

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

**FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION**  
**FOR THE FISCAL YEAR ENDED DECEMBER 31, 2020**



**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, 2020**

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**MEMBERS OF THE COUNTY COMMISSION**

<b>CHAIRPERSON</b>	<b>DONALD EDWARDS</b>
<b>VICE CHAIRPERSON</b>	<b>GARY GIRARDIN</b>
<b>COMMISSIONER</b>	<b>ROBERT STACEY</b>
<b>COMMISSIONER</b>	<b>DAWN HUBBARD</b>
<b>COMMISSIONER</b>	<b>GEYER BALOG</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>BENJAMIN T. BOLSER</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, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise Montmorency County, Michigan's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the *Montmorency County Road Commission*, which represent 95 percent, 96 percent, and 78 percent, respectively, of assets, net position, and revenues of the discretely presented component units; the *Montmorency County Public Library*, which represent 3 percent, 2 percent, and 6 percent, respectively, of assets, net position, and revenues of the discretely presented component units; or the *Montmorency County Commission on Aging*, representing 2 percent, 2 percent, and 16 percent, respectively, of assets, net position, and revenues of the discretely presented component units. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Montmorency County Road Commission, Montmorency County Public Library, and the Montmorency County Commission on Aging is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Montmorency County Road Commission, the Montmorency County Public Library and the Montmorency County Commission on Aging were not audited in accordance with *Government Auditing Standards*.

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

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

### **Opinions**

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

### **Other Matters**

#### **Required Supplementary Information**

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

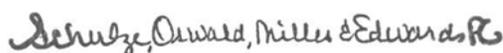
#### **Other Information**

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 17, 2021 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. This 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 17, 2021

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, 2020. We encourage readers to consider the information presented here in conjunction with additional information that is furnished in the financial statements and notes to the financial statements.

### Financial Highlights

- 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 \$538,326 (total *net position*). Of this amount, there was a deficit of (\$2,854,001) in unrestricted (deficit) *net position*.
- The Montmorency County primary government's total net position increased by \$1,153,395. Montmorency County experienced an increase in net position of governmental activities of \$1,789,518 and a decrease in the net position of its business-type activities of \$(636,123).
- Montmorency County paid for services of \$5,488,280 in governmental activities and \$48,452 of business-type activities for expenses totaling \$5,536,732 during the year ended December 31, 2020.
- At December 31, 2020, the unassigned fund balance for the General Fund was \$1,317,847 (24%) of total General Fund expenditures prior to transfers out. This was a decrease of (\$56,230) 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, 2020 and ended the year with a total long-term debt obligation of \$125,668, an increase of \$12,855, 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 11 & 12 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-six 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, Police and MSU Extension are considered to be major funds. Data from the other twenty-two 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 13 - 20 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 21 - 23 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 24 & 25 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 28 - 56 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 57 - 59 of this report.

Combining and individual fund statements and schedules can be found on pages 60 - 70 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 (\$615,069) at the close of the most recent fiscal year.

A significant portion of Montmorency County's net position (\$3,936,491) 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	
	2019	2020	2019	2020	2019	2020
<b>ASSETS</b>						
Current and Other Assets	\$ 4,372,470	\$ 4,622,545	\$ 4,389,671	\$ 3,745,214	\$ 8,762,141	\$ 8,367,759
Capital Assets, Net	2,213,171	2,144,972	-	-	2,213,171	2,144,972
<b>TOTAL ASSETS</b>	<b>6,585,641</b>	<b>6,767,517</b>	<b>4,389,671</b>	<b>3,745,214</b>	<b>10,975,312</b>	<b>10,512,731</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<b>306,905</b>	<b>354,513</b>	<b>-</b>	<b>-</b>	<b>306,905</b>	<b>354,513</b>
<b>LIABILITIES</b>						
Current Liabilities	330,895	316,936	11,923	3,589	342,818	320,525
Non-current Liabilities	9,711,006	8,274,308	-	-	9,711,006	8,274,308
<b>TOTAL LIABILITIES</b>	<b>10,041,901</b>	<b>8,591,244</b>	<b>11,923</b>	<b>3,589</b>	<b>10,053,824</b>	<b>8,594,833</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<b>1,843,462</b>	<b>1,734,085</b>	<b>-</b>	<b>-</b>	<b>1,843,462</b>	<b>1,734,085</b>
<b>NET POSITION</b>						
Invested in Capital Assets, Net of Related Debt	2,213,171	2,144,972	-	-	2,213,171	2,144,972
Restricted	1,016,576	1,147,101	91,675	100,254	1,108,251	1,247,355
Unrestricted	(8,222,564)	(6,495,372)	4,286,073	3,641,371	(3,936,491)	(2,854,001)
<b>TOTAL NET POSITION</b>	<b>\$ (4,992,817)</b>	<b>\$ (3,203,299)</b>	<b>\$ 4,377,748</b>	<b>\$ 3,741,625</b>	<b>\$ (615,069)</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 (\$3,203,299) at the close of the fiscal year. This includes other noncurrent liabilities of a net pension liability of \$5,594,526 and a net other post-employment benefits of \$2,554,114.

The primary government's net position includes approximately \$2,144,972 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, 2020 this total was \$1,147,101.

Business-type activities close the year with a net position of \$3,741,625.

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

**MONTMORENCY COUNTY'S CHANGES IN NET POSITION**

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL	
	2019	2020	2019	2020	2019	2020
Revenue:						
Program Revenue:						
Charges for						
Services	\$ 1,289,791	\$ 1,060,544	\$ 490,807	\$ 306,377	\$ 1,780,598	\$ 1,366,921
Operating Grants	781,582	638,327	-	-	781,582	638,327
Capital Grants	-	32,100	-	-	-	32,100
General Revenue:						
Property Taxes	3,505,393	3,547,944	-	-	3,505,393	3,547,944
State-Shared						
Revenues	222,682	742,665	-	-	222,682	742,665
Investment Earnings	99,447	44,372	246	5,952	99,693	50,324
(Gain) Loss on assets	-	-	-	-	-	-
Other	118,840	311,846	-	-	118,840	311,846
<b>Total Revenue and Transfers</b>	<b>6,017,735</b>	<b>6,377,798</b>	<b>491,053</b>	<b>312,329</b>	<b>6,508,788</b>	<b>6,690,127</b>
Expenses:						
Legislative	100,511	98,830	-	-	100,511	98,830
Judicial	771,840	816,530	-	-	771,840	816,530
General Government	1,262,001	1,586,109	-	-	1,262,001	1,586,109
Public Safety	2,696,435	2,175,483	-	-	2,696,435	2,175,483
Health & Welfare	349,160	380,075	-	-	349,160	380,075
Other Expenses	329,551	309,443	-	-	329,551	309,443
Community & Economic	123,617	121,810	-	-	123,617	121,810
Contracted Services	-	-	52,690	48,452	52,690	48,452
<b>Total Expenses</b>	<b>5,633,115</b>	<b>5,488,280</b>	<b>52,690</b>	<b>48,452</b>	<b>5,685,805</b>	<b>5,536,732</b>
Revenues Over (Under)						
Expenditures	384,620	889,518	438,363	263,877	822,983	1,153,395
Transfers	-	900,000	-	(900,000)	-	-
<b>Change in Net Position</b>	<b>384,620</b>	<b>1,789,518</b>	<b>438,363</b>	<b>(636,123)</b>	<b>822,983</b>	<b>1,153,395</b>
Net Position,						
Beginning of Year	(5,377,437)	(4,992,817)	3,939,385	4,377,748	(1,438,052)	(615,069)
<b>Net Position,</b>						
<b>End of Year</b>	<b>\$ (4,992,817)</b>	<b>\$ (3,203,299)</b>	<b>\$ 4,377,748</b>	<b>\$ 3,741,625</b>	<b>\$ (615,069)</b>	<b>\$ 538,326</b>

The preceding table shows that the governmental activities reflected a positive change in net position due to operations of \$1,789,518. This was an increase of \$1,404,898 in comparison to 2019 activity. This was the result of an increase in revenues of \$360,063. In addition, expenses decreased by \$144,835, and the governmental unit received a \$900,000 transfer from business-type activities.

The net position of Montmorency County's business-type activities decreased by \$(636,123) for the year ended December 31, 2020, which was due to a \$900,000 transfer to the governmental activities.

**Governmental activities.** The following depicts revenues of the governmental activities for the year ended December 31, 2020:

**Revenues by Source – Governmental Activities**

- Property Taxes: 56%
- State Shared: 12%
- Investing Earnings: 1%
- Charges for Services: 17%
- Operating Grants and Contributions: 11%
- Other: 3%

In total, 2020 governmental activities program revenues decreased by \$340,402 in comparison to 2019 revenues. Other notable changes from the prior year include a net decrease in charges for services of \$252,233, an increase in property taxes of \$42,551 and an increase in other revenue of \$193,006.

Property tax revenue, which is not assigned to any particular activity, remains a major source of support for governmental activities at 56%. The taxable values of real and personal property in 2020 was \$516,816,880. The overall increase in property taxes of \$42,551 was a result of the government increasing the amount of taxes they collected in 2020 over the 2019 fiscal year.

The investment earnings of the governmental activities decreased in 2020 to \$44,372 compared to \$99,447 in 2019.

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

- Public Safety: 40%
- Health and Welfare: 7%
- Other Expenses: 6%
- Legislative: 2%
- Judicial: 15%
- Community & Economic Development: 2%
- Finance/Tax and Other General Government: 28%

Total governmental activity expenses decreased in 2020 by \$144,835 over 2019 expenses. Montmorency County continues to attempt to make reductions in expenditures where appropriate.

Public safety continues to be the largest governmental activity, expending \$2,175,483 of the \$5,488,280 total (40%). General government expenses are the second largest category at \$1,586,109 (28%). Judicial government expenses are the third largest category at \$816,530 (15%). Almost eighty-three percent (83%) of the 2020 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 carryover net position of \$4,377,748 and a loss of \$(636,123) in the operation of the business-type activities in 2020, due in part to the transfer of \$900,000 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>48,452</u>	\$ <u>306,377</u>	\$ <u>257,925</u>

**Revenues by source – business-type activities.** In the business-type funds, charges for services accounted for the majority of revenue totaling \$306,377, or 98% of revenues. The only other revenue source was investment income which amounted to \$5,952, totaling 2% 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 \$2,745,895 an increase of \$184,629 in comparison with the prior year. Approximately \$1,317,847 (48%) of this total amount constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder fund balance of \$1,147,101 is restricted to indicate that it is for the specific purpose of the fund, and \$280,947 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 \$1,317,847 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 24% of total general fund expenditures and operating transfers to other funds.

The fund balance of the County's General Fund was decreased by \$(56,230) during the current fiscal year. Key factors are as follows:

- General Government Finance and Tax activity expenses increased in the amount of \$875,872, while the general fund received a transfer in from business type activities in the amount of \$900,000.
- Health and Welfare activity expenses increased in the amount of \$169,858.
- Public safety activity expenses increased in the amount of \$90,739.
- Transfers out of the General Fund decreased by \$119,206.

### **General Fund Budgetary Highlights**

The actual revenues came in above the budgeted amounts by \$52,988. Taxes were under the budgeted amount by \$10,823 and interest earnings were under by \$4,085. All other revenue items were materially within or higher than expected with State Sources exceeding the budgeted amounts by \$43,426 and Charges for Services being higher than the budgeted amounts by \$23,674.

There was a net increase of about \$1,028,000 between the original and final amended expenditure budget, excluding other financing sources. The general government – finance and tax budget increased by almost \$900,000. The public safety budget increased over \$80,000. The area of Health and Welfare increased the budget by over \$66,000, while Public Safety increased the budget by almost \$41,000.

The overall budget for transfers from other funds increased over \$919,000 from the original to the amended budget. The actual transfers in were \$919,162, and transfers out totaled \$119,206.

**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, 2020, amounts to \$2,144,972 (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	
	2019	2020	2019	2020	2019	2020
	\$	\$	\$	\$	\$	\$
Land	69,078	69,078	-	-	69,078	69,078
Buildings and Improvements	3,133,218	3,133,218	(1,394,657)	(1,461,617)	1,738,561	1,671,601
Office & Computer Equipment	1,276,375	1,289,350	(1,021,297)	(1,080,071)	255,078	209,279
Vehicles	432,171	522,995	(281,717)	(327,981)	150,454	195,014
<b>NET CAPITAL ASSETS</b>	<b>\$ 4,910,842</b>	<b>\$ 5,014,641</b>	<b>\$ (2,697,671)</b>	<b>\$ (2,869,669)</b>	<b>\$ 2,213,171</b>	<b>\$ 2,144,972</b>

Depreciation expense of \$171,998 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 \$125,668. The full amount of debt represents future compensated absences of \$125,668.

	GOVERNMENTAL ACTIVITIES	
	2019	2020
Compensated Absences	\$ 112,813	\$ 125,668
<b>Total</b>	<b>\$ 112,813</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 \$8,148,640. The net pension liability at the end of the fiscal year amounted to approximately \$5,594,526. The OPEB liability totaled \$2,554,114 as of December 31, 2020.

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

The following factors were considered in preparing the County's budget for the 2021 fiscal year:

- Continued annual unemployment rates of 8.6% through 2020, 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 2021.
- Property tax values have increased 3.0% for the year 2020.
- 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, 2020**

	PRIMARY GOVERNMENT			COMPONENT UNITS
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	
<b>ASSETS</b>				
Cash and Equivalents	\$ 2,786,242	\$ 3,046,187	\$ 5,832,429	\$ 3,555,618
Receivables (Net):				
Taxes	849,472	704,638	1,554,110	810,271
Accounts and Interest	241,606	-	241,606	640,320
Mortgage Loans	710,242	-	710,242	-
Inventories	-	-	-	448,667
Due from Fiduciary Funds	29,436	(64)	29,372	-
Prepaid Items	-	-	-	38,392
Capital Assets Not Being Depreciated	69,078	-	69,078	12,811,941
Capital Assets Being Depreciated, Net	2,075,894	-	2,075,894	11,253,158
Internal Balances	5,547	(5,547)	-	-
<b>TOTAL ASSETS</b>	<b>6,767,517</b>	<b>3,745,214</b>	<b>10,512,731</b>	<b>29,558,367</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred Pension Amounts	354,513	-	354,513	22,738
<b>LIABILITIES</b>				
Accounts Payable	157,175	3,589	160,764	49,224
Accrued Liabilities	126,010	-	126,010	52,124
Due to Other Governmental Units	33,751	-	33,751	-
Long - Term Liabilities:				
Due Within One Year	125,668	-	125,668	216,523
Due in More Than One Year	-	-	-	-
Other Noncurrent Liabilities:				
Net Pension Liability - Due in More Than One Year	5,594,526	-	5,594,526	135,866
Net Other Post - Employment Benefits	2,554,114	-	2,554,114	545,934
<b>TOTAL LIABILITIES</b>	<b>8,591,244</b>	<b>3,589</b>	<b>8,594,833</b>	<b>999,671</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Property Taxes Levied for Subsequent Period	849,472	-	849,472	810,271
Deferred OPEB Amounts	-	-	-	265,870
Deferred Pension Amounts	174,371	-	174,371	-
Unavailable Revenue - Mortgage Loans	710,242	-	710,242	-
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>1,734,085</b>	<b>-</b>	<b>1,734,085</b>	<b>1,076,141</b>
<b>NET POSITION</b>				
Net Investment in Capital Assets	2,144,972	-	2,144,972	23,978,082
Restricted for:				
Other Purposes	1,147,101	100,254	1,247,355	2,773,243
Unrestricted (Deficit)	(6,495,372)	3,641,371	(2,854,001)	753,968
<b>TOTAL NET POSITION</b>	<b>\$ (3,203,299)</b>	<b>\$ 3,741,625</b>	<b>\$ 538,326</b>	<b>\$ 27,505,293</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, 2020**

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION			COMPONENT UNITS
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	PRIMARY GOVERNMENT		TOTAL	
					GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES		
<b>PRIMARY GOVERNMENT</b>								
<b>Governmental Activities:</b>								
General Government - Legislative	\$ 98,830	\$ 172,507	\$ 267,284	\$ -	\$ 340,961	\$ -	\$ 340,961	\$ -
General Government - Finance and Tax	870,290	854,296	365,043	-	349,049	-	349,049	-
General Government - Other	715,819	33,741	-	-	(682,078)	-	(682,078)	-
Judicial	816,530	-	-	-	(816,530)	-	(816,530)	-
Public Safety	2,175,483	-	6,000	32,100	(2,137,383)	-	(2,137,383)	-
Health and Welfare	380,075	-	-	-	(380,075)	-	(380,075)	-
Other	309,443	-	-	-	(309,443)	-	(309,443)	-
Community & Economic Development	121,810	-	-	-	(121,810)	-	(121,810)	-
Total Governmental Activities	<u>5,488,280</u>	<u>1,060,544</u>	<u>638,327</u>	<u>32,100</u>	<u>(3,757,309)</u>	<u>-</u>	<u>(3,757,309)</u>	<u>-</u>
<b>Business-Type Activities:</b>								
County Foreclosure	40,367	166,133	-	-	-	125,766	125,766	-
Delinquent Tax	600	126,019	-	-	-	125,419	125,419	-
Nonmajor Enterprise Funds	7,485	14,225	-	-	-	6,740	6,740	-
Total Business-Type Activities	<u>48,452</u>	<u>306,377</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>257,925</u>	<u>257,925</u>	<u>-</u>
Total Primary Government	<u>\$ 5,536,732</u>	<u>\$ 1,366,921</u>	<u>\$ 638,327</u>	<u>\$ 32,100</u>	<u>\$ (3,757,309)</u>	<u>\$ 257,925</u>	<u>\$ (3,499,384)</u>	<u>\$ -</u>
<b>COMPONENT UNITS</b>								
Montmorency County Road Commission	\$ 3,041,153	\$ 33,999	\$ 2,052,115	\$ 2,909,060				\$ 1,954,021
Montmorency County Public Library	347,475	-	63,031	-				(284,444)
Montmorency County Commission on Aging	900,187	56,115	389,534	-				(454,538)
Total Component Units	<u>\$ 4,288,815</u>	<u>\$ 90,114</u>	<u>\$ 2,504,680</u>	<u>\$ 2,909,060</u>				<u>\$ 1,215,039</u>
<b>GENERAL REVENUES AND TRANSFERS</b>								
Taxes - Property					\$ 3,547,944	\$ -	\$ 3,547,944	\$ 1,329,085
State Sources					742,665	-	742,665	-
Investment Earnings					44,372	5,952	50,324	3,968
Transfers					900,000	(900,000)	-	1,056
Other					311,846	-	311,846	-
Gain (Loss) on Disposal of Assets					-	-	-	4,148
Total General Revenues and Transfers					<u>5,546,827</u>	<u>(894,048)</u>	<u>4,652,779</u>	<u>1,338,257</u>
<b>CHANGES IN NET POSITION</b>								
					<u>1,789,518</u>	<u>(636,123)</u>	<u>1,153,395</u>	<u>2,553,296</u>
<b>NET POSITION - Beginning of Year</b>								
					<u>(4,992,817)</u>	<u>4,377,748</u>	<u>(615,069)</u>	<u>24,951,997</u>
<b>NET POSITION - End of Year</b>								
					<u>\$ (3,203,299)</u>	<u>\$ 3,741,625</u>	<u>\$ 538,326</u>	<u>\$ 27,505,293</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, 2020**

	<u>GENERAL</u>	<u>POLICE FUND</u>	<u>CDBG HOUSING</u>	<u>MSUE MILLAGE</u>	<u>OTHER GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<b>ASSETS</b>						
Cash and Equivalents	\$ 1,445,967	\$ 124,583	\$ 15,636	\$ 8,823	\$ 1,191,233	\$ 2,786,242
Receivables (Net):						
Taxes	209,233	512,239	-	128,000	-	849,472
Accounts and Interest	68,820	-	-	-	172,786	241,606
Mortgage Loans	-	-	710,242	-	-	710,242
Due from Other Funds	34,983	-	-	-	1,223	36,206
Prepaid Items	-	-	-	-	-	-
<b>TOTAL ASSETS</b>	<u>\$ 1,759,003</u>	<u>\$ 636,822</u>	<u>\$ 725,878</u>	<u>\$ 136,823</u>	<u>\$ 1,365,242</u>	<u>\$ 4,623,768</u>
<b>LIABILITIES</b>						
Accounts Payable	\$ 105,478	\$ 9,995	\$ -	\$ -	\$ 41,702	\$ 157,175
Accrued Liabilities	91,694	17,402	-	-	16,914	126,010
Due to Other Governments	33,751	-	-	-	-	33,751
Due to Other Funds	1,000	-	223	-	-	1,223
<b>TOTAL LIABILITIES</b>	<u>231,923</u>	<u>27,397</u>	<u>223</u>	<u>-</u>	<u>58,616</u>	<u>318,159</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Property Taxes Levied for a Subsequent Period	209,233	512,239	-	128,000	-	849,472
Unavailable Revenue - Mortgage Loans	-	-	710,242	-	-	710,242
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>209,233</u>	<u>512,239</u>	<u>710,242</u>	<u>128,000</u>	<u>-</u>	<u>1,559,714</u>
<b>FUND BALANCES</b>						
Restricted	-	97,186	15,413	8,823	1,025,679	1,147,101
Committed	-	-	-	-	280,947	280,947
Unassigned	1,317,847	-	-	-	-	1,317,847
<b>TOTAL FUND BALANCES</b>	<u>1,317,847</u>	<u>97,186</u>	<u>15,413</u>	<u>8,823</u>	<u>1,306,626</u>	<u>2,745,895</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<u>\$ 1,759,003</u>	<u>\$ 636,822</u>	<u>\$ 725,878</u>	<u>\$ 136,823</u>	<u>\$ 1,365,242</u>	<u>\$ 4,623,768</u>

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, 2020**

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Fund Balance - Total Governmental Funds \$ 2,745,895

Amounts reported for governmental activities in the statement of net position are different because:

Capital Assets	\$	5,014,641	
Accumulated Depreciation		(2,869,669)	
			2,144,972

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			(125,668)
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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		(2,554,114)	
Net Pension Liability		(5,594,526)	
Deferred Outflows Related to Net Pension Liability		354,513	
Deferred Inflows Related to the Net Pension Liability	\$	(174,371)	
			(7,968,498)

Net Position of Governmental Activities			\$ <u><u>(3,203,299)</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 BALANCE - GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2020**

	<b>GENERAL FUND</b>	<b>POLICE</b>	<b>CDBG HOUSING</b>	<b>MSUE MILLAGE</b>	<b>OTHER GOVERNMENTAL FUNDS</b>	<b>TOTAL GOVERNMENTAL FUNDS</b>
<b>REVENUES</b>						
Taxes	\$ 2,919,227	\$ 501,396	\$ -	\$ 127,321	\$ -	\$ 3,547,944
Licenses and Permits	5,145	-	-	-	173,523	178,668
Federal Sources	276,391	-	-	-	-	276,391
State Sources	565,875	32,100	-	-	545,702	1,143,677
Charges for Services	661,955	-	25,658	-	372,931	1,060,544
Fines and Forfeitures	3,183	-	-	-	1,164	4,347
Interest and Rentals	38,333	1,797	57	238	3,947	44,372
Other Revenue	76,368	92	-	-	45,394	121,854
<b>TOTAL REVENUES</b>	<b>4,546,477</b>	<b>535,385</b>	<b>25,715</b>	<b>127,559</b>	<b>1,142,661</b>	<b>6,377,797</b>
<b>EXPENDITURES</b>						
Current						
General Government - Legislative	98,830	-	-	-	-	98,830
General Government - Finance and Tax	1,506,063	-	-	-	-	1,506,063
General Government - Other	777,025	-	-	-	57,744	834,769
Judicial	614,590	-	-	-	180,140	794,730
Public Safety	1,843,754	499,024	-	-	609,389	2,952,167
Health and Welfare	249,595	-	-	-	130,480	380,075
Other Expenditures	299,831	-	-	-	1,094	300,925
Capital Outlay	12,975	84,745	-	-	6,079	103,799
Community and Economic Development	-	-	-	121,810	-	121,810
<b>TOTAL EXPENDITURES</b>	<b>5,402,663</b>	<b>583,769</b>	<b>-</b>	<b>121,810</b>	<b>984,926</b>	<b>7,093,168</b>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES</b>	<b>(856,186)</b>	<b>(48,384)</b>	<b>25,715</b>	<b>5,749</b>	<b>157,735</b>	<b>(715,371)</b>
<b>OTHER FINANCING SOURCES (USES)</b>						
Operating Transfers In	919,162	-	-	-	119,206	1,038,368
Operating Transfers (Out)	(119,206)	-	(19,162)	-	-	(138,368)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>799,956</b>	<b>-</b>	<b>(19,162)</b>	<b>-</b>	<b>119,206</b>	<b>900,000</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(56,230)</b>	<b>(48,384)</b>	<b>6,553</b>	<b>5,749</b>	<b>276,941</b>	<b>184,629</b>
<b>FUND BALANCES - Beginning of Year</b>	<b>1,374,077</b>	<b>145,570</b>	<b>8,860</b>	<b>3,074</b>	<b>1,029,685</b>	<b>2,561,266</b>
<b>FUND BALANCES - End of Year</b>	<b>\$ 1,317,847</b>	<b>\$ 97,186</b>	<b>\$ 15,413</b>	<b>\$ 8,823</b>	<b>\$ 1,306,626</b>	<b>\$ 2,745,895</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, 2020**

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Net Change in Fund Balances - Total Governmental Funds \$ 184,629

Amounts reported for governmental activities are different because:

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	\$	103,799	
Gain (Loss) on Disposal of Assets		-	
Depreciation		<u>(171,998)</u>	(68,199)

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		1,000,399	
Change in Compensated Absences		(12,855)	
Change in Net Other Post-Employment Benefit Obligations	\$	<u>685,544</u>	<u>1,673,088</u>

Changes in Net Position of Governmental Activities			\$ <u><u>1,789,518</u></u>
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**MONTMORENCY COUNTY**  
**MONTMORENCY COUNTY, MICHIGAN**  
**FUND FINANCIAL STATEMENTS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**GENERAL FUND - BUDGET AND ACTUAL**  
**DECEMBER 31, 2020**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL AMOUNTS</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
<b>REVENUES</b>				
Taxes	\$ 3,164,200	\$ 2,930,050	\$ 2,919,227	\$ (10,823)
Licenses and Permits	5,800	5,320	5,145	(175)
Federal Sources	79,519	276,391	276,391	-
State Sources	622,672	522,449	565,875	43,426
Charges for Services	594,615	638,281	661,955	23,674
Fines and Forfeitures	7,000	3,250	3,183	(67)
Interest and Rentals	55,800	42,418	38,333	(4,085)
Other Revenue	29,500	76,330	76,368	38
<b>TOTAL REVENUES</b>	<u>4,559,106</u>	<u>4,494,489</u>	<u>4,546,477</u>	<u>51,988</u>
<b>EXPENDITURES</b>				
General Government - Legislative	98,876	98,830	98,830	-
General Government - Finance and Tax	606,651	1,506,068	1,506,063	5
General Government - Other	729,857	777,025	777,025	-
Judicial	615,921	614,590	614,590	-
Public Safety	1,802,958	1,843,754	1,843,754	-
Health and Welfare	183,045	249,595	249,595	-
Other Expenditures	323,794	299,831	299,831	-
Capital Outlay	12,975	12,975	12,975	-
<b>TOTAL EXPENDITURES</b>	<u>4,374,077</u>	<u>5,402,668</u>	<u>5,402,663</u>	<u>5</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>185,029</u>	<u>(908,179)</u>	<u>(856,186)</u>	<u>51,993</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating Transfers In	-	919,162	919,162	-
Operating Transfers (Out)	(98,915)	(103,406)	(119,206)	(15,800)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(98,915)</u>	<u>815,756</u>	<u>799,956</u>	<u>(15,800)</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>86,114</u>	<u>(92,423)</u>	<u>(56,230)</u>	<u>36,193</u>
<b>FUND BALANCE - Beginning of Year</b>	<u>1,374,077</u>	<u>1,374,077</u>	<u>1,374,077</u>	<u>-</u>
<b>FUND BALANCE - End of Year</b>	<u>\$ 1,460,191</u>	<u>\$ 1,281,654</u>	<u>\$ 1,317,847</u>	<u>\$ 36,193</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 -  
POLICE FUND - BUDGET AND ACTUAL  
DECEMBER 31, 2020**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL AMOUNT</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
<b>REVENUES</b>				
Taxes	\$ 510,420	\$ 510,420	\$ 501,396	\$ (9,024)
State Grants	-	27,000	32,100	5,100
Interest and Rents	3,400	3,400	1,889	(1,511)
<b>TOTAL REVENUES</b>	<u>513,820</u>	<u>540,820</u>	<u>535,385</u>	<u>(5,435)</u>
<b>EXPENDITURES</b>				
Public Safety	461,259	467,279	499,024	(31,745)
Capital Outlay	80,000	99,145	84,745	14,400
<b>TOTAL EXPENDITURES</b>	<u>541,259</u>	<u>566,424</u>	<u>583,769</u>	<u>(17,345)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(27,439)</u>	<u>(25,604)</u>	<u>(48,384)</u>	<u>(22,780)</u>
<b>FUND BALANCE - Beginning of Year</b>	<u>145,570</u>	<u>145,570</u>	<u>145,570</u>	<u>-</u>
<b>FUND BALANCE - End of Year</b>	<u>\$ 118,131</u>	<u>\$ 119,966</u>	<u>\$ 97,186</u>	<u>\$ (22,780)</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 -  
HOME IMPROVEMENT FUND - BUDGET AND ACTUAL  
DECEMBER 31, 2020**

	BUDGETED AMOUNTS		ACTUAL AMOUNT	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
<b>REVENUES</b>				
State Grants	\$ -	\$ -	\$ -	\$ -
Charges for Services	20,000	20,000	25,658	5,658
Interest and Rentals	225	225	57	(168)
<b>TOTAL REVENUES</b>	<u>20,225</u>	<u>20,225</u>	<u>25,715</u>	<u>5,490</u>
<b>EXPENDITURES</b>				
Health and Welfare	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>20,225</u>	<u>20,225</u>	<u>25,715</u>	<u>5,490</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating Transfers In	-	-	-	-
Operating Transfers (Out)	-	(19,162)	(19,162)	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>-</u>	<u>(19,162)</u>	<u>(19,162)</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	20,225	1,063	6,553	5,490
<b>FUND BALANCE - Beginning of Year</b>	<u>8,860</u>	<u>8,860</u>	<u>8,860</u>	<u>-</u>
<b>FUND BALANCE - End of Year</b>	<u>\$ 29,085</u>	<u>\$ 9,923</u>	<u>\$ 15,413</u>	<u>\$ 5,490</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 -**  
**MSUE MILLAGE - BUDGET AND ACTUAL**  
**DECEMBER 31, 2020**

	<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>				
Taxes	\$ 127,610	\$ 127,610	\$ 127,321	\$ (289)
Charges for Services	-	-	-	-
Interest and Rentals	225	225	238	13
<b>TOTAL REVENUES</b>	<b>127,835</b>	<b>127,835</b>	<b>127,559</b>	<b>(276)</b>
<b>EXPENDITURES</b>				
Community & Economic Development	127,605	121,812	121,810	2
<b>TOTAL EXPENDITURES</b>	<b>127,605</b>	<b>121,812</b>	<b>121,810</b>	<b>2</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>230</b>	<b>6,023</b>	<b>5,749</b>	<b>(274)</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>6,023</b>	<b>5,749</b>	<b>(274)</b>
<b>FUND BALANCE - Beginning of Year</b>	<b>3,074</b>	<b>3,074</b>	<b>3,074</b>	<b>-</b>
<b>FUND BALANCE - End of Year</b>	<b>\$ 3,304</b>	<b>\$ 9,097</b>	<b>\$ 8,823</b>	<b>\$ (274)</b>

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, 2020**

	<b>BUSINESS-TYPE ACTIVITIES</b>			
	<b>COUNTY FORECLOSURE FUND</b>	<b>DELINQUENT TAX REVOLVING FUND</b>	<b>OTHER ENTERPRISE FUNDS</b>	<b>TOTAL</b>
<b>ASSETS</b>				
Cash and Equivalents	\$ 1,115,017	\$ 1,885,726	\$ 45,444	\$ 3,046,187
Taxes Receivable (Net)	35,196	669,442	-	704,638
<b>TOTAL ASSETS</b>	<b>\$ 1,150,213</b>	<b>\$ 2,555,168</b>	<b>\$ 45,444</b>	<b>\$ 3,750,825</b>
<b>LIABILITIES</b>				
Current Liabilities				
Accounts Payable	\$ 3,223	\$ -	\$ 366	\$ 3,589
Due to Other Governments	-	-	-	-
Due to Other Funds	5,562	49	-	5,611
<b>TOTAL CURRENT LIABILITIES</b>	<b>8,785</b>	<b>49</b>	<b>366</b>	<b>9,200</b>
<b>NET POSITION</b>				
Restricted	64,255	-	35,999	100,254
Unrestricted	1,077,173	2,555,119	9,079	3,641,371
<b>TOTAL NET POSITION</b>	<b>\$ 1,141,428</b>	<b>\$ 2,555,119</b>	<b>\$ 45,078</b>	<b>\$ 3,741,625</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, 2020**

	<b>BUSINESS-TYPE ACTIVITIES</b>			<b>TOTAL</b>
	<b>COUNTY FORECLOSURE FUND</b>	<b>DELINQUENT TAX REVOLVING FUND</b>	<b>OTHER ENTERPRISE FUNDS</b>	
<b>OPERATING REVENUES</b>				
Charges for Services	\$ 81,557	\$ 41,677	\$ 14,147	\$ 137,381
Interest on Taxes	5,568	86,644	-	92,212
Other Revenue	76,706	-	78	76,784
<b>TOTAL OPERATING REVENUES</b>	<b>163,831</b>	<b>128,321</b>	<b>14,225</b>	<b>306,377</b>
<b>OPERATING EXPENSES</b>				
Contracted Services	40,367	600	7,485	48,452
<b>TOTAL OPERATING EXPENSES</b>	<b>40,367</b>	<b>600</b>	<b>7,485</b>	<b>48,452</b>
<b>OPERATING INCOME (LOSS)</b>	<b>123,464</b>	<b>127,721</b>	<b>6,740</b>	<b>257,925</b>
<b>NON-OPERATING REVENUE (EXPENSES)</b>				
Investment Income and Rents	2,661	3,107	184	5,952
<b>TOTAL NON-OPERATING REVENUE (EXPENSES)</b>	<b>2,661</b>	<b>3,107</b>	<b>184</b>	<b>5,952</b>
<b>INCOME (LOSS) BEFORE TRANSFERS</b>	<b>126,125</b>	<b>130,828</b>	<b>6,924</b>	<b>263,877</b>
Operating Transfers In	-	-	-	-
Operating Transfers (Out)	(150,000)	(750,000)	-	(900,000)
<b>CHANGE IN NET POSITION</b>	<b>(23,875)</b>	<b>(619,172)</b>	<b>6,924</b>	<b>(636,123)</b>
<b>NET POSITION - Beginning of Year</b>	<b>1,165,303</b>	<b>3,174,291</b>	<b>38,154</b>	<b>4,377,748</b>
<b>NET POSITION - End of Year</b>	<b>\$ 1,141,428</b>	<b>\$ 2,555,119</b>	<b>\$ 45,078</b>	<b>\$ 3,741,625</b>

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, 2020**

	<b>BUSINESS-TYPE ACTIVITIES</b>			
	<b>COUNTY FORECLOSURE FUND</b>	<b>DELINQUENT TAX REVOLVING FUND</b>	<b>OTHER ENTERPRISE FUNDS</b>	<b>TOTAL</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash Payments	\$ 165,204	\$ 272,158	\$ 14,225	\$ 451,587
Payments to Suppliers	(43,231)	(600)	(7,887)	(51,718)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>121,973</b>	<b>271,558</b>	<b>6,338</b>	<b>399,869</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING AND RELATED FINANCING ACTIVITIES</b>				
Operating Transfers In	-	-	-	-
Operating Transfers (Out)	(150,000)	(750,000)	-	(900,000)
<b>NET CASH PROVIDED (USED) BY NONCAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>(150,000)</b>	<b>(750,000)</b>	<b>-</b>	<b>(900,000)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest and Dividends	2,661	3,107	184	5,952
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<b>2,661</b>	<b>3,107</b>	<b>184</b>	<b>5,952</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(25,366)</b>	<b>(475,335)</b>	<b>6,522</b>	<b>(494,179)</b>
<b>BALANCES - Beginning of Year</b>	<b>1,140,383</b>	<b>2,361,061</b>	<b>38,922</b>	<b>3,540,366</b>
<b>BALANCES - End of Year</b>	<b>\$ 1,115,017</b>	<b>\$ 1,885,726</b>	<b>\$ 45,444</b>	<b>\$ 3,046,187</b>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>				
Operating Income (Loss)	\$ 123,464	\$ 127,721	\$ 6,740	\$ 257,925
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
(Increase) Decrease in Assets:				
Taxes Receivable	830	143,837	-	144,667
Accounts Payable	(2,864)	-	(402)	(3,266)
Due to Other Funds	-	-	-	-
Due to Other Governmental Units	543	-	-	543
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>\$ 121,973</b>	<b>\$ 271,558</b>	<b>\$ 6,338</b>	<b>\$ 399,869</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, 2020**

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	<u>AGENCY FUNDS</u>
<b>ASSETS</b>	
Cash and Equivalents	\$ 529,114
Due From Other Funds	<u>(29,372)</u>
<b>TOTAL ASSETS</b>	<b>\$ <u>499,742</u></b>
<b>LIABILITIES</b>	
Accrued Liabilities	\$ 4,507
Undistributed Tax Collections	353,957
Due to Other Funds/Governmental Units	65,188
Undistributed Receipts	<u>76,090</u>
<b>TOTAL LIABILITIES</b>	<b>\$ <u>499,742</u></b>

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, 2020**

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	<b>CUSTODIAL FUNDS</b>
<b>ADDITIONS</b>	
State education tax collected for other governments	\$ 3,073,530
Real estate transfer tax collected for other governments	416,186
Fees and fines collected on behalf of other units of governments	326,419
Collections from or on behalf of inmates	36,557
Other taxes collected for other governments	2,020,571
	5,873,263
<b>TOTAL ADDITIONS</b>	<b>5,873,263</b>
<b>DEDUCTIONS</b>	
Payments of state education tax to other governments	3,073,530
Payments of real estate transfer tax to other governments	416,186
Fees and fines remitted to other units of governments	326,419
Payments to or on behalf of inmates	36,557
Payments of other taxes to other governments	2,020,571
	5,873,263
<b>TOTAL DEDUCTIONS</b>	<b>5,873,263</b>
<b>CHANGE IN NET POSITION</b>	-
<b>NET POSITION, beginning of year</b>	-
<b>NET POSITION, end of year</b>	\$ -

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, 2020**

	<b>MONTMORENCY COUNTY ROAD COMMISSION</b>	<b>MONTMORENCY COUNTY PUBLIC LIBRARY</b>	<b>MONTMORENCY COUNTY COMMISSION ON AGING 9/30/2020</b>	<b>TOTALS</b>
<b>ASSETS</b>				
Cash and Equivalents	\$ 2,682,279	\$ 179,039	\$ 694,300	\$ 3,555,618
Receivables (Net):				
Taxes	506,419	303,852	-	810,271
Accounts and Interest	604,726	-	35,594	640,320
Due from Other Governmental Units	-	-	-	-
Inventories	444,921	-	3,746	448,667
Prepaid Items	32,655	5,737	-	38,392
Capital Assets (Not Depreciated)	12,711,941	100,000	-	12,811,941
Capital Assets (Net of Accumulated Depreciation)	10,942,847	203,104	107,207	11,253,158
<b>TOTAL ASSETS</b>	<b>27,925,788</b>	<b>791,732</b>	<b>840,847</b>	<b>29,558,367</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
OPEB Items	22,738	-	-	22,738
<b>LIABILITIES</b>				
Accounts Payable	49,224	-	-	49,224
PPP Loan	-	-	129,506	129,506
Accrued Liabilities	31,217	14,917	5,990	52,124
Long-Term Liabilities:				
Due Within One Year	87,017	-	-	87,017
Due in More Than One Year	-	-	-	-
Other Noncurrent Liabilities:				
Vested Employee Benefits -				
Due in More Than One Year	135,866	-	-	135,866
Other Post-Employment Benefits -				
Due in More Than One Year	545,934	-	-	545,934
<b>TOTAL LIABILITIES</b>	<b>849,258</b>	<b>14,917</b>	<b>135,496</b>	<b>999,671</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
OPEB Items	265,870	-	-	265,870
Property Taxes Levied for Subsequent Period	506,419	303,852	-	810,271
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>772,289</b>	<b>303,852</b>	<b>-</b>	<b>1,076,141</b>
<b>NET POSITION</b>				
Net Investment in Capital Assets	23,567,771	303,104	107,207	23,978,082
Restricted	2,759,208	-	14,035	2,773,243
Unrestricted	-	169,859	584,109	753,968
<b>TOTAL NET POSITION</b>	<b>\$ 26,326,979</b>	<b>\$ 472,963</b>	<b>\$ 705,351</b>	<b>\$ 27,505,293</b>

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

**MONTMORENCY COUNTY  
MONTMORENCY COUNTY, MICHIGAN  
COMPONENT UNITS  
STATEMENT OF ACTIVITIES  
DECEMBER 31, 2020**

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	\$ 3,041,153	\$ 33,999	\$ 2,052,115	\$ 2,909,060	\$ 1,954,021
Montmorency County Public Library	347,475	-	63,031	-	(284,444)
Montmorency County Commission on Aging	900,187	56,115	389,534	-	(454,538)
<b>TOTAL COMPONENT UNITS</b>	<b>\$ 4,288,815</b>	<b>\$ 90,114</b>	<b>\$ 2,504,680</b>	<b>\$ 2,909,060</b>	<b>1,215,039</b>
<b>GENERAL REVENUES</b>					
Property Taxes					1,329,085
State Shared Revenue					-
Investment Earnings					3,968
Gain (Loss) on Disposal of Assets					1,056
Other					4,148
<b>TOTAL GENERAL REVENUES</b>					<b>1,338,257</b>
<b>CHANGES IN NET POSITION</b>					<b>2,553,296</b>
<b>NET POSITION - Beginning of Year</b>					<b>24,951,997</b>
<b>NET POSITION - End of Year</b>					<b>\$ 27,505,293</b>

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

**MONTMORENCY COUNTY  
MONTMORENCY COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2020**

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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, 2020 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, 2020**

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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, Recreation and Culture, 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.

**MONTMORENCY COUNTY  
MONTMORENCY COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2020**

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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.

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 of 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.

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

**Agency Funds:**

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

**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 two 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 2019 ad valorem tax (excluding the portion for general operations) is levied and collectible on December 1, 2019, 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, 2019 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.

**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, 2020, except for the Montmorency County Commission on Aging, a component unit activity, where the reporting period is the year ended September 30, 2020.

**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.

**MONTMORENCY COUNTY  
MONTMORENCY COUNTY, MICHIGAN  
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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>
Police Fund - Exp - Public Safety	\$ 566,424	\$ 583,769	\$ (17,345)

**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	\$ 5,832,429	\$ 3,555,618	\$ 9,388,047
<b>Statement of Fiduciary Net Position</b>			
Cash and Cash Equivalents	529,114	-	529,114
	<u>\$ 6,361,543</u>	<u>\$ 3,555,618</u>	<u>\$ 9,917,161</u>

**MONTMORENCY COUNTY  
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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)	\$ 5,830,679	\$ 529,114	\$ 3,555,418	\$ 9,915,211
Cash on Hand and Imprest	1,750	-	200	1,950
	<u>\$ 5,832,429</u>	<u>\$ 529,114</u>	<u>\$ 3,555,618</u>	<u>\$ 9,917,161</u>

**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, 2020.

**MONTMORENCY COUNTY  
MONTMORENCY COUNTY, MICHIGAN  
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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 \$1,289,651 of insured deposits through this coverage. At December 31, 2019, of the County's total bank balance of \$9,352,093 (total book balance was \$9,435,034) \$8,062,422 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.

**MONTMORENCY COUNTY**  
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**NOTE 4 - RECEIVABLES**

Receivables for the primary government and component units at December 31, 2020 are as follows:

	Governmental Activities	Business-Type Activities	Total	Component Units
Taxes Receivable - Current	\$ 849,472	\$ 704,638	\$ 1,554,110	\$ 810,271
Taxes Receivable - Delinquent	-	669,442	669,442	-
Receivables (Net of Allowance for Uncollectable)	241,606	-	241,606	640,320
Interest and Penalties	-	35,196	35,196	-
	<u>\$ 1,091,078</u>	<u>\$ 1,409,276</u>	<u>\$ 2,500,354</u>	<u>\$ 1,450,591</u>

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

	Transfers In	Transfers Out
General Fund	\$ 919,162	\$ 119,206
CDBG/Housing	-	19,162
911 Service	30,000	-
Economic Dev Corp	3,916	-
Law ENF Training	1,000	-
Law Enforcement	35,000	-
Law Library	13,000	-
Local Corrections Officer Training	3,000	-
MIDC Temp	16,915	-
Remonumentation	575	-
Veterans Service Grant	5,800	-
Veterans Treatment Center	10,000	-
County Foreclosure	-	150,000
Del. Tax Revolving	-	750,000
	<u>\$ 1,038,368</u>	<u>\$ 1,038,368</u>

**DUE FROM**

<u>DUE TO</u>	<u>General Fund</u>	<u>Fiduciary Fund</u>	<u>CDBG Housing</u>	<u>County Foreclosure</u>	<u>Delinquent Tax</u>	<u>Total</u>
General Fund	\$ -	\$ 29,436	\$ -	\$ 5,547	\$ -	\$ 34,983
Fiduciary Fund	-	-	-	15	49	64
CDBG Housing	-	-	-	-	-	-
EDC	-	-	223	-	-	223
Veterans Service	1,000	-	-	-	-	1,000
County Foreclosure	-	-	-	-	-	-
Delinquent Tax	-	-	-	-	-	-
Total	<u>\$ 1,000</u>	<u>\$ 29,436</u>	<u>\$ 223</u>	<u>\$ 5,562</u>	<u>\$ 49</u>	<u>\$ 36,270</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

**MONTMORENCY COUNTY  
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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, 2020 is as follows:

	Balance 1/1/2020	Additions	Adjustments & Retirements	Balance 12/31/2020
<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	1,276,375	12,975	-	1,289,350
Vehicles	432,171	90,824	-	522,995
<b>Total</b>	<b>4,841,764</b>	<b>103,799</b>	<b>-</b>	<b>4,945,563</b>
Less Accumulated Depreciation				
Building and Improvements	(1,394,657)	(66,960)	-	(1,461,617)
Office and Computer Equipment	(1,021,297)	(58,774)	-	(1,080,071)
Vehicles	(281,717)	(46,264)	-	(327,981)
<b>Total</b>	<b>(2,697,671)</b>	<b>(171,998)</b>	<b>-</b>	<b>(2,869,669)</b>
<b>Net Capital Assets Being Depreciated</b>	<b>2,144,093</b>	<b>(68,199)</b>	<b>-</b>	<b>2,075,894</b>
<b>Governmental Activities Assets</b>	<b>\$ 2,213,171</b>	<b>\$ (68,199)</b>	<b>\$ -</b>	<b>\$ 2,144,972</b>

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

**Governmental Activities**

General Government:

Judicial	\$ 21,800
Other General Government	48,359
Public Safety	93,322
Other	8,517
	<b>\$ 171,998</b>

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

**DISCRETELY PRESENTED COMPONENT UNITS**

	Balance 1/1/2020	Additions	Retirements	Balance 12/31/2020
<b>Montmorency County Road Commission</b>				
<b>Capital Assets, Not Depreciated:</b>				
Land Improvements	\$ 47,476	\$ -	\$ -	\$ 47,476
Infrastructure	12,240,924	423,541	-	12,664,465
<b>Total</b>	<b>12,288,400</b>	<b>423,541</b>	<b>-</b>	<b>12,711,941</b>
<b>Capital Assets, Being Depreciated</b>				
Buildings and Improvements	1,999,378	218,383	-	2,217,761
Road Equipment	3,862,562	501,158	(651)	4,363,069
Shop Equipment	160,821	-	-	160,821
Office and Computer Equipment	60,420	828	-	61,248
Engineering Equipment	7,235	-	-	7,235
Yard and Storage	27,940	-	-	27,940
Infrastructure - Roads	9,185,510	1,946,179	(283,858)	10,847,831
Infrastructure - Bridges	2,035,080	539,340	-	2,574,420
Depletable Assets	55,700	-	-	55,700
	<b>17,394,646</b>	<b>3,205,888</b>	<b>(284,509)</b>	<b>20,316,025</b>
<b>Less Accumulated Depreciation:</b>				
Buildings and Improvements	(834,125)	(50,907)	-	(885,032)
Road Equipment	(2,950,690)	(263,616)	651	(3,213,655)
Shop Equipment	(113,783)	(10,495)	-	(124,278)
Office and Computer Equipment	(57,228)	(1,532)	-	(58,760)
Engineering Equipment	(7,235)	-	-	(7,235)
Yard and Storage	(27,940)	-	-	(27,940)
Infrastructure - Roads	(3,589,693)	(600,180)	283,858	(3,906,015)
Infrastructure - Bridges	(1,083,429)	(66,834)	-	(1,150,263)
	<b>(8,664,123)</b>	<b>(993,564)</b>	<b>284,509</b>	<b>(9,373,178)</b>
<b>Net Capital Assets Being Depreciated</b>	<b>8,730,523</b>	<b>2,212,324</b>	<b>-</b>	<b>10,942,847</b>
<b>Net Component Unit Assets</b>	<b>\$ 21,018,923</b>	<b>\$ 2,635,865</b>	<b>\$ -</b>	<b>\$ 23,654,788</b>

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

Primary Road	\$ 412,511
Local Road	254,503
Equipment	263,616
Allocated	61,402
Administration	1,532
<b>Total Depreciation Expense</b>	<b>\$ 993,564</b>

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

	Balance 1/1/2020	Additions	Retirements	Balance 12/31/2020
<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	30,401	2,905	-	33,306
	<u>293,189</u>	<u>2,905</u>	<u>-</u>	<u>296,094</u>
Less Accumulated Depreciation				
Buildings and Improvements	(53,607)	(6,323)	-	(59,930)
Office and Computer Equipment	(6,510)	(302)	-	(6,812)
Furniture and Fixtures	(22,720)	(3,528)	-	(26,248)
Subtotal	<u>(82,837)</u>	<u>(10,153)</u>	<u>-</u>	<u>(92,990)</u>
Net Capital Assets Being Depreciated:	<u>210,352</u>	<u>(10,153)</u>	<u>-</u>	<u>203,104</u>
Net Component Unit Assets	<u>\$ 310,352</u>	<u>\$ (10,153)</u>	<u>\$ -</u>	<u>\$ 303,104</u>

Total depreciation expense for the year ended December 31, 2020 for the Montmorency County Public Library was \$10,153.

	Balance 10/1/2019	Additions	Retirements	Balance 9/30/2020
<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>354,856</u>	<u>3,570</u>	<u>-</u>	<u>358,426</u>
Less Accumulated Depreciation				
	<u>(265,104)</u>	<u>(12,104)</u>	<u>-</u>	<u>(277,208)</u>
Net Component Unit Assets	<u>\$ 115,741</u>	<u>\$ (8,534)</u>	<u>\$ -</u>	<u>\$ 107,207</u>

Total depreciation expense for the year ended September 30, 2020 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>1/1/2020</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>12/31/2020</u>	<u>Due Within</u> <u>One Year</u>
Compensated Absences	\$ 112,813	\$ 12,855	\$ -	\$ 125,668	\$ 125,668
<b>Total Primary Government</b>	<b>\$ 112,813</b>	<b>\$ 12,855</b>	<b>\$ -</b>	<b>\$ 125,668</b>	<b>\$ 125,668</b>

**DISCRETELY PRESENTED COMPONENT UNITS**

	<u>Balance</u> <u>1/1/2020</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>12/31/2020</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.	\$ 83,600	\$ -	\$ 45,195	\$ 38,405	\$ 38,405
Promissory note payable due in monthly installments of \$4,908. Truck noted as collateral. Final payment due October 2021.	105,834	-	57,222	48,612	48,612
<b>Total Loans Payable</b>	<b>189,434</b>	<b>-</b>	<b>102,417</b>	<b>87,017</b>	<b>87,017</b>
Compensated Absences	132,116	3,750	-	135,866	-
<b>Total Road Commission</b>	<b>\$ 321,550</b>	<b>\$ 3,750</b>	<b>\$ 102,417</b>	<b>\$ 222,883</b>	<b>\$ 87,017</b>

**Montmorency County Public Library had no long-term debt at December 31, 2020.**

**Montmorency County on Aging had no long-term debt at September 30, 2020.**

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**NOTE 7 - LONG-TERM DEBT (continued)**

Annual requirements to pay bond and loan debt principal and interest outstanding are as follows:

<u>Year Ending</u>	<u>Primary Government</u>		<u>Component Units</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2020	\$ -	\$ -	\$ 87,017	\$ 833
2021	-	-	-	-
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 87,017</u>	<u>\$ 833</u>

**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:

<u>Equipment Item</u>	<u>Lease Date</u>	<u>Lease Maturity Date</u>	<u>Annual Lease Payment</u>	<u>Guaranteed Purchase Amount</u>
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:

2020	\$ 127,430
2021	127,430
2022	127,430
	<u>\$ 382,290</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 \$35 per day of use. The rent expense for these facilities for the year ending September 30, 2020, approximated \$23,180.

In August 2015 the Commission leased a new copier. The lease terms are \$2,616 annually for 60 months, with final payment due July 2020.

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**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 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, 2019 was \$86,187. The required contributions, which matched those actually made, were \$4,558 by employees and \$2,660 by the County, representing 5.3% and 3.1% 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, 2020 valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	77
Inactive employees entitled to but not yet receiving benefits	28
Active employees	46
	151

**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 5.4% to 6.7% based on annual payroll for open divisions. One division that is closed to new employees has an annual employer contribution amount of \$367.

**Net Pension Liability.** The employer's Net Pension Liability was measured as of December 31, 2020, and the total pension liability used to calculate the Net Pension Liability was determined by an annual actuarial valuation as of the date.

**Actuarial Assumptions.** The total pension liability in the December 31, 2020 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation: 2.5%

Salary increases: 3.00% 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 2.5% long-term wage inflation assumption would be consistent with the price inflation of 3% - 4%.

Mortality rates used are based on the MP-2019 projection scales using a 50/50 unisex weighting of the retiree mortality.

For disabled retirees, the regular mortality table is used with a 10-year set forward in ages to reflect the higher expected mortality rates of disabled members.

The actuarial assumptions used in valuation were based on the results of the most recent actuarial experience study in 2020. (MERS Retirement Board conducted an actuarial experience study covering the period from January 1, 2014 through December 31, 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 arithmetic 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	55.5%	5.02%	4.08%	2.50%	3.41%
Global Fixed Income	18.5%	2.18%	1.36%	2.50%	0.23%
Real Assets	13.5%	4.23%	0.99%	2.50%	0.97%
Diversifying Strategies	12.5%	6.56%	0.92%	2.50%	0.63%
	100.0%		7.35%		5.24%

**Discount rate.** The discount rate used to measure the total pension liability is 7.6%. 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**

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
<b>Balances at January 1, 2020</b>	\$ 13,325,143	\$ 6,966,607	\$ 6,358,536
<b>Changes for the Year</b>			
Service Cost	200,861	-	200,861
Interest on Total Pension Liability	987,248	-	987,248
Changes in Benefits	-	-	-
Difference Between Expected and Actual Experiences	(211,858)	-	(211,858)
Changes in Assumptions	653,228	-	653,228
Employer Contributions	-	1,472,798	(1,472,798)
Employee Contributions	-	22,384	(22,384)
Net Investment Income	-	912,375	(912,375)
Benefit Payments, Including Employee Refunds	(870,945)	(870,945)	-
Administrative Expense	-	(14,070)	14,070
Other Changes	(1)	-	(1)
<b>Net Changes</b>	<b>758,533</b>	<b>1,522,542</b>	<b>(764,009)</b>
<b>Balances as of December 31, 2020</b>	<b>\$ 14,083,676</b>	<b>\$ 8,489,149</b>	<b>\$ 5,594,527</b>

**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 8.60% as well as what the employer's Net Pension Liability would be using a discount rate that is 1 percentage point lower (7.60%) or 1 percentage point higher (8.60%) than the current rate.

**SENSITIVITY TO CHANGES TO DISCOUNT RATE**

	1% Decrease (6.60%)	Current Discount Rate (7.60%)	1% Increase (8.60%)
Net Pension Liability at 12/31/20	\$ 5,594,527	\$ 5,594,527	\$ 5,594,527
Change in Net Pension Liability	1,675,997	-	(1,402,714)
Calculated Net Pension Liability	<b>\$ 7,270,524</b>	<b>\$ 5,594,527</b>	<b>\$ 4,191,813</b>

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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 2020 the employer recognized pension expense of \$1,131,856. 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	\$ -	\$ 56,150
Differences in Assumptions	354,513	-
Excess (Deficit) Investments Returns	-	118,221
Total	\$ 354,513	\$ 174,371

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

	Year Ended	
2021	\$	220,794
2022		128,620
2023		142,492
2024	\$	71,731

**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.

Effective fiscal year 2018, all retirees will contribute 20% of the plan's premium cost.

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, 2020, the County contributions totaled \$28,612. The County contributes 100% of the cost of current-year premiums 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 2020, the retiree contributions totaled \$5,372.

**Employees Covered by Benefit Terms.** At December 31, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	29
Active employees	58
	87

**Net OPEB Liability**

The County's Net OPEB liability of \$2,554,114 was measured as of December 31, 2020.

**Actuarial Assumptions.** The County's net OPEB liability was determined by an actuarial valuation as of December 31, 2020. 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 2.12% 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:

<b>Changes in Total OPEB Liability</b>	<b>Total OPEB Liability</b>
Balance at January 1, 2020	\$ 3,239,658
Changes for the Year:	
Service cost	128,827
Interest	53,023
Change in benefits	(640,516)
Differences in experience	(192,894)
Employer Contributions	(28,612)
Employee Contributions	(5,372)
Net Changes	(685,544)
Balance at December 31, 2020	\$ 2,554,114

**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 (1.12 percent) or 1 percentage point higher (3.12 percent) than the current discount rate:

	1% Decrease (1.12%)	Discount Rate (2.12%)	1% Increase (3.12%)
Total OPEB Liability	\$ 3,000,598	\$ 2,554,114	\$ 2,200,832

**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 (7.25 to 3.50 percent) or 1 percentage point higher (9.25 to 5.50 percent) than the current healthcare cost trend rates:

	1% Decrease (7.25%-3.50%)	Current Discount Rate (8.25%-4.50%)	1% Increase (9.25%-5.50%)
Total OPEB Liability	\$ 2,208,409	\$ 2,554,114	\$ 2,979,932

**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 2019, for which revenue was recognized in the General Fund, was \$516,816,880. 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, 2020:

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Restricted for:			
Police Fund	\$ -	\$ 97,186	\$ 97,186
Home Improvement	-	15,413	15,413
Building Inspection	-	85,428	85,428
Conservation Gypsy Moth	-	86,483	86,483
ORV Enforcement	-	163	163
911 Services	-	210,493	210,493
Concealed Pistol License	-	41,394	41,394
Correction Officer Training	-	7,715	7,715
Lake Level	-	61,907	61,907
Law Enforcement Grants	-	93,149	93,149
Law Library	-	9,736	9,736
MSUE Millage	-	8,823	8,823
State Domestic Preparedness	-	45	45
Michigan Safe Kids	-	168	168
Child Care	-	174,225	174,225
Economic Development	-	168,886	168,886
Veterans Service Fund Grant	-	30	30
Veterans Treatment Court	-	81,118	81,118
Remonumentation	-	4,739	4,739
<b>Total Restricted</b>	<u>-</u>	<u>1,147,101</u>	<u>1,147,101</u>
Committed for:			
ROD Automation	-	78,779	78,779
Law Enforcement Training	-	6,239	6,239
D.A.R.E	-	3,080	3,080
Victim Advocacy	-	213	213
Soldier Relief	-	9,136	9,136
MIDC Temp Fund	-	183,500	183,500
<b>Total Committed</b>	<u>-</u>	<u>280,947</u>	<u>280,947</u>
Unassigned (Deficit)	<u>1,317,847</u>	<u>-</u>	<u>1,317,847</u>
<b>Total Fund Balances, Governmental Funds</b>	<u>\$ 1,317,847</u>	<u>\$ 1,428,048</u>	<u>\$ 2,745,895</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 \$4,938,800 as of December 31, 2020. Restricted cash consisting of certificates of deposit and other investments amount to \$3,198,790 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 2020 amounted to \$3,698.

**NOTE 18 - FUND DEFICITS**

As of December 31, 2020, there were no fund deficits.

**NOTE 19 - SUBSEQUENT EVENTS**

**Primary Government** - Management has evaluated subsequent events through June 17, 2021, 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 17, 2021, the date on which the financial statements were available to be issued.

During the January 8, 2020 Board of Commissioners meeting it was voted to eliminate retirees over 65 (Medicare eligible age) supplemental health care effective March 1, 2020. This information was known and taken into account when completing the actuarial valuation for the Other Postemployment Benefits.

The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of local units of government. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings. Therefore, the County expects this matter to negatively impact its operating results. However, the related financial impact and duration cannot be reasonably estimated at this time.

**MONTMORENCY COUNTY**  
**MONTMORENCY COUNTY, MICHIGAN**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS**  
**SCHEDULE OF FUNDING PROGRESS**  
**DECEMBER 31, 2020**

<b>TOTAL PENSION LIABILITY</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Service Cost	\$ 200,861	\$ 210,925	\$ 193,891	\$ 202,564	\$ 207,945	\$ 185,352
Interest	987,248	1,043,537	956,436	924,169	914,347	828,607
Changes of Benefit Terms	-	-	-	-	-	-
Difference Between Expected and Actual						
Experience	(211,858)	56,684	(79,519)	88,324	129,230	121,346
Changes in Assumptions	653,228	410,312	-	-	-	593,602
Benefit Payments, Including Refund of Member						
Contributions	(870,945)	(848,415)	(819,338)	(795,433)	(708,560)	(693,318)
Other	(1)	(67,472)	(74)	-	(27,709)	-
<b>NET CHANGE IN TOTAL PENSION LIABILITY</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>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>\$ 14,083,676</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	\$ 1,472,798	\$ 566,498	\$ 614,736	\$ 624,089	\$ 440,653	\$ 478,089
Contributions - Employee	22,384	23,880	23,010	22,599	22,008	20,172
Net Investment Income	912,375	853,743	(265,129)	806,999	649,703	(89,739)
Benefit Payments Including Employee						
Refunds	(870,945)	(848,415)	(819,338)	(795,433)	(708,560)	(693,318)
Administrative Expense	(14,070)	(14,710)	(13,122)	(12,793)	(12,834)	(13,192)
<b>NET CHANGE IN PLAN FIDUCIARY NET POSITION</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>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>\$ 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>\$ 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>60%</b>	<b>52%</b>	<b>51%</b>	<b>56%</b>	<b>52%</b>	<b>51%</b>
<b>Covered - Employee Payroll</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>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.

**MONTMORENCY COUNTY  
MONTMORENCY COUNTY, MICHIGAN  
REQUIRED SUPPLEMENTARY INFORMATION  
EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS  
SCHEDULE OF EMPLOYER'S PENSION CONTRIBUTION  
DECEMBER 31, 2020**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially Determined Contribution*	\$ 843,564	\$ 566,498	\$ 614,736	\$ 624,089	\$ 440,653	\$ 478,090
Contributions in Relation to the Actuarially Determined Contribution	843,564	566,498	614,736	624,089	440,653	478,090
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered - Employee Payroll	\$ 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	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	50% Female/50% Male RP-2019 Group Annuity Mortality Table

SEE NOTES TO FINANCIAL STATEMENTS.

**MONTMORENCY COUNTY**  
**MONTMORENCY COUNTY, MICHIGAN**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS**  
**SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS**  
**DECEMBER 31, 2020**

<b>TOTAL OPEB LIABILITY</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
Service Cost	\$ 128,827	\$ 138,615	\$ 154,270	\$ 150,522
Interest	53,023	86,399	143,414	138,819
Changes in benefits	(640,516)	-	-	-
Differences in Experience	(192,894)	(1,333,421)	-	-
Employer Contributions	(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>(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>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>\$ 2,554,114</b>	<b>\$ 3,239,658</b>	<b>\$ 4,478,094</b>	<b>\$ 4,332,757</b>
<b>Covered Employee Payroll</b>	<b>\$ 2,492,145</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>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.

**MONTMORENCY COUNTY  
MONTMORENCY COUNTY, MICHIGAN  
OTHER INFORMATION  
COMBINING BALANCE SHEET - GOVERNMENTAL FUNDS  
DECEMBER 31, 2020**

	<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	\$ 6,239	\$ 94,877	\$ 10,837	\$ 8,100	\$ 168	\$ 192,344	\$ 163
Accounts Receivable (Net)	-	-	-	-	-	-	-
Accounts Receivable - Revolving Loan Fund	-	-	-	-	-	-	-
Due from Other Funds	-	-	-	-	-	-	-
Prepaid Items	-	-	-	-	-	-	-
<b>Total Assets</b>	<b>\$ 6,239</b>	<b>\$ 94,877</b>	<b>\$ 10,837</b>	<b>\$ 8,100</b>	<b>\$ 168</b>	<b>\$ 192,344</b>	<b>\$ 163</b>
<b>LIABILITIES</b>							
Accounts Payable	\$ -	\$ 365	\$ 1,101	\$ 385	\$ -	\$ 8,844	\$ -
Accrued Liabilities	-	1,363	-	-	-	-	-
Due to Other Funds	-	-	-	-	-	-	-
<b>Total Liabilities</b>	<b>-</b>	<b>1,728</b>	<b>1,101</b>	<b>385</b>	<b>-</b>	<b>8,844</b>	<b>-</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>							
	-	-	-	-	-	-	-
<b>FUND BALANCES</b>							
Restricted	-	93,149	9,736	7,715	168	-	163
Committed	6,239	-	-	-	-	183,500	-
Unassigned	-	-	-	-	-	-	-
<b>Total Fund Balances</b>	<b>6,239</b>	<b>93,149</b>	<b>9,736</b>	<b>7,715</b>	<b>168</b>	<b>183,500</b>	<b>163</b>
<b>Total Liabilities, Deferred Inflows and Fund Balances</b>	<b>\$ 6,239</b>	<b>\$ 94,877</b>	<b>\$ 10,837</b>	<b>\$ 8,100</b>	<b>\$ 168</b>	<b>\$ 192,344</b>	<b>\$ 163</b>

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SEE NOTES TO FINANCIAL STATEMENTS.

**MONTMORENCY COUNTY  
MONTMORENCY COUNTY, MICHIGAN  
OTHER INFORMATION  
COMBINING BALANCE SHEET - GOVERNMENTAL FUNDS  
DECEMBER 31, 2020**

(CONTINUED FROM PREVIOUS PAGE)

	<u>REMONUMENTATION</u>	<u>STATE DOMESTIC PREPAREDNESS</u>	<u>VETERANS RELIEF FUND</u>	<u>VETERANS SERVICE FUND GRANT</u>	<u>VETERANS TREATMENT CENTER</u>	<u>VICTIM ADVOCACY PROGRAM</u>	<u>ROD AUTOMATION FUND</u>	<u>911 SERVICE FUND</u>
<b>ASSETS</b>								
Cash and Equivalents	\$ 4,837	\$ 45	\$ 9,136	\$ -	\$ 70,838	\$ 213	\$ 80,679	\$ 134,290
Accounts Receivable (Net)	-	-	-	-	12,266	-	-	94,192
Accounts Receivable Revolving/Mortgage Loans	-	-	-	-	-	-	-	-
Due from Other Funds	-	-	-	1,000	-	-	-	-
Prepaid Items	-	-	-	-	-	-	-	-
<b>Total Assets</b>	<b>\$ 4,837</b>	<b>\$ 45</b>	<b>\$ 9,136</b>	<b>\$ 1,000</b>	<b>\$ 83,104</b>	<b>\$ 213</b>	<b>\$ 80,679</b>	<b>\$ 228,482</b>
<b>LIABILITIES</b>								
Accounts Payable	\$ 98	\$ -	\$ -	\$ 970	\$ 919	\$ -	\$ 1,900	\$ 4,796
Accrued Liabilities	-	-	-	-	1,067	-	-	13,193
Due to Other funds	-	-	-	-	-	-	-	-
<b>Total Liabilities</b>	<b>98</b>	<b>-</b>	<b>-</b>	<b>970</b>	<b>1,986</b>	<b>-</b>	<b>1,900</b>	<b>17,989</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>								
Property Taxes Levied for a Subsequent Period	-	-	-	-	-	-	-	-
<b>FUND BALANCES</b>								
Restricted	4,739	45	-	30	81,118	-	-	210,493
Committed	-	-	9,136	-	-	213	78,779	-
Unassigned	-	-	-	-	-	-	-	-
<b>Total Fund Balances</b>	<b>4,739</b>	<b>45</b>	<b>9,136</b>	<b>30</b>	<b>81,118</b>	<b>213</b>	<b>78,779</b>	<b>210,493</b>
<b>Total Liabilities, Deferred Inflows and Fund Balances</b>	<b>\$ 4,837</b>	<b>\$ 45</b>	<b>\$ 9,136</b>	<b>\$ 1,000</b>	<b>\$ 83,104</b>	<b>\$ 213</b>	<b>\$ 80,679</b>	<b>\$ 228,482</b>

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SEE NOTES TO FINANCIAL STATEMENTS.

**MONTMORENCY COUNTY**  
**MONTMORENCY COUNTY, MICHIGAN**  
**OTHER INFORMATION**  
**COMBINING BALANCE SHEET - GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2020**

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	<b>BUILDING DEPARTMENT FUND</b>	<b>CHILD CARE FUND</b>	<b>CONCEALED PISTOL LICENSING</b>	<b>COUNTY CONSERVATION GYPSY MOTH</b>	<b>DARE/ TEAM</b>	<b>ECONOMIC DEVELOPMENT CORPORATION FUND</b>	<b>LAKE LEVEL FUND</b>	<b>TOTAL NONMAJOR GOVERNMENTAL FUNDS</b>
<b>ASSETS</b>								
Cash and Equivalents	\$ 92,164	\$ 182,966	\$ 41,394	\$ 94,406	\$ 3,080	\$ 102,550	\$ 61,907	\$ 1,191,233
Accounts Receivable (Net)	-	215	-	-	-	-	-	106,673
Accounts Receivable Revolving/Mortgage	-	-	-	-	-	66,113	-	66,113
Due from Other Funds	-	-	-	-	-	223	-	1,223
Prepaid Items	-	-	-	-	-	-	-	-
<b>Total Assets</b>	<b>\$ 92,164</b>	<b>\$ 183,181</b>	<b>\$ 41,394</b>	<b>\$ 94,406</b>	<b>\$ 3,080</b>	<b>\$ 168,886</b>	<b>\$ 61,907</b>	<b>\$ 1,365,242</b>
<b>LIABILITIES</b>								
Accounts Payable	\$ 5,445	\$ 8,956	\$ -	\$ 7,923	\$ -	\$ -	\$ -	\$ 41,702
Accrued Liabilities	1,291	-	-	-	-	-	-	16,914
Due to Other funds	-	-	-	-	-	-	-	-
<b>Total Liabilities</b>	<b>6,736</b>	<b>8,956</b>	<b>-</b>	<b>7,923</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>58,616</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>								
Unavailable Revenue	-	-	-	-	-	-	-	-
<b>FUND BALANCES</b>								
Restricted	85,428	174,225	41,394	86,483	-	168,886	61,907	1,025,679
Committed	-	-	-	-	3,080	-	-	280,947
Unassigned	-	-	-	-	-	-	-	-
<b>Total Fund Balances</b>	<b>85,428</b>	<b>174,225</b>	<b>41,394</b>	<b>86,483</b>	<b>3,080</b>	<b>168,886</b>	<b>61,907</b>	<b>1,306,626</b>
<b>Total Liabilities, Deferred Inflows and Fund Balances</b>	<b>\$ 92,164</b>	<b>\$ 183,181</b>	<b>\$ 41,394</b>	<b>\$ 94,406</b>	<b>\$ 3,080</b>	<b>\$ 168,886</b>	<b>\$ 61,907</b>	<b>\$ 1,365,242</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, 2020**

	LAW ENF TRAINING FUND	LAW ENFORCEMENT FUND	LAW LIBRARY	LOCAL CORRECTIONS OFFICER TRAINING FUND	MICHIGAN SAFE KIDS	MIDC TEMP FUND	ORV ENFORCEMENT FUND
<b>REVENUES</b>							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-
Licenses & Permits	-	-	-	-	-	-	-
State Sources	-	48,379	-	-	-	267,284	-
Charges for Services	1,789	-	-	2,524	-	-	-
Fines and Forfeitures	-	-	1,000	-	-	-	164
Interest Income	25	273	-	-	-	321	-
Other Revenue	1,215	35,530	-	50	-	-	-
Total Revenue	<u>3,029</u>	<u>84,182</u>	<u>1,000</u>	<u>2,574</u>	<u>-</u>	<u>267,605</u>	<u>164</u>
<b>EXPENDITURES</b>							
Current:							
General Government - Other	-	-	-	-	-	-	-
Judicial	-	-	11,382	-	-	168,758	-
Public Safety	4,019	80,728	-	7,167	-	-	398
Health and Welfare	-	-	-	-	-	-	-
Other Expenditures	-	-	-	-	-	-	-
Capital Outlay	-	6,079	-	-	-	-	-
Community & Economic	-	-	-	-	-	-	-
Total Expenditures	<u>4,019</u>	<u>86,807</u>	<u>11,382</u>	<u>7,167</u>	<u>-</u>	<u>168,758</u>	<u>398</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	(990)	(2,625)	(10,382)	(4,593)	-	98,847	(234)
<b>OTHER FINANCING SOURCES (USES)</b>							
Operating Transfer In	1,000	35,000	13,000	3,000	-	16,915	-
Operating Transfers (Out)	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>1,000</u>	<u>35,000</u>	<u>13,000</u>	<u>3,000</u>	<u>-</u>	<u>16,915</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>10</u>	<u>32,375</u>	<u>2,618</u>	<u>(1,593)</u>	<u>-</u>	<u>115,762</u>	<u>(234)</u>
<b>FUND BALANCES - Beginning of Year</b>	<u>6,229</u>	<u>60,774</u>	<u>7,118</u>	<u>9,308</u>	<u>168</u>	<u>67,738</u>	<u>397</u>
<b>FUND BALANCES - End of Year</b>	<u>\$ 6,239</u>	<u>\$ 93,149</u>	<u>\$ 9,736</u>	<u>\$ 7,715</u>	<u>\$ 168</u>	<u>\$ 183,500</u>	<u>\$ 163</u>

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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, 2020**

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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>REVENUES</b>								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses & Permits	-	-	-	-	-	-	-	-
State Sources	-	-	-	31,811	47,259	-	-	135,728
Charges for Services	39,987	-	-	-	5,112	-	20,325	285,579
Fines and Forfeitures	-	-	-	-	-	-	-	-
Interest Income	58	-	60	10	266	-	371	372
Other Revenue	-	-	219	-	-	-	-	-
<b>Total Revenue</b>	<b>40,045</b>	<b>-</b>	<b>279</b>	<b>31,821</b>	<b>52,637</b>	<b>-</b>	<b>20,696</b>	<b>421,679</b>
<b>EXPENDITURES</b>								
Current:								
General Government - Other	38,349	-	-	-	-	-	19,228	-
Judicial	-	-	-	-	-	-	-	-
Public Safety	-	-	-	-	-	-	-	359,284
Health and Welfare	-	-	6,943	31,228	47,585	-	-	-
Other Expenditures	-	-	-	-	-	11	-	-
Capital Outlay	-	-	-	-	-	-	-	-
Community & Economic	-	-	-	-	-	-	-	-
<b>Total Expenditures</b>	<b>38,349</b>	<b>-</b>	<b>6,943</b>	<b>31,228</b>	<b>47,585</b>	<b>11</b>	<b>19,228</b>	<b>359,284</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>1,696</b>	<b>-</b>	<b>(6,664)</b>	<b>593</b>	<b>5,052</b>	<b>(11)</b>	<b>1,468</b>	<b>62,395</b>
<b>OTHER FINANCING SOURCES (USES)</b>								
Operating Transfer In	575	-	-	5,800	10,000	-	-	30,000
Operating Transfers (Out)	-	-	-	-	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>575</b>	<b>-</b>	<b>-</b>	<b>5,800</b>	<b>10,000</b>	<b>-</b>	<b>-</b>	<b>30,000</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>2,271</b>	<b>-</b>	<b>(6,664)</b>	<b>6,393</b>	<b>15,052</b>	<b>(11)</b>	<b>1,468</b>	<b>92,395</b>
<b>FUND BALANCES - Beginning of Year</b>	<b>2,468</b>	<b>45</b>	<b>15,800</b>	<b>(6,363)</b>	<b>66,066</b>	<b>224</b>	<b>77,311</b>	<b>118,098</b>
<b>FUND BALANCES - End of Year</b>	<b>\$ 4,739</b>	<b>\$ 45</b>	<b>\$ 9,136</b>	<b>\$ 30</b>	<b>\$ 81,118</b>	<b>\$ 213</b>	<b>\$ 78,779</b>	<b>\$ 210,493</b>

(CONTINUED ON NEXT PAGE)

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, 2020**

(CONTINUED FROM PREVIOUS PAGE)

	BUILDING DEPARTMENT FUND	CHILD CARE FUND	CONCEALED PISTOL LICENSING	COUNTY CONSERVATION GYPSY MOTH	DARE/TEAM	ECONOMIC DEVELOPMENT CORPORATION FUND	LAKE LEVEL FUND	NONMAJOR GOVERNMENTAL FUNDS
<b>REVENUES</b>								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses & Permits	161,651	-	11,872	-	-	-	-	173,523
State Sources	-	15,241	-	-	-	-	-	545,702
Charges for Services	-	17,615	-	-	-	-	-	372,931
Fines and Forfeitures	-	-	-	-	-	-	-	1,164
Interest Income	357	780	3	437	14	317	283	3,947
Other Revenue	-	7,004	-	-	-	1,388	-	45,406
<b>Total Revenue</b>	<b>162,008</b>	<b>40,640</b>	<b>11,875</b>	<b>437</b>	<b>14</b>	<b>1,705</b>	<b>283</b>	<b>1,142,673</b>
<b>EXPENDITURES</b>								
Current:								
General Government - Other	-	-	-	-	-	168	-	57,745
Judicial	-	-	-	-	-	-	-	180,140
Public Safety	146,297	-	564	10,700	245	-	-	609,402
Health and Welfare	-	44,722	-	-	-	-	-	130,478
Capital Outlay	-	-	-	-	-	-	-	11
Other Expenditures	-	-	-	-	-	-	1,083	7,162
Community & Economic	-	-	-	-	-	-	-	-
<b>Total Expenditures</b>	<b>146,297</b>	<b>44,722</b>	<b>564</b>	<b>10,700</b>	<b>245</b>	<b>168</b>	<b>1,083</b>	<b>984,938</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>15,711</b>	<b>(4,082)</b>	<b>11,311</b>	<b>(10,263)</b>	<b>(231)</b>	<b>1,537</b>	<b>(800)</b>	<b>157,735</b>
<b>OTHER FINANCING SOURCES (USED)</b>								
Operating Transfers In	-	-	-	-	-	3,916	-	119,206
Operating Transfers (Out)	-	-	-	-	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,916</b>	<b>-</b>	<b>119,206</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>15,711</b>	<b>(4,082)</b>	<b>11,311</b>	<b>(10,263)</b>	<b>(231)</b>	<b>5,453</b>	<b>(800)</b>	<b>276,941</b>
<b>FUND BALANCES - Beginning of Year</b>	<b>69,717</b>	<b>178,307</b>	<b>30,083</b>	<b>96,746</b>	<b>3,311</b>	<b>163,433</b>	<b>62,707</b>	<b>1,029,685</b>
<b>FUND BALANCES - End of Year</b>	<b>\$ 85,428</b>	<b>\$ 174,225</b>	<b>\$ 41,394</b>	<b>\$ 86,483</b>	<b>\$ 3,080</b>	<b>\$ 168,886</b>	<b>\$ 61,907</b>	<b>\$ 1,306,626</b>

SEE NOTES TO FINANCIAL STATEMENTS.

**MONTMORENCY COUNTY  
MONTMORENCY COUNTY, MICHIGAN  
OTHER INFORMATION  
COMBINING STATEMENT OF NET POSITION - NONMAJOR ENTERPRISE FUNDS  
DECEMBER 31, 2020**

	<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	\$ 36,365	\$ 9,079	\$ 45,444
Taxes Receivable (Net)	-	-	-
	36,365	9,079	45,444
<b>TOTAL ASSETS</b>	<b>\$ 36,365</b>	<b>\$ 9,079</b>	<b>\$ 45,444</b>
<b>LIABILITIES</b>			
Accounts Payable	\$ 366	\$ -	\$ 366
Due to Other Governmental Units	-	-	-
Due to Other Funds	-	-	-
	366	-	366
<b>TOTAL LIABILITIES</b>	<b>366</b>	<b>-</b>	<b>366</b>
<b>NET POSITION</b>			
Restricted	35,999	-	35,999
Unrestricted	-	9,079	9,079
	35,999	9,079	45,078
<b>TOTAL NET POSITION</b>	<b>\$ 35,999</b>	<b>\$ 9,079</b>	<b>\$ 45,078</b>

SEE NOTES TO FINANCIAL STATEMENTS.

**MONTMORENCY COUNTY  
MONTMORENCY COUNTY, MICHIGAN  
OTHER INFORMATION  
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN NET POSITION  
NONMAJOR ENTERPRISE FUNDS  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2020**

	<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	\$ 14,147	\$ -	\$ 14,147
Interest on Taxes	-	-	-
Other Revenue	78	-	78
	<b>14,225</b>	<b>-</b>	<b>14,225</b>
<b>Total Operating Revenues</b>			
	<b>14,225</b>	<b>-</b>	<b>14,225</b>
<b>OPERATING EXPENSES</b>			
Contracted Services	7,485	-	7,485
	<b>7,485</b>	<b>-</b>	<b>7,485</b>
<b>Total Operating Expenses</b>			
	<b>7,485</b>	<b>-</b>	<b>7,485</b>
<b>OPERATING INCOME (LOSS)</b>	<b>6,740</b>	<b>-</b>	<b>6,740</b>
<b>NON-OPERATING REVENUE (EXPENSES)</b>			
Investment Income and Rents	145	39	184
	<b>145</b>	<b>39</b>	<b>184</b>
<b>Total Non-Operating Revenues (Expenses)</b>			
	<b>145</b>	<b>39</b>	<b>184</b>
<b>Income (Loss) Before Transfers</b>	<b>6,885</b>	<b>39</b>	<b>6,924</b>
Operating Transfers In	-	-	-
Operating Transfers (Out)	-	-	-
	<b>6,885</b>	<b>39</b>	<b>6,924</b>
<b>CHANGE IN NET POSITION</b>			
	<b>6,885</b>	<b>39</b>	<b>6,924</b>
<b>NET POSITION - Beginning of Year</b>	<b>29,114</b>	<b>9,040</b>	<b>38,154</b>
<b>NET POSITION - End of Year</b>	<b>\$ 35,999</b>	<b>\$ 9,079</b>	<b>\$ 45,078</b>

SEE NOTES TO FINANCIAL STATEMENTS

**MONTMORENCY COUNTY**  
**MONTMORENCY COUNTY, MICHIGAN**  
**OTHER INFORMATION**  
**COMBINING STATEMENT OF CASH FLOWS - NONMAJOR ENTERPRISE FUNDS**  
**DECEMBER 31, 2020**

	<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	\$ 14,225	\$ -	\$ 14,225
Payments to Suppliers	(7,887)	-	(7,887)
Net Cash Provided (Used) by Operating Activities	<u>6,338</u>	<u>-</u>	<u>6,338</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>145</u>	<u>39</u>	<u>184</u>
Net Cash Provided (Used) by Investing Activities	<u>145</u>	<u>39</u>	<u>184</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>6,483</b>	<b>39</b>	<b>6,522</b>
<b>BALANCES - Beginning of Year</b>	<u>29,882</u>	<u>9,040</u>	<u>38,922</u>
<b>BALANCES - End of Year</b>	<u>\$ 36,365</u>	<u>\$ 9,079</u>	<u>\$ 45,444</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>			
Operating Income (Loss)	\$ 6,740	\$ -	\$ 6,740
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
(Increase) Decrease in Assets:			
Taxes Receivable	-	-	-
Accounts Payable	(402)	-	(402)
Due to Other Funds	-	-	-
Due to Other Governmental Units	-	-	-
Net Cash Provided (Used) by Operating Activities	<u>\$ 6,338</u>	<u>\$ -</u>	<u>\$ 6,338</u>

SEE NOTES TO FINANCIAL STATEMENTS.

**MONTMORENCY COUNTY  
MONTMORENCY COUNTY, MICHIGAN  
OTHER INFORMATION  
COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES - AGENCY FUNDS  
DECEMBER 31, 2020**

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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	\$ 8,825	\$ 491,140	\$ 29,149	\$ 529,114
Due From Other Funds	-	(29,372)	-	(29,372)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>TOTAL ASSETS</b>	<b>\$ 8,825</b>	<b>\$ 461,768</b>	<b>\$ 29,149</b>	<b>\$ 499,742</b>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>LIABILITIES</b>				
Accounts Payable and Withholdings	\$ -	\$ 4,507	\$ -	\$ 4,507
Undistributed Tax Collections	-	353,957	-	353,957
Due to Other Governments	-	65,188	-	65,188
Undistributed Receipts	8,825	38,116	29,149	76,090
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>TOTAL LIABILITIES</b>	<b>8,825</b>	<b>461,768</b>	<b>29,149</b>	<b>499,742</b>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>NET POSITION</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

SEE NOTES TO FINANCIAL STATEMENTS.

**MONTMORENCY COUNTY  
MONTMORENCY COUNTY, MICHIGAN  
OTHER INFORMATION  
COMBINING STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES - AGENCY FUNDS  
DECEMBER 31, 2020**

<b>GENERAL AGENCY FUND</b>	<u>GENERAL</u>	<u>88TH DISTRICT COURT</u>	<u>LIBRARY PENAL FINES</u>	<u>TOTALS</u>
<b>ADDITIONS</b>				
State education tax collected for other governments	\$ 3,073,530	\$ -	\$ -	\$ 3,073,530
Real estate transfer tax collected for other governments	416,186	-	-	416,186
Fees and fines collected on behalf of other units of governments	187,865	47,921	90,633	326,419
Collections from or on behalf of inmates	36,557	-	-	36,557
Other taxes collected for other governments	2,020,571	-	-	2,020,571
<b>TOTAL ADDITIONS</b>	<u>5,734,709</u>	<u>47,921</u>	<u>90,633</u>	<u>5,873,263</u>
<b>DEDUCTIONS</b>				
State education tax collected for other governments	3,073,530	-	-	3,073,530
Real estate transfer tax collected for other governments	416,186	-	-	416,186
Fees and fines collected on behalf of other units of governments	187,865	47,921	90,633	326,419
Collections from or on behalf of inmates	36,557	-	-	36,557
Other taxes collected for other governments	2,020,571	-	-	2,020,571
<b>TOTAL DEDUCTIONS</b>	<u>5,734,709</u>	<u>47,921</u>	<u>90,633</u>	<u>5,873,263</u>
<b>NET INCREASE (DECREASE) IN NET POSITION</b>	-	-	-	-
<b>NET POSITION, beginning of the year</b>	-	-	-	-
<b>NET POSITION, end of the year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

SEE NOTES TO FINANCIAL STATEMENTS.



## COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

June 17, 2021

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, 2020. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, Government Auditing Standards and the uniform guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated April 29, 2021. Professional standards also require that we communicate to you the following information related to our audit.

### Significant Audit Findings

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Montmorency County, Michigan are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by Montmorency County during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

- Management's estimate of depreciation expense is based on estimated lives. We evaluated the key factors and assumptions used to develop the estimate in determining that it is reasonable in relation to the financial statements taken as a whole.
- Management's estimate of the vested employee benefits is based on current hourly rates and policies regarding payment of sick leave 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.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

- The disclosure of the County's fixed assets (Note 6) is based upon the estimated useful life as referenced above.
- The disclosure of the County's compensated absences (Note 7) is based upon the current hourly rates and policies as referenced above.

- The disclosure of the County's Net Liability for pension and OPEB (Notes 10 & 11) is based upon the estimated assumptions as referenced above.

The financial statement disclosures in the financial statements are neutral, consistent, and clear.

#### *Difficulties Encountered in Performing the Audit*

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

#### *Corrected and Uncorrected Misstatements*

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

#### *Disagreements with Management*

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

#### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated June 17, 2021.

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

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

#### *Other Audit Findings or Issues*

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

#### Other Matters

We applied certain limited procedures to the Schedule of Changes in the Employer's Net Pension Liability and Related Ratios, the Schedule of Employer's Pension Contributions and the Schedule of Changes in Net OPEB Liability and Related Ratios, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the Combining Governmental Fund Statements, Combining Business-Type Net Position Statements and the Combining Fiduciary Fund Statements, which accompany the financial statements but are not RSI. With respect to this supplementary information, 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.

## **Comments and Recommendations**

The following is a summary of our observations with suggestions for improvements we believe should be brought to your attention. We noted deficiencies involving the internal control over financial reporting and compliance, as reported in a separate letter in accordance with Government Auditing Standards of the basic financial statement audit report.

### **The County Should Only Maintain the Minimum Legally Required Number of Funds**

#### **GASB 54 Fund Balance Components**

The Governmental Accounting Standards Board has issued pronouncement, GASB #54 – Fund Balance Reporting and Governmental Fund Type Definitions. GASB #54 eliminates the current use of the terms reserved and designated in the reporting of fund balance, and replaces those terms with five categories for segregating fund balance. The Standard was effective for periods beginning after June 15, 2010.

Following are the categories and related definitions to be used for describing the components of the fund balance:

- **Non-spendable** – Includes amounts either not in spendable form or legally or contractually required to be maintained intact. This would include inventory, prepaids, and non-current receivables.
- **Restricted** – Reflects the same definition as Restricted net assets: Constraints placed on the use of amounts are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. This would generally include amounts in bonded capital projects funds and debt service funds.
- **Committed** – Includes amounts that are committed for specific purposes by formal action of the government’s highest level of decision-making authority. Amounts classified as “committed” are not subject to legal enforceability like restricted fund balance; however, those amounts cannot be used for any other purpose unless the government removes or changes the limitation by taking the same form of action it employed to previously imposed the limitation.
- **Assigned** – Amounts that are intended by the government to be used for specific purposes, but are neither restricted nor limited, should be reported as assigned fund balance. Intent should be expressed by the Board itself or a subordinate high-level body or official possessing the authority to assign amounts to be used for specific purposes in accordance with policies established by the Board. This would include any activity reported in a fund other than the General Fund.
- **Unassigned** – Includes any remaining amounts after applying the above definitions. Planned spending in the subsequent year’s budget would be included here and can no longer be described as “designated”.

The Standard also requires disclosure in the financial statements of any minimum fund balance polices. We encourage the County to become familiar with the terms and definitions and work with the users of the financial statements to ensure a clear presentation and understanding of the requirements.

In addition, the fund balance classifications outlined by GASB 54 allows for a reduction in the number of funds the County has. *The State of Michigan encourages entities to have only the minimum number of funds required by law.*

### **Trust and Agency Accounts**

The Trust and Agency fund contained numerous accounts that had not been reconciled in several years. Prior to the conclusion of the 2020 audit, the accounts have been investigated and adjusted accordingly. We recommend that at least annually from this point forward, the County assign an individual to monitor and adjust the accounts as needed, prior to audit.

### **Budgetary Control and Transparency within BS&A**

Given that the County has had expenditure budgetary overages in recent years, we suggest using the function within BS&A that prevents the cutting of a check that is in excess of the budgeted amounts of a particular line item. We have other municipalities in which this works successfully for.

Additionally, BS&A has electronic filing capabilities that are not being utilized by the County. We suggest the County begin using the program to its fullest to aid in transparency. Both the receipting and disbursing function can be made more automated and more transparent by attaching a scan of the supporting document to the activity within BS&A. At

any point, a user can simply click on a transaction and view the support for it.

Within 2020, the County has brought the jail system into BS&A, which made that process significantly better. We applaud those efforts.

### **Meal Reimbursements**

The County's current policy on meal reimbursements for employees traveling for county business is that they must turn in a receipt for amounts charged on the County's credit card. The County does not cover tips or charges for alcoholic beverages. If a receipt is lost, there is not much that can be done since the charge is already on the credit card. It is also quite time consuming for the Clerk's office to track. To streamline the process, we suggest that meals be on a reimbursement basis, as opposed to charged on a credit card. That way, the receipt must be turned in and only the qualifying amount is reimbursed.

### **Treasurer's Office**

Because there was a change in treasurers within 2020, we focused additional time on the operations of that office. We had lengthy discussions with the new treasurer. Between our firm and Ms. Eggett, most of the following has already been implemented, but we would like to take this opportunity to share them with the board.

- When a taxpayer overpays their property taxes, the amount should be refunded to them, regardless of the minimal size. If the check goes uncashed, the amounts can be turned over to the State's unclaimed property division after a period of time.
- Due to the limited number of administrative staff in the Treasurer's office, it is imperative that each person maintain an up-to-date listing of their daily, weekly, monthly and annual tasks, including location of reference material, passwords, etc. At any time, emergencies can strike. With that in mind, the functionality of the County offices must still remain seamless as a responsibility to the citizenry. Each member of the staff should be well aware of the duties of the others, and be fully cross-trained. There should be full transparency with all files and information.
- The Treasurer's office needs to work closely with the Sheriff's department when it pertains to deposits made by the Sheriff's department for bond payments. While the normal practice would be for the Sheriff's department to have the Treasurer's office make their deposits, it is not always a reasonable system when there is someone trying to post a bond during evening or weekend hours. It is acceptable for the Sheriff's department to make their own deposit under this circumstance. However, a prenumbered transmittal and/or receipt must be provided as soon as reasonable to the treasurer's office for reconciliation purposes.

### **Planned purchases**

During the course of our auditing procedures, our discussions with management, and discussions with employees of the county, the subject of planning and teamwork was brought up. We feel the County would benefit from each department head creating a more detailed purchase plan for their upcoming budgets to account for known or expected expenditures in advance. We noted several occasions when last minute expenditures required an immediate budget amendment. In addition, the Board should always be diligent about obtaining quotes for large expenditures or subscriptions, per state policy.

### **Accounting for Capital Assets**

The County is required to maintain and complete an accurate listing of its fixed assets. Throughout the year, the County acquires and disposes of capital assets without these items being tracked within one system. This is time consuming at year end to identify acquisitions or retirements of capital assets that occurred during the fiscal year. We encourage the County to implement a system of tracking any changes in capital assets throughout the year as they occur.

### **Segregation of Functions**

The treasurer is responsible for all cash receipts, unless this authority has been delegated to another official. If any employees other than the treasurer (or delegated official) of the local unit receive cash, they must do so with the approval of the treasurer and in accordance with all cash handling policies set forth by same. These other locations must either deposit all cash with the treasurer or deposit it into a bank account controlled by the treasurer. In all circumstances, all money received by the local unit of government should be receipted in the same manner.

**Recent Pronouncements**  
**Upcoming GASB Statements**

***GASB 87 - Leases***

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

This standard establishes a single model for reporting all leases (including those previously classified as operating and capital). Lessees will now report offsetting intangible lease assets and lease liabilities equal to the present value of future lease payments. Lessors will report offsetting lease receivables and deferred inflows of resources.

***GASB 89 - Accounting for Interest Cost Incurred before the End of a Construction Period***

***Effective 12/15/2021 (your FY 2021)***

This standard eliminates the requirement for governments to capitalize interest during the construction period for business-type activities. As this simplifies the accounting for interest, early implementation is encouraged. We do not expect this standard to have any significant effect on the County.

***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***

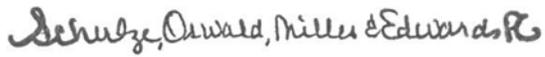
***Effective 06/15/2022 (your FY 2022)***

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.

**Restriction on Use**

This information is intended solely for the information and use of the Finance Committee, Board of Commissioners 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

**STATUS OF PRIOR YEAR COMMENTS**

We have reviewed the status of comments and recommendations made in the prior year. The status of prior year comments is as follows:

<b>Comment</b>	<b>Implemented/ Situation Corrected</b>	<b>Management Decision To Not Implement</b>	<b>Progress Made</b>	<b>Situation Still Exists</b>
Financial Statement Preparation Controls		X		
Segregation of Duties		X		



**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 17, 2021

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, 2020 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 17, 2021.

**Internal Control Over Financial Reporting**

In planning and performing our audit of 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 as of and for the year ended December 31, 2020, in accordance with auditing standards generally accepted in the United States of America, we considered Montmorency 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Responses we did identify certain deficiencies in internal control that we consider to be material weaknesses.

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. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as items 2020-001 and 2020-002 to be material weaknesses. We consider item number 2020-003 to be a significant deficiency.

**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 determination of financial

statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

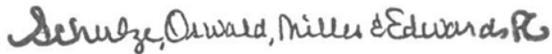
**Montmorency County's Response to Findings**

Montmorency County's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Responses. Montmorency County's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**Purpose of this Report**

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

Very truly yours,



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 2020-001**

- 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 2020-002**

- 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.*

**Budget Overage, Police Fund (Significant Deficiency)**

**Finding 2020-003**

**Criteria:** All governments are required to establish an internal control structure to operate within their budgeted expenditure amounts, and to amend the budget when expenditures exceed the allotted amounts.

**Condition:** Payroll amounts for the Police Fund exceeded the amount allowed for within the final budget.

**Cause:** An audit adjustment for accrued wages increased payroll expenses for the fiscal year. Since the audit adjustment was proposed in April of 2021, at the time of fieldwork, it was too late for the County to amend their budget for the 2020 year. The incorrect accruing of payroll costs at year end caused the County to believe their final budget amendments were sufficient.

**Effect:** As a result, the County had one function in excess of budgeted amounts.

**View of Responsible Officials:** The County will seek resources to ensure that accrued payroll is recorded correctly in future years.