

County of Gladwin, Michigan

BASIC FINANCIAL STATEMENTS

December 31, 2021

COUNTY OF GLADWIN, MICHIGAN

BOARD OF COMMISSIONERS

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Prosecuting Attorney

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ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

KINROSS OFFICE

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AMBER N. MACK, CPA, PRINCIPAL

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

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DIVISION FOR CPA FIRMS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
County of Gladwin
Gladwin, Michigan

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information, of the County of Gladwin, Michigan, as of and for the year ending December 31, 2021, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Gladwin, Michigan, as of December 31, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the Gladwin County Road Commission and Gladwin City-County Transit, which represent 93 percent, 92 percent, and 92 percent, respectively, of the assets, net position, and revenues of the discretely presented component units as of December 31, 2021, and the respective changes in financial position thereof for the year then ended. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Gladwin County Road Commission and Gladwin City-County Transit, is based solely on the reports of the other auditors.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the County of Gladwin, Michigan and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

To the Board of Commissioners
County of Gladwin

Responsibility of Management's 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.

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

Auditor's Responsibility for the Financial Statements

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

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

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

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

To the Board of Commissioners
County of Gladwin

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, employee retirement benefit systems and budgetary comparison information on pages 4 through 11, pages 68 through 70, and pages 71 through 78 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.

Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2022, on our consideration of the County of Gladwin, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County of Gladwin, Michigan's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County of Gladwin, Michigan's internal control over financial reporting and compliance.



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

June 30, 2022

Management's Discussion and Analysis

As management of Gladwin County, Michigan (County), we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the year then ended December 31, 2021. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the accompanying basic financial statements.

Financial Highlights

- The net position of the County was a deficit of (\$13,356,199) as of December 31, 2021. The negative unrestricted net position resulted from pension and OPEB long-term liabilities.
- The County's governmental activities net position decreased by \$4,954,648 and a decrease of \$288,642 in net position of the business-type activities with an overall decrease of \$5,243,290 in net position of the primary government.
- As of the close of the current year, the County's governmental funds (this includes the general fund, special revenue, debt service, and capital projects funds) reported combined ending fund balances of \$4,834,275, a decrease of \$63,435 in comparison with the prior year. Approximately 5.57% of this total amount, or \$269,098, is available for spending at the County's discretion (unassigned fund balance).
- At the end of the current year, the general fund had an unassigned fund balance of \$269,098 or 2.43% of total general fund expenditures.
- The County's total long-term debt, excluding delinquent tax notes, and vested employee benefits decreased by \$390,942 as principal payments were made on the energy upgrade notes payable.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements are comprised of five components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements, 4) required supplementary information, and 5) other information. 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, liabilities, and deferred inflows/outflows, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The statement of activities presents information showing how the County's net position changed during the most recent year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods (e.g., uncollected special assessments and accrued interest expense).

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

The government-wide financial statements include not only the County itself (known as the primary government), but also a legally separate Road Commission, Department of Public Works, Drain Commission, Land Bank Authority, and City-County Transit for which the County is financially accountable. Financial information for these component units is reported separately from the financial information presented for the primary government itself. The Gladwin County Building Authority, although legally separate, functions for all practical purposes as a department of the County, and therefore has been included as an integral part of the primary government.

The government-wide financial statements can be found on pages 12-13 of this report.

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

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the year. Such information may be useful in evaluating the County'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 County'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 31 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, Emergency Medical Services Fund, E-911 Millage Fund, Wireless E-911 Fund, ARPA Fund, and Senior Citizens Program Fund, each of which is considered to be a major fund. Data from the other 26 governmental funds are combined into a single aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The County adopts an annual appropriated budget for its general and special revenue funds. Budgetary comparison schedules for each of the major funds have been provided herein to demonstrate compliance with those budgets.

The basic governmental fund financial statements can be found on pages 14-15 of this report.

Proprietary funds. The County maintains one type of proprietary fund: enterprise funds. 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 various delinquent tax revolving and revision fund operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Tax Revision and the 2020 Tax Revolving Fund, both of which are considered to be major funds. Data from the other proprietary funds are combined in separate single aggregated presentations in the proprietary fund financial statements. Individual fund data for each of these nonmajor enterprise funds is provided in the form of combining statements elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 17-19 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the County. 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 statements can be found on page 20-21 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 24 - 67 of this report.

Required Supplementary Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. Required supplementary information includes this management's discussion and analysis and the schedules for the County's pension and other postemployment benefit plans.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the County's defined benefit pension plan, its postemployment health benefits schedule of funding progress and employer contributions, and the major funds' budgetary comparison schedules. The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the County’s financial position. As the following table demonstrates, the County’s net position was a deficit of \$13,356,199 as of December 31, 2021.

Statement of Net Position

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Current Assets	\$ 10,584,348	\$ 8,170,765	\$ 2,699,960	\$ 3,112,410	\$ 13,284,308	\$ 11,283,175
Capital Assets	2,623,605	2,341,982	-	-	2,623,605	2,341,982
Total Assets	13,207,953	10,512,747	2,699,960	3,112,410	15,907,913	13,625,157
Deferred Outflows of Resources	2,393,074	904,467	-	-	2,393,074	904,467
Current Liabilities	2,082,480	621,085	816,192	940,000	2,898,672	1,561,085
Noncurrent Liabilities	21,359,206	18,595,286	-	-	21,359,206	18,595,286
Total Liabilities	23,441,686	19,216,371	816,192	940,000	24,257,878	20,156,371
Deferred Inflows of Resources	7,399,308	3,451,002	-	-	7,399,308	3,451,002
Net Position						
Net Investment in Capital Assets	1,793,840	1,121,275	-	-	1,793,840	1,121,275
Restricted	4,315,706	4,491,036	-	-	4,315,706	4,491,036
Unrestricted	(21,349,513)	(16,862,470)	1,883,768	2,172,410	(19,465,745)	(14,690,060)
Total Net Position	\$ (15,239,967)	\$ (11,250,159)	\$ 1,883,768	\$ 2,172,410	\$ (13,356,199)	\$ (9,077,749)

The largest portion of the County’s net position, \$4,315,706, represents resources that are subject to external restrictions on how they may be spent. An additional portion of net position, \$1,793,840 reflects the County’s investment in capital assets (i.e., land, buildings and improvements, vehicles and boats, and equipment and furniture); less any related debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The final net position, a deficit of \$(19,465,745) is considered unrestricted. The long-term liability’s relating to pension and OPEB have contributed to this deficit net position.

As of December 31, 2021, the County is reporting a negative balance in net position for the government as a whole.

Gladwin County's Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Program Revenues						
Charges for Services	\$ 2,505,107	\$ 2,310,312	\$ 633,689	\$ 717,261	\$ 3,138,796	\$ 3,027,573
Operating Grants and Contributions	2,608,372	1,394,453	-	-	2,608,372	1,394,453
General Revenues						
Taxes	7,092,099	6,943,790	-	-	7,092,099	6,943,790
State Revenue Sharing	535,704	601,633	-	-	535,704	601,633
Investment Earnings	4,881	15,573	1,020	1,353	5,901	16,926
Rent	85,000	85,000	-	-	85,000	85,000
Other Income	-	-	-	-	-	-
Total Revenues	12,831,163	11,350,761	634,709	718,614	13,465,872	12,069,375
Program Expenses						
Legislative	259,468	144,598	-	-	259,468	144,598
General Government	4,873,321	2,873,449	-	-	4,873,321	2,873,449
Judicial	2,461,894	1,592,798	-	-	2,461,894	1,592,798
Public Safety	7,709,405	5,322,991	-	-	7,709,405	5,322,991
Public Works	15,883	16,718	-	-	15,883	16,718
Health and Welfare	2,612,863	2,373,101	-	-	2,612,863	2,373,101
Community and Economic Development	70,922	117,565	-	-	70,922	117,565
Recreation and Culture	2,553	19,405	-	-	2,553	19,405
Interest Expense	70,634	-	-	-	70,634	-
Other Expenses	450,168	576,586	-	-	450,168	576,586
Delinquent Tax	-	-	43,952	36,921	43,952	36,921
Tax Foreclosure	-	-	138,099	169,937	138,099	169,937
Total Expenses	18,527,111	13,037,211	182,051	206,858	18,709,162	13,244,069
Excess (Deficiency)	(5,695,948)	(1,686,450)	452,658	511,756	(5,243,290)	(1,174,694)
Transfers	741,300	744,144	(741,300)	(744,144)	-	-
Changes in Net Position	(4,954,648)	(942,306)	(288,642)	(232,388)	(5,243,290)	(1,174,694)
Net Position - Beginning (As Restated)	(10,285,319)	(10,307,853)	2,172,410	2,404,798	(8,112,909)	(7,903,055)
Net Position - Ending	\$ (15,239,967)	\$ (11,250,159)	\$ 1,883,768	\$ 2,172,410	\$ (13,356,199)	\$ (9,077,749)

The County's net position decreased by \$5,243,290 during the current year; a \$4,954,648 decrease for governmental activities and a \$288,642 decrease for business-type activities.

Governmental activities. Governmental activities decreased the County's net position by \$4,954,648. Key elements of this decrease are as follows:

- Revenues increased compared to the prior year by \$1,480,402 or 13.04%.
- Expenses increased compared to the prior year by \$5,489,900 or 42.11%.
- Net transfers received from business-type activities decreased compared to the prior year by \$2,844 or .38%. This was a result of transfers received from the various delinquent tax funds in the current year.
- Expense from Pension and OPEB obligation decreased net position by \$358,994 and \$5,117,130, respectively.

Business-type activities. Business-type activities decreased the County's net position by \$288,642. Key elements of this increase are as follows:

- Revenues decreased compared to the prior year by \$83,572, or 11.7%. The decrease was a result of slightly lower collection fees, proceeds of land sales, interest on property taxes, and other various fees.
- Expenses decreased compared to the prior year by \$24,807 or 12%. The decrease was a result of lower board of review adjustments, fees, and charges.
- Net transfers to governmental activities decreased by \$2,844 or .38%.

Financial Analysis of the County'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 funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unassigned fund balance may serve as a useful measurement of County's net resources available for spending at the end of the year.

As of December 31, 2021, the County's governmental funds reported combined ending fund balances of \$4,834,275, a decrease of \$63,435 in comparison with the prior year. Of the combined ending fund balance 89% is restricted to the underlying limitations applicable to the particular special revenue, debt service, or capital projects fund and is not available for new spending because it has already been spent or has been restricted or assigned for various functions/activities. \$13,200 is non spendable, \$158,873 is committed and \$77,398 is assigned equaling 1.6%. The remaining 5.6% of the total fund balance amount constitutes unassigned fund balance, which is available for spending at the County's discretion.

The General Fund is the chief operating fund of the County. At the end of the current year, the unassigned fund balance of the General Fund was \$269,098 while total fund balance amounted to \$326,531. As a measure of the General Fund's liquidity, it may be useful to compare unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 2.42% of total General Fund expenditures, while total unassigned fund balance represents approximately 82.4% of total fund balance.

The fund balance of the County's General Fund increased by \$7,886 during the current year. This increase resulted from the combination of an 2.66% increase in revenue, a 3.46% increase in expenditures, and a net 41.64% increase in the net transfers and lease proceeds in of the General Fund.

The Emergency Medical Services fund had a decrease in fund balance for the current year of \$418,049 for an ending total of \$1,078,947.

The E-911 Millage fund had a decrease in fund balance for the current year of \$108,214 for an ending total of \$397,496. This decrease was primarily the result of transfers out and expenditures in excess of property taxes collected.

The Wireless E-911 fund had an increase in fund balance for the current year of \$158,016 for an ending total of \$1,433,681. This increase was primarily the result of an increase of revenue over expenditures.

The ARPA fund had an increase in fund balance for the current year of \$808 for an ending total of \$808. This increase was primarily the result of an increase of revenue over expenditures.

The Senior Citizens Program fund had an increase in fund balance for the current year of \$29,799 for an ending total of \$114,889. This increase was primarily the result of an increase of property taxes collected.

Proprietary funds. The County’s proprietary fund statements provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the Tax Revision fund at the end of the year amounted to \$442,467, unrestricted net position of the Unallocated Tax Revolving fund at the end of the year amounted to \$639,995 and unrestricted net position of the 2021 Tax Revolving fund at the end of the year amounted to \$125,446. The combined unrestricted net position of the non-major enterprise funds was \$675,860 at the end of the year. The Tax Revision fund had an increase in net position for the year of \$7,914. The Unallocated Tax Revolving fund had a decrease in net position for the year of \$318,723. The 2021 Tax Revolving fund had an increase in net position for the year of \$125,446. The combined decrease in net position of the non-major enterprise funds was \$103,279 for the year. The decreases in the enterprise funds were largely a result of increased expenses and transfers out of the various funds.

General Fund Budgetary Highlights

Overall, during the year, General Fund revenues (revenue and other financing sources) were more than the budgetary estimates by \$1,923 or .02%. This was caused primarily by a positive variance with the budget of federal and local revenue. Expenditures (expenditures and other financing uses) were more than budgetary estimates overall by \$157,734. %. This was caused primarily by a negative variance with the budget of the public safety expenditures. This activity resulted in a decrease in fund balance of \$155,811.

Capital Asset and Debt Administration

Capital assets. The County’s investment in capital assets for its governmental activities as of December 31, 2021, amounted to \$2,623,605 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, equipment and furniture, and vehicles and boats.

	Governmental Activities	
	2021	2020
Land	\$ 297,231	\$ 297,231
Construction in Progress	274,711	-
Buildings and Improvements	1,668,487	1,715,244
Equipment and Furniture	247,057	195,256
Vehicles and Boats	136,119	134,251
Capital Assets, Net	<u>\$ 2,623,605</u>	<u>\$ 2,341,982</u>

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

Long-term debt. At the end of the current year, the primary government had total debt outstanding (not including vested employee benefits) of:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Qualified Tax-Exempt Obligation				
Installment Purchase Agreement	\$ 1,220,707	\$ -	\$ 390,942	\$ 829,765
Vested Employee Benefits	262,273	1,845	-	264,118
Business-type Activities:				
GO Limited Tax Notes	-	2,000,000	1,183,808	816,192
GO Limited Tax Notes	<u>940,000</u>	<u>-</u>	<u>940,000</u>	<u>-</u>
Total Long-Term Debt for the Primary Government	<u>\$ 2,422,980</u>	<u>\$ 2,001,845</u>	<u>\$ 2,514,750</u>	<u>\$ 1,910,075</u>

A more detailed discussion of the County’s long-term debt obligations is presented in Note 6 to the financial statements.

Economic Factors and Next Year’s Budgets and Rates

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

- Employee wages and fringes were calculated based on their respective policies and contracts. Individual Department Heads requested expenditures that were formally approved after Board consideration during public hearing.

Contacting the County’s Management

This financial report is designed to provide a general overview of the County’s finances to all those with an interest in the government’s finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Gladwin County Administration Office, 401 West Cedar Avenue, Gladwin, Michigan 48624.

Basic Financial Statements

Statement of Net Position
December 31, 2021

	Primary Government		Totals	Component Units
	Governmental Activities	Business-type Activities		
ASSETS:				
Cash and Equivalents	\$ 6,408,935	\$ 1,596,024	\$ 8,004,959	\$ 4,747,957
Investments	186,864	-	186,864	2,338,465
Accounts Receivable	27,730	-	27,730	2,976,717
Special Assessments Receivable	-	-	-	285,515
Loans Receivable	873,737	-	873,737	-
Taxes Receivable	2,856,075	1,017,480	3,873,555	-
Due from Other Governmental Units	231,007	86,456	317,463	186,768
Inventories	-	-	-	600,421
Prepaid Items	-	-	-	131,255
Other Assets	-	-	-	50,000
Cash on Deposit with Agent	-	-	-	148,577
Capital Assets (Not Depreciated)	571,942	-	571,942	8,287,450
Capital Assets (Net of Accumulated Depreciation)	2,051,663	-	2,051,663	31,099,304
TOTAL ASSETS	13,207,953	2,699,960	15,907,913	50,852,429
DEFERRED OUTFLOWS OF RESOURCES:				
OPEB Items	752,666	-	752,666	-
Pension Related Items	1,640,408	-	1,640,408	2,030,637
TOTAL DEFERRED OUTFLOWS OF RESOURCES	2,393,074	-	2,393,074	2,030,637
LIABILITIES:				
Accounts Payable	198,697	-	198,697	404,507
Accrued Payroll	163,611	-	163,611	-
Accrued Liabilities	-	-	-	111,058
Due to Other Governmental Units	-	-	-	6,300
Accrued Interest Payable	11,236	-	11,236	15,363
Performance Bonds Payable	-	-	-	3,000
Unearned Revenue	1,508,936	-	1,508,936	-
Advance from Other Governmental Units	-	-	-	248,386
Vested Employee Benefits - Due in more than one year	264,118	-	264,118	53,682
Note Payable - Due within one year	-	816,192	816,192	140,000
Note Payable - Due in more than one year	-	-	-	865,000
Installment Loan Payable - Due within one year	200,000	-	200,000	406,379
Installment Loan Payable - Due in more than one year	629,765	-	629,765	3,997,466
Net Pension Liability - Due in more than one year	8,696,426	-	8,696,426	5,004,011
OPEB Obligation - Due in more than one year	11,768,897	-	11,768,897	4,901,631
TOTAL LIABILITIES	23,441,686	816,192	24,257,878	16,156,783
DEFERRED INFLOWS OF RESOURCES:				
Pension Related Items	1,537,742	-	1,537,742	670,203
OPEB Related Items	2,856,474	-	2,856,474	-
Property Taxes Levied for Subsequent Period	3,005,092	-	3,005,092	1,920,361
TOTAL DEFERRED INFLOWS OF RESOURCES	7,399,308	-	7,399,308	2,590,564
NET POSITION:				
Net Investment in Capital Assets	1,793,840	-	1,793,840	33,977,909
Restricted	4,315,706	-	4,315,706	148,577
Unrestricted	(21,349,513)	1,883,768	(19,465,745)	9,233
TOTAL NET POSITION	\$ (15,239,967)	\$ 1,883,768	\$ (13,356,199)	\$ 34,135,719

Statement of Activities
For the Year Ended December 31, 2021

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Units
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
Primary Government:								
Governmental Activities:								
Legislative	\$ 259,468	\$ -	\$ -	\$ -	\$ (259,468)	\$ -	\$ (259,468)	\$ -
General Government	4,873,321	1,066,303	271,283	-	(3,535,735)	-	(3,535,735)	-
Judicial	2,461,894	488,043	541,303	-	(1,432,548)	-	(1,432,548)	-
Public Safety	7,709,405	901,992	404,674	-	(6,402,739)	-	(6,402,739)	-
Public Works	15,883	-	-	-	(15,883)	-	(15,883)	-
Health and Welfare	2,612,863	13,474	1,119,246	-	(1,480,143)	-	(1,480,143)	-
Community and Economic Development	70,922	32,191	29,655	-	(9,076)	-	(9,076)	-
Recreation and Culture	2,553	3,104	242,211	-	242,762	-	242,762	-
Interest Expense	70,634	-	-	-	(70,634)	-	(70,634)	-
Other Expenses	450,168	-	-	-	(450,168)	-	(450,168)	-
Total Governmental Activities	<u>18,527,111</u>	<u>2,505,107</u>	<u>2,608,372</u>	<u>-</u>	<u>(13,413,632)</u>	<u>-</u>	<u>(13,413,632)</u>	<u>-</u>
Business-type Activities:								
Delinquent Tax	43,952	387,839	-	-	-	343,887	343,887	-
Tax Revision	138,099	245,850	-	-	-	107,751	107,751	-
Total Business-type Activities	<u>182,051</u>	<u>633,689</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>451,638</u>	<u>451,638</u>	<u>-</u>
Total Primary Government	<u>\$ 18,709,162</u>	<u>\$ 3,138,796</u>	<u>\$ 2,608,372</u>	<u>\$ -</u>	<u>(13,413,632)</u>	<u>451,638</u>	<u>(12,961,994)</u>	<u>-</u>
Component Units:								
Road Commission	\$ 9,475,641	\$ 2,419,148	\$ 6,443,640	\$ 1,460,277				847,424
Department of Public Works	-	-	-	-				-
Drain Commission	617,840	509,467	-	-				(108,373)
Land Bank Authority	18,084	157,019	-	-				138,935
City-County Transit	2,221,357	162,202	1,536,262	5,461				(517,432)
Total Component Units	<u>\$ 12,332,922</u>	<u>\$ 3,247,836</u>	<u>\$ 7,979,902</u>	<u>\$ 1,465,738</u>				<u>360,554</u>
General Revenues and Transfers:								
Taxes					7,092,099	-	7,092,099	2,413,983
State Revenue Sharing					535,704	-	535,704	-
Investment Earnings (Loss)					4,881	1,020	5,901	6,744
Rent					85,000	-	85,000	-
Other Income					-	-	-	175,063
Transfers					741,300	(741,300)	-	-
Total General Revenues and Transfers					<u>8,458,984</u>	<u>(740,280)</u>	<u>7,718,704</u>	<u>2,595,790</u>
Change in Net Position					<u>(4,954,648)</u>	<u>(288,642)</u>	<u>(5,243,290)</u>	<u>2,956,344</u>
Net Position - Beginning (as restated, See Note 12)					<u>(10,285,319)</u>	<u>2,172,410</u>	<u>(8,112,909)</u>	<u>31,179,375</u>
Net Position - Ending					<u>\$ (15,239,967)</u>	<u>\$ 1,883,768</u>	<u>\$ (13,356,199)</u>	<u>\$ 34,135,719</u>

County of Gladwin, Michigan

**Balance Sheet
Governmental Funds
December 31, 2021**

	General	Emergency Medical Services	E-911 Millage	Wireless E-911 Fund	ARPA	Senior Citizens Program	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS:								
Cash and Equivalents	\$ 377,510	\$ 978,947	\$ 425,952	\$ 1,433,681	\$ 1,509,744	\$ 143,235	\$ 1,539,866	\$ 6,408,935
Investments	-	100,000	36,187	-	-	50,677	-	186,864
Accounts Receivable	-	-	-	-	-	-	27,730	27,730
Taxes Receivable	492,069	-	710,345	-	-	697,537	956,124	2,856,075
Loans Receivable	-	-	-	-	-	-	873,737	873,737
Due from Other Governmental Units	154,740	-	-	-	-	-	63,067	217,807
Due from Other Funds	-	-	-	-	-	-	3,000	3,000
Prepaid Items	13,200	-	-	-	-	-	-	13,200
TOTAL ASSETS	<u>\$ 1,037,519</u>	<u>\$ 1,078,947</u>	<u>\$ 1,172,484</u>	<u>\$ 1,433,681</u>	<u>\$ 1,509,744</u>	<u>\$ 891,449</u>	<u>\$ 3,463,524</u>	<u>\$ 10,587,348</u>
LIABILITIES:								
Accounts Payable	\$ 106,697	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 92,000	\$ 198,697
Accrued Payroll	163,611	-	-	-	-	-	-	163,611
Due to Other Funds	-	-	-	-	-	-	3,000	3,000
Unearned Revenue	-	-	-	-	1,508,936	-	-	1,508,936
TOTAL LIABILITIES	<u>270,308</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,508,936</u>	<u>-</u>	<u>95,000</u>	<u>1,874,244</u>
DEFERRED INFLOWS OF RESOURCES:								
Property Taxes Levied for Subsequent Period	440,680	-	774,988	-	-	776,560	985,134	2,977,362
Loan Sources	-	-	-	-	-	-	873,737	873,737
Other State Grants	-	-	-	-	-	-	27,730	27,730
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>440,680</u>	<u>-</u>	<u>774,988</u>	<u>-</u>	<u>-</u>	<u>776,560</u>	<u>1,886,601</u>	<u>3,878,829</u>
FUND BALANCES:								
Nonspendable	13,200	-	-	-	-	-	-	13,200
Restricted	-	1,078,947	397,496	1,433,681	808	114,889	1,289,885	4,315,706
Committed	44,233	-	-	-	-	-	114,640	158,873
Assigned	-	-	-	-	-	-	77,398	77,398
Unassigned	269,098	-	-	-	-	-	-	269,098
TOTAL FUND BALANCES	<u>326,531</u>	<u>1,078,947</u>	<u>397,496</u>	<u>1,433,681</u>	<u>808</u>	<u>114,889</u>	<u>1,481,923</u>	<u>4,834,275</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 1,037,519</u>	<u>\$ 1,078,947</u>	<u>\$ 1,172,484</u>	<u>\$ 1,433,681</u>	<u>\$ 1,509,744</u>	<u>\$ 891,449</u>	<u>\$ 3,463,524</u>	
Reconciliation to amounts reported for governmental activities in the statement of net position:					\$ -			
Capital Assets used by Governmental Activities								2,623,605
Unavailable Revenue from Inflows								873,737
Vested Employee Benefits								(264,118)
Installment Loan Payable - Due within one year								(200,000)
Installment Loan Payable - Due in more than one year								(629,765)
Accrued Interest Payable								(11,236)
Pension and OPEB Obligations								(22,466,465)
Net position of governmental activities								<u>\$ (15,239,967)</u>

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

	General	Emergency Medical Services	E-911 Millage	Wireless E-911 Fund	ARPA	Senior Citizens Program	Nonmajor Governmental Funds	Totals Governmental Funds
REVENUES:								
Taxes	\$ 4,794,786	\$ 515,749	\$ 769,837	\$ -	\$ -	\$ 755,364	\$ 256,363	\$ 7,092,099
Licenses and Permits	481,941	-	-	-	-	-	-	481,941
Federal	358,147	-	-	-	962,650	-	88,395	1,409,192
State	1,089,593	-	-	164,841	-	-	186,660	1,441,094
Local	51,579	-	-	-	-	-	242,211	293,790
Charges for Services	1,349,442	-	-	-	-	-	402,275	1,751,717
Fines and Forfeits	26,248	-	-	-	-	-	-	26,248
Interest and Rents	85,681	495	275	1,810	808	291	521	89,881
Reimbursements	252,096	-	-	-	-	-	-	252,096
Other Revenue	42,975	-	-	-	-	-	41,233	84,208
TOTAL REVENUES	8,532,488	516,244	770,112	166,651	963,458	755,655	1,217,658	12,922,266
EXPENDITURES:								
Legislative	255,878	-	-	-	-	-	-	255,878
Judicial	1,491,103	-	-	-	-	-	31,758	1,522,861
General Government	2,528,168	-	-	-	-	-	36,716	2,564,884
Public Safety	5,187,280	-	1,983	8,635	-	-	130,556	5,328,454
Public Works	12,293	-	-	-	-	-	-	12,293
Health and Welfare	511,029	934,293	-	-	75,655	725,856	357,580	2,604,413
Community and Economic Development	-	-	-	-	-	-	70,922	70,922
Recreation and Culture	2,553	-	-	-	-	-	274,711	277,264
Other	432,287	-	-	-	-	-	-	432,287
Debt Service	466,870	-	-	-	-	-	-	466,870
Capital Outlay	190,875	-	-	-	-	-	-	190,875
TOTAL EXPENDITURES	11,078,336	934,293	1,983	8,635	75,655	725,856	902,243	13,727,001
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	(2,545,848)	(418,049)	768,129	158,016	887,803	29,799	315,415	(804,735)
OTHER FINANCING SOURCES (USES):								
Transfers In	2,918,402	-	-	-	-	-	247,452	3,165,854
Transfers Out	(364,668)	-	(876,343)	-	(886,995)	-	(296,548)	(2,424,554)
TOTAL OTHER FINANCING SOURCES (USES)	2,553,734	-	(876,343)	-	(886,995)	-	(49,096)	741,300
NET CHANGE IN FUND BALANCES	7,886	(418,049)	(108,214)	158,016	808	29,799	266,319	(63,435)
FUND BALANCES BEGINNING OF YEAR	318,645	1,496,996	505,710	1,275,665	-	85,090	1,215,604	4,897,710
FUND BALANCES END OF YEAR	\$ 326,531	\$ 1,078,947	\$ 397,496	\$ 1,433,681	\$ 808	\$ 114,889	\$ 1,481,923	\$ 4,834,275

County of Gladwin, Michigan

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities For the Year Ended December 31, 2021

Net changes in fund balances - total governmental funds \$ (63,435)

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

Governmental funds reported capital outlays as expenditures. However, in the statement of activities the cost of those assets is capitalized and is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay \$479,827 exceeded depreciation expense and loss on disposal (\$146,237). 281,623

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

Change in unavailable revenue (91,103)

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. Issuance of debt is an other financing source in the governmental funds, but it is an increase in long-term liabilities in the statement of net position.

Debt Payments 390,942

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 the funds:

Pension (358,994)
OPEB (5,117,130)
Accrued Interest 5,294
Vested employee benefits (1,845)

Change in net position of governmental activities \$ (4,954,648)

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

Business-type Activities
Enterprise Funds

	Tax Revision	Unallocated Tax Revolving	2021 Tax Revolving	Nonmajor Enterprise	Totals
ASSETS:					
Cash and Equivalents	\$ 392,467	\$ 618,764	\$ 97,263	\$ 487,530	\$ 1,596,024
Taxes Receivable	-	19,598	844,375	153,507	1,017,480
Due from Other Governments	50,000	1,633	-	34,823	86,456
TOTAL ASSETS	\$ 442,467	\$ 639,995	\$ 941,638	\$ 675,860	\$ 2,699,960
LIABILITIES:					
Notes Payable	\$ -	\$ -	\$ 816,192	\$ -	\$ 816,192
TOTAL LIABILITIES	-	-	816,192	-	816,192
NET POSITION:					
Unrestricted	442,467	639,995	125,446	675,860	1,883,768
TOTAL NET POSITION	\$ 442,467	\$ 639,995	\$ 125,446	\$ 675,860	\$ 1,883,768

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

	Business-type Activities				Totals
	Enterprise Funds				
	Tax Revision	Unallocated Tax Revolving	2021 Tax Revolving	Nonmajor Enterprise	
OPERATING REVENUES:					
Interest and Penalties on Taxes	\$ -	\$ 1,010	\$ 66,680	\$ 196,035	\$ 263,725
Administrative Fees	-	-	82,154	41,960	124,114
Collection Fees	245,850	-	-	-	245,850
Total Operating Revenues	245,850	1,010	148,834	237,995	633,689
OPERATING EXPENSES:					
Other Supplies & Expenses	138,099	2	12,565	15,236	165,902
OPERATING INCOME (LOSS)	107,751	1,008	136,269	222,759	467,787
NON-OPERATING REVENUES (EXPENSES):					
Interest Income	163	747	43	67	1,020
Interest Expense	-	-	(10,866)	(5,283)	(16,149)
Total Non-operating Revenues (Expenses)	163	747	(10,823)	(5,216)	(15,129)
Income (Loss) Before Transfers	107,914	1,755	125,446	217,543	452,658
TRANSFERS:					
Transfers In	-	320,822	-	-	320,822
Transfers Out	(100,000)	(641,300)	-	(320,822)	(1,062,122)
Total Transfers	(100,000)	(320,478)	-	(320,822)	(741,300)
CHANGE IN NET POSITION	7,914	(318,723)	125,446	(103,279)	(288,642)
NET POSITION, BEGINNING OF YEAR	434,553	958,718	-	779,139	2,172,410
NET POSITION, END OF YEAR	\$ 442,467	\$ 639,995	\$ 125,446	\$ 675,860	\$ 1,883,768

**Statement of Cash Flows
Proprietary Fund Types
For the Year Ended December 31, 2021**

	Business-type Activities				Totals
	Enterprise Funds				
	Tax Revision	Unallocated Tax Revolving	2021 Tax Revolving	Nonmajor Funds	
Cash Flows From Operating Activities:					
Receipts from Customers or Users	\$ 245,850	\$ 742	\$ (695,541)	\$ 1,277,862	\$ 828,913
Cash Payments to Vendors/Governments	(138,099)	(2)	(12,565)	(15,236)	(165,902)
Net Cash Provided (Used) by Operating Activities	<u>107,751</u>	<u>740</u>	<u>(708,106)</u>	<u>1,262,626</u>	<u>663,011</u>
Cash Flows From Noncapital and Related Financing Activities:					
Transfers In	-	320,822	-	-	320,822
Transfers Out	(100,000)	(641,300)	-	(320,822)	(1,062,122)
Net Cash Provided (Used) by Noncapital and Related Financing Activities	<u>(100,000)</u>	<u>(320,478)</u>	<u>-</u>	<u>(320,822)</u>	<u>(741,300)</u>
Cash Flows from Capital and Related Financing Activities:					
Tax Note Proceeds	-	-	2,000,000	-	2,000,000
Principal Payments	-	-	(1,183,808)	(940,000)	(2,123,808)
Interest Payments	-	-	(10,866)	(5,283)	(16,149)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>-</u>	<u>-</u>	<u>805,326</u>	<u>(945,283)</u>	<u>(139,957)</u>
Cash Flows From Investing Activities:					
Interest Income	163	747	43	67	1,020
Net Cash Provided (Used) by Investing Activities	<u>163</u>	<u>747</u>	<u>43</u>	<u>67</u>	<u>1,020</u>
Net Increase (Decrease) in Cash and Equivalents	7,914	(318,991)	97,263	(3,412)	(217,226)
Cash and Equivalents - Beginning of the Year	384,553	937,755	-	490,942	1,813,250
Cash and Equivalents - End of the Year	<u>\$ 392,467</u>	<u>\$ 618,764</u>	<u>\$ 97,263</u>	<u>\$ 487,530</u>	<u>\$ 1,596,024</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Operating Income (Loss)	\$ 107,751	\$ 1,008	\$ 136,269	\$ 222,759	\$ 467,787
Change in Assets and Liabilities:					
(Increase) Decrease in Assets:					
Receivables	-	(268)	(844,375)	1,027,780	183,137
Due From Governmental Units	-	-	-	12,087	12,087
Net Cash Provided (Used) by Operating Activities	<u>\$ 107,751</u>	<u>\$ 740</u>	<u>\$ (708,106)</u>	<u>\$ 1,262,626</u>	<u>\$ 663,011</u>

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

	<u>Custodial Funds</u>
ASSETS:	
Cash and Equivalents	\$ 518,727
Total Assets	<u>\$ 518,727</u>
LIABILITIES:	
Due to Governmental Units	\$ 109,583
Due to Individuals and Agencies	<u>409,144</u>
Total Liabilites	<u>\$ 518,727</u>

**Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended December 31, 2021**

	<u>Custodial Funds</u>
ADDITIONS:	
Collection of Penal Fines	\$ 128,821
Collections for Inmates	222,022
Collection of Taxes	19,413,939
Collection of Other Due to State	1,294,735
Other Collections	<u>415,200</u>
 Total Additions	 <u>21,474,717</u>
DEDUCTIONS:	
Payment of Penal Fines	128,821
Payments for Inmates	222,022
Payment of Taxes	19,413,939
Payment of Other Due to State	1,294,735
Payment of Other Collections	<u>415,200</u>
 Total Deductions	 <u>21,474,717</u>
 Change in Net Position	 -
 Net Position, Beginning of Year	 <u>-</u>
 Net Position , End of Year	 <u><u>\$ -</u></u>

Combining Component Units

**Statement of Net Position
Combining Component Units
December 31, 2021**

	Road Commission	Department of Public Works	Drain Commission	Land Bank Authority	Gladwin City - County Transit FYE 9-30-21	Totals
ASSETS:						
Cash and Equivalents - Unrestricted	\$ 2,580,251	\$ 161,573	\$ 779,810	\$ 208,862	\$ 1,017,461	\$ 4,747,957
Investments	2,338,465	-	-	-	-	2,338,465
Accounts Receivable	2,965,457	-	-	-	11,260	2,976,717
Special Assessments Receivable	-	-	285,515	-	-	285,515
Due from Governmental Units	-	-	-	-	186,768	186,768
Inventories	573,501	-	-	-	26,920	600,421
Prepaid Items	111,645	-	-	-	19,610	131,255
Other Assets	-	-	-	50,000	-	50,000
Cash on Deposit with Agent	-	-	-	-	148,577	148,577
Capital Assets (Not Depreciated)	7,483,024	-	790,291	-	14,135	8,287,450
Capital Assets (Net of Accumulated Depreciation)	28,579,246	-	1,291,542	-	1,228,516	31,099,304
TOTAL ASSETS	44,631,589	161,573	3,147,158	258,862	2,653,247	50,852,429
DEFERRED OUTFLOWS OF RESOURCES:						
Pension & OPEB Related Items	1,920,069	-	-	-	110,568	2,030,637
LIABILITIES:						
Accounts Payable	389,228	-	-	-	15,279	404,507
Accrued Liabilities	68,157	-	-	-	42,901	111,058
Accrued Interest Payable	11,825	-	3,538	-	-	15,363
Performance Deposits	3,000	-	-	-	-	3,000
Advances from Governmental Units	198,386	-	-	50,000	-	248,386
Due to Other Governments	-	-	6,300	-	-	6,300
Net OPEB Liability - Due in more than one year	4,681,423	-	-	-	220,208	4,901,631
Net Pension Liability - Due in more than one year	4,918,164	-	-	-	85,847	5,004,011
Vested Employee Benefits - Due in more than one year	-	-	-	-	53,682	53,682
Notes Payable - Due within one year	-	-	140,000	-	-	140,000
Notes Payable - Due in more than one year	-	-	865,000	-	-	865,000
Installments Payable - Due within one year	406,379	-	-	-	-	406,379
Installments Payable - Due in more than one year	3,997,466	-	-	-	-	3,997,466
TOTAL LIABILITIES	14,674,028	-	1,014,838	50,000	417,917	16,156,783
DEFERRED INFLOWS OF RESOURCES:						
Taxes Levied for Subsequent Period	1,920,361	-	-	-	-	1,920,361
Pension & OPEB Related Items	620,934	-	-	-	49,269	670,203
TOTAL DEFERRED INFLOWS OF RESOURCES	2,541,295	-	-	-	49,269	2,590,564
NET POSITION:						
Net Investment in Capital Assets	31,658,425	-	1,076,833	-	1,242,651	33,977,909
Restricted	-	-	-	-	148,577	148,577
Unrestricted (deficit)	(2,322,090)	161,573	1,055,487	208,862	905,401	9,233
TOTAL NET POSITION	\$ 29,336,335	\$ 161,573	\$ 2,132,320	\$ 208,862	\$ 2,296,629	\$ 34,135,719

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

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position					
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Road Commission	Department of Public Works	Drain Commission	Land Bank Authority	Gladwin City - County Transit FYE 9-30-21	Total
Road Commission:										
Public Works	\$ 9,475,641	\$ 2,419,148	\$ 6,443,640	\$ 1,460,277	\$ 847,424	\$ -	\$ -	\$ -	\$ -	\$ 847,424
Department of Public Works:										
Public Works	-	-	-	-	-	-	-	-	-	-
Drain Commission:										
Public Works	617,840	509,467	-	-	-	-	(108,373)	-	-	(108,373)
Land Bank Authority:										
Community & Economic Development	18,084	157,019	-	-	-	-	-	138,935	-	138,935
Gladwin City - County Transit:										
Transportation	2,221,357	162,202	1,536,262	5,461	-	-	-	-	(517,432)	(517,432)
Total Component Unit	\$ 12,332,922	\$ 3,247,836	\$ 7,979,902	\$ 1,465,738	847,424	-	(108,373)	138,935	(517,432)	360,554
General Revenues:										
Taxes					1,900,770	-	-	-	513,213	2,413,983
Investment Earnings					6,178	-	40	16	510	6,744
Other Income					130,172	-	-	-	44,891	175,063
Total General Revenues					2,037,120	-	40	16	558,614	2,595,790
Change in Net Position					2,884,544	-	(108,333)	138,951	41,182	2,956,344
Net Position - Beginning					26,451,791	161,573	2,240,653	69,911	2,255,447	31,179,375
Net Position - Ending					\$ 29,336,335	\$ 161,573	\$ 2,132,320	\$ 208,862	\$ 2,296,629	\$ 34,135,719

Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**A. Description of government-wide financial statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

B. Reporting Entity

Gladwin County, Michigan (County) was organized in 1875, covers an area of 503 square miles divided into 15 townships and 2 cities, and has 25,692 residents (based on the 2010 census). The county seat is located in the City of Gladwin. The County operates under an elected Board of Commissioners (County Board) with five members and provides many services to its residents including law enforcement, administration of justice, community enrichment and development, and human services.

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

As required by GAAP, the financial statements of the reporting entity include those of the County and its component units. The component units discussed below are included in the County's reporting entity because they are entities for which the County is considered to be financially accountable.

Blended component unit – The Building Authority has been included as part of the County financial statements since the County appoints the governing authority and the Building Authority provides its services entirely to the County. The Building Authority is reported as a debt service fund and does not issue separate financial statements.

Discretely presented component units – The component unit column in the government-wide financial statements includes the financial data of the County's other component units. These units are reported in a separate column to emphasize that they are legally separate from the County.

Road Commission – The Gladwin County Road Commission (Road Commission) is governed by an elected three-member Board of County Road Commissioners. The Road Commission may not issue debt or levy a tax without the approval of the County Board. If approval is granted, Road Commission's taxes are levied under the taxing authority of the County, as approved by the County electors. The nature and significance of the relationship between the primary government and the Road Commission is such that exclusion would cause the reporting entity's financial statements to be misleading. A complete financial statement can be obtained from the Gladwin County Road Commission, 301 South State Street, Gladwin, Michigan 48624.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Discretely presented component units (continued)

Gladwin City-County Transit – The Gladwin City-County Transit (Transit) is a countywide transportation system created by an interlocal agreement dated June 22, 1981, between the County and the City of Gladwin. Pursuant to the interlocal agreement, administrative control of the system was transferred to the Gladwin City Housing Commission (Housing Commission), with the County Treasurer acting as fiscal agent for the system. The Transit may not issue debt and the tax levy is subject to County Board approval. The transit taxes are levied under the taxing authority of the County, as approved by the County electors. The nature and significance of the relationship between the primary government and the Transit is such that exclusion would cause the reporting entity’s financial statements to be misleading. Due to the difference in the fiscal year-end of the Transit, the September 30, 2021 amounts have been included in the County audit. A complete financial statement can be obtained from the Gladwin City Housing Commission, 615 Weaver Ct, Gladwin, Michigan 48624.

Department of Public Works – Pursuant to Michigan Compiled Law 123.732, Gladwin County created the Department of Public Works. The Department of Public Works operates under the general control of the County Board and under the immediate control of a Board of Public Works, which includes the County Drain Commissioner. The Board of Public Works is considered an agency of the County. The Board of Public Works manages water supply and sanitary sewer system construction projects that are bonded by the County. Bonds issued are authorized by an ordinance or a resolution approved by the Board of Public Works and adopted by the County Board. The nature and significance of the relationship between the County and the Department of Public Works is such that exclusion would cause the reporting entity financial statements to be misleading or incomplete.

Drain Commission – Each of the drainage districts established pursuant to the Drain Code of 1956 are separate legal entities, with the power to contract, to sue and be sued, to hold, manage and dispose of real and personal property, etc. The Drain Commissioner is responsible for planning, developing, and maintaining surface water drainage systems within the County. The Drain Commissioner, on behalf of each drainage district, may issue debt or levy a tax as authorized by the State Drain Code without the approval of the County Board. The County employs all full-time employees and the elected officials of the Drain Commission. The Drain Commission deposits its receipts with the County Treasurer. The nature and significance of the relationship between the County and the Drain Commission is such that exclusion would cause the reporting entity financial statements to be misleading or incomplete.

Land Bank Authority – The Gladwin County Land Bank Authority (Land Bank) is a public body corporation organized pursuant to the Michigan Land Bank Fast Track Public Act 258 and an intergovernmental agreement entered into between the Michigan Land Bank Fast Track Authority and the County Treasurer. The Land Bank was created to acquire, hold, manage and develop tax-foreclosed properties, as well as other vacant and abandoned properties. The Land Bank was legally established on October 16, 2008, and began operations on that date. The Land Bank is comprised of seven members, as follows: the County Treasurer, one member of the County Board, and five persons appointed by the County Board to represent the interests of the City of Gladwin, the City of Beaverton, the townships in the County, and the members of the general public.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Joint Organizations

Central Michigan District Health Department – Gladwin, Clare, Arenac, Isabella, Osceola, and Roscommon counties participate jointly in the operation of the Central Michigan District Health Department (Health Department). All of the financial operations of the Health Department are recorded in the records of Isabella County.

The funding formula approved by the member counties is based pro-rata on each unit’s population and equalized valuation to the Health Department’s total population and valuation. Member counties’ percentages of the 2021 net operating budget were:

Gladwin	14%	Isabella	28%
Clare	17%	Osceola	13%
Arenac	10%	Roscommon	18%

The County’s appropriation to the Health Department for the year ended December 31, 2021 was \$187,732.

Central Michigan Community Mental Health Services Board – The Central Michigan Community Mental Health Services Board (Services Board) reorganized as a Community Mental Health Authority under Public Act 258 of 1974, as amended. The Services Board has representatives and provides services to Isabella, Mecosta, Osceola, Clare, Midland, and Gladwin counties. All participating counties provide annual appropriations; however, none of the participating counties are financially responsible for the Board.

The Services Board is legally separate from the County; however, it has not met the financial accountability criteria. For this reason, it is not considered a component unit of the County.

The County’s appropriation to the Services Board for the year ended December 31, 2021 was \$91,531.

Related Organization

Northern Michigan Substance Abuse Services, Inc. – The County, in conjunction with 31 other counties, has entered into an agreement which created Northern Michigan Substance Abuse Services, Inc. This organization’s board is composed of one member appointed by the board of commissioners from each of the participating counties.

C. Basis of Presentation – Government-wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds, while business-type activities incorporate data from the County’s enterprise funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

As discussed earlier, the County has five discretely presented component units. While not all are considered to be a major component unit, they are nevertheless shown in separate columns in the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the County’s funds, including its fiduciary funds and blended component unit. Separate statements for each fund category— governmental, proprietary, and fiduciary—are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

The County reports the following major governmental funds:

The *General Fund* is the County’s primary operating fund. It accounts for all financial resources of the County, except those required to be accounted for in another fund.

The *Emergency Medical Services Fund* accounts for funds raised by a special tax levy to maintain emergency medical services to County citizens.

The *E-911 Millage Fund* accounts for funds raised by a special tax levy to maintain E-911 services to County citizens.

The *Wireless E-911 Millage Fund* accounts for funds received to operate E-911 services for County citizens.

The *American Rescue Plan Act Fund* accounts for funds received under the American Rescue Plan Act (ARPA) of 2021. These funds will be spent on appropriate COVID-19 related expenditures in accordance with federal regulations.

The *Senior Citizens Program Fund* accounts for funds raised by a special tax levy to maintain and expand services to older citizens of the County.

The County reports the following major proprietary funds:

The *Tax Revision Fund* accounts for the purchase and collection of delinquent taxes.

The *Unallocated Tax Revolving Fund* accounts for the purchase of delinquent taxes from other local taxing units and the subsequent collection of those taxes receivable.

The *2020 Tax Revolving Fund* accounts for the purchase of delinquent taxes from other local taxing units and the subsequent collection of those taxes receivable.

Additionally, the County reports the following fund types:

Agency funds are used to account for assets held for other governments in an agency capacity, including tax collections.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

During the course of operations, the County has activity between funds for various purposes. Any residual balances outstanding at year-end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

E. Use of Estimates

The preparation of the financial statements in conformity with U.S. generally accepted accounting principles require management to make estimates and assumptions that affect the amounts of assets, deferred outflows, liabilities, and deferred inflows disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates include, but are not limited to, the net OPEB obligation and the net pension obligation.

F. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Measurement Focus and Basis of Accounting (continued)

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the County.

The proprietary and private-purpose trust funds are reported using the economic resources measurement focus and the accrual basis of accounting. The agency fund has no measurement focus but utilizes the accrual basis of accounting for reporting its assets and liabilities.

G. Budgetary Accounting

1. Budgetary basis of accounting

The General Fund and special revenue funds operate under formal budgetary control. A general appropriation budget is prepared in accordance with Michigan Public Act 2 of 1968, as amended, and the budgetary document is submitted annually by the Finance Committee which recommends formal adoption by the County Board. Budgets presented in the financial statements are prepared on a modified accrual basis of accounting and encompass all amendments.

Budgetary control is exercised at the activity level. The Finance Committee is authorized to make budget transfers within these funds at the activity level.

The County Board is authorized to make and has made supplemental appropriation adjustments to the budget during the year as deemed necessary at the levels of budgetary control as noted above. These adjustments are reflected in the budget amounts in the financial statements. All encumbered appropriations lapse at the end of the year.

2. Excess of expenditures over appropriations

Public Act 2 of 1968, the Uniform Budget and Accounting Act, provides that a local unit shall not incur expenditures in excess of the amount appropriated. In the body of the financial statements, the County’s actual expenditures were in excess of amounts appropriated as follows:

	<u>Total</u> <u>Appropriations</u>	<u>Amount of</u> <u>Expenditures</u>	<u>Budget</u> <u>Variance</u>
General Fund			
Judicial	\$ 1,479,114	\$ 1,491,103	\$ (11,989)
General Government	2,495,057	2,528,168	(33,111)
Public Safety	5,084,228	5,187,280	(103,052)
Emergency Medical Services Fund:			
Health and Welfare	\$ 752,800	\$ 934,293	\$ (181,493)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Excess of expenditures over appropriations (continued)

	<u>Total Appropriations</u>		<u>Amount of Expenditures</u>		<u>Budget Variance</u>
E 911 Millage Fund:					
Transfers Out	\$ -		\$ 876,343		\$ (876,343)
American Recovery Rescue Act:					
Health & Welfare	\$ -		\$ 75,655		\$ (75,655)
Transfers Out	15,540		886,995		(871,455)
Senior Citizens Program Fund:					
Health and Welfare	\$ 687,450		\$ 725,856		\$ (38,406)

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

Cash and equivalents

For purposes of the statement of cash flows, the County considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

Investments

Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investments that do not have an established market are reported at estimated fair value.

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.”

Inventory and prepaid items

Inventory in the Road Commission component unit, consisting of various operating parts, supplies and road materials, is valued at cost, as determined on the average unit cost method. Inventory items are charged to road construction and maintenance, equipment repairs and operations as they are used. Inventory in the Gladwin City-County Transit component unit is valued at cost, on a first-in, first-out basis. Certain payments to vendors reflect cost applicable to future years and are recorded as prepaid expenses or expenditures in the government-wide and fund statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the County as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. 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. Major outlays for capital assets and improvements are capitalized as projects are constructed. In the Drain Commission component unit and the Road Commission component unit, infrastructure includes only those infrastructure assets acquired subsequent to January 1, 2004. Capital assets of the County are depreciated using the straight-line method over the following estimated useful lives:

Building and Improvements	10 to 50 years
Equipment and Furniture	3 to 10 years
Vehicles and Equipment	3 to 15 years
Road/Drain Infrastructure	5 to 50 years

Deferred Outflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The County has pension of \$1,640,408 and OPEB, \$752,666 items that qualify for reporting in this category as of December 31, 2021.

Deferred Inflows of Resources

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

In addition to liabilities, the statement of net position and governmental funds balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The County has several types of items that qualify for reporting in this category. The governmental funds report unavailable revenues, which arise only under a modified accrual basis of accounting, from property taxes and accounts receivable. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. In addition, deferred inflows of resources are reported in the government-wide and governmental fund financial statements for property taxes levied during the year that were intended to finance future periods. Deferred inflows are reported regarding the County's pension plan. The component units also report deferred inflows of resources for property taxes and special assessments levied for a subsequent period, as well as unavailable revenues for special assessments. The government has three item that qualifies for reporting in this category. They are the deferred inflows related to the County's multiple-employer net pension obligation totaling \$1,537,742, deferred inflows related to the County's OPEB obligation of \$2,856,474, and the taxes levied for a subsequent period of \$3,005,092, as of December 31, 2021.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)***Pensions***

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Michigan Municipal Employees Retirement System (MERS) 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 as expense when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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 or business-type activities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported inclusive of the applicable bond premium or net of the applicable bond discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Vested Employee Benefits

County employees accumulate compensated leave time in varying amounts depending on length of service and other factors. All vacation pay and 50% of sick pay are accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they matured, for example, as a result of employee resignations and retirements. This liability includes salary-related benefits, where applicable.

Net position flow assumption

Sometimes the County will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the County's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Fund balance flow assumptions

Sometimes the County will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

The County's policy is to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund balance policies

Fund balance of governmental funds is reported in one of five possible categories based on the nature of any limitations requiring the use of resources for specific purposes.

Nonspendable – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The County has classified prepaid items as being Nonspendable as these items are not expected to be converted to cash within the next year. The County has \$13,200 in Nonspendable fund balance.

Restricted – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The County has \$4,315,706 in Restricted fund balance.

Committed – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the County. These amounts cannot be used for any other purpose unless the County removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

Assigned – This classification includes amounts that are constrained by the County’s intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the County through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund.

Unassigned – amounts that are available for any purpose. The General Fund is the only fund that reports a positive unassigned fund balance amount. Unassigned balances also include negative balances in the governmental funds reporting resources restricted for specific programs.

I - Revenues and Expenditures/Expenses

Program revenues

Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)***Property taxes***

County general operating property taxes are levied annually on July 1 (the lien date) to fund operations for the current year. The property taxes are due in full within nine months (prior to March 1), at which time uncollected taxes became delinquent. The assessed value of real and personal property is established by the local units, accepted by the County and equalized under State statute at approximately 50% of the current estimated market value. In March 1994, Michigan voters approved Proposal A, which requires property taxes to be levied based on the taxable value of the underlying property. Annual increases in taxable value are limited to the lesser of 5% or the rate of inflation.

Taxable value reverts to 50% of true cash value when the property is sold. Taxable value is determined by using such factors as equalized, assessed and capped values, along with a value change multiplier.

The taxable value of real and personal property for the December 31, 2020 general operating levy was 1.0292 million and \$1.048 million as of July 1, 2021. The general operating tax rate for this levy was at the maximum rate of 4.3866 mills, as adjusted by the Headlee Amendment to the State of Michigan Constitution. The County also had voter approved taxes of 0.75 mills for senior citizen programs, 0.5 mills for EMS, 0.11 mills for MSUE, 0.2 mills for Animal Shelter, and 0.75 mills for 911 services on the December 1, 2020 voter-approved levy.

By agreement with various taxing authorities, the County purchases at face value the real property taxes returned delinquent each March 1 and records a corresponding delinquent taxes receivable. These receivables are pledged to a bank for payment of the notes payable; the subsequent collection of the receivables, interest and collection fees thereon, and investment earnings are used to extinguish the debt.

Proprietary funds operating and nonoperating revenues and expenses

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are collection fees and interest earned on delinquent taxes. Operating expenses for enterprise funds include the fees and charges. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Interfund Transfers

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

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, outflows, liabilities and inflows and disclosure of contingent assets and liabilities at the date of the reporting period. Actual results could differ from those estimates.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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

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

- a. Annually, after receiving input from the individual departments, the Board of Commissioners prepares a proposed operating budget for the fiscal period commencing January 1st and lapses on December 31st. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted to obtain taxpayer comments.
- c. Prior to January 1st, the budget is legally enacted through a resolution passed by the Board of Commissioners.
- d. Budgetary control is exercised at the department or activity level of the General Fund and fund level for Special Revenue Funds. Any revisions that alter the total expenditures of any department or fund (i.e., budget amendments) require approval by the Board of Commissioners. Such amendments are made in accordance with the procedures prescribed under Public Act 621 of 1978.
- e. The budget and approved appropriations lapse at the end of the fiscal year.
- f. The County does not record encumbrances in the accounting records during the year as normal practice and, therefore, no outstanding encumbrances exist at year end.

Budgeted amounts are as originally adopted or amended by the Board of Commissioners during the year. Individual amendments were material in relation to the original appropriations which were amended. The modified accrual basis of accounting is used for budgetary purposes.

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

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

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

NOTE 3 - CASH, EQUIVALENTS AND INVESTMENTS

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

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Primary Government</u>	<u>Fiduciary Funds</u>	<u>Component Units</u>
Cash and Equivalents	\$ 6,408,935	\$ 1,596,024	\$ 8,004,959	\$ 518,727	\$ 4,747,957
Investments	<u>186,864</u>	<u>-</u>	<u>186,864</u>	<u>-</u>	<u>2,338,465</u>
Total	<u>\$ 6,595,799</u>	<u>\$ 1,596,024</u>	<u>\$ 8,191,823</u>	<u>\$ 518,727</u>	<u>\$ 7,086,422</u>

NOTE 3 - CASH, EQUIVALENTS AND INVESTMENTS (Continued)

	<u>Primary Government</u>	<u>Fiduciary Funds</u>	<u>Component Units</u>
Bank Deposits (checking and savings accounts, money markets, & certificates of deposit)	\$ 8,002,114	\$ 518,727	\$ 4,747,957
Investments	186,864	-	2,338,465
Petty Cash and Cash on Hand	<u>2,845</u>	<u>-</u>	<u>25</u>
Total	<u>\$ 8,191,823</u>	<u>\$ 518,727</u>	<u>\$ 7,086,422</u>

	<u>Fair Value</u>	<u>Years to Maturity</u>			<u>S&P Ratings</u>
		<u>Less Than 1</u>	<u>1 – 5</u>	<u>6 – 10</u>	
Investments:					
MI CLASS**	\$ 86,864	\$ 86,864	\$ -	\$ -	AAAm
Government Bonds	<u>100,000</u>	<u>-</u>	<u>100,000</u>	<u>-</u>	AAA
Total	<u>\$ 186,864</u>	<u>\$ 86,864</u>	<u>\$ 100,000</u>	<u>\$ -</u>	

Credit risk. State law limits investments in commercial paper, corporate bonds, and mutual bond funds to the top two ratings issued by nationally recognized statistical rating organizations. The County’s investments all meet State statutes.

Interest rate risk. The County has not adopted a policy that indicates how the County will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by limiting the weighted average maturity of its investment portfolio to less than a given period of time.

Custodial deposit credit risk. Custodial deposit credit risk is the risk that in the event of a bank failure, the County’s deposits may not be returned. State law does not require and the County does not have a policy for custodial deposit credit risk. As of year-end, \$10,123,915 of the County’s bank balance of \$10,773,915 was exposed to credit risk because it was uninsured and uncollateralized.

In accordance with the County’s investment policy and State law, all deposits are uncollateralized, held in the County’s name, and evidenced by a safekeeping receipt. Also, due to the dollar amounts of cash deposits and the limits of FDIC insurance, the County believes it impractical to insure all bank deposits. As a result, 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.

Concentration of credit risk. Concentration of credit risk is the risk of loss attributed to the magnitude of a government’s investment in a single issuer.

Custodial credit risk. The County has not adopted a policy that indicates how the County will minimize custodial credit risk, which is the risk that in the event of the failure of the counterparty, the County will not be able to recover the value of its investments of collateral securities that are in possession of an outside party.

Custodial investment credit risk. For investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or securities that are in the possession of an outside party. None of the County’s investments are in the name of the County. Credit quality ratings of public money funds were not available from the financial institutions or are unrated.

NOTE 3 - CASH, EQUIVALENTS AND INVESTMENTS (Continued)

Fair value measurement. The County categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or equivalent) as a practical expedient are not classified in the fair value hierarchy below.

**Michigan CLASS measures its investments at fair value in accordance with Paragraph 41 of Statement 79 and Paragraph 11 of Statement 31, and therefore a Participant's investment in MICHIGAN CLASS is not required to be categorized within the fair value hierarchy for purposes of Paragraph 81a(2) of Statement 72.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The County's assessment of the significance of particular inputs to these fair value measurements required judgment and considers factors specific to each asset or liability.

Statutory Authority:

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

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

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

NOTE 3 - CASH, EQUIVALENTS AND INVESTMENTS (Continued)

- h. Obligations described in subdivisions (a) through (g) if purchased through an interlocal agreement under the urban cooperation act of 1967, 1967 (Ex Sess) PA 7, MCL 124.501 to 124.512.
- i. Investment pools organized under the surplus funds investment pool act, 1982 PA 367, MCL 129.111 to 129.118.
- j. The investment pools organized under the local government investment pool act, 1985 PA 121, MCL 129.141 to 129.150.

NOTE 4 - CAPITAL ASSETS

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

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Adjustments/ Disposals</u>	<u>Ending Balances</u>
Governmental Activities:				
<i>Capital assets not being depreciated:</i>				
Land	\$ 297,231	-	-	\$ 297,231
Construction in Progress	-	\$ 274,711	-	\$ 274,711
Subtotal	<u>297,231</u>	<u>274,711</u>	<u>-</u>	<u>571,942</u>
<i>Capital assets being depreciated:</i>				
Buildings and Improvements	3,358,196	-	-	3,358,196
Equipment and Furniture	623,675	82,454	-	706,129
Vehicles and Boats	861,943	90,540	-	952,483
Subtotal	<u>4,843,814</u>	<u>172,994</u>	<u>-</u>	<u>5,016,808</u>
<i>Less accumulated depreciation for:</i>				
Buildings and Improvements	(1,642,952)	(46,757)	-	(1,689,709)
Equipment and Furniture	(428,419)	(30,653)	-	(459,072)
Vehicles and Boats	(727,692)	(88,672)	-	(816,364)
Subtotal	<u>(2,799,063)</u>	<u>(166,082)</u>	<u>-</u>	<u>(2,965,145)</u>
Net Capital Assets Being Depreciated	<u>2,044,751</u>	<u>6,912</u>	<u>-</u>	<u>2,051,663</u>
Capital Assets, Net	<u>\$ 2,341,982</u>	<u>\$ 281,623</u>	<u>\$ -</u>	<u>\$ 2,623,605</u>

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

Governmental Activities:	
General Government	\$ 51,544
Public Safety	109,678
Health & Welfare	<u>4,860</u>
Total Depreciation – Governmental Activities	<u>\$ 166,082</u>

NOTE 4 - CAPITAL ASSETS (Continued)

A summary of changes in the Road Commission’s capital assets are as follows:

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Disposals/ Adjustments</u>	<u>Ending Balances</u>
<i>Capital assets not being depreciated:</i>				
Land and Improvements	\$ 6,728,596	\$ 523,783	\$ -	\$ 7,252,379
Construction in Progress	<u>4,591,790</u>	<u>296,674</u>	<u>(4,657,819)</u>	<u>230,645</u>
Subtotal	<u>11,320,386</u>	<u>820,457</u>	<u>(4,657,819)</u>	<u>7,483,024</u>
<i>Capital Assets Being Depreciated</i>				
Buildings	3,024,053	4,590,453	-	7,614,506
Road Equipment	7,515,320	654,186	(876,824)	7,292,682
Shop Equipment	57,143	-	-	57,143
Yard Equipment	71,865	-	-	71,865
Office Equipment	63,121	-	-	63,121
Engineers’ Equipment	7,769	-	(620)	7,149
Infrastructure – Bridges	5,363,364	67,366	-	5,430,730
Infrastructure – Roads	<u>34,749,796</u>	<u>1,423,984</u>	<u>(122,356)</u>	<u>36,051,424</u>
Subtotal	<u>50,852,431</u>	<u>6,735,989</u>	<u>(999,800)</u>	<u>56,588,620</u>
<i>Less Accumulated Depreciation</i>				
Buildings	(1,386,584)	(225,841)	-	(1,612,425)
Road Equipment	(6,427,593)	(444,549)	841,613	(6,030,529)
Shop Equipment	(57,143)	-	-	(57,143)
Yard Equipment	(71,865)	-	-	(71,865)
Office Equipment	(61,655)	(1,183)	-	(62,838)
Engineers’ Equipment	(7,769)	-	620	(7,149)
Infrastructure – Bridges	(1,149,244)	(119,821)	-	(1,269,065)
Infrastructure – Roads	<u>(17,115,659)</u>	<u>(1,905,057)</u>	<u>122,356</u>	<u>(18,898,360)</u>
Subtotal	<u>(26,277,512)</u>	<u>(2,696,451)</u>	<u>964,589</u>	<u>(28,009,374)</u>
Net Capital Assets Being Depreciated	<u>24,574,919</u>	<u>4,039,538</u>	<u>(35,211)</u>	<u>28,579,246</u>
Capital Assets - Net	<u>\$ 35,895,305</u>	<u>\$ 4,859,995</u>	<u>\$ (4,693,030)</u>	<u>\$ 36,062,270</u>

Depletion/depreciation expense was charged to programs of the Gladwin County Road Commission as follows:

Total Depreciation Expense – Public Works \$ 2,696,451

NOTE 4 - CAPITAL ASSETS (Continued)

A summary of changes in the Drain Commission’s capital assets are as follows:

	<u>Beginning Balances</u>	<u>Addition</u>	<u>Disposals</u>	<u>Ending Balances</u>
<i>Capital assets not being depreciated:</i>				
Construction in Progress	\$ 610,190	\$ 180,101	\$ -	\$ 790,291
<i>Capital assets being depreciated:</i>				
Infrastructure - Drains	\$ 1,614,421	\$ -	\$ -	\$ 1,614,421
<i>Less accumulated depreciation for:</i>				
Infrastructure - Drains	(290,592)	(32,287)	-	(322,879)
Net Capital Assets Being Depreciated	<u>1,323,829</u>	<u>(32,287)</u>	<u>-</u>	<u>1,291,542</u>
Capital Assets, Net	<u>\$ 1,934,019</u>	<u>\$ 147,814</u>	<u>\$ -</u>	<u>\$ 2,081,833</u>

Depreciation expense was charged entirely to Public Works in the amount of \$32,287.

A summary of changes in the Gladwin City-County Transit capital assets are as follows:

	<u>Beginning Balances 10/01/20</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balances 09/30/21</u>
<i>Capital assets not being depreciated:</i>				
Land	\$ 14,135	\$ -	\$ -	\$ 14,135
<i>Capital assets being depreciated:</i>				
Building and Improvements	1,624,856	-	-	1,624,856
Land Improvements	12,600	-	-	12,600
Office Equipment	185,123	-	-	185,123
Bus Equipment	128,626	-	-	128,626
Buses and Other Vehicles	2,144,467	-	108,861	2,035,606
Maintenance Equipment	<u>284,193</u>	<u>5,490</u>	<u>-</u>	<u>289,683</u>
Subtotal	<u>4,379,865</u>	<u>5,490</u>	<u>108,861</u>	<u>4,276,494</u>
<i>Less accumulated depreciation for:</i>				
Building and Improvements	(1,237,292)	(51,524)	-	(1,288,816)
Land Improvements	(12,600)	-	-	(12,600)
Office Equipment	(164,951)	(6,690)	-	(171,641)
Bus Equipment	(88,897)	(14,432)	-	(103,329)
Buses and Other Vehicles	(1,131,344)	(267,464)	108,861	(1,289,947)
Maintenance Equipment	<u>(157,483)</u>	<u>(24,162)</u>	<u>-</u>	<u>(181,645)</u>
Subtotal	<u>(2,792,567)</u>	<u>(364,272)</u>	<u>108,861</u>	<u>(3,047,978)</u>
Net Capital Assets Being Depreciated	<u>1,587,298</u>	<u>(358,782)</u>	<u>-</u>	<u>1,228,516</u>
Capital Assets, Net	<u>\$ 1,601,433</u>	<u>\$ (358,782)</u>	<u>\$ -</u>	<u>\$ 1,242,651</u>

Depreciation expense was charged entirely to Transportation in the amount of \$364,272.

NOTE 5 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The County of Osceola, Michigan reports interfund balances between many of its funds. Some of the balances are considered immaterial and are aggregated into a single column or row. The total of all balances agrees with the sum of interfund balances presented in the statements of net position/balance sheet for governmental funds and proprietary funds. Interfund transactions resulting in interfund receivables and payables are as follows:

DUE FROM OTHER FUNDS	DUE TO OTHER FUNDS	
		Nonmajor Governmental
Nonmajor Governmental	\$	<u>3,000</u>

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

TRANSFERS IN	TRANSFERS OUT							
	General	E-911 Millage	, ARPA	Nonmajor Governmental	Tax Revision	Unallocated Tax Revolving	Nonmajor Enterprise	Total
General	\$ 117,216	\$ 876,343	\$ 886,995	\$ 296,548	\$ 100,000	\$ 641,300	\$ -	\$ 2,918,402
Nonmajor Governmental	247,452	-	-	-	-	-	-	247,452
Unallocated Tax Revolving	-	-	-	-	-	-	320,822	320,822
Total	<u>\$ 364,668</u>	<u>\$ 876,343</u>	<u>\$ 886,995</u>	<u>\$ 296,548</u>	<u>\$ 100,000</u>	<u>\$ 641,300</u>	<u>\$ 320,822</u>	<u>\$ 3,486,676</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) moves receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 6 - LONG-TERM DEBT

Primary Government

General obligation and revenue bonds and notes are direct obligations and pledge the full faith and credit of the government. These bonds are generally issued as 5 to 20-year serial bonds with varying amounts of principal maturing each year. General obligation and revenue bonds and notes currently outstanding are as follows:

Long-term liability activity for the year ended December 31, 2021 was as follows:

	Interest Rate	Principal Matures	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:							
Installment Purchase Agreement	3.25%	2029	\$ 1,220,707	\$ -	\$ 390,942	\$ 829,765	\$ 200,000
Vested Employee Benefits			<u>262,273</u>	<u>1,845</u>	<u>-</u>	<u>264,118</u>	<u>-</u>
Total Governmental Activities			<u>1,482,980</u>	<u>1,845</u>	<u>390,942</u>	<u>1,093,883</u>	<u>200,000</u>
Business-type Activities:							
General Obligation Limited Tax Notes	Variable	2020	940,000	-	940,000	-	-
General Obligation Limited Tax Notes	Variable	2021	<u>-</u>	<u>2,000,000</u>	<u>1,183,808</u>	<u>816,192</u>	<u>816,192</u>
Total Business-type Activities			<u>940,000</u>	<u>2,000,000</u>	<u>2,123,808</u>	<u>816,192</u>	<u>816,192</u>
Total Primary Long-Term Debt			<u>\$ 2,422,980</u>	<u>\$ 2,001,845</u>	<u>\$ 2,514,750</u>	<u>\$ 1,910,075</u>	<u>\$ 1,016,192</u>

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

Year End December 31	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2022	\$ 200,000	\$ 25,561	\$ 816,192	-
2023	200,000	19,846	-	-
2024	200,000	13,943	-	-
2025	200,000	7,848	-	-
2026	<u>29,765</u>	<u>1,576</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 829,765</u>	<u>\$ 68,774</u>	<u>\$ 816,192</u>	<u>\$ -</u>

Component Units

The long-term debt and other long-term obligations of the County's component units, and the changes therein, are summarized as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Road Commission:					
Installment Purchase Agreements	\$ 266,882	\$ -	\$ 82,504	\$ 184,379	\$ 184,379
Bonds Payable	4,657,000	782,000	1,490,000	3,952,000	222,000
Vested Employee Benefits	<u>255,472</u>	<u>232,636</u>	<u>220,641</u>	<u>267,466</u>	<u>-</u>
Total Road Commission Long-term Debt	<u>\$ 5,179,354</u>	<u>\$ 1,017,636</u>	<u>\$ 1,793,145</u>	<u>\$ 4,403,845</u>	<u>\$ 406,379</u>

NOTE 6 - LONG-TERM DEBT (Continued)

Road Commission – Michigan Transportation, USDA and State Infrastructure Bank (SIB) Bonds are issued by the Road Commission to finance construction projects and are direct obligations, pledging the full faith and credit of the County and the Road Commission. The bonds are issued as a 5 to 20 year serial bonds with varying amounts of principal maturing each year through 2049 and bear interest at a rate of 0.00% to 2.75%. The installment purchase agreements bear interest from 2.89% to 3.00%. Title to the equipment is transferred to the lessor at the end of the lease. Annual debt service requirements to maturity for the Michigan Transportation bonds and installment purchase agreements are as follows:

<u>Year End December 31</u>	<u>Principal</u>	<u>Interest</u>
2022	\$ 406,379	\$ 112,588
2023	225,000	106,347
2024	238,000	101,251
2025	100,000	97,268
2026	103,000	94,518
2027-2031	560,000	428,451
2032-2036	641,000	347,133
2037-2041	735,000	253,964
2042-2046	840,000	147,291
2047-2049	<u>288,000</u>	<u>30,883</u>
Total	<u>\$ 4,136,379</u>	<u>\$ 1,719,694</u>

Advance Refunding

In October 2012, the Road Commission component unit issued Michigan Transportation Fund Bonds in the amount of \$1,285,000. Proceeds from this bond issue, along with a contribution from the Road Commission of \$10,818 were used to advance refund Michigan Transportation Fund Bonds issued in 2004. The refunded bonds mature as scheduled through February 2024. The balance of the defeased debt outstanding at December 31, 2021, was \$41,000. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the statement of net position.

Drain Commission:

General Obligation Notes	\$ 635,000	\$ -	\$ 160,000	\$ 475,000	\$ 100,000
General Obligation Notes	<u>565,000</u>	<u>-</u>	<u>35,000</u>	<u>530,000</u>	<u>40,000</u>
Total Drain Commission	<u>\$ 1,200,000</u>	<u>\$ -</u>	<u>\$ 195,000</u>	<u>\$ 1,005,000</u>	<u>\$ 140,000</u>

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

Drain Commission – General obligation drain improvement bonds and notes are issued by the County to finance certain drainage district construction projects. General obligation bonds have been issued for governmental activities. These bonds and notes are direct obligations, pledging the full faith and credit of the County and the respective drainage districts. The bonds are generally issued as 10 to 20-year serial bonds with varying amounts of principal maturing each year and bear interest rates varying from 4.14% to 6%. Annual debt service requirements to maturity for the Drain Commission general obligation bonds are as follows:

NOTE 6 - LONG-TERM DEBT (Continued)

<u>Year End December 31</u>	<u>Principal</u>	<u>Interest</u>
2022	\$ 140,000	\$ 39,242
2023	140,000	32,822
2024	140,000	26,277
2025	140,000	19,607
2026	115,000	12,937
2027-2031	190,000	26,681
2032-2035	<u>140,000</u>	<u>6,442</u>
Total	<u>\$ 1,005,000</u>	<u>\$ 164,008</u>

Gladwin City-County Transit:

Vested Employee Benefits	<u>\$ 47,869</u>	<u>\$ 5,813</u>	<u>\$ -</u>	<u>\$ 53,682</u>	<u>\$ -</u>
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NOTE 7 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS

PRIMARY GOVERNMENT

Plan Description. The employer’s defined benefit pension plan provides certain retirement, disability and death benefits to plan members and beneficiaries. The employer participates in the Municipal Employees Retirement System (MERS) of Michigan. MERS is an agent multiple-employer, statewide public employee pension plan established by the Michigan Legislature under Public Act 135 of 1945 and administered by a nine-member Retirement Board. MERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained accessing the MERS website at www.mersofmich.com. The employees included in this plan are the Police and Administrative Office personnel.

Benefits Provided. The charts below summarize the County’s benefit provisions for its covered groups.

01 – Elctd & NonUnion: Closed to new hires, linked to Division 13	
	<u>2020 Valuation</u>
Benefit Multiplier:	2.25% Multiplier (80% max)
Normal Retirement Age:	60
Vesting:	10 Years
Early Retirement (Unreduced):	55/20
Early Retirement (Reduced):	50/25
	55/15
Final Average Compensation:	3 years
Cola for Future Retirees:	2.50% (Non-Compound)
Cola for Current Retirees:	2.50% (Non-Compound)
Employee Contributions	5%
Act 88:	Yes (Adopted 12/14/1970)

NOTE 7 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

02 – Dispatchers: Closed to new hires, linked to Division 13

	<u>2020 Valuation</u>
Benefit Multiplier:	2.50% Multiplier (80% max)
Normal Retirement Age:	60
Vesting:	10 Years
Early Retirement (Unreduced):	55/20
Early Retirement (Reduced):	50/25 55/15
Final Average Compensation:	3 years
Cola for Future Retirees:	2.50% (Non-Compound)
Cola for Current Retirees:	2.50% (Non-Compound)
Employee Contributions	5%
Act 88:	Yes (Adopted 12/14/1970)

10– UAW Unit 6 & 7: Closed to new hires, linked to Division 13

	<u>2020 Valuation</u>
Benefit Multiplier:	2.25% Multiplier (80% max)
Normal Retirement Age:	60
Vesting:	10 Years
Early Retirement (Unreduced):	55/20
Early Retirement (Reduced):	50/25 55/15
Final Average Compensation:	3 years
Cola for Future Retirees:	2.50% (Non-Compound)
Cola for Current Retirees:	2.50% (Non-Compound)
Employee Contributions	5%
Act 88:	Yes (Adopted 12/14/1970)

11 – UAW Unit 3, 4, & 5: Open Division

	<u>2020 Valuation</u>
Benefit Multiplier:	2.25% Multiplier (80% max)
Normal Retirement Age:	60
Vesting:	10 Years
Early Retirement (Unreduced):	55/20
Early Retirement (Reduced):	50/25 55/15
Final Average Compensation:	3 years
Cola for Future Retirees:	2.50% (Non-Compound)
Cola for Current Retirees:	2.50% (Non-Compound)
Employee Contributions	3.80%
Act 88:	Yes (Adopted 12/14/1970)

NOTE 7 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

12 – UAW #7: Closed to new hires, linked to Division 13	
	<u>2020 Valuation</u>
Benefit Multiplier:	2.25% Multiplier (80% max)
Normal Retirement Age:	60
Vesting:	10 Years
Early Retirement (Unreduced):	55/20
Early Retirement (Reduced):	50/25
	55/15
Final Average Compensation:	3 years
Cola for Future Retirees:	2.50% (Non-Compound)
Employee Contributions	5%
Act 88:	Yes (Adopted 12/14/1970)
13 – New Hire div 01, 02, 10, 12, 20, 22: Open Division, linked to Division 01, 02, 10, 12, 20, 22	
	<u>2020 Valuation</u>
Benefit Multiplier:	1.50% Multiplier (no max)
Normal Retirement Age:	60
Vesting:	10 Years
Early Retirement (Unreduced):	55/20
Early Retirement (Reduced):	50/25
	55/15
Final Average Compensation:	3 years
Employee Contributions	5%
Act 88:	Yes (Adopted 12/14/1970)
20 – Sheriff COAM: Closed to new hires, linked to Division 13	
	<u>2020 Valuation</u>
Benefit Multiplier:	2.25% Multiplier (80% max)
Normal Retirement Age:	60
Vesting:	10 Years
Early Retirement (Unreduced):	55/20
Early Retirement (Reduced):	50/25
	55/15
Final Average Compensation:	3 years
Cola for Future Retirees:	2.50% (Non-Compound)
Cola for Current Retirees:	2.50% (Non-Compound)
Employee Contributions	5%
Act 88:	Yes (Adopted 12/14/1970)

NOTE 7 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

21 – Cmd, Sher & Under: Open Division	
	2020 Valuation
Benefit Multiplier:	2.50% Multiplier (80% max)
Normal Retirement Age:	60
Vesting:	10 Years
Early Retirement (Unreduced):	55/20
Early Retirement (Reduced):	50/25
	55/15
Final Average Compensation:	3 years
Cola for Future Retirees:	2.50% (Non-Compound)
Employee Contributions	5%
Act 88:	Yes (Adopted 12/14/1970)

22 – Sheriff’s Deputies POAM: Closed to new hires, linked to Division 13	
	2020 Valuation
Benefit Multiplier:	2.50% Multiplier (80% max)
Normal Retirement Age:	60
Vesting:	10 Years
Early Retirement (Unreduced):	50/25
Early Retirement (Reduced):	55/15
Final Average Compensation:	3 years
Cola for Future Retirees:	2.50% (Non-Compound)
Employee Contributions	5%
Act 88:	Yes (Adopted 12/14/1970)

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	95
Inactive employees entitled to but not yet receiving benefits	89
Active employees	90
	274

Funding Policy

Contributions. The County 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 County may establish contribution rates to be paid by its covered employees.

Employer contributions range from 2.84% to 41.91% based on annual payroll for open divisions. The County’s contributions to the plan for the year ended December 31, 2021 were \$1,072,620 which exceeded the County’s required contribution of \$978,312.

Employee contributions for the year ended December 31, 2021 were \$215,076.

NOTE 7 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

Net Pension Liability

The employer’s net pension liability was measured as of December 31, 2021, and the total pension liability used to calculate the net pension liability was determined by an annual actuarial valuation as of that 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 a price inflation of 3 - 4%.

Mortality rates used were based on the Pub-2010 Annual Mortality Table.

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

Significant Changes from the Previous Actuarial Valuation:

- Mortality assumption changed from RP-2014 Group Annuity Mortality Tables to the Pub-2010 Annual Mortality Tables.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	60.0%	2.97%
Global Fixed Income	20.0%	0.48%
Private Investments	20.0%	1.40%

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.

NOTE 7 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

Changes in the Net Pension Liability:

	Increases (Decreases)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at December 31, 2020	\$ 27,181,458	\$ 18,689,022	\$ 8,492,436
Service cost	453,616	-	453,616
Interest on total pension liability	2,025,458	-	2,025,458
Changes in benefits	-	-	-
Difference between expected and actual experience	352,662	-	352,662
Changes in assumptions	1,392,061	-	1,392,061
Employer contributions	-	1,072,620	(1,072,620)
Employee contributions	-	215,076	(215,076)
Net investment income	-	2,639,371	(2,639,371)
Benefit payments, including employee refunds	(1,515,006)	(1,515,006)	-
Administrative expense	-	(30,273)	30,273
Other charges	(123,014)	(1)	(123,013)
Net changes	<u>2,585,777</u>	<u>2,381,787</u>	<u>203,990</u>
Balances as of December 31, 2021	<u>\$ 29,767,235</u>	<u>\$ 21,070,809</u>	<u>\$ 8,696,426</u>

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

	1% Decrease (6.60%)	Current Discount Rate (7.60%)	1% Increase (8.60%)
Net Pension Liability	\$ 12,508,456	\$ 8,696,426	\$ 5,530,135

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

For the year ended December 31, 2020 the County recognized pension expense of \$1,431,613. The County 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	\$ 452,986	\$ -
Differences in assumptions	1,187,422	-
Excess (deficit) investment returns	-	1,537,742
Total	<u>\$ 1,640,408</u>	<u>\$ 1,537,742</u>

NOTE 7 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the Net Pension Liability for the year ending December 31, 2021.

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

<u>Year Ended December 31:</u>	
2022	\$ 830,638
2023	(32,021)
2024	(440,913)
2025	<u>(255,038)</u>
Total	<u>\$ 102,666</u>

COMPONENT UNIT – GLADWIN COUNTY ROAD COMMISSION

Plan Description

The Road Commission participates in the Municipal Employees Retirement System (MERS) of Michigan, an agent multiple employer statewide public employee pension plan established by the Michigan’s Legislature under Public Act 135 of 1945 and administered by a nine (9) member Retirement Board. MERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained accessing MERS website at www.mersofmich.com.

Summary of Significant Accounting Policies

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.

Benefits Provided. The Plan provides certain retirement, disability, and death benefits to plan members and beneficiaries. PA 427 of 1984, as amended, established and amends the benefit provisions of the participants in MERS.

- *Commissioners* – Retirement benefits are calculated as 2.5% of the Commissioner’s final 3-year average salary times the Commissioner’s years of service. Normal retirement age is 60 years, with early retirement at 50 with 25 years of service (reduced) or 55 with 15 years of service (reduced). The vesting period is 6 years.
- *General employees hired before July 1, 2012* – Retirement benefits are calculated as 2.0% of the employee’s final 5-year average salary times the employee’s years of service. Normal retirement age is 60 years, with early retirement at 55 with 30 years of service (unreduced), 50 with 25 years of service (reduced) or 55 with 15 years of service (reduced). The vesting period is 10 years. Benefit terms also provide for annual cost-of-living adjustments to each employee’s retirement allowance subsequent to the employee’s retirement date of 2.5%.

NOTE 7 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

- *General employees hired after July 1, 2012 (“new hires”)* - Retirement benefits are calculated as 1.5% of the employee's final 5-year average salary times the employee's years of service. Normal retirement age is 60 years, with early retirement at 50 with 25 years of service (reduced) or 55 with 15 years of service (reduced). The vesting period is 10 years.

Employees are eligible for non-duty disability benefits after 10 years of service and for duty related disability benefits upon hire. Disability retirement benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction. Death benefits may also be paid to a beneficiary. An employee who leaves service may withdraw his or her contributions, plus any accumulated interest.

Benefit terms, within the parameters established by MERS, are generally established and amended by authority of the Board of County Road Commissioners, generally after negotiations of these terms with the labor union.

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	42
Inactive employees entitled to but not yet receiving benefits	5
Active employees	<u>28</u> 75

Contribution Requirements. Article 9, Section 24 of the State of Michigan constitution requires that financial benefits arising on account of employee service rendered in each year be funded during that year. Accordingly, MERS retains an independent actuary to determine the annual contribution. 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 costs of benefits earned by plan members 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.

For the year ended December 31, 2021, the Road Commission's actuarially determined contribution rate was 2.05% of annual covered payroll plus \$1,010 monthly for general employees hired after July 1, 2012 and \$41,541 monthly for general employees hired before July 1, 2012 and \$82 monthly for Commissioners. Commissioners and new hires are required to contribute 5% of their annual covered payroll to the plan. Employees hired before July 1, 2012 are required to contribute 3% (under \$4,200) and 5% (over \$4,200) of their annual covered payroll to the plan.

Net Pension Liability. The net pension liability reported at year-end was determined using a measure of the total pension liability and the pension net position as of December 31, 2020. The December 31, 2021 total pension liability was determined by an actuarial valuation performed as of that date.

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

Inflation	2.50%
Salary increases	3.00%, (plus 0.0% to 6.70% for merit and longevity)
Investment rate of return	7.35%, net of investment expense and including inflation

NOTE 7 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

Although no specific price inflation assumptions are needed for the valuation, the 2.5% long-term wage inflation assumption would be consistent with a price inflation of 3 - 4%.

Mortality rates used were based on the Pub-2010 Annual Mortality Table. Future mortality improvements are assumed each year using scale MP-2019 applied fully generationally from the Pub-2010 base year of 2010. These mortality tables were first used for the December 31, 2020 actuarial valuation.

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	60.00%	5.25%
Global Fixed Income	20.00%	1.25%
Private Investments	20.00%	7.25%

Discount Rate. The discount rate used to measure the total pension liability is 7.60%. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers.

Projected cash Flows. 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.

Pension Plan Fiduciary Net Position. Detailed information about the Plan’s fiduciary net position is available in the separately issued financial report. For the purpose of measuring the net pension liability, deferred outflows of resources and deferred inflows or resources related to pension and pension expense, information about the Plan’s fiduciary net position and addition to / deductions from fiduciary net position have been determined on the same basis as they are reported by the Plan. The Plan uses the economic resources measurement focus and the full accrual basis of accounting. Investments are stated at fair value. Contribution revenue is recorded as contributions are due pursuant to legal requirements. Benefit payments are refunds of employee contributions are recognized as expenses when due and payable in accordance with the benefit terms.

NOTE 7 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

Changes in Net Pension Liability:

	Increases (Decreases)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at December 31, 2020	\$ 16,381,710	\$ 10,739,502	\$ 5,642,208
Service cost	135,096	-	135,096
Interest on total pension liability	1,166,166	-	1,166,166
Difference between expected and actual experience	-	-	-
Changes in assumptions	231,287	-	231,287
Employer contributions	428,230	1,200,000	(771,770)
Employee contributions	-	72,941	(72,941)
Net investment income (loss)	-	1,402,006	(1,402,006)
Benefit payments, including employee refunds	(1,166,105)	(1,166,105)	-
Administrative expense	-	(21,785)	21,785
Other Changes	(31,661)	-	(31,661)
Net changes	763,013	1,487,057	(724,044)
Balances as of December 31, 2021	\$ 17,144,723	\$ 12,226,559	\$ 4,918,164

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability of the Road Commission, calculated using the discount rate of 7.60 percent, as well as what the Road Commission's net pension liability would be using a discount rate that is 1% lower (6.60%) or 1% higher (8.60%) than the current rate.

	1% Decrease (6.60%)	Current Discount Rate (8.00%)	1% Increase (8.60%)
Net Pension Liability	\$ 6,654,333	\$ 4,918,164	\$ 3,438,183

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

For the year ended December 31, 2021, the Road Commission recognized a negative pension expense of \$569,823. At December 31, 2021, the Road Commission reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

NOTE 7 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Employer contributions to the plan subsequent to the measurement date	\$ 1,200,328	\$ -
Net difference between projected and actual earnings on pension plan investments	-	467,183
Differences in assumptions	563,923	-
Differences between expected and actual experience	154,191	114,670
Total	<u>\$ 1,918,442</u>	<u>\$ 581,853</u>

The Amount reported as deferred outflows resources related to pensions will be recognized as pension expense as follows:

Year Ended December 31:

2022	\$ 203,804
2022	293,717
2023	(239,353)
2024	<u>(121,907)</u>
Total	<u>\$ 136,261</u>

The amounts reported as deferred outflows of resources related to employer contributions to the plan made subsequent to the measurement date \$1,200,328 which will impact the net pension liability in fiscal year 2021, as opposed to being amortized to pension expense over a period of year.

COMPONENT UNIT – GLADWIN CITY-COUNTY TRANSIT

Description of Plan and Plan Assets

The Gladwin City-County Transit is included with the Gladwin Housing Commission pension plan and is in an agent multiple-employer defined benefit pension plan with the Municipal Employees’ Retirement System (MERS). The system provides the following provisions: normal retirement, deferred retirement and service retirement to plan members and their beneficiaries. The service requirement is computed using credited service at the time of termination of membership multiplies by the sum of 2.25% for employees times the final compensation (FAC). The most recent period of which actuarial data was available was for year ended December 31, 2020.

General Information about the Pension Plan

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

NOTE 7 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

01 – HC: Open Division	
	2020 Valuation
Benefit Multiplier:	2.25% Multiplier (80% max)
Normal Retirement Age:	60
Vesting:	10 Years
Early Retirement (Unreduced):	-
Early Retirement (Reduced):	50/25 55/15
Final Average Compensation:	3 years
COLA for Future Retirees	2.5% (non-compound)
Employee Contributions	6%
Act 88:	Yes (Adopted 8/1/2007)

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

Inactive employees or beneficiaries currently receiving benefits	16
Inactive employees entitled to but not yet receiving benefits	9
Active employees	18
	43

Funding

Contributions - The Transit Authority 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 costs of benefits earned by plan members during the year, with an additional amount to finance unfunded accrued liability. The employer may establish contribution rates to be paid by its covered employees.

Employer contributions were 21.62% based on annual payroll for open division.

Net Pension Liability

The Transit’s net pension liability was measured as of December 31, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions. The total pension liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5%
Salary increases	3.0% in the long-term
Investment rate of return	7.35% net of investment and administrative expense including inflation

Although no explicit price inflation assumptions are used in this valuation, the long-term annual rate of price inflation implicit in the 2.5% base wage inflation is 3.0%.

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

NOTE 7 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

The actuarial assumptions used in valuation were based on the results of the most recent actuarial experience study of 2009- 2013 and 2014-2018.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	60.0%	3.15%
Global Fixed Income	20.0%	0.25%
Real Assets	20.0%	1.45%

Discount Rate. The discount rate used to measure the total pension liability is 7.60% for 2020. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the Net Pension Liability:

	Increases (Decreases)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at December 31, 2020	\$ 4,160,822	\$ 2,927,856	\$ 1,232,966
Service cost	86,623	-	86,623
Interest on total pension liability	307,399	-	307,399
Difference between expected and actual experience	50,469	-	50,469
Changes in assumptions	190,804	-	190,804
Employer contributions	-	216,780	(216,780)
Employee contributions	-	44,010	(44,010)
Net investment income	-	362,771	(362,771)
Benefit payments, including employee refunds	(318,820)	(318,820)	-
Administrative expense	-	(5,817)	5,817
Net changes	316,475	298,924	17,551
Balances as of December 31, 2021	\$ 4,477,297	\$ 3,226,780	\$ 1,250,517

NOTE 7 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

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

	1% Decrease	Current Discount Rate	1% Increase
	6.60%	7.60%	8.60%
Net pension liability at 12/31/21	\$ 1,250,517	\$ 1,250,517	\$ 1,250,517
Change in Net Pension Liability	430,785	-	(369,600)
Calculated Net Pension Liability	<u>\$ 1,681,302</u>	<u>\$ 1,250,517</u>	<u>\$ 880,917</u>

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

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

For the year ended September 30, 2021, the Transit Authority recognized pension expense of \$84,777. The Transit Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences in experience	\$ 51,633	\$ -
Differences in assumptions	181,517	-
Excess (deficit) investment returns	-	(102,930)
Contributions subsequent to the measurement date*	63,138	-
Total	<u>\$ 296,288</u>	<u>\$ (102,930)</u>

*The amount reported as deferred outflow of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the Net Pension Liability for the fiscal year ending September 30, 2022.

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

Year Ended September 30:	
2022	\$ 91,233
2023	67,411
2024	112
2025	<u>(28,536)</u>
Total	<u>\$ 130,220</u>

NOTE 8 - OTHER POST EMPLOYMENT BENEFITS

PRIMARY GOVERNMENT

Plan Description – The County sponsors a single employer defined benefit retiree health care plan (Plan) to all employees provided proper application is made prior to retirement and the employee is a member of the Plan on the date of retirement. The County reimburses the amounts of validated claims for medical, dental and hospitalization costs incurred by pre-Medicare retirees and their dependents based upon the employee’s number of years of service. Expenditures for postretirement healthcare benefits are recognized as retirees report claims. As of December 31, 2021, the County has not advance funded any portion of the liability. Therefore, financial statements for the plan are not prepared nor are they included in the financial statements of any other plan or the primary government.

Funding Policy – The County has no obligation to make contributions in advance of when the insurance premiums or benefits are due for payment; therefore, the Plan may be financed on a pay-as-you-go basis. For the year ended December 31, 2021, the County contributed \$144,689 to the plan for current premiums and no additional amount to prefund benefits.

Employees Covered by Benefit Terms

As of Actuarial date 1/1/20, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits payments	51
Inactive employees entitled to but not yet receiving benefits	-
Active employees	<u>92</u>
Total participants covered by OPEB Plan	<u>143</u>

The County’s OPEB Plan is closed to new entrants.

Total OPEB Liability and Net OPEB Liability

The County’s total OPEB liability of \$11,768,897 was measured as of December 31, 2020, and was determined by an actuarial valuation as of that date.

As of December 31, 2021, there was \$0 in assets in the County’s OPEB trust, as the county is set up as a pay as you go plan.

Actuarial assumptions and other inputs.

The total OPEB liability in the January 1, 2020 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified.

Discount Rate	3.26%
Healthcare Cost Trend Rates	8.0% graded down 0.5% per year to an ultimate trend rate of 4.50%
Return on Plan Assets	N/A
Salary Increases	3.00%
Actuarial Cost Method	Entry Age Normal

NOTE 8 - OTHER POST EMPLOYMENT BENEFITS (Continued)

Mortality rates were based on a blend of the Pub-2010 mortality tables Employee Mortality without adjustment, Retiree Mortality by a factor of 106% and Disabled Retiree Mortality tables without adjustment, all of which include a margin for future mortality improvements using Scale MP-2019 projected fully generationally from the central year of data, 2010.

Discount Rate

The discount rate is the single rate that reflects (1) the long-term expected rate of return on OPEB plan investments that are expected to be used to finance the payments of benefits, to the extent that the OPEB plan's fiduciary net position is projected to be sufficient to make projected benefit payments and the OPEB plan assets are expected to be invest using a strategy to achieve that return, and (2) a yield or index rate for 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another scale), to the extent that the conditions for use of the long-term expected rate of return are not met.

	<u>Total OPEB Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net OPEB Liability</u>
Balances at December 31, 2019	\$ 8,738,682	\$ -	\$ 8,738,682
Service cost	486,453	-	486,453
Interest on OPEB liability	291,511	-	291,511
Difference between expected and actual experience	(503,590)	-	(503,590)
Changes in assumptions	2,900,530	-	2,900,530
Contributions - Employer	-	144,689	(144,689)
Benefit payments	(144,689)	(144,689)	-
Net changes	<u>3,030,215</u>	<u>-</u>	<u>3,030,215</u>
Balances as December 31, 2020	<u>\$ 11,768,897</u>	<u>\$ -</u>	<u>\$ 11,768,897</u>

Covered payroll was \$4,020,224

Total OPEB Liability as a percentage of covered payroll was 218.2%

Sensitivity of the total OPEB liability to changes in the discount rate.

The January 1, 2020 valuation was prepared using a discount rate of 3.26%. If the discount rate were 1% higher than what was used in this valuation, the net OPEB Liability would decrease \$9,921,508. If the discount rate were 1% lower than was used in this valuation, the net OPEB Liability would increase \$14,154,567. Other information was not available.

Sensitivity of the total OPEB liability to changes in the healthcare trend rate.

The January 1, 2020 valuation was prepared using a trend rate of 8.25%. If the trend rate were 1% higher than what was used in this valuation, the net OPEB Liability would increase \$14,662,391. If the trend rate were 1% lower than was used in this valuation, the net OPEB Liability would decrease \$9,614,247. Other information was not available.

NOTE 8 - OTHER POST EMPLOYMENT BENEFITS (Continued)

For the year ended December 31, 2021, the County recognized an OPEB expense as follows:

Service Cost	\$ 486,456
Net recognition of deferred in/outflow	276,239
Interest on total OPEB liability	<u>291,511</u>
Net OPEB Expense	<u>\$ 1,054,206</u>

At December 31, 2021, the reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences in experience	\$ -	\$ 482,052
Differences in assumptions	2,856,474	270,614
Excess (deficit) investment returns	<u>-</u>	<u>-</u>
Total	<u>\$ 2,856,474</u>	<u>\$ 752,666</u>

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

<u>Year Ended December 31:</u>	
2022	\$ 276,239
2023	276,239
2024	276,239
2025	370,758
2026	305,095
2027+	<u>599,238</u>
Total	<u>\$ 2,103,808</u>

COMPONENT UNIT – GLADWIN COUNTY ROAD COMMISSION

Plan Description – The Road Commission provides healthcare and prescription drug benefits to all full-time employees hired prior to August 19, 2009 upon retirement in accordance with labor contracts. Employees hired after August 19, 2009 who retire for any reason, will not be eligible for health insurance, dental insurance, vision insurance, life insurance, or the hearing aid rider. These employees will be required to contribute a minimum of one percent (1%) of their pay through payroll deduction to a Healthcare Savings Program (HCSP) through MERS. The Road Commission will also contribute a maximum amount equal to one percent (1%) of an employee's pay to an employee's HCSP.

NOTE 8 - OTHER POST EMPLOYMENT BENEFITS (Continued)

At year-end, membership in the Plan was comprised of 15 active plan members, 28 retirees and beneficiaries and 0 inactive members. The Road Commission includes retirees and their spouses in its insured healthcare plan. Previous eligible employees who retired on or before October 31, 2005 are not required to contribute to their healthcare plan, in accordance with labor contracts. Previous eligible employees who retired after October 31, 2005 are required to contribute monthly to their healthcare plans in the same amounts as required for active employees, in accordance with labor contracts. The monthly contribution amounts for eligible retirees and active employees vary based on the single, two person, and family coverage, and will also vary each year based on the cost of healthcare.

Effective July 1, 2012, the employer's contribution towards healthcare cannot exceed those amounts permitted by Public Act 152 (PA 152) of 2011; Publicly Funded Health Insurance Contribution Act, with maximum amounts revised July 1st of each year. Eligible retirees and active employees are required to contribute monthly towards healthcare costs that exceed employer amounts allowed under PA 152.

Funding Policy and Contributions – The contribution requirements of plan members and the Road Commission are established by labor contracts and may be amended by the Board of County Road Commissioners through labor negotiations. The Plan does not require member contributions from Road Commission employees. The required contribution is based on projected pay-as-you-go financing requirements, with optional additional amounts to prefund benefits as determined by the board of County Road Commissioners.

Annual OPEB Cost and Net OPEB Liability – The Road Commission’s annual other postemployment benefits (OPEB) cost (expense) is calculated based on the *actuarially determined contribution of the employer (ADC)*, an amount actuarially determined in accordance with the parameters of GASB Statement No. 75. The ADC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectation and new estimates are made about the future.

Participants Covered by the Benefit Terms – At the measurement date, the following participants were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits payments	15
Inactive employees entitled to but not yet receiving benefits	-
Active employees	<u>28</u>
Total participants covered by OPEB Plan	<u><u>43</u></u>

Contributions – Expenditures for postemployment healthcare benefits are recognized as the insurance premiums become due. During the year, the Road Commission paid current retiree premiums of \$299,467 and made advance funding contributions of \$125,000. The premiums for postemployment healthcare benefits and the advance funding payments were paid from and recorded as expenditures in the General Operating / Road Fund.

Net OPEB Liability – The net OPEB liability reported at year-end was determined using a measure of the total OPEB liability and the OPEB net position as of December 31, 2021. The December 31, 2021 total OPEB liability was determined by an actuarial valuation performed as of that date. Changes in the Road Commission’s proportionate share of the net OPEB liability during the year were as follows:

NOTE 8 - OTHER POST EMPLOYMENT BENEFITS (Continued)

	<u>Total OPEB Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net OPEB Liability</u>
Balances at December 31, 2020	\$ 5,260,347	\$ 515,245	\$ 4,745,102
Service cost	51,039	-	51,039
Interest on total OPEB liability	379,382	-	379,382
Expected / actual experience differences	(7,861)	-	(7,861)
Changes in actuarial assumptions	9,700	-	9,700
Contributions - OPEB Trust	-	125,000	(125,000)
Contributions - Benefits Paid	-	299,467	(299,467)
Net investment income	-	72,569	(72,569)
Benefit payments	(299,467)	(299,467)	-
Administrative expense	-	(1,037)	1,037
Net changes	<u>132,793</u>	<u>196,532</u>	<u>(63,739)</u>
Balances as December 31, 2021	<u>\$ 5,393,140</u>	<u>\$ 711,777</u>	<u>\$ 4,681,363</u>

OPEB Expense and Deferred Outflows and Inflows of Resources Related to OPEB – During the year the Road Commission recognized a negative OPEB expense of \$239,550. At year-end, the Road Commission reported deferred outflows and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 1,310
Changes of assumptions	1,627	-
Net difference between projected and actual earnings on OPEB plan investments	<u>-</u>	<u>37,771</u>
Total	<u>\$ 1,627</u>	<u>\$ 39,081</u>

The net amounts reported as deferred outflows and deferred inflows of resources will be recognized as OPEB expense as follows:

Year Ended December 31:

2022	\$ (9,661)
2023	(9,978)
2024	(11,327)
2025	<u>(6,488)</u>
Total	<u>\$ (37,454)</u>

NOTE 8 - OTHER POST EMPLOYMENT BENEFITS (Continued)

Actuarial Methods and Assumptions – Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The valuation of the total OPEB liability was determined using the following actuarial assumptions (a) 2.50% inflation, (b) projected salary increases of 3.50%, (c) investment rate of return of 7.35%, (d) 20-year Aa municipal bond rate of 2.25%, (e) mortality rates using the 2010 Public General Employees and Healthy Retires, Headcount weighted, MP-2018 improvement scale.

Discount Rate – The discount rate used to measure the total OPEB liability was 7.35%. The projection of cash flows used to determine the discount rate assumed the Road Commission will pay benefits from general operating funds on a pay-as-you-go basis and make contributions of \$125,000 annually, pursuant upon their Corrective Action Plan, to the OPEB Trust until a funding ratio of 40% is achieved. After the funding level is attained, the Road Commission will continue funding on a pay-as-you-go basis with those payments considered as contributions for purposes of determination of the effective discount rate. Based on this assumption, the retirement plan’s fiduciary net position was projected to be sufficient to make projected future benefit payments indefinitely, there is no cross-over point or depletion date, therefore the effective discount rate is equal to the long-term expected rate of return.

Investment Rate of Return – The long-term rate of return on OPEB plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates by the target asset allocation percentages and by adding expected inflation. Best estimates of arithmetic real rates of return for each major class included in the retirement plan’s target asset allocation are summarized below. The sum of each target allocation times its long-term expected real rate is 5.25%. the long-term expected rate of return after including inflation is 7.35%.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	60.00%	4.95%
Global Fixed Income	20.00%	2.40%
Private Assets	20.00%	7.00%

Concentrations – The plan is 100% in the MERS Total Market Fund.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate – the following presents the Road Commission’s net OPEB liability (asset), calculated using the discount rate of 7.65% as well as what the net OPEB liability (asset) would be if it were calculated using a discount rate that is 1% lower (6.35%) or one percent higher (8.35%) than the current rate:

	1% Decrease (6.35%)	Current Discount Rate (7.35%)	1% Increase (8.35%)
Net OPEB liability	\$4,204,861	\$4,681,423	\$5,246,562

	1% Decrease (6.35%)	Current Discount Rate (7.35%)	1% Increase (8.35%)
Net OPEB liability	\$4,204,861	\$4,681,423	\$5,246,562

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate – the following presents the Road Commission’s net OPEB liability (asset), calculated using the assumed cost trend rate, as well as what the net OPEB liability (asset) would be if it were calculated using a cost trend rate that is 1% lower or one percent higher than the current rate

	1% Decrease in Cost Trend Rate	Assumed Cost Trend Rate	1% Increase in Cost Trend Rate
Net OPEB liability	\$4,119,518	\$4,681,423	\$5,347,355

COMPONENT UNIT – GLADWIN CITY-COUNTY TRANSIT

Plan description – The Transit Authority’s defined benefit OPEB plan, provides postemployment healthcare benefits to certain retirees. The Transit Authority’s employees become eligible for post-employment healthcare benefits if they retire with 30 years of service at the Transit Authority. Article 11 of the State Compiled Statutes grants the authority to establish and amend the benefit terms and financing requirements to the Transit Authority. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75. The plan is closed and all eligible employees are currently receiving benefits.

Benefits provided – The Transit Authority provides healthcare benefits for retirees and their spouses. The benefit terms provide for payment of 90 percent of health insurance premiums for non-Medicare-eligible retirees and 90 percent of supplemental health insurance premiums for Medicare-eligible retirees.

Employees Covered by Benefit Terms – At September 30, 2021, the following employees were covered by the benefit terms:

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

Total OPEB Liability

The Transit Authority’s total OPEB liability of \$220,208 was measured as of September 30, 2020, and was determined by using the alternative measurement method as of that date.

NOTE 8 - OTHER POST EMPLOYMENT BENEFITS (Continued)

Actuarial assumptions and other inputs – The total OPEB liability in the September 30, 2021 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.26 percent
Salary increases	10.97 percent, average, including inflation
Discount rate	2.26 percent
Healthcare cost trend rates	5.7 percent for 2021-2027, increasing 2.7 percent per year on average over 2021-2027
Retirees' share of benefit-related	90 percent of projected health insurance premiums for retirees

The discount rate was based on 2.21 percent based on the index rate for 20-year tax-exempt muni bonds with rating of AAA or higher.

Mortality rates were based on the National Vital Statistics Mortality Table for Males or Females, as appropriate.

The actuarial assumptions used in the September 30, 2021 valuation were based on the results of the alternative measurement method for the period of October 1, 2020 – September 30, 2021.

Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Balance at September 30, 2020	\$ 241,986
Changes for the year:	
Changes in assumptions or other inputs	(7,012)
Benefit payments	<u>(14,766)</u>
Net change	<u>(21,778)</u>
Balance at June 30, 2020	<u>\$ 220,208</u>

Sensitivity of the total OPEB liability to changes in the discount rate – The following presents the total OPEB liability of the Transit Authority, as well as what the Transit Authority’s total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.26 percent) or 1-percentage-point higher (3.26 percent) than the current discount rate:

	1% Decrease 1.26%	Current Discount Rate 2.26%	1% Increase 3.26%
Total OPEB liability	\$233,445	\$220,208	\$209,400

Sensitivity of the total OPEB liability to changes in healthcare cost trend rates – The following presents the total OPEB liability of the Transit Authority’s, as well as what the Transit Authority’s total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (4.7 percent) or 1-percentage-point higher (6.7 percent) than the current healthcare cost trend rates:

NOTE 8 - OTHER POST EMPLOYMENT BENEFITS (Continued)

	1% Decrease 4.7%	Current Discount Rate 5.7%	1% Increase 6.7%
Total OPEB liability	\$205,797	\$220,208	\$237,312

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended September 30, 2021, the Transit Authority recognized a decrease in OPEB expense of \$5,947. At September 30, 2021, the Transit Authority did not report any deferred outflows of resources or deferred inflows of resources related to OPEB due to using the alternative measurement method to calculate their OPEB liability, which allowed the measurement date to be the same as their fiscal year end.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences in assumptions	\$ -	\$ (15,831)
Total	\$ -	\$ (15,831)

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

Year Ended December 31:

2022	\$ (4,809)
2023	(4,809)
2024	(4,809)
2025	(1,404)
Total	\$ (15,831)

The total OPEB expense recognized as calculated by the alternative measurement method is (\$21,778). The amount of \$12,280 was expensed on the books and is reported in 5022 Other Post-Employment Benefits (OPEB) the remaining amount of (\$15,831), will be amortized and expensed off over the next 4 year. Below is a tracking schedule for OPEB payments actually paid compared to the calculated OPEB expense:

Expensed per books	\$ 12,280
Less: eligible payments	
2020 paid	17,304
2021 paid	18,227
Total eligible payments	35,531
Ineligible OPEB expense (carryover)	\$ (23,251)

NOTE 9 - RISK MANAGEMENT

The County is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers compensation), as well as medical benefits provided to employees. The County manages risk through the purchase of commercial insurance.

Liability, Vehicle Physical Damage, and Property and Crime – The County is a member of the Michigan Municipal Liability and Property Pool, which is an association organized to purchase commercial insurance for protection against loss for Michigan cities, counties, townships and special service governments. The County is insured up to the following limits: Liability - \$5,000,000, vehicle physical damage - \$5,000,000 and property and crime - \$5,000,000, subject to deductibles of \$1,000 per vehicle and \$1,000 per occurrence of property and crime damage. The County is not subject to supplemental premium assessments by the association.

Workers’ Compensation – The County purchases coverage through the Michigan Municipal Workers’ Compensation Fund. The Fund is authorized by State law to provide its members with coverage required by the Workers’ Disability Compensation Act. Claims are subject to a maximum limit of \$500,000 per occurrence.

NOTE 10 - CONTINGENT LIABILITIES

The County has been named as a defendant in various litigation involving lawsuits pending and notices of intent to file suit. Management and legal counsel of the County expect no material losses in excess of insurances should an unfavorable outcome prevail. No provision for any loss has been made in the accompanying financial statements.

Under the terms of various Federal and State grants, periodic audits are required and certain costs may be questioned as not being appropriate expenditures under the terms of the grants. Such grants could lead to reimbursement to the grantor agencies. However, County management does not believe such disallowances, if any, will be material to the financial position of the County.

NOTE 11 - RESTRICTED NET POSITION

Restrictions of the net position shown in the government-wide financial statements indicate that restrictions imposed by the funding source or some other outside source which precludes their use for unrestricted purposes. The following are the various net position restrictions as of December 31, 2021.

PRIMARY GOVERNMENT	
Governmental Activities	
Specific Fund Purposes	<u>\$ 4,315,706</u>
COMPONENT UNITS	
City/County Transit	
Restricted for Other Purposes	<u>\$ 148,577</u>

NOTE 12 - RESTATEMENT

	<u>Governmental Activities</u>
Beginning net position as previously reported at January 1, 2021	\$ (11,250,159)
Restatement of beginning net position was to adjust loans receivable.	<u>964,840</u>
Net position as restated, January 1, 2021	<u>\$ (10,285,319)</u>

Required Supplementary Information

Required Supplementary Information
Employee Retirement and Benefit Systems
Schedule of Changes in the Employers' Net Pension Liability and Related Ratios
For the Year Ended December 31, 2021

	<i>Primary Government - Pension Plan Trust</i>						
	2015	2016	2017	2018	2019	2020	2021
Total pension liability							
Service cost	\$ 412,408	\$ 409,864	\$ 441,552	\$ 405,701	\$ 418,496	\$ 435,333	\$ 453,616
Interest	1,569,370	1,644,938	1,758,130	1,841,259	1,878,699	1,859,435	2,025,458
Difference between expected and actual experience	-	94,615	52,225	(451,432)	188,417	653,636	352,662
Changes of assumptions	-	1,161,028	-	-	-	778,145	1,392,061
Other	(7,401)	(133,513)	49,672	(7,994)	(110,246)	(80,473)	(123,014)
Benefit payments, including refund of member contributions	(1,017,989)	(1,096,266)	(1,213,335)	(1,275,726)	(1,376,145)	(1,426,403)	(1,515,006)
Net change in total pension liability	956,388	2,080,666	1,088,244	511,808	999,221	2,219,673	2,585,777
Total pension liability - beginning	19,325,458	20,281,846	22,362,512	23,450,756	23,962,564	24,961,785	27,181,458
Total pension liability - ending	<u>\$ 20,281,846</u>	<u>\$ 22,362,512</u>	<u>\$ 23,450,756</u>	<u>\$ 23,962,564</u>	<u>\$ 24,961,785</u>	<u>\$ 27,181,458</u>	<u>\$ 29,767,235</u>
Plan fiduciary net position							
Contributions - employer	\$ 609,169	\$ 577,523	\$ 679,332	\$ 749,545	\$ 757,546	\$ 863,519	\$ 1,072,620
Contributions - employee	164,714	174,133	177,721	188,272	194,720	205,881	215,076
Net investment income	(210,882)	1,540,528	1,945,469	(636,431)	2,069,906	2,158,720	2,639,371
Benefit payments, including refunds of member contributions	(1,017,989)	(1,096,266)	(1,213,335)	(1,275,726)	(1,376,145)	(1,426,403)	(1,515,006)
Other	-	-	2	(1)	1	1	(1)
Administrative expense	(30,827)	(30,395)	(30,808)	(31,593)	(35,662)	(34,019)	(30,273)
Net change in plan fiduciary net position	(485,815)	1,165,523	1,558,381	(1,005,934)	1,610,366	1,767,699	2,381,787
Plan fiduciary net position - beginning	14,078,802	13,592,987	14,758,510	16,316,891	15,310,957	16,921,323	18,689,022
Plan fiduciary net position - ending	<u>\$ 13,592,987</u>	<u>\$ 14,758,510</u>	<u>\$ 16,316,891</u>	<u>\$ 15,310,957</u>	<u>\$ 16,921,323</u>	<u>\$ 18,689,022</u>	<u>\$ 21,070,809</u>
Net pension liability - ending	<u>\$ 6,688,859</u>	<u>\$ 7,604,002</u>	<u>\$ 7,133,865</u>	<u>\$ 8,651,607</u>	<u>\$ 8,040,462</u>	<u>\$ 8,492,436</u>	<u>\$ 8,696,426</u>
Plan fiduciary net position as a percentage of the total pension liability	67.02%	66.00%	69.58%	63.90%	67.79%	68.76%	70.79%
Covered - employee payroll	\$ 3,387,358	\$ 3,382,771	\$ 3,710,408	\$ 3,612,563	\$ 3,815,748	\$ 4,020,224	\$ 4,216,695

County of Gladwin, Michigan

Required Supplementary Information Employee Retirement and Benefit Systems Schedule of Contributions For the Year Ended December 31, 2021

	2015	2016	2017	2018	2019	2020	2021
Actuarially determined contribution	\$ 549,097	\$ 577,523	\$ 679,332	\$ 718,776	\$ 719,652	\$ 844,603	\$ 978,312
Contributions in relation to the actuarially determined contribution	<u>523,929</u>	<u>577,523</u>	<u>679,332</u>	<u>749,545</u>	<u>757,546</u>	<u>863,519</u>	<u>1,072,620</u>
Contribution deficiency (excess)	<u>\$ 25,168</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (30,769)</u>	<u>\$ (37,894)</u>	<u>\$ (18,916)</u>	<u>\$ (94,308)</u>
Covered - employee payroll	\$ 3,387,358	\$ 3,382,771	\$ 3,710,408	\$ 3,612,563	\$ 3,815,748	\$ 4,020,224	\$ 4,216,695
Contributions as a percentage of covered-employee payroll	15.47%	17.07%	18.31%	20.75%	19.85%	21.48%	25.44%

Notes to Schedule:

Valuation date: December 31, 2020

Actuarially determined contribution rates are calculated as of December 31st each year, which is twelve months prior to the beginning of the fiscal year in which contributions were reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Individual Entry Age Normal Cost
Amortization methods	Level percent of payroll
Remaining amortization period	19 years (closed)
Asset valuation method	Market-related value with 5-year smoothing
Inflation	2.75% per year
Salary increases	3.00% including inflation
Investment rate of return	7.35%
Retirement age	Experience-based table of rates that are specific to the type of eligibility
Mortality	Assumptions were based on the Pub-2010 annual mortality tables.

Required Supplementary Information
Employee Retirement and Benefit Systems
Schedule of Changes in the OPEB Liability and Related Ratios
Year Ended December 31, 2021

	Measurement Date			
	12/31/2017	12/31/2018	12/31/2019	12/31/2020
Total OPEB Liability - Beginning of Year	\$ 7,663,633	\$ 8,034,417	\$ 7,820,245	\$ 8,738,682
Service cost	298,846	314,043	290,127	486,453
Interest on total OPEB liability	246,236	256,816	287,494	291,511
Changes in assumptions	-	(535,055)	475,026	2,900,530
Difference between actual and expected experience	-	(81,878)	-	(503,590)
Benefit payments	(174,298)	(168,098)	(134,210)	(144,689)
OPEB Liability - End of Year	<u>\$ 8,034,417</u>	<u>\$ 7,820,245</u>	<u>\$ 8,738,682</u>	<u>\$ 11,768,897</u>
Plan fiduciary net position				
Employer Contributions	174,298	168,098	134,210	144,689
Benefit payments	(174,298)	(168,098)	(134,210)	(144,689)
Net change in plan fiduciary net position	-	-	-	-
Plan fiduciary net position - Beginning of Year	-	-	-	-
Plan fiduciary net position - End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net OPEB liability - End of Year	<u>\$ 8,034,417</u>	<u>\$ 7,820,245</u>	<u>\$ 8,738,682</u>	<u>\$ 11,768,897</u>
Plan fiduciary net position as a percentage of the total OPEB liability	0%	0%	0%	0%
Covered Payroll	\$ 3,298,735	\$ 4,223,630	\$ 4,281,682	\$ 4,759,225
Net OPEB liability as a percentage of covered payroll	243.56%	185.15%	204.09%	247.29%
Schedule of Employer Contributions				
Actuarially determined contribution	174,298	572,075	593,528	828,980
Actual Contribution	174,298	168,098	134,210	144,689
Contribution deficiency/(excess)	<u>\$ -</u>	<u>\$ 403,977</u>	<u>\$ 459,318</u>	<u>\$ 684,291</u>
Covered Payroll	\$ 3,298,735	\$ 4,223,630	\$ 4,281,682	\$ 4,759,225
ADC as a percentage of payroll	5.28%	13.54%	13.86%	17.42%

Key Assumptions:

Census Collection Date	January 1, 2020
Discount rate	3.26%
Year 1 per 65 inflation rates (Medical/RX)	8.00%
Year 2 inflation rate	7.50%
Ultimate inflation rate	4.50%
Year Ultimate inflation rate is reached	2026
Actuarial Cost Method	Entry age normal (percent of salary)

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

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 4,793,231	\$ 4,846,918	\$ 4,794,786	\$ (52,132)
Licenses and Permits	434,625	481,943	481,941	(2)
Federal	221,106	265,810	358,147	92,337
State	1,326,509	1,108,028	1,089,593	(18,435)
Local	-	-	51,579	51,579
Charges for Services	1,238,010	1,345,884	1,349,442	3,558
Fines and Forfeits	21,800	23,648	26,248	2,600
Interest and Rents	88,020	85,670	85,681	11
Reimbursements	226,929	261,296	252,096	(9,200)
Other Revenue	303,326	111,368	42,975	(68,393)
TOTAL REVENUES	8,653,556	8,530,565	8,532,488	1,923
EXPENDITURES:				
Legislative				
Board of commissioners	205,895	252,043	255,878	(3,835)
Judicial				
Circuit court	434,573	350,192	340,718	9,474
District court	482,135	491,833	502,108	(10,275)
Friend of the court	293,276	294,847	298,970	(4,123)
Jury	-	275	275	-
Law Library	9,000	9,000	10,724	(1,724)
Probate court	393,178	332,267	337,608	(5,341)
Circuit court probation	1,050	700	700	-
Total Judicial	1,613,212	1,479,114	1,491,103	(11,989)
General Government				
Elections	8,150	44,919	44,919	-
Clerk	271,465	278,243	282,045	(3,802)
Equalization	175,463	179,763	181,903	(2,140)
GIS	9,750	4,725	12,399	(7,674)
Prosecuting attorney	498,749	523,432	529,334	(5,902)
Register of deeds	207,014	204,819	207,525	(2,706)
Treasurer	326,318	337,925	342,308	(4,383)
State survey & remonumentation	40,000	33,585	33,585	-
Cooperative extension	105,413	101,297	101,814	(517)
Computers	156,700	164,980	164,980	-
Building and grounds	375,144	413,311	418,669	(5,358)
Drain commission	52,151	55,845	56,474	(629)
Duplicator	53,500	59,553	59,553	-
Telephone contract	35,000	23,108	23,108	-
Mail department	48,700	40,057	40,057	-
Audit	29,500	29,495	29,495	-
Total General Government	2,393,017	2,495,057	2,528,168	(33,111)

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

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Public Safety				
Sheriff department	1,469,996	1,518,728	1,551,429	(32,701)
Secondary road patrol	94,239	103,378	105,062	(1,684)
Marine	11,600	7,774	7,774	-
Courthouse security	-	508	508	-
Jail	1,687,120	1,805,037	1,843,991	(38,954)
Inmate meals	144,500	143,629	143,629	-
Construction code	234,688	271,443	275,107	(3,664)
Planning commission	15,500	16,766	16,766	-
Zoning department	76,109	72,661	74,212	(1,551)
911	876,343	873,777	894,945	(21,168)
Emergency management	61,264	103,296	103,296	-
Animal control	166,785	167,231	170,561	(3,330)
Total Public Safety	4,838,144	5,084,228	5,187,280	(103,052)
Public Works				
DPW	550	538	538	-
Drains at large	15,000	11,755	11,755	-
Total Public Works	15,550	12,293	12,293	-
Health and Welfare				
Public health	184,961	186,101	186,101	-
Substance abuse	39,572	37,171	37,171	-
Mental health	91,531	91,531	91,531	-
Mental health guardianship	16,800	16,450	16,450	-
Veterans	95,942	96,279	103,276	(6,997)
Soldiers & sailors	1,250	1,250	-	1,250
Medical examiner	83,388	76,500	76,500	-
Total Health and Welfare	513,444	505,282	511,029	(5,747)
Recreation & Culture				
Parks	2,200	2,553	2,553	-
Other				
Insurance and bonds	200,294	235,459	235,459	-
Health insurance	109,107	151,828	151,828	-
Retirement	30,000	30,000	30,000	-
City/County airport	15,000	15,000	15,000	-
Total Other	354,401	432,287	432,287	-
Debt Service	-	466,870	466,870	-
Capital Outlay	251,500	190,875	190,875	-
Total Expenditures	10,187,363	10,920,602	11,078,336	(157,734)

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

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	<u>(1,533,807)</u>	<u>(2,390,037)</u>	<u>(2,545,848)</u>	<u>(155,811)</u>
OTHER FINANCING SOURCES (USES):				
Lease Proceeds	-	-	-	-
Transfers In	1,705,841	2,812,998	2,918,402	105,404
Transfers Out	<u>(170,913)</u>	<u>(362,165)</u>	<u>(364,668)</u>	<u>(2,503)</u>
Total Other Financing Sources (Uses)	<u>1,534,928</u>	<u>2,450,833</u>	<u>2,553,734</u>	<u>102,901</u>
NET CHANGE IN FUND BALANCES	<u>\$ 1,121</u>	<u>\$ 60,796</u>	7,886	<u>\$ (52,910)</u>
FUND BALANCE BEGINNING OF YEAR			<u>318,645</u>	
FUND BALANCE END OF YEAR			<u>\$ 326,531</u>	

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

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final	Amounts	
REVENUES:				
Taxes	\$ 477,546	\$ 477,546	\$ 515,749	\$ 38,203
Interest and Rents	9,000	9,000	495	(8,505)
TOTAL REVENUES	486,546	486,546	516,244	29,698
EXPENDITURES:				
Health & Welfare	752,800	752,800	934,293	(181,493)
TOTAL EXPENDITURES	752,800	752,800	934,293	(181,493)
NET CHANGE IN FUND BALANCES	\$ (266,254)	\$ (266,254)	(418,049)	\$ (151,795)
FUND BALANCE BEGINNING OF YEAR			1,496,996	
FUND BALANCE END OF YEAR			\$ 1,078,947	

**Required Supplementary Information
Budgetary Comparison Schedule
E 911 Millage Fund
For the Year Ended December 31, 2021**

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final	Amounts	
REVENUES:				
Taxes	\$ -	\$ -	\$ 769,837	\$ 769,837
Interest and Rents	-	-	275	275
TOTAL REVENUES	-	-	770,112	770,112
EXPENDITURES:				
Public Safety	-	-	1,983	(1,983)
TOTAL EXPENDITURES	-	-	1,983	(1,983)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	-	-	768,129	768,129
OTHER FINANCING SOURCES (USES)				
Transfers Out	-	-	(876,343)	(876,343)
NET CHANGE IN FUND BALANCES	\$ -	\$ -	(108,214)	\$ (108,214)
FUND BALANCE BEGINNING OF YEAR			505,710	
FUND BALANCE END OF YEAR			\$ 397,496	

**Required Supplementary Information
Budgetary Comparison Schedule
Wireless E 911 Fund
For the Year Ended December 31, 2021**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
State	\$ 166,000	\$ 166,000	\$ 164,841	\$ (1,159)
Interest and Rents	3,800	3,800	1,810	(1,990)
TOTAL REVENUES	169,800	169,800	166,651	(3,149)
EXPENDITURES:				
Public Safety	434,753	434,753	8,635	426,118
TOTAL EXPENDITURES	434,753	434,753	8,635	426,118
NET CHANGE IN FUND BALANCES	\$ (264,953)	\$ (264,953)	158,016	\$ 422,969
FUND BALANCE BEGINNING OF YEAR			1,275,665	
FUND BALANCE END OF YEAR			\$ 1,433,681	

**Required Supplementary Information
Budgetary Comparison Schedule
American Recovery Protection Act Fund
For the Year Ended December 31, 2021**

	Budgeted Amounts		Actual	Variance with Final Budget - Positive
	Original	Final	Amounts	(Negative)
REVENUES:				
Federal	\$ -	\$ -	\$ 962,650	\$ 962,650
Interest and Rents	-	-	808	808
TOTAL REVENUES	-	-	963,458	963,458
EXPENDITURES:				
Health & Welfare	-	-	75,655	(75,655)
TOTAL EXPENDITURES	-	-	75,655	(75,655)
OTHER FINANCING SOURCES (USES)				
Transfers Out		(15,540)	(886,995)	(871,455)
NET CHANGE IN FUND BALANCES	\$ -	\$ (15,540)	808	\$ 16,348
FUND BALANCE BEGINNING OF YEAR			-	
FUND BALANCE END OF YEAR			\$ 808	

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

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
REVENUES:				
Taxes	\$ 687,207	\$ 687,207	\$ 755,364	\$ 68,157
Interest and Rents	450	450	291	(159)
TOTAL REVENUES	687,657	687,657	755,655	67,998
EXPENDITURES:				
Health & Welfare	687,450	687,450	725,856	(38,406)
TOTAL EXPENDITURES	687,450	687,450	725,856	(38,406)
NET CHANGE IN FUND BALANCES	\$ 207	\$ 207	29,799	\$ 29,592
FUND BALANCE BEGINNING OF YEAR			85,090	
FUND BALANCE END OF YEAR			\$ 114,889	

Other Information

**Combining Balance Sheet
General Funds
December 31, 2021**

	General	MSU Extension	Law Library	Soldier's & Sailor's	Veterans Memorial	Totals
ASSETS:						
Cash and Equivalents	\$ 316,092	\$ 59,103	\$ 224	\$ -	\$ 2,091	\$ 377,510
Taxes Receivable	395,661	96,408	-	-	-	492,069
Due from Governmental Units	154,740	-	-	-	-	154,740
Prepays	13,200	-	-	-	-	13,200
TOTAL ASSETS	\$ 879,693	\$ 155,511	\$ 224	\$ -	\$ 2,091	\$ 1,037,519
LIABILITIES:						
Accounts Payable	\$ 106,697	\$ -	\$ -	\$ -	\$ -	\$ 106,697
Accrued Liabilities	163,611	-	-	-	-	163,611
TOTAL LIABILITIES	270,308	-	-	-	-	270,308
DEFERRED INFLOWS:						
Property Taxes Levied for Subsequent Period	327,087	113,593	-	-	-	440,680
FUND BALANCES:						
Nonspendable	13,200	-	-	-	-	13,200
Assigned	-	41,918	224	-	2,091	44,233
Unassigned	269,098	-	-	-	-	269,098
TOTAL FUND BALANCES	282,298	41,918	224	-	2,091	326,531
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	\$ 879,693	\$ 155,511	\$ 224	\$ -	\$ 2,091	\$ 1,037,519

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

	General	MSU Extension	Law Library	Soldier's & Sailor's	Veterans Memorial	Totals
REVENUES:						
Taxes	\$ 4,690,689	\$ 104,097	\$ -	\$ -	\$ -	\$ 4,794,786
Licenses and Permits	481,941	-	-	-	-	481,941
Federal Sources	358,147	-	-	-	-	358,147
State Sources	1,088,965	628	-	-	-	1,089,593
Local Sources	51,579	-	-	-	-	51,579
Charges for Services	1,349,442	-	-	-	-	1,349,442
Interest and Rentals	85,650	31	-	-	-	85,681
Fines and Forfeitures	23,648	-	2,600	-	-	26,248
Reimbursements	252,096	-	-	-	-	252,096
Other Revenue	40,884	-	-	-	2,091	42,975
TOTAL REVENUES	8,423,041	104,756	2,600	-	2,091	8,532,488
EXPENDITURES:						
Legislative	255,878	-	-	-	-	255,878
Judicial	1,480,379	-	10,724	-	-	1,491,103
General Government	2,526,972	1,196	-	-	-	2,528,168
Public Safety	5,187,280	-	-	-	-	5,187,280
Public Works	12,293	-	-	-	-	12,293
Health and Welfare	504,110	-	-	-	6,919	511,029
Recreation and Culture	2,553	-	-	-	-	2,553
Debt Service	466,870	-	-	-	-	466,870
Capital Outlay	190,875	-	-	-	-	190,875
Other Expenditures	432,287	-	-	-	-	432,287
TOTAL EXPENDITURES	11,059,497	1,196	10,724	-	6,919	11,078,336
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	(2,636,456)	103,560	(8,124)	-	(4,828)	(244,250)
OTHER FINANCING SOURCES (USES):						
Transfers In	2,907,852	-	9,000	1,250	300	2,918,402
Transfers Out	(258,002)	(104,163)	-	(2,503)	-	(364,668)
TOTAL OTHER FINANCING SOURCES (USES)	2,649,850	(104,163)	9,000	(1,253)	300	2,553,734
NET CHANGE IN FUND BALANCES	13,394	(603)	876	(1,253)	(4,528)	7,886
FUND BALANCE BEGINNING OF YEAR	268,904	42,521	(652)	1,253	6,619	318,645
FUND BALANCE END OF YEAR	\$ 282,298	\$ 41,918	\$ 224	\$ -	\$ 2,091	\$ 326,531

**Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2021**

	Special Revenue Funds							
	Friend of the Court	Animal Shelter Millage	Gypsy Moth	Breault Road Tower	Economic Development Administration	Courthouse Preservation	Economic Development Revolving	
ASSETS:								
Cash and Equivalents	\$ 205,327	\$ 151,066	\$ 70,406	\$ 27,004	\$ 55,537	\$ 63,064	\$ 58,620	\$ 58,399
Accounts Receivable	-	-	-	-	-	-	27,730	-
Loans Receivable	-	-	-	-	-	-	-	-
Taxes Receivable	-	189,390	766,734	-	-	-	-	-
Due from Other Funds	-	-	-	-	3,000	-	-	-
Due from Other Governmental Units	20,856	-	-	-	-	-	-	-
TOTAL ASSETS	\$ 226,183	\$ 340,456	\$ 837,140	\$ 27,004	\$ 58,537	\$ 63,064	\$ 86,350	\$ 58,399
LIABILITIES:								
Due to Other Funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,000	\$ -
Accounts Payable	-	-	-	-	-	-	-	-
TOTAL LIABILITIES	-	-	-	-	-	-	3,000	-
DEFERRED INFLOWS OF RESOURCES:								
Property Taxes Levied for Subsequent Period	-	206,825	778,309	-	-	-	-	-
Loan Sources	-	-	-	-	-	-	-	-
Other State Grants/Loans	-	-	-	-	-	-	27,730	-
TOTAL DEFERRED INFLOWS OF RESOURCES	-	206,825	778,309	-	-	-	27,730	-
FUND BALANCES:								
Restricted	226,183	133,631	58,831	27,004	58,537	63,064	55,620	58,399
Committed	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-
TOTAL FUND BALANCES	226,183	133,631	58,831	27,004	58,537	63,064	55,620	58,399
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 226,183	\$ 340,456	\$ 837,140	\$ 27,004	\$ 58,537	\$ 63,064	\$ 86,350	\$ 58,399

**Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2021**

	Special Revenue Funds							
	FEMA Flood Mapping	Marriage Counseling	Concealed Pistol	Corrections Officer Training	Drug Enforcement	Social Welfare	CDBG	
ASSETS:								
Cash and Equivalents	\$ 1,301	\$ 31,846	\$ 23,075	\$ 22,251	\$ 6,677	\$ -	\$ 114,640	\$ 408,340
Accounts Receivable	-	-	-	-	-	-	-	-
Loans Receivable	-	-	-	-	-	-	873,737	-
Taxes Receivable	-	-	-	-	-	-	-	-
Due from Other Funds	-	-	-	-	-	-	-	-
Due from Other Governmental Units	-	-	-	-	-	-	-	-
TOTAL ASSETS	\$ 1,301	\$ 31,846	\$ 23,075	\$ 22,251	\$ 6,677	\$ -	\$ 988,377	\$ 408,340
LIABILITIES:								
Due to Other Funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts Payable	-	-	-	-	-	-	-	-
TOTAL LIABILITIES	-	-	-	-	-	-	-	-
DEFERRED INFLOWS OF RESOURCES:								
Property Taxes Levied for Subsequent Period	-	-	-	-	-	-	-	-
Loan Sources	-	-	-	-	-	-	873,737	-
Other State Grants	-	-	-	-	-	-	-	-
TOTAL DEFERRED INFLOWS OF RESOURCES	-	-	-	-	-	-	873,737	-
FUND BALANCES:								
Restricted	1,301	31,846	23,075	22,251	6,677	-	-	408,340
Committed	-	-	-	-	-	-	114,640	-
Assigned	-	-	-	-	-	-	-	-
TOTAL FUND BALANCES	1,301	31,846	23,075	22,251	6,677	-	114,640	408,340
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 1,301	\$ 31,846	\$ 23,075	\$ 22,251	\$ 6,677	\$ -	\$ 988,377	\$ 408,340

**Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2021**

	Special Revenue Funds							
	Commissary	Sheriff Training	Jail Telephone	Project Fresh	DHS - Child Care	Probate Court Child Care	Veterans	Veterans Bouillard
ASSETS:								
Cash and Equivalents	\$ 15,825	\$ 7,628	\$ 58,100	\$ -	\$ 17,713	\$ 30,898	\$ 787	\$ 9,900
Accounts Receivable	-	-	-	-	-	-	-	-
Loans Receivable	-	-	-	-	-	-	-	-
Taxes Receivable	-	-	-	-	-	-	-	-
Due from Other Funds	-	-	-	-	-	-	-	-
Due from Other Governmental Units	-	-	-	-	-	-	-	-
TOTAL ASSETS	\$ 15,825	\$ 7,628	\$ 58,100	\$ -	\$ 17,713	\$ 30,898	\$ 787	\$ 9,900
LIABILITIES:								
Due to Other Funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts Payable	-	-	-	-	-	-	-	-
TOTAL LIABILITIES	-	-	-	-	-	-	-	-
DEFERRED INFLOWS OF RESOURCES:								
Property Taxes Levied for Subsequent Period	-	-	-	-	-	-	-	-
Loan Sources	-	-	-	-	-	-	-	-
Other State Grants	-	-	-	-	-	-	-	-
TOTAL DEFERRED INFLOWS OF RESOURCES	-	-	-	-	-	-	-	-
FUND BALANCES:								
Restricted	-	7,628	58,100	-	17,713	30,898	787	-
Committed	-	-	-	-	-	-	-	-
Assigned	15,825	-	-	-	-	-	-	9,900
TOTAL FUND BALANCES	15,825	7,628	58,100	-	17,713	30,898	787	9,900
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 15,825	\$ 7,628	\$ 58,100	\$ -	\$ 17,713	\$ 30,898	\$ 787	\$ 9,900

	Special Revenue Funds					Totals
	Disaster Contingency	Veterans Service Fund	Soil Conservation	Victims Advocate	Trail & Recreation	
ASSETS:						
Cash and Equivalents	\$ 3,501	\$ 48,172	\$ -	\$ -	\$ 49,789	1,539,866
Accounts Receivable	-	-	-	-	-	27,730
Loans Receivable	-	-	-	-	-	873,737
Taxes Receivable	-	-	-	-	-	956,124
Due from Other Funds	-	-	-	-	-	3,000
Due from Other Governmental Units	-	-	-	-	42,211	63,067
TOTAL ASSETS	\$ 3,501	\$ 48,172	\$ -	\$ -	\$ 92,000	3,463,524
LIABILITIES:						
Due to Other Funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,000
Accounts Payable	-	-	-	-	92,000	92,000
TOTAL LIABILITIES	-	-	-	-	92,000	95,000
DEFERRED INFLOWS OF RESOURCES:						
Property Taxes Levied for Subsequent Period	-	-	-	-	-	985,134
Loan Sources	-	-	-	-	-	873,737
Other State Grants	-	-	-	-	-	27,730
TOTAL DEFERRED INFLOWS OF RESOURCES	-	-	-	-	-	1,886,601
FUND BALANCES:						
Restricted	-	-	-	-	-	1,289,885
Committed	-	-	-	-	-	114,640
Assigned	3,501	48,172	-	-	-	77,398
TOTAL FUND BALANCES	3,501	48,172	-	-	-	1,481,923
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 3,501	\$ 48,172	\$ -	\$ -	\$ 92,000	\$ 3,463,524

County of Gladwin, Michigan

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

	Special Revenue Funds							
	Friend of the Court	Animal Shelter Millage	Gypsy Moth	Breault Road Tower	Economic Development Administration	Courthouse Preservation	Economic Development Revolving	Register of Deeds Technology
REVENUES:								
Taxes	\$ -	\$ 203,744	\$ 52,619	\$ -	\$ -	\$ -	\$ -	\$ -
Federal	72,051	-	-	-	16,344	-	-	-
State	14,111	1,143	-	-	13,311	-	-	-
Local	-	-	-	-	-	-	-	-
Charges for Services	5,360	11,688	-	-	-	-	1,246	45,495
Interest and Rents	-	70	-	-	17	-	193	6
Other Revenue	-	-	-	18,804	12,141	-	-	-
TOTAL REVENUES	91,522	216,645	52,619	18,804	41,813	-	1,439	45,501
EXPENDITURES:								
Judicial	-	-	-	-	-	28,380	-	-
General Government	-	-	-	-	-	-	-	36,671
Public Safety	-	2,077	-	-	-	-	-	-
Health and Welfare	-	-	1,106	-	-	-	-	-
Community and Economic Development	-	-	-	-	37,401	-	16,988	-
Recreation and Culture	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	-	2,077	1,106	-	37,401	28,380	16,988	36,671
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	91,522	214,568	51,513	18,804	4,412	(28,380)	(15,549)	8,830
OTHER FINANCING SOURCES (USES):								
Transfers In	-	-	-	-	5,000	45,000	-	-
Transfers Out	(68,000)	(169,006)	-	-	-	-	-	(10,000)
TOTAL OTHER FINANCING SOURCES (USES)	(68,000)	(169,006)	-	-	5,000	45,000	-	(10,000)
NET CHANGE IN FUND BALANCES	23,522	45,562	51,513	18,804	9,412	16,620	(15,549)	(1,170)
FUND BALANCE BEGINNING OF YEAR	202,661	88,069	7,318	8,200	49,125	46,444	71,169	59,569
FUND BALANCE END OF YEAR	\$ 226,183	\$ 133,631	\$ 58,831	\$ 27,004	\$ 58,537	\$ 63,064	\$ 55,620	\$ 58,399

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

	Special Revenue Funds							
	FEMA Flood Mapping	Marriage Counseling	Concealed Pistol	Corrections Officer Training	Drug Enforcement	Social Welfare	CDBG	
REVENUES:								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Federal	-	-	-	-	-	-	-	-
State	-	-	-	-	-	-	-	-
Local	-	-	-	-	-	-	-	-
Charges for Services	-	1,695	23,284	2,406	1,854	-	91,103	131,379
Interest and Rents	-	-	-	-	-	-	10	207
Other Revenue	-	-	-	-	-	-	-	-
TOTAL REVENUES	-	1,695	23,284	2,406	1,854	-	91,113	131,586
EXPENDITURES:								
Judicial	-	3,378	-	-	-	-	-	-
General Government	-	-	-	-	-	-	-	-
Public Safety	-	-	5,787	5,322	200	-	-	87,746
Health and Welfare	-	-	-	-	-	845	-	-
Community and Economic Development	-	-	-	-	-	-	16,533	-
Recreation and Culture	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	-	3,378	5,787	5,322	200	845	16,533	87,746
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	-	(1,683)	17,497	(2,916)	1,654	(845)	74,580	43,840
OTHER FINANCING SOURCES (USES):								
Transfers In	-	-	-	-	-	845	-	-
Transfers Out	-	-	(15,000)	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	(15,000)	-	-	845	-	-
NET CHANGE IN FUND BALANCES	-	(1,683)	2,497	(2,916)	1,654	-	74,580	43,840
FUND BALANCE BEGINNING OF YEAR	1,301	33,529	20,578	25,167	5,023	-	40,060	364,500
FUND BALANCE END OF YEAR	\$ 1,301	\$ 31,846	\$ 23,075	\$ 22,251	\$ 6,677	\$ -	\$ 114,640	\$ 408,340

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

	Special Revenue Funds							
	Commissary	Sheriff Training	Jail Telephone	Project Fresh	DHS - Child Care	Probate Court - Child Care	Veterans Bouillard	
REVENUES:								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Federal	-	-	-	-	-	-	-	
State	-	1,874	-	-	-	128,772	-	
Local	-	-	-	-	-	-	-	
Charges for Services	33,163	-	52,277	-	-	1,325	-	
Interest and Rents	-	-	-	-	-	-	-	
Other Revenue	-	-	-	-	158	-	9,900	
TOTAL REVENUES	<u>33,163</u>	<u>1,874</u>	<u>52,277</u>	<u>-</u>	<u>158</u>	<u>130,097</u>	<u>-</u>	<u>9,900</u>
EXPENDITURES:								
Judicial	-	-	-	-	-	-	-	
General Government	-	-	-	-	-	-	-	
Public Safety	25,400	2,107	1,662	-	-	-	-	
Health and Welfare	-	-	-	-	-	325,693	14,740	
Community and Economic Development	-	-	-	-	-	-	-	
Recreation and Culture	-	-	-	-	-	-	-	
TOTAL EXPENDITURES	<u>25,400</u>	<u>2,107</u>	<u>1,662</u>	<u>-</u>	<u>-</u>	<u>325,693</u>	<u>-</u>	<u>14,740</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	<u>7,763</u>	<u>(233)</u>	<u>50,615</u>	<u>-</u>	<u>158</u>	<u>(195,596)</u>	<u>-</u>	<u>(4,840)</u>
OTHER FINANCING SOURCES (USES):								
Transfers In	-	-	-	-	-	190,000	-	-
Transfers Out	-	-	(25,000)	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>(25,000)</u>	<u>-</u>	<u>-</u>	<u>190,000</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	7,763	(233)	25,615	-	158	(5,596)	-	(4,840)
FUND BALANCE BEGINNING OF YEAR	8,062	7,861	32,485	-	17,555	36,494	787	14,740
FUND BALANCE END OF YEAR	<u>\$ 15,825</u>	<u>\$ 7,628</u>	<u>\$ 58,100</u>	<u>\$ -</u>	<u>\$ 17,713</u>	<u>\$ 30,898</u>	<u>\$ 787</u>	<u>\$ 9,900</u>

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

	Special Revenue Fund					
	Disaster Contingency	Veterans Service Grant	Soil Conservation	Victims Advocate	Trail & Recreation	Totals
REVENUES:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 256,363
Federal	-	-	-	-	-	88,395
State	-	27,449	-	-	-	186,660
Local	-	-	-	-	242,211	242,211
Charges for Services	-	-	-	-	-	402,275
Interest and Rents	-	18	-	-	-	521
Other Revenue	-	-	-	230	-	41,233
TOTAL REVENUES	-	27,467	-	230	242,211	1,217,658
EXPENDITURES:						
Judicial	-	-	-	-	-	31,758
General Government	-	-	45	-	-	36,716
Public Safety	-	-	-	255	-	130,556
Health and Welfare	-	15,196	-	-	-	357,580
Community and Economic Development	-	-	-	-	-	70,922
Recreation and Culture	-	-	-	-	274,711	274,711
TOTAL EXPENDITURES	-	15,196	45	255	274,711	902,243
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	-	12,271	(45)	(25)	(32,500)	315,415
OTHER FINANCING SOURCES (USES):						
Transfers In	-	6,607	-	-	-	247,452
Transfers Out	-	(9,542)	-	-	-	(296,548)
TOTAL OTHER FINANCING SOURCES (USES)	-	(2,935)	-	-	-	(49,096)
NET CHANGE IN FUND BALANCES	-	9,336	(45)	(25)	(32,500)	266,319
FUND BALANCE BEGINNING OF YEAR	3,501	38,836	45	25	32,500	1,215,604
FUND BALANCE END OF YEAR	\$ 3,501	\$ 48,172	\$ -	\$ -	\$ -	\$ 1,481,923

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

	2018 Tax Revolving	2019 Tax Revolving	2020 Tax Revolving	Totals
ASSETS:				
Cash and Equivalents	\$ -	\$ 336,971	\$ 150,559	\$ 487,530
Taxes Receivable	3	10,383	143,121	153,507
Due from Other Governmental Units	-	34,823	-	34,823
TOTAL ASSETS	\$ 3	\$ 382,177	\$ 293,680	\$ 675,860
NET POSITION:				
Unrestricted	\$ 3	\$ 382,177	\$ 293,680	\$ 675,860
TOTAL NET POSITION	\$ 3	\$ 382,177	\$ 293,680	\$ 675,860

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

	2018 Tax Revolving	2019 Tax Revolving	2020 Tax Revolving	Totals
OPERATING REVENUES:				
Interest and Penalties on Taxes	\$ 3,038	\$ 61,545	\$ 131,452	\$ 196,035
Administrative Fees	242	8,553	33,165	41,960
Total Operating Revenues	<u>3,280</u>	<u>70,098</u>	<u>164,617</u>	<u>237,995</u>
OPERATING EXPENSES:				
Other Supplies & Expenses	<u>9,903</u>	<u>-</u>	<u>5,333</u>	<u>15,236</u>
Total Operating Expenses	<u>9,903</u>	<u>-</u>	<u>5,333</u>	<u>15,236</u>
OPERATING INCOME (LOSS)	<u>(6,623)</u>	<u>70,098</u>	<u>159,284</u>	<u>222,759</u>
NON-OPERATING REVENUES (EXPENSES):				
Interest Expense	-	-	(5,283)	(5,283)
Interest Income	<u>26</u>	<u>29</u>	<u>12</u>	<u>67</u>
Total Non-Operating Revenues (Expenses)	<u>26</u>	<u>29</u>	<u>(5,271)</u>	<u>(5,216)</u>
Income (Loss) Before Transfers	<u>(6,597)</u>	<u>70,127</u>	<u>154,013</u>	<u>217,543</u>
Other Financing Sources (Uses)				
Transfers Out	<u>(320,822)</u>	<u>-</u>	<u>-</u>	<u>(320,822)</u>
CHANGE IN NET POSITION	<u>(327,419)</u>	<u>70,127</u>	<u>154,013</u>	<u>(103,279)</u>
NET POSITION, BEGINNING OF YEAR	<u>327,422</u>	<u>312,050</u>	<u>139,667</u>	<u>779,139</u>
NET POSITION, END OF YEAR	<u>\$ 3</u>	<u>\$ 382,177</u>	<u>\$ 293,680</u>	<u>\$ 675,860</u>

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

	2018 Tax Revolving	2019 Tax Revolving	2020 Tax Revolving	Totals
Cash Flows From Operating Activities:				
Cash Received from Customers	\$ 78,525	\$ 201,074	\$ 998,263	\$ 1,277,862
Cash Paid to Other Funds	(9,903)	-	(5,333)	(15,236)
Net Cash Provided (Used) by Operating Activities	<u>68,622</u>	<u>201,074</u>	<u>992,930</u>	<u>1,262,626</u>
Cash Flows From Noncapital and Related Financing Activities:				
Transfers Out	(320,822)	-	-	(320,822)
Net Cash Provided (Used) by Noncapital and Related Financing Activities	<u>(320,822)</u>	<u>-</u>	<u>-</u>	<u>(320,822)</u>
Cash Flows From Capital and Related Financing Activities:				
Interest Payments	-	-	(5,283)	(5,283)
Principal Payments	-	-	(940,000)	(940,000)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>-</u>	<u>-</u>	<u>(945,283)</u>	<u>(945,283)</u>
Cash Flows from Investing Activities:				
Interest on Deposits	26	29	12	67
Net Cash Provided (Used) by Investing Activities	<u>26</u>	<u>29</u>	<u>12</u>	<u>67</u>
Net Increase (Decrease) in Cash and Equivalents	(252,174)	201,103	47,659	(3,412)
Cash and Equivalents - Beginning of Year	252,174	135,868	102,900	490,942
Cash and Equivalents - End of Year	<u>\$ -</u>	<u>\$ 336,971</u>	<u>\$ 150,559</u>	<u>\$ 487,530</u>
Reconciliation of Operating Income (Loss) to				
Net Cash Provided (Used) by Operating Activities:				
Operating Income (Loss)	\$ (6,623)	\$ 70,098	\$ 159,284	\$ 222,759
Adjustments to Reconcile Operating Income (Loss) to				
Net Cash Provided (Used) by Operating Activities:				
Change in Assets and Liabilities:				
(Increase) Decrease in Assets				
Receivables	28,335	165,799	833,646	1,027,780
Due from Other Governmental Units	46,910	(34,823)	-	12,087
(Decrease) Increase in Liabilities				
Due to Other Funds	-	-	-	-
Net Cash Provided (Used) by Operating Activities	<u>\$ 68,622</u>	<u>\$ 201,074</u>	<u>\$ 992,930</u>	<u>\$ 1,262,626</u>

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

	Trust and Agency	Library Fund (Penal Fines)	Inmate Trust	Totals
ASSETS:				
Cash and Equivalents	\$ 504,067	\$ 6,402	\$ 8,258	\$ 518,727
LIABILITIES:				
Due to Other Governmental Units	\$ 103,181	\$ 6,402	\$ -	\$ 109,583
Due to Individuals and Agencies	400,886	-	8,258	409,144
TOTAL LIABILITIES	\$ 504,067	\$ 6,402	\$ 8,258	\$ 518,727

**Combining Balance Sheet
Component Unit - Drainage Districts
December 31, 2021**

	Debt Service		Capital Project Funds		
	Drain	Revolving Drain	Storm Water Management	Chappel Dam Construction Fund	Wiggins Dam
ASSETS:					
Cash and Equivalents	\$ 103,548	\$ 7,903	\$ 5,576	\$ -	\$ 37,361
Receivables					
Special Assessments	45,734	-	-	-	-
Due from Other Funds	358,669	78,271	-	55,500	-
TOTAL ASSETS	\$ 507,951	\$ 86,174	\$ 5,576	\$ 55,500	\$ 37,361
LIABILITIES:					
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ -
Due to Other Funds	436,940	-	-	-	-
Due to Other Governmental Units	-	6,300	-	-	-
TOTAL LIABILITIES	436,940	6,300	-	-	-
DEFERRED INFLOWS OF RESOURCES:					
Unavailable Revenue	45,734	-	-	-	-
FUND BALANCES:					
Restricted for Debt Service	-	-	-	-	-
Committed for Capital Improvements	25,277	79,874	5,576	55,500	37,361
TOTAL FUND BALANCES	25,277	79,874	5,576	55,500	37,361
TOTAL LIABILITIES, DEFERRED INFLOWS RESOURCES, AND FUND BALANCES	\$ 507,951	\$ 86,174	\$ 5,576	\$ 55,500	\$ 37,361

**Combining Balance Sheet
Component Unit - Drainage Districts
December 31, 2021**

	Capital Project Funds				Totals
	Lake Level	Chappel Dam Debt Retirement	Wiggins Lake Dam	Lake Improvement	
ASSETS:					
Cash and Equivalents	\$ 126,450	\$ 39,227	\$ 54,107	\$ 405,638	\$ 779,810
Receivables					
Special Assessments	163,128	-	-	76,653	285,515
Due from Other Funds	-	-	-	-	492,440
TOTAL ASSETS	\$ 289,578	\$ 39,227	\$ 54,107	\$ 482,291	\$ 1,557,765
LIABILITIES:					
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ -
Due to Other Funds	40,500	-	-	15,000	492,440
Due to Other Governmental Units	-	-	-	-	6,300
TOTAL LIABILITIES	40,500	-	-	15,000	498,740
DEFERRED INFLOWS OF RESOURCES:					
Unavailable Revenue	163,128	-	-	76,653	285,515
FUND BALANCES:					
Restricted for Debt Service	-	39,227	54,107	-	93,334
Committed for Capital Improvements	85,950	-	-	390,638	680,176
TOTAL FUND BALANCES	85,950	39,227	54,107	390,638	773,510
TOTAL LIABILITIES, DEFERRED INFLOWS RESOURCES, AND FUND BALANCES	\$ 289,578	\$ 39,227	\$ 54,107	\$ 482,291	\$ 1,557,765

County of Gladwin, Michigan

Reconciliation of the Combining Balance Sheet to the Statement of Net Position - Component Unit - Drainage Districts December 31, 2021

Total fund balances - governmental funds \$ 773,510

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

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds.

Capital assets, net 2,081,833

Long-term receivables are not available to pay for current period expenditures and therefore are not available in the funds. They consist of:

Special Assessments 285,515

Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of the following:

Notes payable	(1,005,000)	
Accrued interest payable	(3,538)	
	<u> </u>	<u>(1,008,538)</u>

Net position of governmental activities \$ 2,132,320

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

	Debt Service		Capital Project Funds		
	Drain	Revolving Drain	Storm Water Management	Chappel Dam Construction Fund	Wiggins Dam
REVENUES					
Special Assessment	\$ 139,103	\$ -	\$ 3,029	\$ -	\$ -
Interest	18	-	-	-	9
Total Revenues	<u>139,121</u>	<u>-</u>	<u>3,029</u>	<u>-</u>	<u>9</u>
EXPENDITURES					
Public works	224,597	-	2,253	-	183,641
Debt Service	-	-	-	-	-
Total Expenditures	<u>224,597</u>	<u>-</u>	<u>2,253</u>	<u>-</u>	<u>183,641</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	<u>(85,476)</u>	<u>-</u>	<u>776</u>	<u>-</u>	<u>(183,632)</u>
Other Financing Sources/(Uses)					
Loan Proceeds	-	-	-	-	-
Transfers In	-	-	4,800	-	-
Transfers Out	(4,800)	-	-	-	-
Total Other Financing Sources/(Uses)	<u>(4,800)</u>	<u>-</u>	<u>4,800</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	(90,276)	-	5,576	-	(183,632)
FUND BALANCE BEGINNING OF YEAR	<u>115,553</u>	<u>79,874</u>	<u>-</u>	<u>55,500</u>	<u>220,993</u>
FUND BALANCE END OF YEAR	<u>\$ 25,277</u>	<u>\$ 79,874</u>	<u>\$ 5,576</u>	<u>\$ 55,500</u>	<u>\$ 37,361</u>

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

	Capital Project Funds				Totals
	Lake Level	Chappel Dam Debt Retirement	Wiggins Lake Dam	Lake Improvement	
REVENUES					
Special Assessment	\$ 249,893	\$ 122,386	\$ 85,150	\$ 110,583	\$ 710,144
Interest	-	9	4	-	40
Total Revenues	<u>249,893</u>	<u>122,395</u>	<u>85,154</u>	<u>110,583</u>	<u>710,184</u>
EXPENDITURES					
Public works	228,316	-	1,200	81,540	721,547
Debt Service	-	192,038	47,593	-	239,631
Total Expenditures	<u>228,316</u>	<u>192,038</u>	<u>48,793</u>	<u>81,540</u>	<u>961,178</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	<u>21,577</u>	<u>(69,643)</u>	<u>36,361</u>	<u>29,043</u>	<u>(250,994)</u>
Other Financing Sources/(Uses)					
Loan Proceeds	-	-	-	-	-
Transfers In	-	-	-	-	4,800
Transfers Out	-	-	-	-	(4,800)
Total Other Financing Sources/(Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	21,577	(69,643)	36,361	29,043	(250,994)
FUND BALANCE BEGINNING OF YEAR	<u>64,373</u>	<u>108,870</u>	<u>17,746</u>	<u>361,595</u>	<u>1,024,504</u>
FUND BALANCE END OF YEAR	<u>\$ 85,950</u>	<u>\$ 39,227</u>	<u>\$ 54,107</u>	<u>\$ 390,638</u>	<u>\$ 773,510</u>

**Reconciliation of the Statement of Revenues, Expenditures, and Changes
in Fund Balance of to the Statement of Activities
Component Unit - Drainage Districts
For the Year Ended December 31, 2021**

Net changes in fund balances - total governmental funds \$ (250,994)

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

Governmental funds reported capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital Outlay	180,101	
Depreciation Expense	<u>(32,288)</u>	
Excess of depreciation expense		147,813

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. In the current period, these amounts consist of:

Unavailable Revenue	(200,677)
Debt Proceeds	-

Repayment of long-term debt and borrowing of long-term debt is reported as expenditures and other financing sources in governmental funds, but the repayment reduces long-term liabilities and the borrowing increase long-term liabilities in the statement of net position.

Change in accrued interest payable	525	
Note principal retirement	<u>195,000</u>	
		<u>195,525</u>
Changes in net position of governmental activities		<u><u>\$ (108,333)</u></u>

County of Gladwin, Michigan

**Combining Balance Sheet
Component Unit - Board of Public Works
December 31, 2021**

	<u>Public Works</u>	<u>Totals</u>
ASSETS:		
Cash and Equivalents	\$ 161,573	\$ 161,573
 TOTAL ASSETS	<u>\$ 161,573</u>	<u>\$ 161,573</u>
 FUND BALANCES:		
Restricted for:		
Capital Projects	\$ 161,573	\$ 161,573
 TOTAL FUND BALANCES	<u>161,573</u>	<u>161,573</u>
 TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 161,573</u>	<u>\$ 161,573</u>

**Reconciliation of the Combining Balance Sheet to the
Statement of Net Position - Component Unit - Board of Public Works
December 31, 2021**

Total fund balances - governmental funds	\$ 161,573
Amounts reported for the governmental activities in the statement of net position are different because:	
Long-term receivables are not available to pay for current period expenditures and therefore are not reported as assets in the funds.	
Deferred portion of leases receivable	-
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.	
Direct obligations	-
Accrued interest payable	-
	<hr/>
	-
Net position of governmental activities	<u><u>\$ 161,573</u></u>

County of Gladwin, Michigan

**Combining Statement of Revenues, Expenditures, and
Changes in Fund Balance - Component Unit - Board of Public Works
For the Year Ended December 31, 2021**

	Public Works	Totals
REVENUES:		
Intergovernmental	\$ -	\$ -
Interest on Investments	-	-
Total Revenues	-	-
EXPENDITURES:		
Debt Service	-	-
Total Expenditures	-	-
NET CHANGE IN FUND BALANCES	-	-
FUND BALANCE BEGINNING OF YEAR	161,573	161,573
FUND BALANCE END OF YEAR	\$ 161,573	\$ 161,573

**Reconciliation of the Statement of Revenues, Expenditures, and Changes
in Fund Balance to the Statement of Activities
Component Unit - Board of Public Works
For the Year Ended December 31, 2021**

Net changes in fund balances - total governmental funds	\$ -
The change in net position reported for governmental activities in the statement of activities is different because:	
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	
Change in leases receivable	-
Repayment of long-term debt and borrowing of long-term debt is reported as expenditures and other financing sources in governmental funds, but the repayment reduces long-term liabilities and the borrowing increase long-term liabilities in the statement of net position.	
Bond principal retirement	-
Some items reported in the statement of activities require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	
Change in accrued interest payable	-
Changes in net position of governmental activities	<u>\$ -</u>

Report on Compliance



ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

KINROSS OFFICE

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

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

MEMBER AICPA
DIVISION FOR CPA FIRMS

MEMBER MACPA

OFFICES IN
MICHIGAN & WISCONSIN

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

To the Board of Commissioners
Gladwin County
Gladwin, 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 the County of Gladwin, Michigan, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the County of Gladwin, Michigan's basic financial statements and have issued our report thereon dated June 30, 2022. Our report includes a reference to other auditors who audited the financial statements of the Gladwin County Road Commission and Gladwin City-County Transit, as described in our report on the County of Gladwin, Michigan's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Report on Internal Control Over Financial Reporting

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

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

To the Board of Commissioners
Gladwin County

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompany schedule of findings and questioned costs as items 2021-001 and 2021-002 that we consider to be significant deficiencies.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County of Gladwin, Michigan's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed two instances of noncompliance or other matters that is required to be reported under *Government Auditing Standards*, which is described in the accompanying schedule of findings and responses as items 2021-001 and 2021-002.

County of Gladwin, Michigan's Response to Findings

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

Purpose of this Report

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



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

June 30, 2022



ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

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

To the Board of Commissioners
Gladwin County
Gladwin, Michigan

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the County of Gladwin, Michigan's, compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the County of Gladwin, Michigan's major federal programs for the year ended December 31, 2021. The County of Gladwin, Michigan's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Gladwin County, Michigan's basic financial statements include the operations of the Gladwin County Road Commission and Gladwin City-County Transit which expended \$785,000 and \$768,690, respectively, in federal awards which is not included in Gladwin County's Michigan schedule of expenditures of federal awards during the year ended December 31, 2021. Our audit, described below, did not include the operations of the Gladwin County Road Commission and the Gladwin City-County Transit because they performed a separate financial audit and engaged other auditors to perform an audit of compliance.

In our opinion, the County of Gladwin, Michigan complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2021.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

To the Board of Commissioners
County of Gladwin, Michigan

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the County of Gladwin, Michigan's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the County of Gladwin, Michigan's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the County of Gladwin, Michigan's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control Over Compliance

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

To the Board of Commissioners
County of Gladwin, Michigan

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

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

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



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

June 20, 2022

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

Federal Agency / Cluster / Program Title	COVID Related	CFDA Number	Passed Through	Pass-through / Grantor Number	Federal Expenditures
U.S. Department of Agriculture:					
Community Facility Loans and Grants Cluster					
Community Facilities Loan and Grants	No	10.766	Direct	NA	\$ 9,200
Subtotal - Community Facility Loans and Grants Cluster					9,200
Rural Community Development Initiative	No	10.446	Direct	10-351 (RDBG FY18)	16,344
Total U.S. Department of Agriculture					25,544
U.S. Department of Justice:					
Coronavirus Emergency Supplemental Funding Program	Yes	16.034	MSP	CESF-8-26-0205	13,231
COPS Hiring Program	No	16.710	Direct	202UMWX0399	52,754
Total U.S. Department of Justice					65,985
U.S. Department of Treasury:					
Coronavirus State and Local Fiscal Recovery Funds	Yes	21.027	Direct	N/A	962,650
Total U.S. Department of Treasury					962,650
U.S. Department of Health and Human Services:					
Child Support Enforcement - Friend of the Court	No	93.563	MDHHS	CSFOC17-260001	211,914
Child Support Enforcement - Friend of the Court Incentive	No	93.563	MDHHS	CSFOC17-260001	21,379
Child Support Enforcement	No	93.563	MDHHS	CSPA-17-260002	45,905
Program Subtotal					279,198
Total U.S. Department of Health and Human Services					279,198
U.S. Department of Homeland Security:					
Boating Safety Financial Assistance	No	97.012	MDNR	N/A	3,194
Disaster Grants - Public Assistance Presidentially Declared Disaster	Yes	97.036	MSP	FEMA-PA-05-MI-4547-PW-00014	3,152
Emergency Management Performance Grant	No	97.042	MSP	EMC-2021-EP-00003	16,648
Emergency Management Performance Grant American Rescue Plan Act	Yes	97.042	MSP	EMC-2021-EP-00006	8,677
Program Subtotal					25,325
Homeland Security Grant Fiscal Year 2018	No	97.067	MSP	RS-2018-80-0100	11,113
Homeland Security Grant Fiscal Year 2018	No	97.067	MSP	R3-2018-80-0098	18,100
Homeland Security Grant Fiscal Year 2019	No	97.067	MSP	R3-2019-80-078	14,931
Program Subtotal					44,144
Total U.S. Department of Homeland Security					75,815
Total Expenditures of Federal Awards					\$ 1,409,192

See accompanying notes to the schedule of expenditures of federal awards.

NOTE A - BASIS OF PRESENTATION:

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the County of Gladwin, Michigan under programs of the federal government for the year ended December 31, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the County of Gladwin, Michigan, it is not intended to and does not present the financial position, changes in net position, or cash flows of the County of Gladwin, Michigan.

NOTE B - COGNIZANT AGENCY:

The County has not been assigned a cognizant agency. Therefore, the County is under the general oversight of the U.S. Department of Treasury which provided the greatest amount of direct federal funding to the County during 2021.

NOTE C - INDIRECT COST:

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

Section I – Summary of Auditor’s Results

Financial Statements

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

Federal Awards

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

Identification of Major Programs

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
21.027	ARPA
Dollar threshold used to distinguish between types A and type B programs:	\$750,000
Auditee qualified as low-risk auditee?	No

Section II – Financial Statement Findings

Significant Deficiencies – Noncompliance with State Statutes

Excess Expenditures Over Appropriations

Finding 2021-001

Condition: Our examination indicated instances of noncompliance with the provisions of Public Act 2 of 1968, the Uniform Budget and Accounting Act.

The County’s 2021 General Appropriations Act (budget) provided for expenditures of the following funds to be controlled to the activity level. During the fiscal year ended December 31, 2021, expenditures were incurred in excess of amounts appropriated in the amended budgets.

Criteria: The expenditures of funds in excess of appropriations are contrary to the provisions of Public Act 2 of 1968, the Uniform Budget and Accounting Act.

During the year ended December 31, 2021, the County incurred expenditures in certain budgetary funds, which were in excess of the amount appropriated as follows:

	<u>Total Appropriations</u>	<u>Amount of Expenditures</u>	<u>Budget Variance</u>
General Fund:			
Judicial	\$ 1,479,114	\$ 1,491,103	\$ (11,989)
General Government	\$ 2,495,057	\$ 2,528,168	\$ (33,111)
Public Safety	\$ 5,084,228	\$ 5,187,280	\$ (103,052)
Emergency Medical Services Fund:			
Health and Welfare	\$ 752,800	\$ 934,293	\$ (181,493)
E 911 Millage Fund:			
Transfers Out	\$ -	\$ 876,343	\$ (876,343)
American Recovery Rescue Act:			
Health & Welfare	\$ -	\$ 75,655	\$ (75,655)
Transfers Out	\$ 15,540	\$ 886,995	\$ (871,455)
Senior Citizens Program Fund:			
Health and Welfare	\$ 687,450	\$ 725,856	\$ (38,406)

Effect: The County has not complied with State Statutes.

Cause: A budget was not adopted for E 911 Millage Fund or Wireless E911 Fund prior to the beginning of the fiscal year. The Emergency Medical Services Fund and Senior Citizens Program Fund had expenditures in excess of amounts appropriated in the amended budgets.

Recommendation: The County should follow the State Law that requires County Governmental Funds have budgets for its funds approved before the fiscal year commences.

Management’s Response – Corrective Action Plan: Management does monitor budgets closely and perform budget amendments on a timely basis. We will work to implement budget amendments as soon as information becomes available to us; however, because the budgets lapse at year end amendments can only be made as information becomes available.

- Contact Person(s) Responsible for Correction:
Mark Justin, County Administrator

Section II – Financial Statement Findings (Continued)

Significant Deficiencies - Noncompliance with State Statutes

Cash Reconciliations

Finding 2021-002

Condition: Our examination of procedures used by the County to reconcile cash balances revealed the following instance of noncompliance with the provisions of Public Act 2 of 1968, as amended, the Uniform Budgeting and Accounting Act.

During the fiscal year ended December 31, 2021, that one of the county bank accounts had no cash reconciliations performed at any point throughout the year.

Criteria: The lack of completing cash reconciliation for each cash account held by the county within six weeks of month end are contrary to the provisions of Public Act 2 of 1968, as amended.

Effect: The County has not complied with various State Statutes.

Cause: Unknown

Recommendation: We recommend that the County personnel responsible for administering the activities of the various funds of the County, develop cash reconciliation control procedures, which will assure that cash reconciliation are complete monthly in a timely fashion.

Management's Response – Corrective Action Plan: Management has agreed to correct the problem by

- Contact Person(s) Responsible for Correction:
Christy, VanTiem, Treasurer

Section III – Federal Award Findings and Questioned Costs

NONE.

Section III – Federal Award Findings and Questioned Costs

NONE.



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COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

To the Board of Commissioners
Gladwin County
Gladwin, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Gladwin, Michigan for the year ended December 31, 2021, and have issued our report thereon dated June 30, 2022. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

Our Responsibility Under U.S. Generally Accepted Auditing Standards, *Government Auditing Standard* and the Uniform Guidance

As stated in our engagement letter dated April 11, 2022 our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

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

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

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

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

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our correspondence about planning matters dated April 11, 2022.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the County of Gladwin, Michigan are described in Note 1 to the financial statements. No new accounting pronouncement was adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant 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 estimates affecting the financial statements were:

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

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. The attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Disagreement with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated June 30, 2022.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Comments and Recommendations

Budgets (Prior Year)

A budget was not adopted for the E-911 Millage or E-911 Wireless funds prior to the beginning of the County's fiscal year. State law requires that County's Governmental funds follow the State's prescribed timetable in having budgets for its funds approved before the fiscal year commences.

Status: No change.

Long Outstanding Checks (Prior Year)

It was noted in our review of bank reconciliations there are multiple checks that are over one-year delinquent. We recommend that the County follow the State of Michigan's Unclaimed Property Act (Act 29 of 1995) for all unclaimed property to ensure compliance with State statutes.

Status: No change

Bank Statements

It was also noted that during our review that one bank statement under the county control was not under the County Treasurer as required by statute in violation of state statute. We recommend that all accounts be under the control of the County Treasurer as statute requires and that these accounts be reconciled monthly by the county treasurer or by an individual delegated by the county treasurer.

Journal Entry Support

It was noted in our review of journal entries that there were multiple instances in which journal entries were filed with no supporting documentation for entry, nor was there evidence of the review and approval of entries. We recommend that all journal entries be filed with supporting documentation even if it is a memo describing the purpose and reasoning behind the entry if no other support is available and that all entries be reviewed and approved (with a visible approval such as a signature or initials) before entries are entered into the ledger.

Grant Documentation

It was noted in our review of grant revenues that the county did not maintain all required grant documentation. Though it was able to be obtained ultimately from the pass-through entities we recommend that the county maintain copies of all grant agreements, amendments, and other correspondence related to grants in compliance with the state of Michigan record retention manual.

Accruals

It was noted that the county did not book all accrual related to year ending payables and receivables. We recommend that the county perform at a minimum a two month post yearend review of receipts and disbursements to ensure that all items are recorded in the proper period and that all department heads note to the treasurer department all expected grant revenues related to requests for reimbursement related to the end of each fiscal year.

Building Inspection Department

It was noted in our review of account coding that the building inspection department is currently a part of the general fund. Through discussion with county personnel, it was noted that the building department is intended to fund itself through the fees it charges for its services. Based on this we recommend that the county create an enterprise type fund for the building inspection department and move all related operations to that fund to ensure compliance with Section 22(1) of 1972 PA 230, MCL 125.1522(1).

Single Approach for Reporting Leases

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

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

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

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

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

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

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

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

Other Matters

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

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

Conclusion

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



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

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