease (1.12%)	Discount Rate (2.12%)	1% Increase (3.12%)
Total OPEB Liability	\$ 2,800,443	\$ 2,394,054	\$ 2,069,874

**Sensitivity of the Total OPEB Liability to Changes in the Healthcare Trend Rate Assumptions.** The following presents the net OPEB liability of the County, as well as what the County's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower (6.25 to 3.50 percent) or 1 percentage point higher (8.25 to 5.50 percent) than the current healthcare cost trend rates:

	1% Decrease (6.25%-3.50%)	Current Discount Rate (7.25%-4.50%)	1% Increase (8.25%-5.50%)
Total OPEB Liability	\$ 2,076,630	\$ 2,394,054	\$ 2,781,960

**Component Unit OPEB Disclosures**

*Montmorency County Road Commission*

The Road Commission has a separate other post employment benefit plan from the County.

Details applicable to the plan is readily available in their separately issued financial statements and are not duplicated here in accordance with GASB Statement No. 61. It appears actuarially determined contribution requirements have been met for the fiscal year presented.

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**NOTE 12 - PROPERTY TAXES RECEIVABLE**

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

Property taxes are levied on the assessed taxable value of the property as established by local units, accepted by the County and equalized under State statute at approximately 50% of the current estimated market value.

The taxable value of real and personal property for 2020, for which revenue was recognized in the General Fund, was \$516,816,810. The general operating tax rate for this levy was 5.1553 mills.

The tax rates for these levies were 1.0000 mills for Road Commission, 1.0000 mills for Police, 1.0000 mills for Commission on Aging and 0.6000 mills for Library.

**NOTE 13 - CONTINGENCIES, CLAIMS, AND LITIGATION**

There are various legal actions pending against the County. Due to the inconclusive nature of these actions, it is not possible for the County to neither determine the probable outcome of these actions nor provide a reasonable estimate of the County's potential liability, if any. The County believes that it has sufficient insurance coverage to provide for possible losses resulting from the unfavorable outcome of any litigation.

**NOTE 14 - RISK MANAGEMENT**

The County is exposed to various risk of loss related to property loss, torts, errors, and omissions, employee injuries, unemployment benefits, as well as medical and workman's compensation benefits provided to employees. 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 (i.e., the Insurance Fund) using premiums paid into it by other funds of the County's Economic resources in the MMRMA's general and administrative cost. The County is a state pool member and has deductibles which differ for each type of coverage.

The County is a member of the Michigan Counties Workers' Compensation Fund. Full statutory coverage for worker's 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.

Settled claims have not exceeded the amount of coverage in any of the past three years. There was no reduction in coverage obtained through commercial insurance during the past year. The County pays unemployment claims on a reimbursement basis.

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**NOTE 15 - FUND BALANCE CATEGORIES AND CLASSIFICATIONS**

Restrictions of net position reflected in the government-wide financial statements indicate that restrictions imposed by the Board of Commissioners, the funding source, or outside source, preclude their use for unrestricted purposes. The following are the various net position restrictions as of December 31, 2021:

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Restricted for:			
Police Fund	\$ -	\$ 18,887	\$ 18,887
Housing	-	21,523	21,523
Building Inspection	-	107,776	107,776
Conservation Gypsy Moth	-	369,531	369,531
ORV Enforcement	-	-	-
911 Services	-	235,507	235,507
Concealed Pistol License	-	45,697	45,697
Correction Officer Training	-	4,786	4,786
Lake Level	-	78,083	78,083
Law Enforcement Grants	-	105,292	105,292
Law Library	-	14,289	14,289
MSUE Millage	-	23,410	23,410
State Domestic Preparedness	-	45	45
Michigan Safe Kids	-	168	168
Child Care	-	163,921	163,921
Economic Development	-	163,784	163,784
Veterans Service Fund Grant	-	29,728	29,728
Veterans Treatment Court	-	92,938	92,938
American Rescue	-	31	31
Remonumentation	-	8,121	8,121
<b>Total Restricted</b>	<u>-</u>	<u>1,483,517</u>	<u>1,483,517</u>
Committed for:			
ROD Automation	-	56,021	56,021
Law Enforcement Training	-	6,563	6,563
D.A.R.E	-	3,083	3,083
Victim Advocacy	-	-	-
Soldier Relief	-	4,997	4,997
MIDC Temp Fund	-	46,698	46,698
<b>Total Committed</b>	<u>-</u>	<u>117,362</u>	<u>117,362</u>
Budget Stabilization	175,829	-	175,829
General Fund Unassigned	1,734,879	-	1,734,879
Unassigned (Deficit)	<u>1,910,708</u>	<u>-</u>	<u>1,910,708</u>
<b>Total Fund Balances, Governmental Funds</b>	<u>\$ 1,910,708</u>	<u>\$ 1,600,879</u>	<u>\$ 3,511,587</u>

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**NOTE 16 - JOINT VENTURES**

**Northeast Michigan Recycling Alliance Authority**

In January 2000, Alpena County joined Montmorency County in forming the *Northeast Michigan Recycling Alliance Authority*, under Act No. 223 of the Public Acts of 1955 of the State of Michigan.

The Authority manages a transfer station and recycling facility on West M-32 in Wilson Township in Alpena County. It is governed by a six-person board, with three representatives from each County.

The County renewed a resolution imposing a recycling surcharge up to \$20 per year per household for a period of three years, 2020, 2021, and 2022 inclusive.

The County has no significant influence over the management of the Authority and that is why it is not included in the County's annual financial report.

The Northeast Michigan Recycling Alliance Authority maintains the financial records at the Montmorency County Court House, Atlanta, Michigan 49709 and the office number is (989) 785-8003. It's financial office is located at the Alpena Soil Conservation District Office located at 1900 W. M-32, Alpena, Michigan 49707 and the office number is (989) 356-6038.

**Montmorency-Oscoda-Alpena Solid Waste Management Authority**

In February 1998, the County of Alpena joined Montmorency County and Oscoda County in creating the *Montmorency-Oscoda-Alpena Solid Waste Management Authority* in accordance with Act No. 223 of the Public Acts of 1955 of the State of Michigan.

This Authority manages a landfill located in Montmorency County and is governed by a six-person board, with two representatives from each County.

Annually each County has been asked to use their annual financial statements to assure the unfunded portion of the closure and post closure cost. The closure and post closure cost estimated liability is reported as \$5,349,406 as of December 31, 2021. Restricted cash consisting of certificates of deposit and other investments amount to \$3,208,988 of that balance.

The County has no significant influence over the management of the Authority and that is why it is not included in the County's annual financial report.

The Montmorency-Oscoda-Alpena Solid Waste Management Authority maintains the financial records at the Landfill. Contact the Authority Administrator at Montmorency-Oscoda-Alpena Solid Waste Management Authority, 6751 Landfill Road, Atlanta, Michigan 49709. Their phone number is (989) 785-6500.

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**NOTE 17 - PROPERTY TAX ABATEMENTS**

The County of Montmorency is impacted by tax abatements provided by Johannesburg- Lewiston Schools under the following program:

Industrial property tax abatements are granted in the State of Michigan under Public Act 198, as amended, to promote economic development, creation of jobs, and new or improvement facilities. The industrial facilities tax (IFT) exemption must be approved by both the local unit (after a public hearing is held) and the State of Michigan. IFT exemptions can cover real and/or personal property. By State law, the exemption must be applied for no later than six months after commencement of the project, and must be accompanied by a written agreement between the taxpayer and the local unit. An exemption allows for taxation on IFT property at 50% of the local property tax millage rate for a period of 1 to 12 years. Accordingly, such agreements meet the criteria of "tax abatements" under GASB Statement No. 77. Property taxes abated by the County in 2021 amounted to \$3,698.

**NOTE 18 - FUND DEFICITS**

As of December 31, 2021, there were no fund deficits.

**NOTE 19 - PRIOR PERIOD ADJUSTMENT**

For the year ended December 31, 2021 a prior period adjustment of \$34,212 was recorded to the County Foreclosure Fund. A portion of the previously recorded penalties and interest receivable was no longer considered to be receivable by the county.

	County Foreclosure Fund
Net Position as of January 1, 2021 as previously stated	\$ 1,141,428
Prior Period Adjustment	(34,212)
Net Position as of January 1, 2021 as restated	\$ 1,107,216

**NOTE 20 - SUBSEQUENT EVENTS**

**Primary Government** - Management has evaluated subsequent events through June 20, 2022, the date on which the financial statements were available to be issued.

**Discretely Presented Component Units**

*Montmorency County Road Commission • Montmorency County Library • Montmorency County Commission on Aging*

Management has evaluated subsequent events through June 20, 2022, the date on which the financial statements were available to be issued.

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<b>TOTAL PENSION LIABILITY</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Service Cost	\$ 199,900	\$ 200,861	\$ 210,925	\$ 193,891	\$ 202,564	\$ 207,945	\$ 185,352
Interest	1,045,774	987,248	1,043,537	956,436	924,169	914,347	828,607
Changes of Benefit Terms	-	-	-	-	-	-	-
Difference Between Expected and Actual							
Experience	(592,129)	(211,858)	56,684	(79,519)	88,324	129,230	121,346
Changes in Assumptions	534,216	653,228	410,312	-	-	-	593,602
Benefit Payments, Including Refund of Member							
Contributions	(846,889)	(870,945)	(848,415)	(819,338)	(795,433)	(708,560)	(693,318)
Other	(1)	(1)	(67,472)	(74)	-	(27,709)	-
<b>NET CHANGE IN TOTAL PENSION LIABILITY</b>	<b>340,871</b>	<b>758,533</b>	<b>805,571</b>	<b>251,396</b>	<b>419,624</b>	<b>515,253</b>	<b>1,035,589</b>
<b>TOTAL PENSION LIABILITY - Beginning</b>	<b>14,083,676</b>	<b>13,325,143</b>	<b>12,519,572</b>	<b>12,268,176</b>	<b>11,848,552</b>	<b>11,333,299</b>	<b>10,297,710</b>
<b>TOTAL PENSION LIABILITY - Ending</b>	<b>\$ 14,424,547</b>	<b>\$ 14,083,676</b>	<b>\$ 13,325,143</b>	<b>\$ 12,519,572</b>	<b>\$ 12,268,176</b>	<b>\$ 11,848,552</b>	<b>\$ 11,333,299</b>
<b>PLAN FIDUCIARY NET POSITION</b>							
Contributions - Employer	\$ 665,829	\$ 1,472,798	\$ 566,498	\$ 614,736	\$ 624,089	\$ 440,653	\$ 478,089
Contributions - Employee	19,812	22,384	23,880	23,010	22,599	22,008	20,172
Net Investment Income	1,181,810	912,375	853,743	(265,129)	806,999	649,703	(89,739)
Benefit Payments Including Employee							
Refunds	(846,889)	(870,945)	(848,415)	(819,338)	(795,433)	(708,560)	(693,318)
Administrative Expense	(13,634)	(14,070)	(14,710)	(13,122)	(12,793)	(12,834)	(13,192)
<b>NET CHANGE IN PLAN FIDUCIARY NET POSITION</b>	<b>1,006,928</b>	<b>1,522,542</b>	<b>580,996</b>	<b>(459,843)</b>	<b>645,461</b>	<b>390,970</b>	<b>(297,988)</b>
<b>Plan Fiduciary Net Position - Beginning</b>	<b>8,489,149</b>	<b>6,966,607</b>	<b>6,385,611</b>	<b>6,845,454</b>	<b>6,199,993</b>	<b>5,809,023</b>	<b>6,107,011</b>
<b>Plan Fiduciary Net Position - Ending</b>	<b>\$ 9,496,077</b>	<b>\$ 8,489,149</b>	<b>\$ 6,966,607</b>	<b>\$ 6,385,611</b>	<b>\$ 6,845,454</b>	<b>\$ 6,199,993</b>	<b>\$ 5,809,023</b>
<b>County's Net Pension Liability - Ending</b>	<b>\$ 4,928,470</b>	<b>\$ 5,594,527</b>	<b>\$ 6,358,536</b>	<b>\$ 6,133,961</b>	<b>\$ 5,422,722</b>	<b>\$ 5,648,559</b>	<b>\$ 5,524,276</b>
<b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	<b>66%</b>	<b>60%</b>	<b>52%</b>	<b>51%</b>	<b>56%</b>	<b>52%</b>	<b>51%</b>
<b>Covered - Employee Payroll</b>	<b>\$ 1,708,651</b>	<b>\$ 1,941,892</b>	<b>\$ 2,011,905</b>	<b>\$ 1,854,981</b>	<b>\$ 1,886,525</b>	<b>\$ 1,861,935</b>	<b>\$ 1,672,949</b>
<b>County's Net Pension Liability as a Percentage of Covered-Employee Payroll</b>	<b>288%</b>	<b>288%</b>	<b>316%</b>	<b>331%</b>	<b>287%</b>	<b>303%</b>	<b>330%</b>

**Note to Schedule:**

Above dates are based on measurement date, which may not necessarily tie to the fiscal year. This schedule is to be built prospectively. Until a full 10-year trend is compiled, the schedule will show information for those years for which data is available, beginning with fiscal year ending December 31, 2015.



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	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially Determined Contribution*	\$ 846,889	\$ 843,564	\$ 566,498	\$ 614,736	\$ 624,089	\$ 440,653	\$ 478,090
Contributions in Relation to the Actuarially Determined Contribution	<u>846,889</u>	<u>843,564</u>	<u>566,498</u>	<u>614,736</u>	<u>624,089</u>	<u>440,653</u>	<u>478,090</u>
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered - Employee Payroll	\$ 1,708,651	\$ 1,941,892	\$ 2,011,905	\$ 1,854,981	\$ 1,886,525	\$ 1,861,935	\$ 1,672,949
Contributions as a Percentage of Covered Employee Payroll	50%	43%	28%	33%	33%	24%	29%

**\*Notes to Schedule**

Actuarial Cost Method	Entry Age
Amortization Method	Level Percentage of Payroll, Open
Remaining Amortization Period	18 years
Asset Valuation Method	5 Year Smoothed
Inflation	2.50%
Salary Increases	3.00%
Investment Rate of Return	7.35%
Retirement Age	Varies Depending on Plan Adoption
Mortality	Pub-2010 and fully generational MP-2019

SEE NOTES TO FINANCIAL STATEMENTS.

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<b>TOTAL OPEB LIABILITY</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
Service Cost	\$ 115,927	\$ 128,827	\$ 138,615	\$ 154,270	\$ 150,522
Interest	48,322	53,023	86,399	143,414	138,819
Changes in benefits	-	(640,516)	-	-	-
Differences in Experience	(281,809)	(192,894)	(1,333,421)	-	-
Employer Contributions	(42,500)	(28,612)	(104,624)	(121,684)	(150,775)
Employee Contributions	-	(5,372)	(25,405)	(30,663)	(5,996)
<b>NET CHANGE IN TOTAL OPEB LIABILITY</b>	<b>(160,060)</b>	<b>(685,544)</b>	<b>(1,238,436)</b>	<b>145,337</b>	<b>132,570</b>
<b>TOTAL OPEB LIABILITY - Beginning of Year</b>	<b>2,554,114</b>	<b>3,239,658</b>	<b>4,478,094</b>	<b>4,332,757</b>	<b>4,200,187</b>
<b>TOTAL OPEB LIABILITY - End of Year</b>	<b>\$ 2,394,054</b>	<b>\$ 2,554,114</b>	<b>\$ 3,239,658</b>	<b>\$ 4,478,094</b>	<b>\$ 4,332,757</b>
<b>Covered Employee Payroll</b>	<b>\$ 2,161,417</b>	<b>\$ 2,492,145</b>	<b>\$ 2,137,732</b>	<b>\$ 1,967,096</b>	<b>\$ 2,079,530</b>
<b>County's Net OPEB Liability as a Percentage of Covered Payroll</b>	<b>110.76%</b>	<b>102.49%</b>	<b>151.55%</b>	<b>227.65%</b>	<b>208.35%</b>

**Notes to Schedule:**

Factors that significantly affect trends in the OPEB liability include the assumptions identified in Note 11 to the financial statements.

No assets are accumulated in a trust for this OPEB liability.

This schedule is to be built prospectively. Until a full 10-year trend is compiled, the schedule will show information for those years for which data is available, beginning with fiscal year ending December 31, 2017.

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COMBINING BALANCE SHEET - GOVERNMENTAL FUNDS  
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	<b>LAW ENF TRAINING FUND</b>	<b>LAW ENFORCEMENT FUND</b>	<b>LAW LIBRARY</b>	<b>LOCAL CORRECTIONS OFFICER TRAINING FUND</b>	<b>MICHIGAN SAFE KIDS</b>	<b>MIDC TEMP FUND</b>	<b>ORV ENFORCEMENT FUND</b>
<b>ASSETS</b>							
Cash and Equivalents	\$ 6,563	\$ 106,332	\$ 14,931	\$ 4,786	\$ 168	\$ 57,951	\$ -
Accounts Receivable (Net)	-	-	-	-	-	-	-
Accounts Receivable - Revolving Loan Fund	-	-	-	-	-	-	-
Due from Other Funds	-	-	-	-	-	-	-
Prepaid Items	-	-	-	-	-	-	-
<b>Total Assets</b>	<b>\$ 6,563</b>	<b>\$ 106,332</b>	<b>\$ 14,931</b>	<b>\$ 4,786</b>	<b>\$ 168</b>	<b>\$ 57,951</b>	<b>\$ -</b>
<b>LIABILITIES</b>							
Accounts Payable	\$ -	\$ 641	\$ 642	\$ -	\$ -	\$ 11,253	\$ -
Accrued Liabilities	-	399	-	-	-	-	-
Due to Other Funds	-	-	-	-	-	-	-
<b>Total Liabilities</b>	<b>-</b>	<b>1,040</b>	<b>642</b>	<b>-</b>	<b>-</b>	<b>11,253</b>	<b>-</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Property Taxes Levied for a Subsequent Period	-	-	-	-	-	-	-
<b>FUND BALANCES</b>							
Restricted	-	105,292	14,289	4,786	168	-	-
Committed	6,563	-	-	-	-	46,698	-
Unassigned	-	-	-	-	-	-	-
<b>Total Fund Balances</b>	<b>6,563</b>	<b>105,292</b>	<b>14,289</b>	<b>4,786</b>	<b>168</b>	<b>46,698</b>	<b>-</b>
<b>Total Liabilities, Deferred Inflows and Fund Balances</b>	<b>\$ 6,563</b>	<b>\$ 106,332</b>	<b>\$ 14,931</b>	<b>\$ 4,786</b>	<b>\$ 168</b>	<b>\$ 57,951</b>	<b>\$ -</b>

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	REMONUMENTATION	STATE DOMESTIC PREPAREDNESS	VETERANS RELIEF FUND	VETERANS SERVICE FUND GRANT	VETERANS TREATMENT CENTER	VICTIM ADVOCACY PROGRAM	ROD AUTOMATION FUND	911 SERVICE FUND
<b>ASSETS</b>								
Cash and Equivalents	\$ 8,190	\$ 45	\$ 5,023	\$ 38,925	\$ 86,220	\$ (34)	\$ 58,779	\$ 148,770
Accounts Receivable (Net)	-	-	-	-	10,070	-	-	101,528
Accounts Receivable								
Revolving/Mortgage Loans	-	-	-	-	-	-	-	-
Due from Other Funds	-	-	-	1,000	-	34	-	-
Prepaid Items	-	-	-	-	-	-	-	-
<b>Total Assets</b>	<b>\$ 8,190</b>	<b>\$ 45</b>	<b>\$ 5,023</b>	<b>\$ 39,925</b>	<b>\$ 96,290</b>	<b>\$ -</b>	<b>\$ 58,779</b>	<b>\$ 250,298</b>
<b>LIABILITIES</b>								
Accounts Payable	\$ 69	\$ -	\$ 26	\$ 9,600	\$ 3,003	\$ -	\$ 2,758	\$ 10,381
Accrued Liabilities	-	-	-	597	349	-	-	4,410
Due to Other funds	-	-	-	-	-	-	-	-
<b>Total Liabilities</b>	<b>69</b>	<b>-</b>	<b>26</b>	<b>10,197</b>	<b>3,352</b>	<b>-</b>	<b>2,758</b>	<b>14,791</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>								
Property Taxes Levied for a Subsequent Period	-	-	-	-	-	-	-	-
<b>FUND BALANCES</b>								
Restricted	8,121	45	-	29,728	92,938	-	-	235,507
Committed	-	-	4,997	-	-	-	56,021	-
Unassigned	-	-	-	-	-	-	-	-
<b>Total Fund Balances</b>	<b>8,121</b>	<b>45</b>	<b>4,997</b>	<b>29,728</b>	<b>92,938</b>	<b>-</b>	<b>56,021</b>	<b>235,507</b>
<b>Total Liabilities, Deferred Inflows and Fund Balances</b>	<b>\$ 8,190</b>	<b>\$ 45</b>	<b>\$ 5,023</b>	<b>\$ 39,925</b>	<b>\$ 96,290</b>	<b>\$ -</b>	<b>\$ 58,779</b>	<b>\$ 250,298</b>

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	Capital Projects								
	BUILDING DEPARTMENT FUND	CHILD CARE FUND	CONCEALED PISTOL LICENSING	COUNTY CONSERVATION GYPSY MOTH	DARE/ TEAM	ECONOMIC DEVELOPMENT CORPORATION FUND	LAKE LEVEL FUND	BUDGET STABILIZATION FUND	TOTAL NONMAJOR GOVERNMENTAL FUNDS
<b>ASSETS</b>									
Cash and Equivalents	\$ 108,264	\$ 169,686	\$ 45,697	\$ 369,531	\$ 3,083	\$ 99,169	\$ 78,083	\$ 175,829	\$ 1,585,991
Taxes Receivable	-	-	-	-	-	-	-	-	-
Accounts Receivable (Net)	-	11,868	-	-	-	64,392	-	-	187,858
Accounts Receivable Revolving/Mortgage	-	-	-	-	-	-	-	-	-
Due from Other Funds	-	-	-	-	-	223	-	-	1,257
Prepaid Items	-	-	-	-	-	-	-	-	-
<b>Total Assets</b>	<b>\$ 108,264</b>	<b>\$ 181,554</b>	<b>\$ 45,697</b>	<b>\$ 369,531</b>	<b>\$ 3,083</b>	<b>\$ 163,784</b>	<b>\$ 78,083</b>	<b>\$ 175,829</b>	<b>\$ 1,775,106</b>
<b>LIABILITIES</b>									
Accounts Payable	\$ 18	\$ 17,633	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 56,024
Accrued Liabilities	470	-	-	-	-	-	-	-	6,225
Deferred Revenue	-	-	-	-	-	-	-	-	-
Due to Other funds	-	-	-	-	-	-	-	-	-
<b>Total Liabilities</b>	<b>488</b>	<b>17,633</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>62,249</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>									
Property Taxes Levied for a Subsequent Period	-	-	-	-	-	-	-	-	-
<b>FUND BALANCES</b>									
Restricted	107,776	163,921	45,697	369,531	-	163,784	78,083	-	1,419,666
Committed	-	-	-	-	3,083	-	-	-	117,362
Unassigned	-	-	-	-	-	-	-	175,829	175,829
<b>Total Fund Balances</b>	<b>107,776</b>	<b>163,921</b>	<b>45,697</b>	<b>369,531</b>	<b>3,083</b>	<b>163,784</b>	<b>78,083</b>	<b>175,829</b>	<b>1,712,857</b>
<b>Total Liabilities, Deferred Inflows and Fund Balances</b>	<b>\$ 108,264</b>	<b>\$ 181,554</b>	<b>\$ 45,697</b>	<b>\$ 369,531</b>	<b>\$ 3,083</b>	<b>\$ 163,784</b>	<b>\$ 78,083</b>	<b>\$ 175,829</b>	<b>\$ 1,775,106</b>

SEE NOTES TO FINANCIAL STATEMENTS.

**MONTMORENCY COUNTY**  
**MONTMORENCY COUNTY, MICHIGAN**  
**OTHER INFORMATION**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2021**

	<b>LAW ENF TRAINING FUND</b>	<b>LAW ENFORCEMENT FUND</b>	<b>LAW LIBRARY</b>	<b>LOCAL CORRECTIONS OFFICER TRAINING FUND</b>	<b>MICHIGAN SAFE KIDS</b>	<b>MIDC TEMP FUND</b>	<b>ORV ENFORCEMENT FUND</b>
<b>REVENUES</b>							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-
Licenses & Permits	-	-	-	-	-	-	-
State Sources	-	39,085	-	-	-	59,998	-
Charges for Services	1,749	-	-	1,529	-	-	-
Fines and Forfeitures	-	-	3,000	-	-	-	-
Interest Income	7	89	-	-	-	135	-
Other Revenue	1	26,639	-	-	-	-	-
<b>Total Revenue</b>	<b>1,757</b>	<b>65,813</b>	<b>3,000</b>	<b>1,529</b>	<b>-</b>	<b>60,133</b>	<b>-</b>
<b>EXPENDITURES</b>							
Current:							
General Government - Other	-	-	-	-	-	-	-
Judicial	-	-	11,447	-	-	213,834	-
Public Safety	2,433	78,671	-	7,458	-	-	163
Health and Welfare	-	-	-	-	-	-	-
Other Expenditures	-	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-	-
Community & Economic	-	-	-	-	-	-	-
<b>Total Expenditures</b>	<b>2,433</b>	<b>78,671</b>	<b>11,447</b>	<b>7,458</b>	<b>-</b>	<b>213,834</b>	<b>163</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(676)</b>	<b>(12,858)</b>	<b>(8,447)</b>	<b>(5,929)</b>	<b>-</b>	<b>(153,701)</b>	<b>(163)</b>
<b>OTHER FINANCING SOURCES (USES)</b>							
Operating Transfer In	1,000	25,000	13,000	3,000	-	16,899	-
Operating Transfers (Out)	-	-	-	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>1,000</b>	<b>25,000</b>	<b>13,000</b>	<b>3,000</b>	<b>-</b>	<b>16,899</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>324</b>	<b>12,142</b>	<b>4,553</b>	<b>(2,929)</b>	<b>-</b>	<b>(136,802)</b>	<b>(163)</b>
<b>FUND BALANCES - Beginning of Year</b>	<b>6,239</b>	<b>93,150</b>	<b>9,736</b>	<b>7,715</b>	<b>168</b>	<b>183,500</b>	<b>163</b>
<b>FUND BALANCES - End of Year</b>	<b>\$ 6,563</b>	<b>\$ 105,292</b>	<b>\$ 14,289</b>	<b>\$ 4,786</b>	<b>\$ 168</b>	<b>\$ 46,698</b>	<b>\$ -</b>

(CONTINUED ON NEXT PAGE)

SEE NOTES TO FINANCIAL STATEMENTS.

**MONTMORENCY COUNTY**  
**MONTMORENCY COUNTY, MICHIGAN**  
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**DECEMBER 31, 2021**

(CONTINUED FROM PREVIOUS PAGE)

	REMONUMENTATION	STATE DOMESTIC PREPAREDNESS	VETERANS RELIEF FUND	VETERANS SERVICE FUND GRANT	VETERANS TREATMENT CENTER	VICTIM ADVOCACY PROGRAM	ROD AUTOMATION FUND	911 SERVICE FUND
<b>REVENUES</b>								
Taxes	\$ -	\$ -	\$ 1,933	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses & Permits	-	-	-	-	-	-	-	-
State Sources	-	-	-	100,000	46,748	-	-	135,216
Charges for Services	35,185	-	-	-	5,819	-	22,685	295,938
Fines and Forfeitures	-	-	-	-	-	-	-	-
Interest Income	21	-	10	9	79	-	89	313
Other Revenue	-	-	(2)	494	-	-	196	250
<b>Total Revenue</b>	<b>35,206</b>	<b>-</b>	<b>1,941</b>	<b>100,503</b>	<b>52,646</b>	<b>-</b>	<b>22,970</b>	<b>431,717</b>
<b>EXPENDITURES</b>								
Current:								
General Government - Other	31,824	-	-	-	-	-	45,728	-
Judicial	-	-	-	-	-	-	-	-
Public Safety	-	-	-	-	-	-	-	436,703
Health and Welfare	-	-	6,080	70,805	50,827	-	-	-
Other Expenditures	-	-	-	-	-	247	-	-
Capital Outlay	-	-	-	-	-	-	-	-
Community & Economic	-	-	-	-	-	-	-	-
<b>Total Expenditures</b>	<b>31,824</b>	<b>-</b>	<b>6,080</b>	<b>70,805</b>	<b>50,827</b>	<b>247</b>	<b>45,728</b>	<b>436,703</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>3,382</b>	<b>-</b>	<b>(4,139)</b>	<b>29,698</b>	<b>1,819</b>	<b>(247)</b>	<b>(22,758)</b>	<b>(4,986)</b>
<b>OTHER FINANCING SOURCES (USES)</b>								
Operating Transfer In	-	-	-	-	10,000	34	-	30,000
Operating Transfers (Out)	-	-	-	-	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10,000</b>	<b>34</b>	<b>-</b>	<b>30,000</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>3,382</b>	<b>-</b>	<b>(4,139)</b>	<b>29,698</b>	<b>11,819</b>	<b>(213)</b>	<b>(22,758)</b>	<b>25,014</b>
<b>FUND BALANCES - Beginning of Year</b>	<b>4,739</b>	<b>45</b>	<b>9,136</b>	<b>30</b>	<b>81,119</b>	<b>213</b>	<b>78,779</b>	<b>210,493</b>
<b>FUND BALANCES - End of Year</b>	<b>\$ 8,121</b>	<b>\$ 45</b>	<b>\$ 4,997</b>	<b>\$ 29,728</b>	<b>\$ 92,938</b>	<b>\$ -</b>	<b>\$ 56,021</b>	<b>\$ 235,507</b>

(CONTINUED ON NEXT PAGE)

SEE NOTES TO FINANCIAL STATEMENTS.

**MONTMORENCY COUNTY**  
**MONTMORENCY COUNTY, MICHIGAN**  
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**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2021**

(CONTINUED FROM PREVIOUS PAGE)

	CAPITAL PROJECTS								
	BUILDING DEPARTMENT FUND	CHILD CARE FUND	CONCEALED PISTOL LICENSING	COUNTY CONSERVATION GYPSY MOTH	DARE/TEAM	ECONOMIC DEVELOPMENT CORPORATION FUND	BUDGET STABILIZATION FUND	LAKE LEVEL FUND	NONMAJOR GOVERNMENTAL FUNDS
<b>REVENUES</b>									
Taxes	\$ -	\$ -	\$ -	\$ 514,697	\$ -	\$ -	\$ -	21,510	\$ 538,140
Licenses & Permits	169,499	-	9,994	-	-	-	-	-	179,493
State Sources	-	16,927	-	-	-	-	-	-	397,974
Charges for Services	-	27,152	-	-	-	-	-	-	390,057
Fines and Forfeitures	-	-	-	-	-	-	-	-	3,000
Interest Income	153	181	-	508	3	(747)	5	60	915
Other Revenue	-	4,565	-	-	-	8,782	-	-	40,925
<b>Total Revenue</b>	<u>169,652</u>	<u>48,825</u>	<u>9,994</u>	<u>515,205</u>	<u>3</u>	<u>8,035</u>	<u>5</u>	<u>21,570</u>	<u>1,550,504</u>
<b>EXPENDITURES</b>									
Current:									
General Government - Other	-	-	-	-	-	-	-	-	77,552
Judicial	-	-	-	-	-	-	-	-	225,281
Public Safety	147,304	-	1,091	232,157	-	-	-	-	905,980
Health and Welfare	-	59,129	-	-	-	-	-	-	186,841
Capital Outlay	-	-	-	-	-	-	-	-	-
Other Expenditures	-	-	-	-	-	-	-	5,394	5,641
Community & Economic	-	-	-	-	-	-	-	-	-
<b>Total Expenditures</b>	<u>147,304</u>	<u>59,129</u>	<u>1,091</u>	<u>232,157</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,394</u>	<u>1,401,295</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>22,348</u>	<u>(10,304)</u>	<u>8,903</u>	<u>283,048</u>	<u>3</u>	<u>8,035</u>	<u>5</u>	<u>16,176</u>	<u>149,209</u>
<b>OTHER FINANCING SOURCES (USED)</b>									
Operating Transfers In	-	-	-	-	-	-	175,824	-	274,757
Operating Transfers (Out)	-	-	(4,600)	-	-	(13,137)	-	-	(17,737)
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>-</u>	<u>(4,600)</u>	<u>-</u>	<u>-</u>	<u>(13,137)</u>	<u>175,824</u>	<u>-</u>	<u>257,020</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>22,348</u>	<u>(10,304)</u>	<u>4,303</u>	<u>283,048</u>	<u>3</u>	<u>(5,102)</u>	<u>175,829</u>	<u>16,176</u>	<u>406,229</u>
<b>FUND BALANCES - Beginning of Year</b>	<u>85,428</u>	<u>174,225</u>	<u>41,394</u>	<u>86,483</u>	<u>3,080</u>	<u>168,886</u>	<u>-</u>	<u>61,907</u>	<u>1,306,628</u>
<b>FUND BALANCES - End of Year</b>	<u>\$ 107,776</u>	<u>\$ 163,921</u>	<u>\$ 45,697</u>	<u>\$ 369,531</u>	<u>\$ 3,083</u>	<u>\$ 163,784</u>	<u>\$ 175,829</u>	<u>\$ 78,083</u>	<u>\$ 1,712,857</u>

SEE NOTES TO FINANCIAL STATEMENTS.



**MONTMORENCY COUNTY  
MONTMORENCY COUNTY, MICHIGAN  
OTHER INFORMATION  
COMBINING STATEMENT OF NET POSITION - NONMAJOR ENTERPRISE FUNDS  
DECEMBER 31, 2021**

	<b>BUSINESS-TYPE ACTIVITIES</b>		
	<b>COMMISSARY CONCESSION FUND</b>	<b>TREASURER'S ADMINISTRATION</b>	<b>TOTAL NONMAJOR ENTERPRISE FUNDS</b>
<b>ASSETS</b>			
Cash and Equivalents	\$ 41,617	\$ 9,101	\$ 50,718
Taxes Receivable (Net)	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 41,617</b>	<b>\$ 9,101</b>	<b>\$ 50,718</b>
<b>LIABILITIES</b>			
Accounts Payable	\$ -	\$ -	\$ -
Due to Other Governmental Units	-	-	-
Due to Other Funds	-	-	-
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>NET POSITION</b>			
Restricted	41,617	-	41,617
Unrestricted	-	9,101	9,101
<b>TOTAL NET POSITION</b>	<b>\$ 41,617</b>	<b>\$ 9,101</b>	<b>\$ 50,718</b>

SEE NOTES TO FINANCIAL STATEMENTS.

**MONTMORENCY COUNTY  
MONTMORENCY COUNTY, MICHIGAN  
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COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN NET POSITION  
NONMAJOR ENTERPRISE FUNDS  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2021**

	<b>BUSINESS-TYPE ACTIVITIES</b>		
	<b>COMMISSARY CONCESSION FUND</b>	<b>TREASURER'S ADMINISTRATION</b>	<b>TOTAL NONMAJOR ENTERPRISE FUNDS</b>
<b>OPERATING REVENUES</b>			
Charges for Services	\$ 11,805	\$ -	\$ 11,805
Interest on Taxes	38	-	38
Other Revenue	-	22	22
<b>Total Operating Revenues</b>	<b>11,843</b>	<b>22</b>	<b>11,865</b>
<b>OPERATING EXPENSES</b>			
Contracted Services	6,226	-	6,226
<b>Total Operating Expenses</b>	<b>6,226</b>	<b>-</b>	<b>6,226</b>
<b>OPERATING INCOME (LOSS)</b>	<b>5,617</b>	<b>22</b>	<b>5,639</b>
<b>NON-OPERATING REVENUE (EXPENSES)</b>			
Investment Income and Rents	-	-	-
<b>Total Non-Operating Revenues (Expenses)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Income (Loss) Before Transfers</b>	<b>5,617</b>	<b>22</b>	<b>5,639</b>
Operating Transfers In	-	-	-
Operating Transfers (Out)	-	-	-
<b>CHANGE IN NET POSITION</b>	<b>5,617</b>	<b>22</b>	<b>5,639</b>
<b>NET POSITION - Beginning of Year</b>	<b>36,000</b>	<b>9,079</b>	<b>45,079</b>
<b>NET POSITION - End of Year</b>	<b>\$ 41,617</b>	<b>\$ 9,101</b>	<b>\$ 50,718</b>

SEE NOTES TO FINANCIAL STATEMENTS

**MONTMORENCY COUNTY**  
**MONTMORENCY COUNTY, MICHIGAN**  
**OTHER INFORMATION**  
**COMBINING STATEMENT OF CASH FLOWS - NONMAJOR ENTERPRISE FUNDS**  
**DECEMBER 31, 2021**

	<b>BUSINESS-TYPE ACTIVITIES</b>		
	<b>COMMISSARY CONCESSION FUND</b>	<b>TREASURER'S ADMINISTRATION</b>	<b>TOTAL NONMAJOR ENTERPRISE FUNDS</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash Payments	\$ 11,805	\$ -	\$ 11,805
Payments to Suppliers	(6,591)	-	(6,591)
Net Cash Provided (Used) by Operating Activities	<u>5,214</u>	<u>-</u>	<u>5,214</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING AND RELATED FINANCING ACTIVITIES</b>			
Operating Transfers In	-	-	-
Operating Transfers (Out)	-	-	-
Net Cash Provided (Used) by Noncapital and Related Financing Activities	<u>-</u>	<u>-</u>	<u>-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest and Dividends	<u>38</u>	<u>22</u>	<u>60</u>
Net Cash Provided (Used) by Investing Activities	<u>38</u>	<u>22</u>	<u>60</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>5,252</b>	<b>22</b>	<b>5,274</b>
<b>BALANCES - Beginning of Year</b>	<u>36,365</u>	<u>9,079</u>	<u>45,444</u>
<b>BALANCES - End of Year</b>	<u>\$ 41,617</u>	<u>\$ 9,101</u>	<u>\$ 50,718</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>			
Operating Income (Loss)	\$ 5,579	\$ -	\$ 5,579
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
(Increase) Decrease in Assets:			
Taxes Receivable	-	-	-
Accounts Payable	(365)	-	(365)
Due to Other Funds	-	-	-
Due to Other Governmental Units	-	-	-
Net Cash Provided (Used) by Operating Activities	<u>\$ 5,214</u>	<u>\$ -</u>	<u>\$ 5,214</u>

SEE NOTES TO FINANCIAL STATEMENTS.

**MONTMORENCY COUNTY**  
**MONTMORENCY COUNTY, MICHIGAN**  
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**COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES - AGENCY FUNDS**  
**DECEMBER 31, 2021**

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	<b>88TH DISTRICT COURT BOND FUND</b>	<b>GENERAL AGENCY FUND</b>	<b>LIBRARY PENAL FUND</b>	<b>TOTALS</b>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>ASSETS</b>				
Cash and Equivalents	\$ 6,405	\$ 76,324	\$ -	\$ 82,729
Due From Other Funds	<u>          -</u>	<u>          -</u>	<u>          -</u>	<u>          -</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 6,405</u></u>	<u><u>\$ 76,324</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 82,729</u></u>
<b>LIABILITIES</b>				
Accounts Payable and Withholdings	\$ -	\$ 38,644	\$ 16	\$ 38,628
Undistributed Tax Collections	-	30,076	-	30,076
Due to Other Governments	-	(105)	-	(105)
Undistributed Receipts	<u>6,405</u>	<u>7,709</u>	<u>(16)</u>	<u>14,098</u>
<b>TOTAL LIABILITIES</b>	<u>6,405</u>	<u>76,324</u>	<u>-</u>	<u>82,697</u>
<b>NET POSITION</b>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

**MONTMORENCY COUNTY**  
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**COMBINING STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES - AGENCY FUNDS**  
**DECEMBER 31, 2021**

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<b>GENERAL AGENCY FUND</b>	<u>GENERAL</u>	<u>88TH DISTRICT COURT</u>	<u>LIBRARY PENAL FINES</u>	<u>TOTALS</u>
<b>ADDITIONS</b>				
Property taxes collected	\$ 4,546,205	\$ -	\$ -	\$ 4,546,205
Miscellaneous collections for other governments	<u>2,111,561</u>	<u>-</u>	<u>-</u>	<u>2,111,561</u>
<b>TOTAL ADDITIONS</b>	<u>6,657,766</u>	<u>-</u>	<u>-</u>	<u>6,657,766</u>
<b>DEDUCTIONS</b>				
Property taxes distributed	4,546,205	-	-	4,546,205
Miscellaneous distributions for other governments	<u>2,111,561</u>	<u>-</u>	<u>-</u>	<u>2,111,561</u>
<b>TOTAL DEDUCTIONS</b>	<u>6,657,766</u>	<u>-</u>	<u>-</u>	<u>6,657,766</u>
<b>NET INCREASE (DECREASE) IN NET POSITION</b>	-	-	-	-
<b>NET POSITION - Beginning of the Year</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET POSITION - End of the Year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

SEE NOTES TO FINANCIAL STATEMENTS.



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

June 20, 2022

Board of Commissioners  
Montmorency County  
Atlanta, Michigan

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 Montmorency County, Michigan (also referred to as "the County"), as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise Montmorency County, Michigan's basic financial statements, and have issued our report thereon dated June 20, 2022. Our report includes a reference to other auditors who audited the financial statements of the Montmorency County Public Library and Montmorency County Commission on Aging, as described in our report on the County's financial statements. The financial statements of the component units were not audited in accordance with *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the County'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's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

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

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

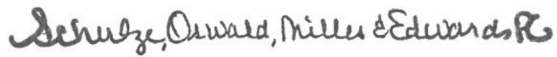
**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the County'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 financial statement. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

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

Very truly yours,

A handwritten signature in cursive script that reads "Schulze, Oswald, Miller & Edwards PC".

Schulze, Oswald, Miller & Edwards PC  
Alpena, Michigan

## SCHEDULE OF FINDINGS AND RESPONSES

### INTERNAL CONTROL OVER FINANCIAL REPORTING

#### Preparation of the Financial Statements in Accordance With Generally Accepted Accounting Principles (Material Weakness)

**Finding 2021-001**

- Criteria:** The County is required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). The preparation of financial statements requires having in place internal controls over recording, processing, reconciling and preparing financial statements.
- Condition:** The County relied on its independent external auditors to assist in reconciling accounts, preparing the financial statements and related footnotes. Accordingly, the County has placed reliance on its external auditors who cannot be considered a part of the County's internal controls.
- Cause:** It continues to be the decision of the County to have the independent auditor's assist in the preparation of the County's audited financial statements and related footnotes as it is more cost effective than incurring the time and expense to obtain the necessary training and expertise required for the County to perform this task internally.
- Effect:** As a result of this condition, the County lacks internal control over the financial statement preparation process and instead relied, in part, on its external auditors for assistance with this task.
- View of Responsible Officials:** Like many other governmental organizations, the County has made an ongoing evaluation of the respective costs and benefits of obtaining internal knowledge versus utilizing external resources for the preparation of the financial statements. As with many organizations, the County has determined that the additional benefits derived from implementing such an internal system would not outweigh the costs of utilizing external resources. The County will continue to review the draft financial statements and notes prior to approving them and accepting responsibility for their content and presentation.

*This comment is a repeat from the prior audits.*

#### Segregation of Duties (Material Weakness)

**Finding 2021-002**

- Criteria:** All governments are required to establish an internal control structure with segregation of responsibilities sufficient to provide reasonable assurance that errors (whether caused by error or fraud) will be prevented or detected and corrected by management on a timely basis. This is a responsibility of the County. Adequate segregation of duties as it related to the cash cycle of a municipality requires separation of the management function, the custody of assets function, and the accounting function.
- Condition:** Certain members of the accounting department are responsible for the custody of assets as well as for the accounting for those assets in the area of cash receipts and cash disbursements. Further, certain employees holding management positions also collect or disburse cash and account for the transactions of the County.
- Cause:** As is the case with many organizations of similar size, the County lacks a sufficient number of accounting personnel involved in the financial reporting process in order to ensure a complete segregation of duties within the accounting function.
- Effect:** As a result of this condition, the County's current system of internal control has limited safeguards in place to ensure that fraud or abuse is being prevented, specifically in the transactions of the cash cycle.
- View of Responsible Officials:** To the extent possible, duties are allocated between accounting personnel to mitigate risk of material misappropriation of assets. In addition, the County Board of Commissioners assumes a higher level of oversight responsibilities to mitigate risks related to this lack of segregation of duties.

*This comment is a repeat from prior audits.*





## COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

June 20, 2022

Board of Commissioners  
Montmorency County  
PO Box 789  
Atlanta, Michigan 49709

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 Montmorency County, Michigan (the County) for the year ended December 31, 2021, and have issued our report thereon dated June 15, 2022. Our report includes a reference to other auditors who audited the financial statements of the Montmorency County Road Commission, the Montmorency County Public Library, and the Montmorency County Commission on Aging, as described in our report on the County's financial statements. Professional standards require that we advise you of the follow matters relating to our audit.

### Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated April 20, 2022, our responsibility, as described by professional standards, is to form and express opinions about whether the financial statements that have been prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control of the County solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

### Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our engagement letter and in our meeting about planning matters on April 25, 2022.

### Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, and our firm has complied with all relevant ethical requirements regarding independence.

### Significant Risks Identified

We have identified the risks of management override of internal control and revenue recognition as significant risks and have obtained an understanding of the County's related controls, including control activities, relevant to such risks.

### **Qualitative Aspects of the County's Significant Accounting Practices**

#### *Significant Accounting Policies*

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the County is included in Note 1 to the financial statements.

There have been no initial selections of accounting policies and no changes in significant accounting policies or their application during the year.

No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

#### *Significant Accounting Estimates*

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on 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 the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements were:

- Management's estimate of the useful lives of depreciable capital assets is based on the length of time it is believed that those assets will provide some economic benefit in the future.
- Management's estimate of the of the accrued compensated absences is based on current hourly rates and policies regarding payment of sick and vacation banks.
- Management's estimate of the Net Liability for pension and OPEB obligations and pension benefits were based on various assumptions regarding life expectancies, inflation, premium increases, and investment rates.

We evaluated the key factors and assumptions used to develop these estimates and determined that they are reasonable in relation to the basic financial statements taken as a whole and in relation to the applicable opinion units.

In addition, the financial statements include net pension liability and other related amounts, which are dependent on estimates made by the plan. These estimates are based on historical trends and industry standards but are not within the control of management.

### **Significant Difficulties Encountered During the Audit**

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

### **Uncorrected and Corrected Misstatements**

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit. In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. None of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

### **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the County's financial statements or the auditors' report. No such disagreements arose during the course of the audit.

### **Representations Requested by Management**

We have requested certain representations from management that are included in the management representation letter dated June 20, 2022.

### **Management Consultations with Other Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

### **Other Significant Matters, Findings, or Issues**

In the normal course of our professional association with the County, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the County's auditors.

### **Other Information in Documents Containing Audited Financial Statements**

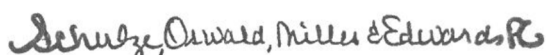
Our responsibility for the supplementary information accompanying the financial statements, as described by professional standards, is to evaluate the presentation of the supplementary information in relation to the financial statements as a whole and to report on whether the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole. We made certain inquiries 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 supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

### **Upcoming Changes in Accounting Standards**

Generally accepted accounting principles (GAAP) are continually changing in order to promote the usability and enhance the applicability of information included in external financial reporting. While it would not be practical to include an in-depth discussion of every upcoming change in professional standards, Attachment B to this letter contains a brief overview of recent pronouncements of the Governmental Accounting Standards Board (GASB) and their related effective dates. Management is responsible for reviewing these standards, determining their applicability, and implementing them in future accounting periods.

This information is intended solely for the use of the governing body and management of Montmorency County, Michigan, and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



Schulze, Oswald, Miller & Edwards PC  
Alpena, Michigan

# **MONTMORENCY COUNTY, MICHIGAN**

## **Attachment B – Upcoming Changes in Accounting Standards/Regulations**

For the December 31, 2021 Audit

The following pronouncements of the Governmental Accounting Standards Board (GASB) have been released recently and may be applicable to the County in the near future. We encourage management to review the following information and determine which standard(s) may be applicable to the County. For the complete text of these and other GASB standards, visit [www.gasb.org](http://www.gasb.org) and click on the “Standards & Guidance” tab. If you have questions regarding the applicability, timing, or implementation approach for any of these standards, please contact your audit team.

### ***GASB 91 - Conduit Debt Obligations***

*Effective 12/15/2022 (your FY 2022)*

This standard defines "conduit debt obligations", where a government issues debt whose proceeds are received and repaid by a third-party obligor without the issuer being primarily liable. The standard requires issuers to disclose conduit debt obligations, but not to record a liability unless it is more likely than not that a commitment made by the issuer will require it to support one or more debt payments for a conduit debt obligation. We do not expect this standard to have any significant effect on the County.

### ***GASB 92 - Omnibus 2020***

*Effective 06/15/2022 (your FY 2022)*

This standard includes a variety of small technical revisions to previously issued GASB statements. We do not expect this standard to have any significant effect on the County.

### ***GASB 93 - Replacement of Interbank Offered Rates***

*Effective 06/15/2022 (your FY 2022)*

This standard provides guidance to governments with agreements with variable payments tied to LIBOR, and how to transition them to a new reference rate. We do not expect this standard to have any significant effect on the County.

### ***GASB 94 - Public-Private and Public-Public Partnerships and Availability Payment Arrangements***

*Effective 06/15/2023 (your FY 2023)*

This standard addresses accounting and financial reporting for arrangements in which a government contracts with an operator to provide public services by conveying control of the right to operate or use a capital asset for a period of time in an exchange or exchange-like transaction. We do not expect this standard to have any significant effect on the County.

### ***GASB 96 - Subscription-Based Information Technology Arrangements***

*Effective 06/15/2023 (your FY 2023)*

This standard expands on the new guidance for leases and applies it to computer software contracts (subscriptions) with similar characteristics. Governments that subscribe to a vendor's IT software will now report offsetting intangible subscription assets and subscription liabilities equal to the present value of future subscription payments.

### ***GASB 97 - Certain Component Unit Criteria and IRC Section 457 Deferred Compensation Plans***

*Effective 06/15/2022 (your FY 2022)*

This standard amends the requirements for when to report defined contribution pension plans (such as 401k and 403b plans) as fiduciary component units, and how to account for Section 457 deferred compensation plans.