

County of Hillsdale, Michigan

BASIC FINANCIAL STATEMENTS

December 31, 2021

COUNTY OF HILLSDALE, MICHIGAN

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CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

Members of the Board
County of Hillsdale, Michigan
Courthouse, 29 N. Howell Street
Hillsdale, Michigan 49242

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 unit, each major fund, and the aggregate remaining fund information of the County of Hillsdale, 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 Hillsdale, Michigan's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund and the aggregate remaining fund information of the County of Hillsdale, 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 Hillsdale County Road Commission, which represents 93 percent, 97 percent, and 87 percent, respectively, of the assets, net position, and revenue of the discretely presented component units; and the Hillsdale County Medical Care Facility, which represents 77 percent, 83 percent, and 97 percent, respectively, of the assets, net position, and revenue of the business-type activities as of December 31, 2021, and the respective changes in financial position, and where applicable, cash flows 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 Road Commission and Medical Care Facility, are 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 County of Hillsdale, 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.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedure that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of County of Hillsdale, 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 County of Hillsdale, 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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, employee retirement and benefit systems, and budgetary comparison information on pages 4 through 7, pages 49 through 50 and pages 51 through 55 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Hillsdale, Michigan's basic financial statements. The combining nonmajor and component unit fund financial statements, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standard generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit and the report of the other auditors, the combining nonmajor and component unit fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 24, 2022 on our consideration of the County of Hillsdale, 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 Hillsdale, 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 Hillsdale, Michigan's internal control over financial reporting and compliance.



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

June 24, 2022

Management's Discussion and Analysis

COUNTY OF HILLSDALE, MICHIGAN

Management's Discussion and Analysis

Using this Annual Report

The following discussion and analysis of the financial performance for County of Hillsdale ("County") provides an overview of the County's financial activities for the fiscal year ended December 31, 2021. Please read it in conjunction with the County's financial statements which follow this section.

Financial Highlights

- The general fund reported a decrease in fund balance of \$167,944 from year end 2020 to 2021. This decrease is driven by an accounting change in the way tax revenue is recorded, and is offset with a prior period adjustment. With the prior period adjustment, fund balance has increased \$11,328
- General Fund Property tax revenue increased by \$523,300 in 2021 compared to 2020.
- The Medical Care Facility reported an increase in net position of \$7,950,825

Overview of the Financial Statements

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

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

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

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

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

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 of Hillsdale, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Fund financial statements report the County's operations in more detail than the government-wide financial statements. These statements present a short-term view and tell how taxpayer resources were spent during the year. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental funds. Most of the County's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the County's general governmental operations and the basic services it provides.

COUNTY OF HILLSDALE, MICHIGAN

Management's Discussion and Analysis

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

Proprietary funds. Proprietary funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Internal service funds are an accounting device used to accumulate and allocate workers compensation costs internally among the County's various functions. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

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

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.

Government-Wide Financial Analysis

The Statement of Net Position and the Statement of Activities report information about the County as a whole and about its activities in a way that helps explain the condition of the County. These statements include all assets and liabilities using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. In a condensed format, the table below shows a comparison of the net position of the County as of the end of the current and prior year.

	Hillsdale County Net Position					
	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Assets						
Current and other assets	\$ 14,472,203	\$ 11,860,491	\$ 22,340,723	\$ 19,855,622	\$ 36,812,926	\$ 31,716,113
Capital assets, net	8,172,675	7,628,352	8,941,360	9,371,728	17,114,035	17,000,080
Total assets	22,644,878	19,488,843	31,282,083	29,227,350	53,926,961	48,716,193
Deferred outflows						
Deferred Outflow from OPEB	373,953	432,571	-	-	373,953	432,571
Deferred Outflow from Pension	507,077	136,970	-	-	507,077	136,970
Total Deferred Outflows	881,030	569,541	-	-	881,030	569,541
Liabilities						
Long-term liabilities	9,771,822	11,932,023	3,100,000	6,101,705	12,871,822	18,033,728
Other liabilities	6,110,283	2,014,339	2,290,030	5,196,993	8,400,313	7,211,332
Total liabilities	15,882,105	13,946,362	5,390,030	11,298,698	21,272,135	25,245,060
Deferred inflows						
Deferred inflow from OPEB	961,598	204,861	-	-	961,598	204,861
Deferred inflow from Pension	796,434	225,455	-	-	796,434	225,455
Deferred inflow of resources	1,860,277	2,289,951	876,559	820,914	2,736,836	3,110,865
Total Deferred Inflows	3,618,309	2,720,267	876,559	820,914	4,494,868	3,541,181
Net position:						
Net investment in capital assets	3,036,436	1,302,119	8,941,360	9,333,759	11,977,796	10,635,878
Restricted	2,369,431	3,456,804	-	251,677	2,369,431	3,708,481
Unrestricted	(1,380,373)	(1,367,168)	16,074,134	7,522,302	14,693,761	6,155,134
Total net position	\$ 4,025,494	\$ 3,391,755	\$ 25,015,494	\$ 17,107,738	\$ 29,040,988	\$ 20,499,493

COUNTY OF HILLSDALE, MICHIGAN

Management's Discussion and Analysis

The County's combined net position increased 41.7% from a year ago - increasing from \$20,499,493 to \$29,040,988. Governmental activities experienced an increase in net position of \$633,739, which includes a prior period adjustment of \$105,874. Business-type activities experienced an increase of \$7,907,756 in net position.

The following table shows the changes in net position of the County during the current and prior year:

	Hillsdale County Changes in Net Position					
	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Program revenues:						
Charges for services	\$ 2,838,623	\$ 2,721,571	\$ 15,584,064	\$ 16,941,938	\$ 18,422,687	\$ 19,663,509
Operating grants and contributions	5,508,755	4,631,270	14,124,247	5,001,809	19,633,002	9,633,079
General revenues:						
Property taxes	9,479,432	10,962,593	-	-	9,479,432	10,962,593
State shared revenue	987,383	751,790	-	-	987,383	751,790
Personal Property Tax Reimbursement	114,719	170,752	-	-	114,719	170,752
Unrestricted investment earnings	(58,337)	71,162	-	-	(58,337)	71,162
Other Revenue	332,957	1,048,748	-	-	332,957	1,048,748
Total revenues	19,203,532	20,357,886	29,708,311	21,943,747	48,911,843	42,301,633
Expenses:						
Legislative	83,560	78,278	-	-	83,560	78,278
Judicial	1,739,372	1,772,231	-	-	1,739,372	1,772,231
General government	3,171,956	3,820,380	-	-	3,171,956	3,820,380
Public safety	5,164,777	4,412,349	-	-	5,164,777	4,412,349
Public works	26,324	25,876	-	-	26,324	25,876
Health and welfare	5,644,091	5,573,046	-	-	5,644,091	5,573,046
Recreation and cultural	58,219	60,841	-	-	58,219	60,841
Other governmental activities	3,282,372	3,789,192	-	-	3,282,372	3,789,192
Interest on long-term debt	46,075	49,951	-	-	46,075	49,951
Medical Care Facility	-	-	20,609,095	21,523,786	20,609,095	21,523,786
Delinquent tax collections/forfeitures	-	-	226,556	22,781	226,556	22,781
Building inspections	-	-	414,568	427,875	414,568	427,875
Geographic information services	-	-	9,258	8,534	9,258	8,534
Total expenses	19,216,746	19,582,144	21,259,477	21,982,976	40,476,223	41,565,120
Change in net position, before transfers	(13,214)	775,742	8,448,834	(39,229)	8,435,620	736,513
Transfers	541,078	723,889	(541,078)	(723,889)	-	-
Change in net position	527,864	1,499,631	7,907,756	(763,118)	8,435,620	736,513
Net position:						
Beginning of year, as restated	3,391,756	1,812,130	17,107,738	17,870,856	20,499,494	19,682,986
Prior Period Adjustment	105,874	79,994	-	-	105,874	79,994
End of year	\$ 4,025,494	\$ 3,391,755	\$ 25,015,494	\$ 17,107,738	\$ 29,040,988	\$ 20,499,493

Governmental Activities

Total governmental revenues decreased by \$1,154,354. Governmental expenses had a decrease of 1.9%

Business-Type Activities

The county's business-type activities consist primarily of the Medical Care Facility fund. Medical Care Facility revenue increased \$8,294,398 and expenses decreased \$913,032. Medical Care overall net position increased \$7,950,825.

COUNTY OF HILLSDALE, MICHIGAN

Management's Discussion and Analysis

Financial Analysis of the County's Funds

The fund financial statements provide detailed information about the most significant funds, not the County as a whole. The County board creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages. The County's major governmental funds for 2021 include the general fund, the senior citizens fund, and the senior center debt service fund.

The general fund pays for most of the county's governmental services. The most significant are public safety, general government, and judicial, which incurred expenditures of \$3,273,918, \$3,029,561, and \$1,721,67, respectively. Some of these services are partially supported by state and federal grants, with the remaining cost funded by general revenue sources of the general fund.

The senior citizens fund is used to account for the collection of property tax collections and disbursements for county-wide senior services pursuant to contractual arrangement.

The senior center debt service fund was used to account for principal and interest payments on the 2005 and 2015 senior center bond issues. Lease payments received from the senior center cover these bond payments.

Major proprietary funds for the year include the medical care facility fund, and the 2019 and 2020 delinquent tax revolving fund.

Capital Asset and Debt Administration

At the end of the fiscal year 2021, the County had approximately \$17,114,035 (net of depreciation) invested in a broad range of capital assets, including land, buildings, vehicles, equipment, etc. Details of the County's capital assets are contained in the notes to the financial statements.

At December 31, 2021, debt related to capital assets of governmental activities totaled \$5,136,239. Debt related to business-type activities totaled \$6,001,705, this relates to delinquent tax notes for 2019 and 2020 as well as MCF PPP Loans.

Economic Factors and Next Year's Budgets and Rates

The County's 2021 taxable value was a little higher than 2020 values, and due to continued construction within the county, the county should continue to see taxable value growth over the next few years. Additionally the county continues to recover from the Covid-19 pandemic, and with the introduction of the American Rescue Plan funds, the County should be able to implement some much needed updates to infrastructure and technology.

Contacting the County's Management

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the County Treasurer's office or the Finance office at 33 McCollum Street, Hillsdale MI.

Basic Financial Statements

COUNTY OF HILLSDALE, MICHIGAN

Statement of Net Position

December 31, 2021

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and investments	\$ 6,820,009	\$ 13,655,175	\$ 20,475,184	\$ 3,382,770
Receivables, net	7,219,574	8,407,176	15,626,750	2,849,590
Prepaid items and other assets	432,620	278,372	710,992	895,429
Capital assets not being depreciated	273,495	47,078	320,573	6,183,008
Capital assets being depreciated, net	7,899,180	8,894,282	16,793,462	26,189,380
Total assets	22,644,878	31,282,083	53,926,961	39,500,177
Deferred outflow of resources				
Deferred outflow from OPEB	373,953	-	373,953	-
Deferred outflow from Pension	507,077	-	507,077	543,198
Total Deferred Outflows	881,030	-	881,030	543,198
Liabilities				
Accounts payable and accrued expenses	1,666,868	2,290,030	3,956,898	952,933
Unearned revenue	4,443,415	-	4,443,415	-
Long-term liabilities				
Other post employment benefits	1,199,950	-	1,199,950	-
Due within one year	1,190,379	2,300,000	3,490,379	207,857
Due in more than one year	4,457,024	800,000	5,257,024	1,614,614
Net Pension Liability	2,924,469	-	2,924,469	2,809,713
Total liabilities	15,882,105	5,390,030	21,272,135	5,585,117
Deferred Inflow of Resources				
Deferred inflow from OPEB	961,598	-	961,598	-
Deferred inflow from Pension	796,434	-	796,434	769,839
Deferred inflow of resources	1,860,277	876,559	2,736,836	-
Total Deferred Inflows	3,618,309	876,559	4,494,868	769,839
Net position				
Net investment in capital assets	3,036,436	8,941,360	11,977,796	29,080,487
Restricted for:				
Endowments and trusts	3,266	-	3,266	-
Other purposes	2,366,165	-	2,366,165	4,879,173
Unrestricted (deficit)	(1,380,373)	16,074,134	14,693,761	(271,241)
Total net position	\$ 4,025,494	\$ 25,015,494	\$ 29,040,988	\$ 33,688,419

COUNTY OF HILLSDALE, MICHIGAN

Statement of Activities

Year Ended December 31, 2021

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government					
Governmental activities:					
Legislative	\$ 83,560	\$ -	\$ -	\$ -	\$ (83,560)
Judicial	1,739,372	665,309	1,769,357	-	695,294
General government	3,171,956	710,350	481,208	-	(1,980,398)
Public safety	5,164,777	1,301,806	1,931,902	-	(1,931,069)
Public works	26,324	-	-	-	(26,324)
Health and welfare	5,644,091	150,283	685,681	-	(4,808,127)
Recreation and cultural	58,219	-	31,339	-	(26,880)
Other governmental activities	3,282,372	10,875	609,268	-	(2,662,229)
Interest on long-term debt	46,075	-	-	-	(46,075)
Total governmental activities	19,216,746	2,838,623	5,508,755	-	(10,869,368)
Business-type activities:					
Medical Care Facility	20,609,095	14,517,311	14,124,187	-	8,032,403
Delinquent tax collections/forfeitures	226,556	441,556	60	-	215,060
Building inspections	414,568	616,249	-	-	201,681
Geographic information services	9,258	8,948	-	-	(310)
Total business-type activities	21,259,477	15,584,064	14,124,247	-	8,448,834
Total primary government	\$ 40,476,223	\$ 18,422,687	\$ 19,633,002	\$ -	\$ (2,420,534)
Component units					
County Drains	\$ 2,133,172	\$ 1,619,703	\$ 2,088	\$ -	\$ (511,381)
County Roads	7,864,474	752,679	9,874,282	-	2,762,487
Total component units	\$ 9,997,646	\$ 2,372,382	\$ 9,876,370	\$ -	\$ 2,251,106

continued...

COUNTY OF HILLSDALE, MICHIGAN

Statement of Activities (Continued)

Year Ended December 31, 2021

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Changes in net position				
Net (expense) revenue	\$ (10,869,368)	\$ 8,448,834	\$ (2,420,534)	\$ 2,251,106
General revenues:				
Property taxes	9,479,432	-	9,479,432	-
State shared revenue	987,383	-	987,383	-
Personal Property Tax Reimbursement	114,719	-	114,719	-
Unrestricted investment earnings	(58,337)	-	(58,337)	8,981
Other revenue	332,957	-	332,957	182,509
Transfers - internal activities	541,078	(541,078)	-	-
Total general revenues and transfers	<u>11,397,232</u>	<u>(541,078)</u>	<u>10,856,154</u>	<u>191,490</u>
Change in net position	527,864	7,907,756	8,435,620	2,442,596
Net position, beginning of year	3,391,756	17,107,738	20,499,494	30,931,335
Prior Period Adjustment	105,874	-	105,874	314,488
Net position, end of year	<u>\$ 4,025,494</u>	<u>\$ 25,015,494</u>	<u>\$ 29,040,988</u>	<u>\$ 33,688,419</u>

COUNTY OF HILLSDALE, MICHIGAN

Balance Sheet - Governmental Funds

December 31, 2021

	General	Senior Citizen	Senior Center Debt Service	ARPA Funds	Nonmajor Funds	Totals
Assets						
Cash and investments	\$ 13,250	\$ 195,597	\$ 8,044	\$ 4,440,685	\$ 2,014,747	\$ 6,672,323
Taxes receivable	693,876	1,462,760	-	-	2,233,478	4,390,114
Accounts receivable	445,445	13,978	-	-	985,803	1,445,226
Leases receivable	-	-	935,000	-	-	935,000
Due from other governments	105,754	-	-	-	-	105,754
Prepaid expenditures	407,729	-	-	-	24,891	432,620
Advance to component unit	343,480	-	-	-	-	343,480
Total assets	\$ 2,009,534	\$ 1,672,335	\$ 943,044	\$ 4,440,685	\$ 5,258,919	\$ 14,324,517
Liabilities						
Accounts payable	\$ 143,428	\$ 13,978	\$ 355,000	\$ -	\$ 857,769	\$ 1,370,175
Unearned revenue	-	-	-	4,440,685	2,730	4,443,415
Accrued expenditures	177,901	-	-	-	56,963	234,864
Total liabilities	321,329	13,978	355,000	4,440,685	917,462	6,048,454
Deferred inflows of resources	-	1,462,760	580,000	-	1,989,232	4,031,992
Fund balances						
Nonspendable	751,209	-	-	-	26,692	777,901
Restricted	-	195,597	8,044	-	2,162,524	2,366,165
Assigned	-	-	-	-	158,969	158,969
Unassigned	936,996	-	-	-	4,040	941,036
Total fund balances	1,688,205	195,597	8,044	-	2,352,225	4,244,071
Total liabilities, deferred inflows of resources and fund balances	\$ 2,009,534	\$ 1,672,335	\$ 943,044	\$ 4,440,685	\$ 5,258,919	\$ 14,324,517

COUNTY OF HILLSDALE, MICHIGAN

Reconciliation

Fund Balances for Governmental Funds
to Net Position of Governmental Activities
December 31, 2021

Fund balances - total governmental funds \$ 4,244,071

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

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

Capital assets not being depreciated	273,495
Capital assets being depreciated, net	7,899,180

Because the focus of governmental funds is on short-term financing, some
assets will not be available to pay for current-period expenditures. Those assets, such as
certain receivables, are offset by deferred inflows in the governmental funds.

Long-term receivables included in deferred inflows of resources	2,171,715
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Internal service funds are used by management to charge the costs of certain activities,
such as insurance, to individual funds. The assets and liabilities of the internal service
fund are included in governmental activities in the statement of net position.

Net position of governmental activities accounted for in the internal service fund	147,686
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Certain liabilities, such as bonds payable, are not due and payable in the current period,
and therefore are not reported in the funds.

Bonds and leases payable	(5,136,239)
Net Pension Liability	(2,924,469)
Compensated absences	(511,164)
Deferred Outflow Pension Liability	507,077
Deferred Inflow Pension Liability	(796,434)
Deferred Outflow OPEB	373,953
Deferred Inflow OPEB	(961,598)
Other post employment benefits	(1,199,950)
Accrued interest on long-term liabilities	(61,829)

Net position of governmental activities \$ 4,025,494

COUNTY OF HILLSDALE, MICHIGAN

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds
Year Ended December 31, 2021

	General	Senior Citizen	Senior Center Debt Service	ARPA Funds	Nonmajor Funds	Totals
Revenues						
Taxes and special assessments	\$ 7,471,360	\$ 1,377,641	\$ -	\$ -	\$ 630,431	\$ 9,479,432
Intergovernmental	2,377,853	31,309	-	-	1,458,210	3,867,372
Licenses and permits	62,475	-	-	-	-	62,475
Contributions	-	-	150,619	-	5,592	156,211
Fines and forfeits	254,182	-	-	-	17,321	271,503
Charges for services	1,127,087	-	-	-	1,226,404	2,353,491
Reimbursements and refunds	830,696	-	-	-	135,561	966,257
Interest and rentals	190,903	-	-	-	974	191,877
Other revenue	-	-	181,833	-	1,654,163	1,835,996
Total revenues	12,314,556	1,408,950	332,452	-	5,128,656	19,184,614
Expenditures						
Current:						
Legislative	83,560	-	-	-	-	83,560
Judicial	1,721,637	-	-	-	14,846	1,736,483
General government	3,029,561	-	-	-	397,330	3,426,891
Public safety	3,273,918	-	-	-	1,667,973	4,941,891
Public works	24,108	-	-	-	-	24,108
Health and welfare	794,168	1,313,537	-	-	3,605,113	5,712,818
Recreation and cultural	-	-	-	-	58,219	58,219
Other	2,667,062	-	-	-	-	2,667,062
Capital outlay	134,132	-	-	-	849,238	983,370
Debt service:						
Principal	-	-	305,000	-	885,000	1,190,000
Interest	-	-	27,452	-	115,619	143,071
Total expenditures	11,728,146	1,313,537	332,452	-	7,593,338	20,967,473
Revenue over (under) expenditures	586,410	95,413	-	-	(2,464,682)	(1,782,859)
Other financing sources (uses)						
Transfers in	525,000	-	-	-	1,409,033	1,934,033
Transfers out	(1,279,354)	-	-	-	(113,601)	(1,392,955)
Total other financing sources (uses)	(754,354)	-	-	-	1,295,432	541,078
Net change in fund balances	(167,944)	95,413	-	-	(1,169,250)	(1,241,781)
Fund balances, beginning of year	1,676,877	100,184	8,044	-	3,594,873	5,379,978
Prior Period Adjustment	179,272	-	-	-	(73,398)	105,874
Fund balances (deficit), end of year	\$ 1,688,205	\$ 195,597	\$ 8,044	\$ -	\$ 2,352,225	\$ 4,244,071

COUNTY OF HILLSDALE, MICHIGAN

Reconciliation

Net Changes in Fund Balances of Governmental Funds
to Change in Net Position of Governmental Activities
Year Ended December 31, 2021

Net change in fund balances - total governmental funds \$ (1,241,781)

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

Governmental funds report 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	983,369
Depreciation expense	(439,044)

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long term-liabilities.

Capital lease proceeds	(77,649)
Principal payments on bonds	1,190,000
Principal payments on capital leases	77,643

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

Change in the accrual of compensated absences	73
Change in the accrual of other post employment benefits	804,275
Change in Pension Obligation	165,859
Change in deferred Inflows from Pension	(570,979)
Change in deferred Outflows from Pension	370,107
Change in deferred Inflows from OPEB	(756,737)
Change in deferred Outflows from OPEB	(58,618)

Internal service funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. The net revenue (expense) of the internal service fund is reported with governmental activities:

Net operating income from governmental activities accounted for in the internal service fund	<u>81,346</u>
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Change in net position of governmental activities \$ 527,864

COUNTY OF HILLSDALE, MICHIGAN

Statement of Net Position

Proprietary Funds
December 31, 2021

	Business-type Activities - Enterprise Funds					Internal Service
	Medical Care Facility	2019 Delinquent Tax Revolving	2020 Delinquent Tax Revolving	Nonmajor Funds	Totals	Self Insurance
Assets						
Current assets:						
Cash and investments	\$ 8,021,976	\$ 989,452	\$ 1,732,835	\$ 2,910,912	\$ 13,655,175	\$ 147,686
Taxes receivable	876,559	244,694	669,237	143,970	1,934,460	-
Accounts receivable	5,965,061	5,533	-	141,712	6,112,306	-
Interest receivable	-	156,251	164,372	39,787	360,410	-
Prepays	-	305	-	4,013	4,318	-
Other assets	274,054	-	-	-	274,054	-
Total current assets	15,137,650	1,396,235	2,566,444	3,240,394	22,340,723	147,686
Noncurrent assets:						
Capital assets not being depreciated	47,078	-	-	-	47,078	-
Capital assets being depreciated, net	8,843,582	-	-	50,700	8,894,282	-
Total assets	24,028,310	1,396,235	2,566,444	3,291,094	31,282,083	147,686
Liabilities						
Current liabilities:						
Accounts payable	534,600	10,350	-	3,666	548,616	-
Capital Lease Obligation 1 Year	10,320	-	-	-	10,320	-
Capital Lease Obligation	18,119	-	-	-	18,119	-
Accrued liabilities	1,706,146	-	-	4,217	1,710,363	-
Due to other governments	-	-	-	2,612	2,612	-
Current portion of long-term debt	-	850,000	1,450,000	-	2,300,000	-
Total current liabilities	2,269,185	860,350	1,450,000	10,495	4,590,030	-
Long-term liabilities:						
Due in more than one year	-	-	800,000	-	800,000	-
Total long-term liabilities	-	-	800,000	-	800,000	-
Total liabilities	2,269,185	860,350	2,250,000	10,495	5,390,030	-
Deferred inflows of resources						
Property taxes levied for the subsequent year	876,559	-	-	-	876,559	-
Net position						
Net investment in capital assets	8,890,660	-	-	50,700	8,941,360	-
Unrestricted	11,991,906	535,885	316,444	3,229,899	16,074,134	147,686
Total net position	\$ 20,882,566	\$ 535,885	\$ 316,444	\$ 3,280,599	\$ 25,015,494	\$ 147,686

COUNTY OF HILLSDALE, MICHIGAN

Statement of Revenues, Expenses and Changes in Net Position

Proprietary Funds

Year Ended December 31, 2021

	Business-type Activities - Enterprise Funds					Internal Service
	Medical Care Facility	2019 Delinquent Tax Revolving	2020 Delinquent Tax Revolving	Nonmajor Funds	Totals	Self Insurance
Operating revenues						
Charges for services	\$ 14,517,311	\$ 230,807	\$ 344,697	\$ 578,443	\$ 15,671,258	\$ -
Other operating revenue	2,474,236	-	-	(17,502)	2,456,734	18,918
Total operating revenues	16,991,547	230,807	344,697	560,941	18,127,992	18,918
Operating expenses						
Depreciation expense	540,731	-	-	4,074	544,805	-
Cost of services	20,065,674	93,386	28,252	524,673	20,711,985	(62,430)
Total operating expenses	20,606,405	93,386	28,252	528,747	21,256,790	(62,430)
Operating income (loss)	(3,614,858)	137,421	316,445	32,194	(3,128,798)	81,348
Nonoperating revenues (expenses)						
Property tax revenue	835,649	-	-	-	835,649	-
Contributions	10,806,059	-	-	-	10,806,059	-
Interest and rentals	8,243	233,451	-	(303,083)	(61,389)	-
Interest expense	(2,690)	(2)	(1)	6	(2,687)	-
Total nonoperating revenues	11,647,261	233,449	(1)	(303,077)	11,577,632	-
Income (loss) before transfers	8,032,403	370,870	316,444	(270,883)	8,448,834	81,348
Transfers in (out)						
Transfers in	-	-	-	5,500	5,500	-
Transfers out	(81,578)	-	-	(465,000)	(546,578)	-
Total transfers	(81,578)	-	-	(459,500)	(541,078)	-
Change in Net Position	7,950,825	370,870	316,444	(730,383)	7,907,756	81,348
Net position, beginning of year	12,931,741	165,015	-	4,010,982	17,107,738	66,338
Net position, end of year	\$ 20,882,566	\$ 535,885	\$ 316,444	\$ 3,280,599	\$ 25,015,494	\$ 147,686

COUNTY OF HILLSDALE, MICHIGAN

Statement of Cash Flows

Proprietary Funds

Year Ended December 31, 2021

	Business-type Activities - Enterprise Funds					Internal Service
	Medical Care Facility	2019 Delinquent Tax Revolving	2020 Delinquent Tax Revolving	Nonmajor Funds	Totals	Self Insurance
Cash flows from operating activities						
Cash received from customers	\$ 12,544,555	\$ 883,934	\$ 344,697	\$ 1,790,127	\$ 15,563,313	\$ 154,038
Cash received from quality assurance supplement	2,071,505	-	-	-	2,071,505	-
Other operating receipts	402,731	-	-	-	402,731	-
Cash payments to suppliers and employees for goods and services	(20,160,039)	(83,036)	(861,861)	(527,838)	(21,632,774)	(149,615)
Net cash provided by (used in) operating activities	(5,141,248)	800,898	(517,164)	1,262,289	(3,595,225)	4,423
Cash flows from noncapital financing activities						
Property tax and other nonoperating revenue	3,870,484	-	-	-	3,870,484	-
Transfers out	(81,578)	-	-	(459,500)	(541,078)	-
Net cash provided by (used in) non-capital financing activities	3,788,906	-	-	(459,500)	3,329,406	-
Cash flows from capital and related financing activities						
Purchase of capital assets	(132,562)	-	-	(23,000)	(155,562)	-
Interest payments	(2,690)	(2)	(1)	-	(2,693)	-
Principal payments	(9,530)	(1,500,000)	(350,000)	(850,000)	(2,709,530)	-
Proceeds from long-term debt	-	-	2,600,000	-	2,600,000	-
Net cash provided by (used in) capital and related financing activities	(144,782)	(1,500,002)	2,249,999	(873,000)	(267,785)	-
Cash flows from investing activities						
Interest and rental earnings	8,243	233,451	-	(303,077)	(61,383)	-
Net cash provided by investing activities	8,243	233,451	-	(303,077)	(61,383)	-
Net increase (decrease) in cash and cash equivalents	(1,488,881)	(465,653)	1,732,835	(373,288)	(594,987)	4,423
Cash equivalents, beginning of year	9,510,857	1,455,105	-	3,284,200	14,250,162	143,263
Cash equivalents, end of year	\$ 8,021,976	\$ 989,452	\$ 1,732,835	\$ 2,910,912	\$ 13,655,175	\$ 147,686
Cash flows from operating activities						
Operating income (loss)	\$ (3,614,858)	\$ 137,421	\$ 316,445	\$ 32,194	\$ (3,128,798)	\$ 81,348
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Depreciation	583,450	-	-	2,480	585,930	-
Changes in assets and liabilities:						
Taxes receivable	-	815,216	-	520,661	1,335,877	-
Accounts receivable	(1,976,577)	(5,533)	(833,609)	476,701	(2,339,018)	100,000
Lease receivable	3,821	-	-	-	3,821	-
Interest receivable	-	(156,251)	-	231,824	75,573	-
Prepays	189,459	(305)	-	(1,745)	187,409	35,120
Accounts payable	(432,173)	10,350	-	174	(421,649)	(212,045)
Accrued expenses	105,630	-	-	-	105,630	-
Net cash provided by (used in) operating activities	\$ (5,141,248)	\$ 800,898	\$ (517,164)	\$ 1,262,289	\$ (3,595,225)	\$ 4,423

Non-cash transactions

There were no non-cash transactions during the fiscal year.

COUNTY OF HILLSDALE, MICHIGAN

Statement of Fiduciary Net Position

December 31, 2021

	Agency Funds
Assets	
Cash and investments	\$ 813,056
Liabilities	
Due to other governments	\$ 284,435
Undistributed receipts	528,621
Total liabilities	\$ 813,056

COUNTY OF HILLSDALE, MICHIGAN

Statement of Changes In Fiduciary Net Position

December 31, 2021

	Agency Funds
Additions	
Taxes/Fees/Fines	\$ 23,943,319
Deductions	
Distributions	23,943,319
Change in Net Position	-
Net Position Beginning of Year	-
Net Position End of Year	\$ -

Component Units

COUNTY OF HILLSDALE, MICHIGAN

Combining Statement of Net Position

Discretely Presented Component Units

December 31, 2021

	Drain Commission	Road Commission	Total
Assets			
Cash and investments	\$ 1,272,436	\$ 2,110,334	\$ 3,382,770
Special assessments receivable	576,111	-	576,111
Receivables, net	-	2,273,479	2,273,479
Prepaid items and other assets	-	895,429	895,429
Capital assets:			
Capital assets not being depreciated	-	6,183,008	6,183,008
Capital assets being depreciated, net	815,976	25,373,404	26,189,380
Total assets	<u>2,664,523</u>	<u>36,835,654</u>	<u>39,500,177</u>
Deferred Outflows of Resources			
Deferred pension amounts	-	543,198	543,198
Liabilities			
Accounts payable and accrued expenses	(207)	354,749	354,542
Advances from primary government	363,480	234,911	598,391
Long-term liabilities:			
Due within one year	187,559	20,298	207,857
Due in more than one year	1,228,949	385,665	1,614,614
Net Pension Liability	-	2,809,713	2,809,713
Total liabilities	<u>1,779,781</u>	<u>3,805,336</u>	<u>5,585,117</u>
Deferred Inflows of Resources			
Deferred pension amounts	-	769,839	769,839
Net position			
Net investment in capital assets	815,976	28,264,511	29,080,487
Restricted	-	4,879,173	4,879,173
Unrestricted (deficit)	68,766	(340,007)	(271,241)
Total net position	<u>\$ 884,742</u>	<u>\$ 32,803,677</u>	<u>\$ 33,688,419</u>

COUNTY OF HILLSDALE, MICHIGAN

Combining Statement of Activities

Discretely Presented Component Units
Year Ended December 31, 2021

	Drain Commission	Road Commission	Total
Expenses			
County Drains	\$ 2,133,172	\$ -	\$ 2,133,172
County Roads	-	7,864,474	7,864,474
Total expenses	<u>2,133,172</u>	<u>7,864,474</u>	<u>9,997,646</u>
Program revenues			
Charges for services	1,619,703	752,679	2,372,382
Operating grants and contributions	2,088	9,874,282	9,876,370
Total program revenues	<u>1,621,791</u>	<u>10,626,961</u>	<u>12,248,752</u>
Net revenue (expense)	<u>(511,381)</u>	<u>2,762,487</u>	<u>2,251,106</u>
General revenues			
Unrestricted investment earnings	-	8,981	8,981
Other revenue	156,774	25,735	182,509
Total general revenues	<u>156,774</u>	<u>34,716</u>	<u>191,490</u>
Change in net position	<u>(354,607)</u>	<u>2,797,203</u>	<u>2,442,596</u>
Net position, beginning of year	924,861	30,006,474	30,931,335
Prior Period Adjustment	314,488	-	314,488
Net position, end of year	<u>\$ 884,742</u>	<u>\$ 32,803,677</u>	<u>\$ 33,688,419</u>

Notes to Financial Statements

COUNTY OF HILLSDALE, MICHIGAN

Notes to Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Hillsdale County, Michigan (the “County” or “government”) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing U.S. governmental accounting and financial reporting principles. The more significant of the County’s accounting policies are described below.

Reporting Entity

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

Blended Component Unit

Hillsdale County Medical Care Facility - provides skilled long term care to residents of the County and is not considered legally separate from the County; therefore, it has been included in the County’s basic financial statements as an Enterprise Fund. The complete financial statements may be obtained by contacting:

Hillsdale County Medical Care Facility
140 W. Mechanic Street
Hillsdale, MI 49242
(517) 439 9341

Hillsdale County Building Authority - is governed by a five-member board appointed by the Hillsdale County Board of Commissioners. Although it is legally separate from Hillsdale County, the Building Authority is reported as if it were part of the primary government because its sole purpose is to finance and construct the County’s public buildings.

Hillsdale Department of Public Works - Pursuant to Act 185 of 1957 (MCL 123.732, as amended) the County entered into a program of water supply and sanitary sewer facility construction. The Department of Public Works is under the general control of the County Board of Commissioners 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 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 of Commissioners.

Discretely Presented Component Units

Hillsdale County Road Commission - is established pursuant to the County Road Law (MCL 224.1), 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 of Commissioners. If approval is granted, Road Commission taxes are levied under the taxing authority of the County, as approved by the County electors, and would be included as a part of the County total tax levy as well as reported in the County Road Fund.

The Hillsdale County Road Commission has a separately issued audit report. Complete financial statements of the component unit can be obtained from its respective administrative offices or from the Clerk’s Office:

Hillsdale County Road Commission
1919 Hudson Road
Hillsdale, Michigan 49242
(517) 437-4458

COUNTY OF HILLSDALE, MICHIGAN

Notes to Financial Statements

Hillsdale County 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 statutory drainage board of Chapter 20 (MCL 280.461 et seq.) Drain Commission consists of the drain commissioners, the chairperson of the county board of commissioners, and one other member of the board of commissioners. The statutory drainage board of Chapter 5 (MCL 280.101 et seq.) and Chapter 6 (MCL 280.121 et seq.) Drain Commission consists of the State Director of Agriculture and the drain commissioners of each county involved in the project. The county drain commissioner has sole responsibility to administer the drainage district established pursuant to Chapter 3 (MCL 280.51 et seq.) and Chapter 4 (MCL 280.71 et seq.) of the Drain Code. The drainage board or drain commissioners, on behalf of the drainage district, may issue debt and levy special assessments authorized by the Drain Code without the prior approval of the county board of commissioners. The full faith and credit of the County may be given for the debt of the drainage district. There is created for each project petitioned for under the provisions of the Chapter 21 (MCL 280.511 et seq.) Drain Commission, an augmented drainage board to consist of the members of the drainage board together with the chairman of the board of commissioners and the chairman of the board of county auditors of each county involved. The statutory drainage board of Chapter 8 (MCL 280.191 et seq.) Drain Commission consists of the Drain Commissioner, the State Director of Agriculture, and the commissioners of each county involved.

Related Organization

A related organization is a legal entity for which the government appoints a voting majority of the governing body, but for which it is not financially accountable.

LifeWays - Hillsdale County and Jackson County entered into an agreement pursuant to Section 205 of Act 258 of 1974, as amended (MCL 330.1205), to create the Jackson Hillsdale Mental Health Authority, which later became known as "LifeWays". LifeWays is a legally separate organization established to provide mental health services to residents of the counties.

It is governed by a twelve (12) member board, including four (4) from Hillsdale County and eight (8) from Jackson County. The County's accountability does not extend beyond this representation and making these appointments. The board may borrow money and issue bonds pursuant to Section 205 of Act 258 of 1974, as amended (MCL 330.1205). LifeWays indemnifies and holds harmless the participating counties from all claims and liabilities. Hillsdale County's appropriation to LifeWays for the calendar year ended December 31, 2021, was \$274,000.

Branch Hillsdale St Joseph District I Health Department - Hillsdale County participates jointly with Branch and St. Joseph Counties in the operation of the Branch, Hillsdale, St. Joseph District I Health Department. All of the financial operations of the District Health Department are recorded in the records of Branch County. It is governed by a seven (7) member board, two (2) from Hillsdale County, two (2) from Branch County, and three (3) from St. Joseph County. The funding formula approved by the members of the county boards of commissioners is based pro rata on each county's population. The current funding formula approved by the District Health Board requires Hillsdale, Branch and St. Joseph Counties to provide 30.1, 29.6, and 40.3 percent, respectively. Hillsdale County's appropriation to the District Health Department for the calendar year ended December 31, 2021, was \$249,890.

Government-wide and Fund Financial Statements

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

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

Notes to Financial Statements

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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 or within one year for reimbursement-based grants. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, state shared revenues, 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. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The County reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all the financial resources of the general government, except those accounted for and reported in another fund.

The *senior citizens special revenue fund* is used to account for the collection of property tax and disbursements for county-wide senior services pursuant to contractual services.

The *Senior Center debt service fund* is used to account for financial resources to refund the debt of the Senior Citizens Center.

The *american rescue plan act fund* is used to account for funds received from the american rescue plan act.

The County reports the following major proprietary funds:

The medical care *facility fund* accounts for the operation of the County's long-term adult care facility.

The 2018 *delinquent tax revolving fund* accounts for the annual purchase of delinquent real property taxes from each of the local taxing units within the county, and the ultimate collection from the property owners of the delinquent taxes with penalty and interest.

Additionally, the County reports the following fund types:

Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Debt service funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

COUNTY OF HILLSDALE, MICHIGAN

Notes to Financial Statements

Capital projects funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

Permanent funds are used to account for resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the County's programs.

Enterprise funds account for those operations that are financed and operated in a manner similar to private business or where the County has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

Internal service funds account for the insurance activity of the County provided to other departments and funds on a cost reimbursement basis.

Agency funds are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. These funds are used to account for assets that the government holds for others in an agency capacity.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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 and of the County's internal service fund are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Assets, Liabilities and Equity

Cash and Investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Investments are stated at fair value and consist of commercial paper and certificates of deposit with original maturities of greater than 90 days.

State statutes authorize the County to deposit in the accounts of federally insured banks, credit unions and savings and loan associations and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, bankers acceptances, and mutual funds composed of otherwise legal investments.

Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the year are referred to as "interfund receivables/payable". Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

Receivables consist of accounts receivable related to charges for services and amounts due from governmental units for various financial assistance programs and State shared revenues. The County has established allowances for doubtful accounts to estimate uncollectible accounts receivable in the child care, health and rehabilitation services facility funds and district health department component unit. The County utilizes the direct write-off method for all other funds as past experience indicates the write-off of accounts receivable for these funds are immaterial and do not warrant the use of allowance accounts.

COUNTY OF HILLSDALE, MICHIGAN

Notes to Financial Statements

Advances between funds or component units are offset by a fund balance reserve account in applicable governmental funds to indicate they are not available for appropriation and are not expendable available financial resources.

Inventories

The cost of inventory items in the primary government for all funds is recorded as an expenditure at the time of purchase. Inventories of the health and rehabilitation services facility and jail commissary funds consist of medical supplies and miscellaneous hygiene and consumer products, respectively, which are stated at the lower of first-in, first-out (FIFO) or market.

Prepays

Certain payments to vendors (particularly for insurance coverage) reflect costs that are applicable to a future period and are recorded as prepaid items.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. Infrastructure for the Road Commission and Drain Commission component units has been capitalized back to 1980.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business type activities, if any, is included as part of the capitalized value of the assets constructed. No such interest expense was incurred during the current fiscal year.

Capital assets of the primary government and Drain Commission component unit are depreciated using the straight-line method over the following estimated useful lives:

	Years
Building and improvements	10-50
Equipment	10-25
Vehicles	5-10
Infrastructure - drains	50

Capital assets of the Road Commission component unit are depreciated as follows:

	Years
Buildings and improvements	40
Equipment	4-8
Infrastructure	8-50

Compensated Absences

In accordance with County personnel policies and/or contracts negotiated with the various employee groups of the County, upon termination of employment, individual employees have vested rights to receive payment or unused vacation and sick leave under formulas and conditions specified in the respective personnel policies and/or contracts. Vacation pay that has matured, such as due to employee resignations or retirements, is reported as an expenditure and a fund liability of the governmental fund that will pay it for employees retiring.

Notes to Financial Statements

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pension, and pension expense, information about the fiduciary net position of the Pension Plan and additions to/deductions from the 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.

Long-term Obligations

In the government wide financial statements and proprietary fund types in the fund financial statements, long term debt and other long term obligations are reported as liabilities in the applicable governmental activities, business type activities, or proprietary fund type statement of net assets. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or 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 on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Deferred 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 future periods and so will not be recognized as an inflow of resources (revenue) until that time. The government has two types of items that qualify for reporting in this category. The governmental funds report unavailable revenues, which arises only under a modified accrual basis of accounting. 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.

Fund Equity

Governmental funds report nonspendable fund balance for amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Restricted fund balance is reported when externally imposed constraints are placed on the use of resources by grantors, contributors, or laws or regulations of other governments. Committed fund balance is reported for amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, the County Commissioners. A formal resolution of the County Commissioners is required to establish, modify, or rescind a fund balance commitment.

The County Commissioners can also give authority to management to assign fund balance but has not yet done so; assigned fund balances are neither restricted nor committed. Unassigned fund balance is the residual classification for the general fund.

When the government incurs expenditures for purposes for which various fund balances classifications can be used, it is the government's policy to use restricted fund balance first, then committed, assigned and finally unassigned fund balance.

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 and liabilities and disclosure of contingent assets and liabilities at the date of the reporting period. Actual results could differ from those estimates.

COUNTY OF HILLSDALE, MICHIGAN

Notes to Financial Statements

2. BUDGETARY INFORMATION

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general and special revenue funds. All annual appropriations lapse at year-end.

The Finance Committee receives the preliminary budget requests from departmental heads in September. A proposed operating budget for the fiscal year beginning the following January 1 is submitted to the Board of Commissioners in October. Public hearings are conducted to obtain taxpayer comments. The budget is formally adopted by resolution at the December Board of Commissioners' meeting. Any revisions to the budget must be approved by the Board of Commissioners. Formal budgetary integration is employed as a management control device for the General and Special Revenue Funds. Budgeted amounts are as originally adopted or as amended by the Board of Commissioners during the year.

The legal level of budgetary control is the activity level for the General Fund and the function level for the special revenue funds. The Board of Commissioners made several supplemental budgetary appropriations during the year which were not considered material.

Encumbrance accounting is not employed by the County because it is presently considered unnecessary to reasonably assure budgetary control.

3. CASH AND INVESTMENTS

Summary of Deposit and Investment Balances

Following is a reconciliation of deposit and investment balances as of December 31, 2021:

	Primary Government	Component Units	Totals
Financial statements			
Statement of net assets -			
Cash and investments	\$ 20,475,184	\$ 3,382,770	\$ 23,857,954
Statement of fiduciary assets and liabilities -			
Cash and investments	813,056	-	813,056
Total	\$ 21,288,240	\$ 3,382,770	\$ 24,671,010
Cash and investments			
Bank deposits (checking accounts, savings accounts and certificates of deposits)			\$ 14,357,913
Investments in securities, mutual funds and similar vehicles:			
Treasurer's pool			10,307,207
Cash on hand			5,890
Total			\$ 24,671,010

County's Cash and Investment Pool

Interest Rate Risk. State law limits the allowable investments and the maturities of some of the allowable investments as identified in the list of authorized investments above. The County's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. At year end, maturities of the County's debt securities were as follows:

	Total Fair	Investment Maturities (fair value by years)			
		Less than 1	1-5	6-10	More than 10
U.S. Agencies	246,858	-	246,858	-	-
Municipal bonds	8,585,136	1,528,513	7,056,623	-	-
Total	8,831,994	1,528,513	7,303,481	-	-

COUNTY OF HILLSDALE, MICHIGAN

Notes to Financial Statements

Custodial Credit Risk - Deposits. For deposits, custodial credit risk is the risk, that in the event of a bank failure, the County’s deposits may not be returned to the government. As of December 31, 2021, \$3,466,267 of the County’s total balance of \$24,671,010 is exposed to custodial credit risk as it was uninsured and uncollateralized.

The County’s investment policy requires that only those banks or savings and loan institutions that are members of the FDIC or FSLIC will be considered for depository purposes, but recognizes that it is impractical to insure all bank deposits due to the limitations of depository insurance. As a result, the County evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Custodial Credit Risk - Investments. Following is a summary of the Treasurer’s investment pool holdings as of December 31, 2021:

U.S. agencies	\$	246,858
Michigan municipal bonds and notes		8,585,136
Certificates of Deposit		1,107,363
Money market funds		14,731,653
Total	\$	24,671,010

Investments are exposed to custodial credit risk if the securities are uninsured, unregistered or held by a counterparty or its agent but not in the government’s name. In accordance with the County’s investment policy, all investments are held in the name of the County and are evidenced by a safekeeping receipt confirmation, and thus not exposed to custodial credit risk.

Credit Risk. As of December 31, 2021, all of the County’s investments in securities of U.S. agencies were rated AAA by Standard & Poor’s (S&P). All of the County’s investments in money market funds are rated AAA by S&P. The County’s investment in Michigan municipal bonds and notes are rated in the top tier by at least one rating agency.

Concentration of Credit Risk. State law limits allowable investments but does not limit concentration of credit risk as identified in the list of authorized investments above. The County’s investment policy does not have specific limits in excess of state law on concentration of credit risk. All investments held at year- end are reported above.

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

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

The County has the following fair value measurements as of December 31, 2021:

	Total	Level 1	Level 2	Level 3
Municipal Bonds	\$ 8,585,136	\$ 8,585,136	\$ -	\$ -

COUNTY OF HILLSDALE, MICHIGAN

Notes to Financial Statements

4. RECEIVABLES

Receivables as of December 31, 2021 are summarized as follows:

	Governmental Activities	Business-type Activities	Component Units
Property taxes	\$ 4,390,114	\$ 1,934,460	\$ -
Accounts receivable	1,445,226	6,112,306	2,273,479
Special assessments	-	-	576,111
Due from other governments	105,754	-	-
Advances to component unit	343,480	-	-
Leases receivable	935,000	-	-
Interest receivable	-	360,410	-
	<u>\$ 7,219,574</u>	<u>\$ 8,407,176</u>	<u>\$ 2,849,590</u>

Of the amounts reported for receivables above, leases receivable in the amount of \$935,000 are not expected to be collected within one year.

5. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

For the year ended December 31, 2021, interfund transfers consisted of the following:

	Transfers In	Transfers Out
General fund	\$ 525,000	\$ 1,279,354
Nonmajor governmental funds	1,409,033	113,601
Medical Care Facility	-	81,578
Nonmajor enterprise funds	5,500	465,000
	<u>\$ 1,939,533</u>	<u>\$ 1,939,533</u>

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

COUNTY OF HILLSDALE, MICHIGAN

Notes to Financial Statements

6. TAX ABATEMENTS

The County of Hillsdale entered into certain agreements during the year that involve tax abatements. The following table outlines the key information regarding the entities involved and the type and amounts of taxes abated during the year ending December 31, 2021.

Contracted Entity	Program	Tax Abated	Gross Amount Abated
ALPHI MANUFACTURING LLC	IFT	Property Tax	\$ 596
ANDERSONS INC	IFT	Property Tax	6,776
CENTRAL COAST DESIGNS INC	IFT	Property Tax	192
COBRA MOTO LLC	IFT	Property Tax	19
COBRA MOTORCYCLES INC	IFT	Property Tax	25
DOW/DUPONT	IFT	Property Tax	1,199
FAIRWAY PRODUCTS	IFT	Property Tax	325
FOUST ELECTRO MOLD INC	IFT	Property Tax	69
GENERAL AUTOMATIC MACHINE PRODU	IFT	Property Tax	368
HI-LEX CONTROLS INC	IFT	Property Tax	16,560
HORNET MANUFACTURING INC	IFT	Property Tax	352
JOHAN VAN DE WEERD CO INC	IFT	Property Tax	156
JONESVILLE PAPER TUBE CORP	IFT	Property Tax	1,040
LIVONIA TOOL AND LASER	IFT	Property Tax	213
LIVONIA TOOL INC	IFT	Property Tax	1,950
MARTINREA JONESVILLE LLC	IFT	Property Tax	14,805
NORTH EAST FABRICATION CO INC	IFT	Property Tax	142
NORTH EAST FABRICATION COMPANY	IFT	Property Tax	165
PRECISION GAGE, LLC	IFT	Property Tax	2,172
RAPTOR INDUSTRIES LLC	IFT	Property Tax	58
ROSS DESIGN	IFT	Property Tax	83
TENNECO - WALKER	IFT	Property Tax	368
TENNECO INC	IFT	Property Tax	882
TI GROUP AUTOMOTIVE SYSTEMS LLC	IFT	Property Tax	88
			<u>\$ 48,603</u>

7. CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2021 was as follows:

	Beginning Balance	Additions	Adjustments	Disposals	Ending Balance
Governmental activities					
Capital assets not being depreciated					
Land	\$ 191,285	\$ -	\$ -	\$ -	\$ 191,285
Construction in progress	85,528	2,682	-	(6,000)	82,210
Total capital assets not being depreciated	276,813	2,682	-	(6,000)	273,495
Capital assets being depreciated:					
Buildings and improvement:	11,752,866	846,837	2,692	(418,767)	12,183,628
Vehicles and equipment	3,432,284	133,850	(2,694)	(19,154)	3,544,286
Total capital assets being depreciated	15,185,150	980,687	(2)	(437,921)	15,727,914
Less accumulated depreciation for:					
Buildings and improvements	(5,272,326)	(231,721)	(2,723)	418,767	(5,088,003)
Vehicles and equipment	(2,561,285)	(201,294)	2,694	19,154	(2,740,731)
Total accumulated depreciation	(7,833,611)	(433,015)	(29)	437,921	(7,828,734)
Total capital assets being depreciated, net	7,351,539	547,672	(31)	-	7,899,180
Capital assets, net	\$ 7,628,352	\$ 550,354	\$ (31)	\$ (6,000)	\$ 8,172,675

COUNTY OF HILLSDALE, MICHIGAN

Notes to Financial Statements

Depreciation expense was charged to programs of the governmental activities as follows:

General Government	\$	182,672
Judicial		2,889
Public Safety		211,800
Health and Welfare		33,081
Public Works		2,216
Recreation & Culture		357
Total	<u>\$</u>	<u>433,015</u>

Capital assets activity for the year ended December 31, 2021 was as follows:

	Beginning Balance	Additions	Adjustments	Disposals	Ending Balance
Business-type activities					
Capital assets not being depreciated					
Construction in Progress	\$ 26,940	\$ 47,078		\$ (26,940)	\$ 47,078
Capital assets being depreciated:					
Land improvements	29,524	-	-	-	29,524
Buildings and improvements	17,784,858	51,313	-	(34,403)	17,801,768
Vehicles and equipment	909,716	57,169	-	(53,947)	912,938
Total capital assets being depreciated	<u>18,724,098</u>	<u>108,482</u>	<u>-</u>	<u>(88,350)</u>	<u>18,744,230</u>
Less accumulated depreciation for:					
Land improvements	(29,524)	-	-	-	(29,524)
Buildings and improvements	(8,619,665)	(508,663)	-	60,652	(9,067,676)
Vehicles and equipment	(730,121)	(86,092)	8,827	54,638	(752,748)
Total accumulated depreciation	<u>(9,379,310)</u>	<u>(594,755)</u>	<u>8,827</u>	<u>115,290</u>	<u>(9,849,948)</u>
Total capital assets being depreciated, net	<u>9,344,788</u>	<u>(486,273)</u>	<u>8,827</u>	<u>26,940</u>	<u>8,894,282</u>
Business-type activities capital assets, net	<u>\$ 9,344,788</u>	<u>\$ (486,273)</u>	<u>\$ 8,827</u>	<u>\$ 26,940</u>	<u>\$ 8,941,360</u>

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

Medical Care Facility	\$	583,448
Building Inspection		11,307
Total	<u>\$</u>	<u>594,755</u>

COUNTY OF HILLSDALE, MICHIGAN

Notes to Financial Statements

	Beginning Balance	Additions	Adjustments	Disposals	Ending Balance
Component unit - Road Commission					
Capital assets not being depreciated:					
Land	\$ 64,634	\$ -	\$ -	\$ -	\$ 64,634
Land improvements	5,570,142	548,232	-	-	6,118,374
Total capital assets not being depreciated	5,634,776	548,232	-	-	6,183,008
Capital assets being depreciated:					
Buildings and improvements	2,273,670	956,246	-	(5,220)	3,224,696
Equipment	10,834,856	721,197	273	(204,662)	11,351,664
Infrastructure	63,323,455	3,763,471	-	-	67,086,926
Depletable assets	54,700	-	-	-	54,700
Total capital assets being depreciated	76,486,681	5,440,914	273	(209,882)	81,717,986
Less accumulated depreciation for:					
Buildings and improvements	(1,423,289)	(86,710)	-	5,060	(1,504,939)
Equipment	(8,429,644)	(871,391)	-	204,662	(9,096,373)
Infrastructure	(43,951,756)	(1,739,257)	-	-	(45,691,013)
Depletable assets	(52,257)	-	-	-	(52,257)
Total accumulated depreciation	(53,856,946)	(2,697,358)	-	209,722	(56,344,582)
Total capital assets being depreciated, net	22,629,735	2,743,556	273	(160)	25,373,404
Capital assets, net	\$ 28,264,511	\$ 3,291,788	\$ 273	\$ (160)	\$ 31,556,412

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

Total Depreciation Expense - Public Works	<u>\$ 2,697,358</u>
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Commitments

At December 31, 2021 the Road Commission had an outstanding commitment through a contract of approximately \$600,000 in relation to the purchase of two new trucks and accessories

Capital assets activity for the year ended December 31, 2021 was as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
Component unit - Drainage District				
Capital assets being depreciated -				
Buildings	\$ 135,000	\$ -	\$ -	\$ 135,000
Equipment	1,155,108	209,359	(45,764)	1,318,703
Infrastructure	628,693	-	-	628,693
Total capital assets being depreciated	1,918,801	209,359	(45,764)	2,082,396
Less accumulated depreciation for -				
Buildings	(118,800)	(5,400)	-	(124,200)
Equipment	(952,034)	(53,589)	45,764	(959,859)
Infrastructure	(169,787)	(12,574)	-	(182,361)
Total accumulated depreciation	(1,240,621)	(71,563)	45,764	(1,266,420)
Capital assets, net	\$ 678,180	\$ 137,796	\$ -	\$ 815,976

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

Total Depreciation Expense - Public Works	<u>\$ 71,563</u>
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COUNTY OF HILLSDALE, MICHIGAN

Notes to Financial Statements

8. PAYABLES

Accounts payable and accrued liabilities as of December 31, 2021 are summarized as follows:

	Governmental Activities	Business-type Activities	Components Units
Accounts payable	\$ 1,370,175	\$ 548,616	\$ 354,542
Capital Lease Obligation	-	28,439	-
Accrued liabilities	234,864	1,710,363	-
Due to other governments	-	2,612	-
Advances from other funds	-	-	-
Advances from primary government	-	-	598,391
Accrued interest payable	61,829	-	-
	<u>\$ 1,666,868</u>	<u>\$ 2,290,030</u>	<u>\$ 952,933</u>

9. LONG-TERM DEBT

General obligation bonds. The government issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the County. These bonds are typically issued as 10-20 year serial bonds with varying amounts of principal maturing each year. General obligation bonds currently outstanding are as follows:

Purpose	Interest Rates	Maturity Date	Amount of Original Issue	Amount Outstanding
Governmental activities				
2015 Cap. Impr. Sr Ctr. Refunding	.70%-2.70%	2025	\$ 2,140,000	\$ 580,000
2015 MCF Refunding	2.74%	2026	5,755,000	3,020,000
2016 County Office Building	2.10%	2028	500,000	445,000
2015 Senior Center Capital Debt	.75%-2.45%	2023	1,300,000	355,000
				<u>\$ 4,400,000</u>

Annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ending December 31,	Governmental Activities	
	Principal	Interest
2022	920,000	113,136
2023	955,000	89,761
2024	810,000	64,921
2025	850,000	43,210
2026	730,000	22,421
2027-2028	135,000	4,305
	<u>\$ 4,400,000</u>	<u>\$ 337,754</u>

By statute, the government's legal debt limit is restricted to 10% of the equalized value of property in the County. At December 31, 2021, the County's legal debt limit was \$218,977,329

Installment obligations. The government has entered into several long-term installment payment agreements for the upgrade of its facilities and software. Installment obligations currently outstanding are as follows:

COUNTY OF HILLSDALE, MICHIGAN

Notes to Financial Statements

Purpose	Interest Rates	Maturity Date	Amount of Original Issue	Amount Outstanding
Governmental activities				
2016 E-911 Central Dispatch	1.70%	2026	\$ 400,000	\$ 210,000
2020 Courthouse HVAC Debt		2024	720,000	450,000
				<u>\$ 660,000</u>

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

Year Ending December 31,	Governmental Activities	
	Principal	Interest
2022	\$ 220,000	\$ 6,864
2023	175,000	5,012
2024	175,000	3,347
2025	45,000	1,868
2026	45,000	968
	<u>\$ 660,000</u>	<u>\$ 18,059</u>

Capital lease. The government has entered into several lease agreements for financing the acquisition of vehicles. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date. The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2021 were as follows:

Year Ending December 31,	Governmental Activities
2022	\$ 51,692
2023	<u>24,546</u>
Total minimum lease payments	76,238
Less amount representing interest	<u>(5,604)</u>
Present value of minimum lease payments	<u>\$ 70,634</u>

Delinquent tax notes. The government issues general obligation limited tax notes to finance the purchase of delinquent real property taxes receivable from each taxing district in the County. These notes are reported in the proprietary funds (i.e., delinquent tax revolving enterprise fund) as they are expected to be repaid from proprietary fund revenues. Principal and interest payments are predicated upon actual collections of delinquent property taxes, which are subject to collection over a period not to exceed three years. Delinquent tax notes outstanding at December 31, 2021, are as follows:

Purpose	Interest Rates	Maturity Date	Amount of Original Issue	Amount Outstanding
Business-type activities				
2018 Delinquent Tax Revolving Notes	2.0%-2.4%	2021	\$ 2,700,000	\$ -
2019 Delinquent Tax Revolving Notes	1.00%	2022	2,700,000	850,000
2020 Delinquent Tax Revolving Notes	1.00%	2023	2,600,000	2,250,000
				<u>\$ 3,100,000</u>

Annual debt service requirements to maturity for delinquent tax notes are as follows:

Year Ending December 31,	Business-type Activities	
	Principal	Interest
2022	\$ 2,300,000	\$ 13,350
2023	<u>800,000</u>	<u>2,300</u>
	<u>\$ 3,100,000</u>	<u>\$ 15,650</u>

COUNTY OF HILLSDALE, MICHIGAN

Notes to Financial Statements

Drain Notes Payable. The County Drain Office has entered into several long term notes Payable to assist in funding different drain projects. Drain Notes Payable currently outstanding are as follows:

Purpose	Interest Rates	Maturity Date	Amount of Original Issue	Amount Outstanding
Drain				
Luke #238	2.66%	2022	\$ 189,500	\$ 30,800
Boyd #118	2.15%	2023	235,000	67,143
Knapp	2.15%	2024	64,318	27,565
Boyd 2 #118	3.20%	2025	40,000	32,000
Hacket #240	2.15%	2026	320,000	160,000
Lindsey #238	2.15%	2035	225,000	210,000
Lake Pleasant	.14%-1.34%	2036	889,000	889,000
				<u>\$ 1,416,508</u>

Annual debt service requirements to maturity for Drain Notes are as follows:

Year Ending December 31,	Component Unit - Drain Notes	
	Principal	Interest
2022	\$ 187,560	\$ 20,324
2023	157,760	13,584
2024	124,188	12,671
2025	115,000	12,474
2026	107,000	12,045
2027-2031	370,000	56,172
2032-2036	355,000	21,991
	<u>\$ 1,416,508</u>	<u>\$ 149,261</u>

Road Commission Installment Purchase Agreements.

The road commission has no outstanding installment agreements.

Changes in long-term debt. Long-term debt activity for the year ended December 31, 2021 was as follows:

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Primary Government:					
Governmental activities					
General obligation bonds	\$ 5,280,000	\$ -	\$ (880,000)	\$ 4,400,000	\$ 920,000
Capital leases	76,232	77,649	(77,643)	76,238	50,379
Installment contracts	970,001	-	(310,000)	660,001	220,000
Compensated absences	511,237	17,775	(17,848)	511,164	-
Net Pension Liability	3,090,328	-	(165,859)	2,924,469	-
	<u>\$ 9,927,798</u>	<u>\$ 95,424</u>	<u>\$ (1,451,350)</u>	<u>\$ 8,571,872</u>	<u>\$ 1,190,379</u>
Business-type activities					
MCF - PPA Loan	\$ 2,901,705	\$ -	\$ (2,901,705)	\$ -	\$ -
Delinquent tax notes	3,200,000	2,600,000	(2,700,000)	3,100,000	2,300,000
	<u>\$ 6,101,705</u>	<u>\$ 2,600,000</u>	<u>\$ (5,601,705)</u>	<u>\$ 3,100,000</u>	<u>\$ 2,300,000</u>

COUNTY OF HILLSDALE, MICHIGAN

Notes to Financial Statements

Component Units:

Drains					
Luke #238	\$ 68,700	\$ -	\$ (37,900)	\$ 30,800	\$ 30,800
Boyd #118	100,715	-	(33,572)	67,143	33,571
Knapp	36,753	-	(9,188)	27,565	9,188
Boyd 2 #118	40,000	-	(8,000)	32,000	8,000
Hacket #240	192,000	-	(32,000)	160,000	32,000
Lindsey #238	225,000	-	(15,000)	210,000	15,000
Lake Pleasant	-	889,000	-	889,000	59,000
Road Commission					
Compensated absences	408,790	98,664	(101,491)	405,963	20,298
	<u>\$ 1,071,958</u>	<u>\$ 987,664</u>	<u>\$ (237,151)</u>	<u>\$ 1,822,471</u>	<u>\$ 207,857</u>

For the governmental activities, compensated absences, net pension benefit obligations and net other post employment benefit obligations, if any, are generally liquidated by the general fund.

10. RISK MANAGEMENT / SELF-INSURANCE PROGRAMS

The County is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation), as well as medical benefits provided to employees. The County has purchased commercial insurance for employee medical benefit claims, participates in the Michigan Municipal Risk Management Authority (risk pool) for claims relating to property loss, torts, errors and omissions, and personal injuries, and participates in a risk pool at Employer's Reinsurance Corporation for claims relating to workers' compensation. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Municipal Risk Management Authority (risk pool) program operates as a claims servicing pool for amounts up to member retention limits, and operates as a common risk sharing management program for losses in excess of member retention amounts. Although premiums are paid annually to the Authority, and the Authority uses the premiums to pay claims up to the retention limits, the ultimate liability for those claims remains with the County. As of December 31, 2021, the County estimates that its funds on deposit with the Authority are sufficient to cover any outstanding claims. Accordingly, no liability has been recorded.

Workers' Compensation. The government maintains a self insurance program for workers' compensation coverage which is accounted for in an internal service fund (i.e., the Self Insurance fund). The program is administered by a third party administrator who conducts safety inspections and provides claims review and processing services. Premiums are paid into the internal service fund by all other funds based on payrolls and job classifications and are available to pay claims, claim reserves, excess coverage and administrative costs.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. An excess coverage insurance policy covers individual claims in excess of \$500,000 subject to an annual aggregate limit of \$5,000,000. Liabilities include an amount for claims that have been incurred but not reported (IBNR). Changes in the balances of claims liabilities during the past two years are as follows:

Changes in the balances of estimated liabilities during the past two years are as follows:

	2021	2020
Workers compensation		
Estimated liability, January 1	\$ 212,046	\$ 336,040
Estimated claims incurred, including changes in estimates	2,885	212,006
Claim payments	(108,180)	(336,000)
Estimated liability, December 31	<u>\$ 106,751</u>	<u>\$ 212,046</u>

Road Commission. The Road Commission is a member of the Michigan County Road Commission Self-Insurance Pool ("Pool") established pursuant to the laws of the State of Michigan which authorizes contracts between municipal corporations (interlocal agreements) to form group self-insurance pools, and to prescribe conditions to the performance of these contracts.

COUNTY OF HILLSDALE, MICHIGAN

Notes to Financial Statements

The Michigan County Road Commission Self-Insurance Pool was established for the purpose of making a self-insurance pooling program available for Michigan County Road Commissions, which includes, but is not limited to, general liability coverages, auto liability coverages, property insurance coverages, stop loss insurance protection, claims administration, and risk management and loss control services pursuant to Michigan Public Act 138 of 1982.

The Hillsdale County Road Commission pays an annual premium to the Pool for property (buildings and grounds) coverage, automobile liability, errors or omissions liability and bodily injury, property damage and personal injury liability. The agreement for the formation of the Pool provides that the Pool will be self-sustaining through member premiums and will purchase both specific and aggregate stop-loss insurance to the limits determined necessary by the Pool Board.

The Road Commission continues to carry commercial insurance for all other risks of loss, including life, health, and workers' compensation insurance. Settled claims have not exceeded insurance coverage for the last three years

11. CONTINGENT LIABILITIES

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

The County is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the County's counsel that resolution of these matters will not have a material adverse effect on the financial condition of the County.

LifeWays. The Michigan Department of Community Health (MDCH) has indicated that the County is partially responsible for \$3,299,285 owed to Lifeways, the mental health authority for Jackson and Hillsdale Counties. Hillsdale County has entered into agreement to pay \$80,000 per year for 10 years to account for their portion of the \$3,299,285 owed to Lifeways. The first payment was in the 2015 fiscal year.

12. PROPERTY TAXES

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

Property taxes are levied on the assessed taxable value of the property as established by local units, accepted by the County and equalized under State statute at approximately 50 percent of the current estimated market value. In March 1994, Michigan voters approved Proposal A, which limits annual increases in assessed values to the lesser of 5% or the rate of inflation with assessed value reverting to 50% of true cash value when the property is sold.

For the ambulance, senior services and Medical Care Facility, the assessed and taxable value of real and personal property for the December 1, 2020 levy, for which revenue was recognized in fiscal 2021, was \$1,411,505,455. For the general fund, the assessed and taxable value of real and personal property for the July 1, 2021 levy, for which revenue was recognized in fiscal 2021, was \$1,526,210,983. The general operating tax rate for this levy was at the maximum rate of 4.8879 mills, as adjusted by the Headlee Amendment to the State of Michigan Constitution. The County also had a voter approved tax of .9941 mills for ambulance services, .9904 mills for senior services, .5965 for Medical Care Facility operating, .4971 for Mental Health, and .4000 mills for the Medical Care Facility debt service.

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.

COUNTY OF HILLSDALE, MICHIGAN

Notes to Financial Statements

13. DEFINED BENEFIT PENSION PLANS - Primary Government

Employees of the Sheriff Department, except the Sheriff and Under sheriff, are eligible to participate in the Municipal Employees Retirement System of Michigan (MERS), an agent multiple-employer, defined benefit pension plan. The System is administered by the MERS retirement board. MERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Act No. 427 of the Public Acts of 1984, as amended, establishes and amends the benefit provisions of the participants in MERS. A publicly available financial report that includes financial statements and required supplementary information for MERS may be obtained by writing to the Municipal Employees Retirement System of Michigan, 1134 Municipal Way, Lansing, MI 48917, or by calling (800) 767-6377.

The County is required to contribute at an actuarially determined rate; the current rate for the County is 10% of annual covered payroll for each employee group. All participating employees are required to contribute 14.40% percent of their annual salary. The contribution requirements of the County are established and may be amended by the Retirement Board of MERS. The contribution requirements of plan members are established and may be amended by the County Board of Commissioners, depending on the MERS contribution program adopted by the County. However, if the MERS funding requirement for the employer's portion exceeds the amount per the labor contracts then the employees are required to fund the difference.

02- Sheriff Supervisory & Non-Supervisory: Open Division

	2020 Valuation	2019 Valuation
Benefit Multiplier:	2.00% Multiplier (no max)	2.00% Multiplier (no max)
Normal Retirement Age:	60	60
Vesting:	10 Years	10 Years
Early Retirement (Unreduced):	55/25	55/25
Early Retirement (Reduced):	50/25	50/25
	55/15	55/15
Final Average Compensation:	5 Years	5 Years
Employee Contributions:	14.40%	18.06%
Act 88:	No	No

Employees Covered by Benefit Terms. As of December 1, 2020, the following employees were covered by the benefit terms:

Retirees and Beneficiaries	23
Vested Former Employees	9
Active Employees	33
Pending Refunds	6
Total Employee	71

Funding Policy: The obligation to contribute to and maintain the system for these employees was established by negotiation with the County's competitive bargaining unit and personnel policy, which require employees to contribute to the plan. The County is required to contribute at an actuarially determined rate.

The contribution rate as a percentage of payroll at December 31, 2021 is as follows:

Sheriff Patrol	10.00%
Sheriff Sergeant	10.00%

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

Inflation	2.5 Percent
Salary Increases	3.00 percent, average, including inflation
Investment rate of return	7.35 percent

COUNTY OF HILLSDALE, MICHIGAN

Notes to Financial Statements

Although no explicit price inflation assumption is used in this valuation, the long-term annual rate of price inflation implicit in the 3.00% base wage inflation is 2.5%.

The mortality table used to project the mortality experience of non-disabled plan members is a 50% Male - 50% female blend of the following tables:

1. 106% of Pub-2010 Juvenile Mortality Tables for ages 0-17
2. 106% of Pub-2010 Employee Mortality Tables for ages 18-49
3. 106% of Pub-2010 Healthy Retiree Tables for ages 50-120

The actuarial assumptions used in valuation were based on the results of the most recent actuarial experience study in 2020.

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 Investment	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.

<i>Changes in Net Pension Liability:</i>	<i>Total Pension Liability</i>	<i>Plan Fiduciary Net Position</i>	<i>Net Pension Liability</i>
Balances at December 31, 2020	\$ 9,331,933	\$ 6,241,605	\$ 3,090,328
Service Cost:	217,770	-	217,770
Interest:	694,838	-	694,838
Difference between expected and actual experience	(164,590)	-	(164,590)
Changes in assumptions	352,512	-	352,512
Benefit Changes	48,922	-	48,922
Employer Contributions	-	184,320	(184,320)
Employee Contributions	-	248,645	(248,645)
Net Investment Income	-	871,804	(871,804)
Benefit payments, including employee refunds	(596,428)	(596,428)	-
Administrative expense	-	(10,004)	10,004
Other Changes	(20,547)	-	(20,547)
Net Changes	532,477	698,337	(165,860)
Balances as of December 31, 2021	\$ 9,864,410	\$ 6,939,942	\$ 2,924,468

COUNTY OF HILLSDALE, MICHIGAN

Notes to Financial Statements

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

	1% Decrease 6.60%	Current Rate 7.60%	1% Increase 8.60%
Change in net pension liability	\$ 4,130,688	\$ 2,924,468	\$ 1,944,909

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

For the year ended December 31, 2021, the County recognized pension expense of \$219,334. At December 31, 2021, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 285,098
Changes in assumptions	507,077	-
Difference in expected and actual returns		511,336
Total	\$ 507,077	\$ 796,434

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

Year Ended December 31:	Outflows	Inflows
2022	\$ 151,287	\$ (161,336)
2023	99,013	(251,428)
2024	99,013	(213,550)
2025	99,012	(142,690)
2026	58,752	(27,430)
	\$ 507,077	\$ (796,434)

Annual Pension Cost

During the year ended December 31, 2021, the County's contributions totaling \$184,320 were made in accordance with contribution requirement determined by an actuarial valuation of the plan as of December 31, 2020. The employer contribution rate has been determined based on the entry age normal funding method. Under the entry age normal cost funding method, the total employer contribution is comprised of the normal cost plus the level annual percentage of payroll payment required to normal cost is, for each employee, the level percentage of payroll contribution (from entry age to retirement) required to accumulate sufficient assets at the member's retirement to pay for his projected benefit. Significant actuarial assumptions used include a long-term investment yield rate of 7.35 percent and annual salary increases of 3.0 percent based on an age-related scale to reflect merit, longevity, and promotional salary increases. The unfunded actuarial liability is amortized as a level percent of payroll on a closed basis. The remaining amortization period is 19 years.

COUNTY OF HILLSDALE, MICHIGAN

Notes to Financial Statements

14. DEFINED BENEFIT PENSION PLANS - Road Commission

General Information About the Plan

Plan Description. The Road Commission participates in the Municipal Employees' Retirement System (MERS) of Michigan, a defined benefit pension plan providing certain retirement, disability and death benefits to plan members and beneficiaries. 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. Public Act 427 of 1984, as amended, establishes and amends the benefit provisions of the participants in MERS. 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.

Benefits Provided. Pension benefits are calculated as final average compensation (based on a 5 year period) and multiplier of 2%. Participants are considered to be fully vested in the plan after 6 years. Normal retirement age is 60 with early retirement at age 55 with 25 years of service.

Employees Covered by Benefit Terms. At December 31, 2020, plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits	43
Inactive employees entitled to but not yet receiving benefits	6
Active employees	44
Total membership	93

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

Employer and employee contribution amounts or rates, by division/bargaining unit, were as follows for the year ended December 31, 2021:

Division/Bargaining Unit	Employer Contribution	Employee Contribution	Status
01 - General	\$17,471/Month	5.3%	Open
10 - Non Union	\$20,304/Month	9.9%	Open

Net Pension Liability. The Road Commission's net pension liability was measured as of December 31, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2020.

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	3.00% in the long-term
Investment rate of return	7.35%, net of investment expense and including inflation

COUNTY OF HILLSDALE, MICHIGAN

Notes to Financial Statements

The base mortality tables used are constructed as described below and are based on amount weighted sex distinct rates:

- Pre-retirement mortality based on 100% of Pub-2010 Juvenile Mortality Tables for ages 0-17, 100% of PubG-2010 Employee Mortality Tables for ages 18-80, and 100% of PubG-2010 Healthy Retiree Tables for ages 81-120
- Non-disabled mortality based on 106% of Pub-2010 Juvenile Mortality Tables for ages 0-17, 106% of PubG-2010 Employee Mortality Tables for ages 18-80, and 106% of PubG-2010 Healthy Retiree Tables for ages 81-120
- Disabled retired plan members mortality based on 100% of Pub-2010 Juvenile Mortality Tables for ages 0-17, and 100% of PubNS-2010 Healthy Retiree Tables for ages 81-120

The actuarial assumptions used in the valuation were based on the results of the most recent actuarial experience study of 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	Expected Money- Weighted Rate of Return
Global equity	60.00%	5.25%	3.15%
Global fixed income	20.00%	1.25%	0.25%
Private Investments	20.00%	7.25%	1.45%
	<u>100.00%</u>		
Inflation			2.50%
Administrative expenses netted above			<u>0.25%</u>
Investment rate of return			<u><u>7.60%</u></u>

Discount Rate. The discount rate used to measure the total pension liability as of December 31, 2021 was 7.60%. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

COUNTY OF HILLSDALE, MICHIGAN

Notes to Financial Statements

Changes in Net Pension Liability

The components of the change in the net pension liability are summarized as follows:

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at December 31, 2020	\$ 12,864,332	\$ 9,377,833	\$ 3,486,499
Changes for the year:			
Service cost	241,956	-	241,956
Interest	957,379	-	957,379
Differences between expected and actual experience	(28,860)	-	(28,860)
Changes in assumptions	338,544	-	338,544
Employer contributions	-	667,038	(667,038)
Employee contributions	-	166,029	(166,029)
Net investment income	-	1,331,310	(1,331,310)
Benefit payments, including refunds of employee contributions	(776,284)	(776,284)	-
Administrative expense	-	(15,270)	15,270
Other changes	(36,698)	-	(36,698)
Net changes	696,037	1,372,823	(676,786)
Balances at December 31, 2021	\$ 13,560,369	\$ 10,750,656	\$ 2,809,713

Changes in Assumptions. A 5-year experience study analyzing historical experience from 2013 through 2018 was completed in February 2020. In addition to changes to the economic assumptions which took effect with the fiscal year 2021 contribution rates, the experience study recommended updated demographic assumptions, including adjustments to the following actuarial assumptions: mortality, retirement, disability, and termination rates.

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%, as well as what the Road Commission's net pension liability would be if it were calculated 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 (7.60%)	1% Increase (8.60%)
Road Commission's net pension liability	\$ 4,224,697	\$ 2,809,713	\$ 1,602,189

Pension Plan Fiduciary Net Position. Detailed information about the pension plan's fiduciary net position is available in the separately issued Plan financial statements.

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

For the year ended December 31, 2021 the Road Commission recognized pension expense of \$210,245. The Road Commission reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

COUNTY OF HILLSDALE, MICHIGAN

Notes to Financial Statements

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Difference between expected and actual experience	\$ 112,757	\$ 21,645	\$ 91,112
Changes in assumptions	430,441	-	430,441
Net difference between projected and actual earnings on pension plan investments	-	748,194	(748,194)
Total	\$ 543,198	\$ 769,839	\$ (226,641)

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

December 31,	Amount
2022	\$ 107,116
2023	(74,231)
2024	(136,122)
2025	(123,404)
Total	\$ (226,641)

Payable to the Pension Plan. At December 31, 2021, the Road Commission had no amounts payable for contributions to the pension plan.

For the government activities, the net pension liability is generally liquidated by the general fund.

15. DEFINED CONTRIBUTION PENSION PLAN - PRIMARY GOVERNMENT

The County provides pension benefits to all of its full time employees who are not eligible for the MERS defined benefit plan through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. As established by the Hillsdale County Retirement Fund, the County contributes 6.5 - 10.0 percent for all the general County employees' gross earnings and 4 percent for all Medical Care Facility employees. Employees contribute 2-10 percent of earnings. In accordance with these requirements, the County contributed \$317,380 for the year ended December 31, 2021 and employees contributed \$251,754.

The Hillsdale County Board of Commissioners established both plans and may amend them and the related contribution requirements, subject to the County's various collective bargaining agreements. The plans are administered and the assets are in the custody of third-party insurance companies.

COUNTY OF HILLSDALE, MICHIGAN

Notes to Financial Statements

16. POST EMPLOYMENT HEALTH CARE BENEFITS - PRIMARY GOVERNMENT

Plan Description. The Hillsdale County Sheriff's Department participates in a defined benefit postretirement plan sponsored by Hillsdale County that provides postretirement medical benefits to retirees. Substantially all employees may become eligible for the benefits if they reach normal retirement age while working at the Sheriff's department. The County is required to pay 50% of the post retirement obligation to be paid from the County's General Fund, until the retiree reaches the age of 65, at which point the retiree is eligible for Medicare, and the county's obligation ends.

Funding Policy. Through 2021, the County has not made contributions in advance (in other words, this has been financed on a pay as you go basis). In 2022, the county will open a Trust, and begin funding the normal cost on an annual basis. Covered members are required to contribute 50% of their health insurance cost each month.

Employees Covered by Benefit Terms.

As of Actuarial date 12/31/2021	
Active Members	34
Inactive Members	0
Retirees and beneficiaries	2
Total Members	36

Total OPEB Liability and Net OPEB Liability.

The County's total OPEB liability of \$1,199,950 was measured as of December 31, 2021.

The County has contributed zero funds towards funding this liability as the County has used a pay-as-you-go approach to their OPEB costs. That is, benefit payments have been made from general operating funds.

Actuarial Methods

Cost Method	Entry Age Normal (level percentage of compensation)
Asset Valuation Method	Not Applicable; plan is not pre-funded

Actuarial assumptions and other inputs.

Inflation	None; the plan is not pre-funded
Salary Increases	3% (for purpose of allocating liability)
Investment rate of return	None; Plan is not pre-funded
20-year Aa Municipal bond rate	2.25% (S&P Municipal Bond 20-Year High Grade Rate Index)
Mortality	2010 Public General Employees and Healthy Retirees, Headcount weighted
Improvement Scale	MP-2021

Discount Rate

The discount rate used to measure the total OPEB liability was 2.25%. Because the plan does not have a dedicated OPEB trust, there are not assets projected to be sufficient to make projected future benefit payments of current plan members, therefore, benefit payments are discounted at a discount rate reflecting a 20-year AA/Aa tax-exempt municipal bond yield. As of December 31, 2020 the discount rate used to value OPEB liabilities was 1.93%.

COUNTY OF HILLSDALE, MICHIGAN

Notes to Financial Statements

	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance at January 1 2021	\$ 2,004,225	\$ -	\$ 2,004,225
Changes during the Year			
Service Cost	58,649	-	58,649
Interest	39,689	-	39,689
Experience (Gains)/Losses	(286,860)	-	(286,860)
Change in plan terms	-	-	-
Change in Actuarial assumptions	(602,821)	-	(602,821)
Contributions to OPEB Trust	-	-	-
Benefits paid from Operating Funds	-	12,932	(12,932)
Net Investment Income	-	-	-
Benefit Payments	(12,932)	(12,932)	-
Administrative Expenses	-	-	-
Other Changes	-	-	-
Total Changes	(804,275)	-	(804,275)
Balance at December 31, 2021	<u>\$ 1,199,950</u>	<u>\$ -</u>	<u>\$ 1,199,950</u>

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

The following presents the net OPEB liability (NOL) of the County, calculated using trend and discount rates 1% higher and lower than base assumptions:

<u>Discount</u>	1% Decrease	Current Rate	1% Increase
Total OPEB Liability	\$ 1,318,987	\$ 1,199,950	\$ 1,091,372
Plan Fiduciary Net Position	-	-	-
Net OPEB Liability	<u>\$ 1,318,987</u>	<u>\$ 1,199,950</u>	<u>\$ 1,091,372</u>
<u>Trend</u>	1% Decrease	Current Rate	1% Increase
Total OPEB Liability	\$ 1,063,905	\$ 1,199,950	\$ 1,359,223
Plan Fiduciary Net Position	-	-	-
Net OPEB Liability	<u>\$ 1,063,905</u>	<u>\$ 1,199,950</u>	<u>\$ 1,359,223</u>

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

Service Cost	\$ 58,649
Interest on Total OPEB Liability	39,689
Experience (Gains)/Losses	(62,685)
Changes of Assumptions	(11,641)
Total OPEB Expense	<u>\$ 24,012</u>

Deferred Inflows and Outflows of Resources Related to OPEB Plan

	Deferred Outflows	Deferred Inflows
Experience (Gains)/Losses	\$ -	\$ 429,036
Changes of Assumptions	373,953	532,562
Investment Earnings (Gains)/Losses	-	-
Total	<u>\$ 373,953</u>	<u>\$ 961,598</u>

COUNTY OF HILLSDALE, MICHIGAN

Notes to Financial Statements

17. NET INVESTMENT IN CAPITAL ASSETS

	Governmental activities	Business-type activities
Capital assets not being depreciated	\$ 273,495	\$ 47,078
Capital assets being depreciated, net	7,899,180	8,894,282
Total capital assets	<u>8,172,675</u>	<u>8,941,360</u>
Capital related bonds	(4,400,000)	-
Installment contracts	(660,001)	-
PPP Loan		-
Capital leases	<u>(76,238)</u>	<u>-</u>
Total net investment in capital assets	<u>\$ 3,036,436</u>	<u>\$ 8,941,360</u>

18. Restatement

The restatement of the beginning net position/fund balances was made to the following funds for the following reasons:

General Fund

\$ 513,760	Correct prior year tax revenue.
<u>(334,488)</u>	Correct reserve amount for drain loans to match the actual outstanding.
<u>\$ 179,272</u>	

MCF Debt Service

\$ (73,398)	To remove stale balance from the local community stabilization split done in 2019.
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Total Government Wide Effect

<u>\$ 105,874</u>

Drain Fund

<u>\$ 314,488</u>	Correct reserve amount for drain loans to match the actual outstanding.
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Required Supplementary Information

COUNTY OF HILLSDALE, MICHIGAN

Required Supplementary Information
Schedule of Changes in the Net Pension Liability and Related Ratios

	2016	2017	2018	2019	2020	2021
Total Pension Liability						
Service Cost	\$ 198,793	\$ 196,805	\$ 203,621	\$ 211,620	\$ 207,582	\$ 217,770
Interest	595,086	618,638	653,908	682,800	663,894	694,838
Benefit payments, including refund of member contributions	(315,192)	(448,312)	(514,830)	(455,089)	(538,258)	(596,428)
Other Changes	17,024	91,178	(15,421)	(195,292)	97,942	216,297
Net Change in Total Pension Liability	495,711	458,309	327,278	244,039	431,160	532,477
Total Pension Liability - Beginning	7,375,436	7,871,147	8,329,456	8,656,734	8,900,773	9,331,933
Total Pension Liability - Ending	<u>7,871,147</u>	<u>8,329,456</u>	<u>8,656,734</u>	<u>8,900,773</u>	<u>9,331,933</u>	<u>9,864,410</u>
Plan fiduciary net position						
Contributions - employer	\$ 137,998	\$ 144,608	\$ 314,432	\$ 184,549	\$ 183,928	\$ 184,320
Contributions - employee	218,671	252,676	254,856	263,244	261,761	248,645
Net investment income	469,826	605,974	(199,104)	676,479	720,455	871,804
Benefit payments, including refunds of member contributions	(315,192)	(448,312)	(514,830)	(455,089)	(538,258)	(596,428)
Administrative expense	(9,261)	(9,587)	(9,846)	(11,662)	(11,312)	(10,004)
Other Changes	(551,627)	-	-	1	(1)	-
Net Change in plan fiduciary net position	(49,585)	545,359	(154,492)	657,522	616,573	698,337
Total plan fiduciary net position - Beginning	4,626,228	4,576,643	5,122,002	4,967,510	5,625,032	6,241,605
Total plan fiduciary net position - Ending	<u>\$ 4,576,643</u>	<u>\$ 5,122,002</u>	<u>\$ 4,967,510</u>	<u>\$ 5,625,032</u>	<u>\$ 6,241,605</u>	<u>\$ 6,939,942</u>
County's net pension liability - Ending	<u>\$ 3,294,504</u>	<u>\$ 3,207,454</u>	<u>\$ 3,689,224</u>	<u>\$ 3,275,741</u>	<u>\$ 3,090,328</u>	<u>\$ 2,924,468</u>
Plan fiduciary net position as a percentage of the total pension liability	58%	61%	57%	63%	67%	70%
Covered - Employee Payroll	1,799,823	1,753,157	1,770,578	1,770,578	1,770,578	1,683,583
County's net pension liability as a percentage of covered-employee payroll	183%	183%	208%	185%	175%	174%
Annual money-weighted rate of return, net investment expense	4%	4%	4%	4%	4%	4%
Actuarially determined contribution	137,998	144,608	164,432	184,549	183,928	184,320
Contributions in relation to the actuarially determined	(137,998)	(144,608)	(314,432)	(184,549)	(183,928)	(184,320)
Contribution deficiency (excess)	-	-	(150,000)	-	-	-
Covered - employee payroll	1,799,823	1,753,157	1,770,578	1,770,578	1,770,578	1,683,583
Contributions as a percentage of covered-employee payroll	-8%	-8%	-18%	-10%	-10%	-11%

COUNTY OF HILLSDALE, MICHIGAN

Required Supplementary Information

Schedule of Changes in the OPEB Liability and Related Ratios

Retiree Health Care Plan - Primary government

	2018	2019	2020	2021
Total OPEB Liability - Beginning of Year	952,190	1,581,723	1,685,183	2,004,225
Service Cost	35,316	33,342	45,449	58,649
Interest	34,315	56,431	56,183	39,689
Experience (Gains)/Losses	9,801	(249,277)	(12,656)	(286,860)
Change in Actuarial Assumptions	569,855	277,635	244,540	(602,821)
Benefit Payments	(19,754)	(14,671)	(14,474)	(12,932)
Total OPEB Liability - End of Year	<u>\$ 1,581,723</u>	<u>\$ 1,685,183</u>	<u>\$ 2,004,225</u>	<u>\$ 1,199,950</u>
Plan fiduciary net Position				
Contributions - employer	19,754	14,671	14,474	12,932
Net Investment Income	-	-	-	-
Benefit Payments	(19,754)	(14,671)	(14,474)	(12,932)
Administrative Expense	-	-	-	-
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	1,581,723	1,685,183	2,004,225	1,199,950
Plan fiduciary net Position as a percentage of total OPEB Liability	0.00%	0.00%	0.00%	0.00%
Covered Payroll	Not Avail.	1,664,488	1,795,430	1,811,332
Net OPEB liability as a percentage of covered payroll	Not Avail.	101.2%	111.6%	66.2%
Schedule of Employer Contributions				
Service Cost	35,316	33,342	45,449	58,649
Amortization of unfunded liability		176,208	189,136	241,468
Actuarially determined employer contribution	151,426	216,905	242,233	305,909
Employer contribution (benefit payments)	(19,754)	(14,671)	(14,474)	(12,932)
Contribution deficiency/(excess)	131,672	202,234	227,759	292,977
Covered Payroll	Not Avail.	1,664,488	1,795,430	1,811,332
ADC as a percentage of payroll	Not Avail.	13.0%	13.5%	16.9%
Key Assumptions:				
Inflation		Implicit in expected payroll increases		
Salary		3.00%		
Investment rate of return		N/A; Plan is not pre-funded		
Utilization		40% of eligible employees will elect coverage at retirement.		
20-year Aa Municipal bond rate		2.25%		
Mortality		2010 Public Safety Employees and Healthy Retirees (Public General for spouses), Headcount weighted , MP-2021		

COUNTY OF HILLSDALE, MICHIGAN

Statement of Revenues, Expenditures and Changes in Fund Balances

Budget and Actual - General Fund

Year Ended December 31, 2021

	Original Budget	Final Budget	Actual	Actual over (under) Final Budget
Revenues				
Property taxes	\$ 7,593,536	\$ 7,649,538	\$ 7,471,360	\$ (178,178)
Intergovernmental:				
State revenue sharing	981,000	981,000	987,383	6,383
Personal Property Tax Reimbursement	170,000	170,000	114,719	(55,281)
Juvenile Officer's Grant	27,000	27,000	27,317	317
Judges Salaries Grant	240,000	240,000	247,854	7,854
Juror Compensation Grant	4,350	4,350	295	(4,055)
Liquor Tax	118,000	118,000	110,188	(7,812)
Secondary Road Patrol Grant	90,000	90,000	61,645	(28,355)
Marine Safety Grant	10,000	22,000	13,426	(8,574)
Emergency Management Grant	8,000	8,000	13,397	5,397
Drunk Driving Grant	7,000	7,000	5,024	(1,976)
Prosecutor - Cooperative Reimbursement Program	74,000	74,000	72,276	(1,724)
FOC - Cooperative Reimbursement Program	283,000	283,000	305,932	22,932
FOC - Other	106,000	106,000	92,386	(13,614)
Survey and Remonumentation Grant	50,000	50,000	44,757	(5,243)
State court equity funding	173,600	173,600	193,470	19,870
Elections	30,000	60,000	61,263	1,263
Other intergovernmental revenue	100	14,400	26,521	12,121
Total intergovernmental	2,372,050	2,428,350	2,377,853	(50,497)
Licenses and permits:				
Dog licenses	40,000	40,000	36,450	(3,550)
Other licenses and permits	36,500	36,500	26,025	(10,475)
Total licenses and permits	76,500	76,500	62,475	(14,025)
Fines and forfeits:				
Ordinance fines and costs	160,000	173,000	199,669	26,669
Bond forfeitures	42,500	42,500	54,513	12,013
Total fines and forfeits	202,500	215,500	254,182	38,682
Charges for services:				
Circuit Court	34,250	34,250	17,986	(16,264)
District Court	73,600	90,600	90,362	(238)
Friend of the Court	81,000	81,000	76,727	(4,273)
Probate/Family Court	143,250	143,250	133,007	(10,243)
Clerk	66,000	66,000	72,427	6,427
Register of deeds	408,000	503,000	516,624	13,624
Sheriff	61,500	71,500	74,625	3,125
Equalization	70,000	70,000	46,374	(23,626)
Other charges for services	90,400	90,400	98,955	8,555
Total charges for services	1,028,000	1,150,000	1,127,087	(22,913)

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COUNTY OF HILLSDALE, MICHIGAN

Statement of Revenues, Expenditures and Changes in Fund Balances

Budget and Actual - General Fund

Year Ended December 31, 2021

	Original Budget	Final Budget	Actual	Actual over (under) Final Budget
Revenues (continued)				
Interest and rentals:				
Interest revenue	40,000	40,000	\$ (58,781)	\$ (98,781)
Rents	248,047	248,047	249,684	1,637
Total interest and rentals	<u>288,047</u>	<u>288,047</u>	<u>190,903</u>	<u>(97,144)</u>
Other revenue/reimbursements -				
Reimbursements and refunds	803,612	803,612	830,696	27,084
Total revenues	<u>12,364,245</u>	<u>12,611,547</u>	<u>12,314,556</u>	<u>(296,991)</u>
Expenditures				
Legislative -				
Board of Commissioners	78,860	83,860	83,560	(300)
Judicial:				
Circuit Court	167,399	167,399	159,436	(7,963)
District Court	483,149	483,149	476,361	(6,788)
Friend of the Court	442,547	442,547	428,146	(14,401)
Jury Commission	2,909	4,909	4,492	(417)
Probate Court	530,383	530,383	520,202	(10,181)
Family/Juvenile Court	140,000	140,000	133,000	(7,000)
Total judicial	<u>1,766,387</u>	<u>1,768,387</u>	<u>1,721,637</u>	<u>(46,750)</u>
General government:				
Elections	102,939	122,939	122,821	(118)
Clerk	258,407	258,407	254,247	(4,160)
Register of deeds	152,300	152,300	152,020	(280)
Planning	9,650	9,650	2,941	(6,709)
Equalization	268,889	268,889	262,508	(6,381)
Information technology	380,656	380,656	372,109	(8,547)
Prosecutor	474,775	482,775	480,877	(1,898)
Survey & Remonumentation	50,000	50,000	41,133	(8,867)
Treasurer	238,365	208,339	206,481	(1,858)
Finance	76,831	76,831	76,710	(121)
MSU Extension	164,615	164,615	153,857	(10,758)
Courthouse and grounds	391,483	391,483	402,181	10,698
FOC Building	22,100	22,100	21,978	(122)
DHS Building	154,671	154,671	143,465	(11,206)
Drain Commissioner	239,950	290,004	241,896	(48,108)
Bus Garage	18,900	23,900	17,492	(6,408)
Sr Ctr Utility	-	6,500	6,516	16
MCF Utility	-	32,000	36,258	4,258
Office building	29,900	44,900	34,071	(10,829)
Total general government	<u>3,034,431</u>	<u>3,140,959</u>	<u>3,029,561</u>	<u>(111,398)</u>

continued...

COUNTY OF HILLSDALE, MICHIGAN

Statement of Revenues, Expenditures and Changes in Fund Balances

Budget and Actual - General Fund

Year Ended December 31, 2021

	Original Budget	Final Budget	Actual	Actual over (under) Final Budget
Expenditures (continued)				
Public safety:				
Sheriff's Department	1,926,189	1,954,380	1,954,380	-
Secondary Road Patrol Grant	91,302	94,302	94,262	(40)
Marine Patrol	13,500	21,880	21,880	-
Jail Operation	1,035,821	1,137,227	1,137,224	(3)
Emergency Preparedness	49,129	49,129	44,512	(4,617)
Animal control	38,306	21,659	21,660	1
Total public safety	<u>3,154,247</u>	<u>3,278,577</u>	<u>3,273,918</u>	<u>(4,659)</u>
Public works -				
Board of Public Works	<u>27,673</u>	<u>27,673</u>	<u>24,108</u>	<u>(3,565)</u>
Health and welfare:				
Health Department	100,954	108,454	87,895	(20,559)
Medical Examiner	111,810	146,810	120,023	(26,787)
Veteran's Burial	9,500	9,500	8,794	(706)
Veteran's Affairs Office	65,056	65,056	47,082	(17,974)
District Health Department	235,000	235,000	256,374	21,374
Mental Health Authority	274,000	274,000	274,000	-
Total health and welfare	<u>796,320</u>	<u>838,820</u>	<u>794,168</u>	<u>(44,652)</u>
Other:				
Employee Benefits	1,796,237	1,723,375	1,675,607	(47,768)
Property/Liability Insurance	342,650	342,650	418,046	75,396
Other	540,855	492,970	472,663	(20,307)
Appropriations	73,524	108,067	100,746	(7,321)
Total other	<u>2,753,266</u>	<u>2,667,062</u>	<u>2,667,062</u>	<u>-</u>
Capital outlay	<u>120,000</u>	<u>150,180</u>	<u>134,132</u>	<u>(16,048)</u>
Total expenditures	<u>11,731,184</u>	<u>11,955,518</u>	<u>11,728,146</u>	<u>(227,372)</u>
Revenues over (under) expenditures	<u>633,061</u>	<u>656,029</u>	<u>586,410</u>	<u>(69,619)</u>
Other financing sources (uses)				
Proceeds from capital lease	10,500	10,500	-	(10,500)
Transfers in	575,000	575,000	525,000	(50,000)
Transfers out	(1,218,561)	(1,288,530)	(1,279,354)	(9,176)
Total other financing sources (uses)	<u>(633,061)</u>	<u>(703,030)</u>	<u>(754,354)</u>	<u>(51,324)</u>
Net change in fund balances	<u>-</u>	<u>(47,001)</u>	<u>(167,944)</u>	<u>(120,943)</u>
Fund balances, beginning of year	1,676,877	1,676,877	1,676,877	-
Prior Period Adjustment	-	-	179,272	179,272
Fund balances, end of year	<u>\$ 1,676,877</u>	<u>\$ 1,629,876</u>	<u>\$ 1,688,205</u>	<u>\$ 58,329</u>

COUNTY OF HILLSDALE, MICHIGAN

Statement of Revenues, Expenditures and Changes in Fund Balances

Budget and Actual - Senior Citizen Special Revenue Fund

Year Ended December 31, 2021

	Original Budget	Final Budget	Actual	Actual over (under) Final Budget
Revenues				
Property tax revenue	\$ 1,515,000	\$ 1,515,000	\$ 1,377,641	\$ (137,359)
Intergovernmental	-	-	31,309	31,309
Total Revenues	<u>1,515,000</u>	<u>1,515,000</u>	<u>1,408,950</u>	<u>(106,050)</u>
Expenditures				
Health and welfare	1,511,000	1,511,000	1,313,537	(197,463)
Revenues over expenditures	4,000	4,000	95,413	91,413
Fund balances, beginning of year	100,184	100,184	100,184	-
Fund balances, end of year	<u>\$ 104,184</u>	<u>\$ 104,184</u>	<u>\$ 195,597</u>	<u>\$ 91,413</u>

COUNTY OF HILLSDALE, MICHIGAN

Statement of Revenues, Expenditures and Changes in Fund Balances

Budget and Actual - American Rescue Plan Act

Year Ended December 31, 2021

	Original Budget	Final Budget	Actual	Actual over (under) Final Budget
Revenues				
Intergovernmental	\$ -	\$ 4,429,119	\$ -	\$ (4,429,119)
Total Revenues	<u>-</u>	<u>4,429,119</u>	<u>-</u>	<u>(4,429,119)</u>
Expenditures				
General Government	-	2,300,952	-	(2,300,952)
Revenues over expenditures	<u>-</u>	<u>2,128,167</u>	<u>-</u>	<u>(2,128,167)</u>
Fund balances, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, end of year	<u>\$ -</u>	<u>\$ 2,128,167</u>	<u>\$ -</u>	<u>\$ (2,128,167)</u>

Supplementary Information

COUNTY OF HILLSDALE, MICHIGAN

Combining Balance Sheet - Nonmajor Governmental Funds
December 31, 2021

	Special Revenue									
	Parks	Ambulance	Tobacco and Alcohol Diversion	Pros. Atty. Offender Diversion	E-911 Emergency	Concealed Pistols Permit	Friend of the Court	Register of Deeds Automation	Drug Forfeiture	Law Enforcement Training
Assets										
Cash and investments	\$ 20,952	\$ 76,800	\$ 8,756	\$ 4,372	\$ 542,408	\$ 110,078	\$ 202,768	\$ 258,551	\$ 9,806	\$ 2,274
Taxes receivable	-	1,391,613	-	-	-	-	-	-	-	-
Accounts receivable	-	-	-	-	123,361	-	-	-	-	-
Prepaid expenditures	-	-	-	-	11,053	200	-	-	-	-
Total assets	<u>\$ 20,952</u>	<u>\$ 1,468,413</u>	<u>\$ 8,756</u>	<u>\$ 4,372</u>	<u>\$ 676,822</u>	<u>\$ 110,278</u>	<u>\$ 202,768</u>	<u>\$ 258,551</u>	<u>\$ 9,806</u>	<u>\$ 2,274</u>
Liabilities										
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 9,363	\$ 215	\$ 450	\$ -	\$ -	\$ -
Unearned revenue	2,730	-	-	-	-	-	-	-	-	-
Accrued liabilities	6,805	-	-	-	22,917	-	-	-	-	-
Total liabilities	<u>9,535</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>32,280</u>	<u>215</u>	<u>450</u>	<u>-</u>	<u>-</u>	<u>-</u>
Deferred inflows of resources										
Taxes levied for subsequent periods	-	1,468,413	-	-	-	-	-	-	-	-
Fund balances										
Nonspendable	-	-	-	-	11,053	200	-	-	-	-
Restricted	-	-	-	-	633,489	109,863	202,318	258,551	9,806	2,274
Assigned	11,417	-	8,756	4,372	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-	-	-
Total fund balances	<u>11,417</u>	<u>-</u>	<u>8,756</u>	<u>4,372</u>	<u>644,542</u>	<u>110,063</u>	<u>202,318</u>	<u>258,551</u>	<u>9,806</u>	<u>2,274</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 20,952</u>	<u>\$ 1,468,413</u>	<u>\$ 8,756</u>	<u>\$ 4,372</u>	<u>\$ 676,822</u>	<u>\$ 110,278</u>	<u>\$ 202,768</u>	<u>\$ 258,551</u>	<u>\$ 9,806</u>	<u>\$ 2,274</u>

COUNTY OF HILLSDALE, MICHIGAN

Combining Balance Sheet - Nonmajor Governmental Funds
December 31, 2021

	Special Revenue									
	County Law Library	County House Arrest	Byrne Jag Grant	Child Abuse	Department of Human Services	Department of Human Services Child Care	Probate Child Care	Soldiers' and Sailors' Relief	Veterans' Service Grant	Veterans' Incentive Grant
Assets										
Cash and investments	\$ 19,158	\$ 6,637	\$ 1	\$ 105,113	\$ 10,664	\$ 20,937	\$ 8,329	\$ 32,017	\$ 47,676	\$ 5,629
Taxes receivable	-	-	-	-	-	-	-	-	-	-
Accounts receivable	-	-	-	8,267	-	-	76,804	-	-	-
Prepaid expenditures	-	-	-	-	1,465	-	7,904	-	-	-
Total assets	<u>\$ 19,158</u>	<u>\$ 6,637</u>	<u>\$ 1</u>	<u>\$ 113,380</u>	<u>\$ 12,129</u>	<u>\$ 20,937</u>	<u>\$ 93,037</u>	<u>\$ 32,017</u>	<u>\$ 47,676</u>	<u>\$ 5,629</u>
Liabilities										
Accounts payable	\$ 871	\$ 140	\$ -	\$ 208	\$ -	\$ 658	\$ 57,889	\$ 321	\$ 20,278	\$ -
Unearned revenue	-	-	-	-	-	-	-	-	-	-
Accrued liabilities	-	-	-	-	-	-	27,241	-	-	-
Total liabilities	<u>871</u>	<u>140</u>	<u>-</u>	<u>208</u>	<u>-</u>	<u>658</u>	<u>85,130</u>	<u>321</u>	<u>20,278</u>	<u>-</u>
Deferred inflows of resources										
Taxes levied for subsequent periods	-	-	-	-	-	-	-	-	-	-
Fund balances										
Nonspendable	-	-	-	-	-	-	7,904	-	-	-
Restricted	18,287	6,497	1	113,172	12,129	20,279	3	31,696	27,398	5,629
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-	-	-
Total fund balances	<u>18,287</u>	<u>6,497</u>	<u>1</u>	<u>113,172</u>	<u>12,129</u>	<u>20,279</u>	<u>7,907</u>	<u>31,696</u>	<u>27,398</u>	<u>5,629</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 19,158</u>	<u>\$ 6,637</u>	<u>\$ 1</u>	<u>\$ 113,380</u>	<u>\$ 12,129</u>	<u>\$ 20,937</u>	<u>\$ 93,037</u>	<u>\$ 32,017</u>	<u>\$ 47,676</u>	<u>\$ 5,629</u>

COUNTY OF HILLSDALE, MICHIGAN

Combining Balance Sheet - Nonmajor Governmental Funds
December 31, 2021

	Special Revenue							Debt Service	
	Veterans' Respite Care	Homeland Security	GIS/Mapping Technology	Indigent Defense	Drug Court	Coronavirus Emergency Supplemental Funding	Community Mental Health	Veterans' Scholarship	Court House
Assets									
Cash and investments	\$ 3,826	\$ 2,541	\$ 4,735	\$ 16,028	\$ 128,779	\$ (4,887)	\$ 98,178	\$ 3,153	\$ 25
Taxes receivable	-	-	-	-	-	-	-	-	-
Accounts receivable	-	1,499	-	-	36,268	5,572	716,386	-	-
Prepaid expenditures	-	-	-	-	4,269	-	-	-	-
Total assets	\$ 3,826	\$ 4,040	\$ 4,735	\$ 16,028	\$ 169,316	\$ 685	\$ 814,564	\$ 3,153	\$ 25
Liabilities									
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 16,420	\$ 59	\$ 750,897	\$ -	\$ -
Unearned revenue	-	-	-	-	-	-	-	-	-
Accrued liabilities	-	-	-	-	-	-	-	-	-
Total liabilities	-	-	-	-	16,420	59	750,897	-	-
Deferred inflows of resources									
Taxes levied for subsequent periods	-	-	-	-	-	-	-	-	-
Fund balances									
Nonspendable	-	-	-	-	4,269	-	-	-	-
Restricted	3,826	-	-	-	148,627	626	63,667	3,153	25
Assigned	-	-	4,735	16,028	-	-	-	-	-
Unassigned	-	4,040	-	-	-	-	-	-	-
Total fund balances	3,826	4,040	4,735	16,028	152,896	626	63,667	3,153	25
Total liabilities, deferred inflows of resources and fund balances	\$ 3,826	\$ 4,040	\$ 4,735	\$ 16,028	\$ 169,316	\$ 685	\$ 814,564	\$ 3,153	\$ 25

COUNTY OF HILLSDALE, MICHIGAN

Combining Balance Sheet - Nonmajor Governmental Funds
December 31, 2021

	Debt Service				Capital Projects				Permanent	Total
	Medical Care Facility Debt Service	Medical Care Facility Small House	Court House HVAC Debt Service	County Office Building	Improvement Fund	Medical Care Facility	E911 Construction Fund	Court House HVAC Fund	MCF Endowment	
Assets										
Cash and investments	\$ 169,442	\$ 720	\$ -	\$ -	\$ 95,030	\$ 985	\$ -	\$ -	\$ 3,266	\$ 2,014,747
Taxes receivable	841,865	-	-	-	-	-	-	-	-	2,233,478
Accounts receivable	-	-	-	-	17,646	-	-	-	-	985,803
Prepaid expenditures	-	-	-	-	-	-	-	-	-	24,891
Total assets	<u>\$ 1,011,307</u>	<u>\$ 720</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 112,676</u>	<u>\$ 985</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,266</u>	<u>\$ 5,258,919</u>
Liabilities										
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 857,769
Unearned revenue	-	-	-	-	-	-	-	-	-	2,730
Accrued liabilities	-	-	-	-	-	-	-	-	-	56,963
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>917,462</u>
Deferred inflows of resources										
Taxes levied for subsequent periods	520,819	-	-	-	-	-	-	-	-	1,989,232
Fund balances										
Nonspendable	-	-	-	-	-	-	-	-	3,266	26,692
Restricted	490,488	720	-	-	-	-	-	-	-	2,162,524
Assigned	-	-	-	-	112,676	985	-	-	-	158,969
Unassigned	-	-	-	-	-	-	-	-	-	4,040
Total fund balances	<u>490,488</u>	<u>720</u>	<u>-</u>	<u>-</u>	<u>112,676</u>	<u>985</u>	<u>-</u>	<u>-</u>	<u>3,266</u>	<u>2,352,225</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,011,307</u>	<u>\$ 720</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 112,676</u>	<u>\$ 985</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,266</u>	<u>\$ 5,258,919</u>

COUNTY OF HILLSDALE, MICHIGAN

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

	Special Revenue									
	Parks	Ambulance	Tobacco and Alcohol Diversion	Pros. Atty. Offender Diversion	E-911 Emergency	Concealed Pistols Permit	Friend of the Court	Register of Deeds Automation	Drug Forfeiture	Law Enforcement Training
Revenues										
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	1,378,963	-	-	-	-	-	-	-	-
Contributions	-	-	-	-	-	-	-	-	-	-
Fines and forfeits	-	-	481	-	-	-	16,840	-	-	-
Charges for services	-	-	-	-	1,202,498	23,906	-	-	-	-
Refunds and reimbursements	-	-	-	-	37,342	-	-	-	-	-
Interest and rentals	39	-	-	-	296	-	-	-	-	-
Other revenue	26,213	-	-	-	26,518	-	13,235	52,145	3,127	2,624
Total revenues	26,252	1,378,963	481	-	1,266,654	23,906	30,075	52,145	3,127	2,624
Expenditures										
Current:										
Judicial	-	-	-	-	-	-	4,456	-	-	-
General government	-	-	-	-	-	-	-	20,792	-	-
Public safety	-	-	-	-	1,245,739	16,114	-	-	8,767	3,925
Health and welfare	-	1,403,177	-	-	-	-	-	-	-	-
Recreation and culture	56,354	1,865	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-	-	-
Principal	-	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-	-
Total expenditures	56,354	1,405,042	-	-	1,245,739	16,114	4,456	20,792	8,767	3,925
Revenues over (under) expenditures	(30,102)	(26,079)	481	-	20,915	7,792	25,619	31,353	(5,640)	(1,301)
Other financing sources (uses)										
Transfers in	25,000	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	(44,468)	-	(60,000)	-	-	-
Total other financing sources (uses)	25,000	-	-	-	(44,468)	-	(60,000)	-	-	-
Net changes in fund balances	(5,102)	(26,079)	481	-	(23,553)	7,792	(34,381)	31,353	(5,640)	(1,301)
Fund balances (deficit), beginning of year	16,519	26,079	8,275	4,372	668,095	102,271	236,699	227,198	15,446	3,575
Prior Period Adjustment	-	-	-	-	-	-	-	-	-	-
Fund balances, end of year	\$ 11,417	\$ -	\$ 8,756	\$ 4,372	\$ 644,542	\$ 110,063	\$ 202,318	\$ 258,551	\$ 9,806	\$ 2,274

COUNTY OF HILLSDALE, MICHIGAN

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

	Special Revenue									
	County Law Library	Inmate House Arrest	Byrne Jag Grant	Child Abuse	Department of Human Services	Department of Human Services Child Care	Probate Child Care	Soldiers' and Sailors' Relief	Veterans' Service Grant	Veterans' Incentive Grant
Revenues										
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-	-	-	-	-	-	-
Contributions	-	-	-	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-	-	-
Refunds and reimbursements	-	-	-	-	-	-	95,700	-	-	-
Interest and rentals	-	-	-	-	-	-	55	-	-	-
Other revenue	9,500	6,500	-	25,415	-	-	408,597	130	49,403	-
Total revenues	9,500	6,500	-	25,415	-	-	504,352	130	49,403	-
Expenditures										
Current:										
Judicial	8,810	620	-	-	-	-	-	-	-	-
General government	-	-	-	-	-	-	-	-	-	-
Public safety	-	-	-	2,068	-	-	-	-	-	-
Health and welfare	-	-	-	-	26,651	5,146	1,305,891	151,400	63,889	294
Recreation and culture	-	-	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	17,218	-	-	-
Principal	-	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-	-
Total expenditures	8,810	620	-	2,068	26,651	5,146	1,323,109	151,400	63,889	294
Revenues over (under) expenditures	690	5,880	-	23,347	(26,651)	(5,146)	(818,757)	(151,270)	(14,486)	(294)
Other financing sources (uses)										
Transfers in	-	-	-	-	25,000	-	479,825	155,203	-	-
Transfers out	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	25,000	-	479,825	155,203	-	-
Net changes in fund balances	690	5,880	-	23,347	(1,651)	(5,146)	(338,932)	3,933	(14,486)	(294)
Fund balances (deficit), beginr	17,597	617	1	89,825	13,780	25,425	346,839	27,763	41,884	5,923
Prior Period Adjustment	-	-	-	-	-	-	-	-	-	-
Fund balances, end of year	\$ 18,287	\$ 6,497	\$ 1	\$ 113,172	\$ 12,129	\$ 20,279	\$ 7,907	\$ 31,696	\$ 27,398	\$ 5,629

COUNTY OF HILLSDALE, MICHIGAN

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

	Special Revenue							Debt Service	
	Veterans' Respite Care	Homeland Security	GIS/Mapping Technology	Indigent Defense	Family Drug Court	Coronavirus Emergency Supplemental Funding	Community Mental Health	Veterans' Scholarship	Court House
Revenues									
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	16,331	-	-	62,916	-	-	-	-
Contributions	505	-	-	-	-	-	-	5,087	-
Fines and forfeits	-	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-	-
Refunds and reimbursements	-	-	-	2,119	400	-	-	-	-
Interest and rentals	-	-	-	-	-	-	93	-	-
Other revenue	-	-	664	149,608	123,859	81,697	657,289	-	-
Total revenues	505	16,331	664	151,727	187,175	81,697	657,382	5,087	-
Expenditures									
Current:									
Judicial	-	-	-	-	-	-	960	-	-
General government	-	-	-	376,538	-	-	-	-	-
Public safety	-	16,642	-	(1)	293,648	81,071	-	-	-
Health and welfare	1,157	-	-	-	-	-	643,008	4,500	-
Recreation and culture	-	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-	-
Principal	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-
Total expenditures	1,157	16,642	-	376,537	293,648	81,071	643,968	4,500	-
Revenues over (under) expenditures	(652)	(311)	664	(224,810)	(106,473)	626	13,414	587	-
Other financing sources (uses)									
Transfers in	-	-	-	116,115	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	116,115	-	-	-	-	-
Net changes in fund balances	(652)	(311)	664	(108,695)	(106,473)	626	13,414	587	-
Fund balances (deficit), begin	4,478	4,351	4,071	124,723	259,369	-	50,253	2,566	25
Prior Period Adjustment	-	-	-	-	-	-	-	-	-
Fund balances, end of year	\$ 3,826	\$ 4,040	\$ 4,735	\$ 16,028	\$ 152,896	\$ 626	\$ 63,667	\$ 3,153	\$ 25

COUNTY OF HILLSDALE, MICHIGAN

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

	Debt Service				Capital Projects				Permanent	Total
	Medical Care Facility Debt Service	Medical Care Facility Small House	Court House HVAC Debt Service	County Office Building	Improvement	Medical Care Facility	E911 Construction Fund	Court House HVAC Fund	MCF Endowment	
Revenues										
Property taxes	\$ 630,431	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 630,431
Intergovernmental	-	-	-	-	-	-	-	-	-	1,458,210
Contributions	-	-	-	-	-	-	-	-	-	5,592
Fines and forfeits	-	-	-	-	-	-	-	-	-	17,321
Charges for services	-	-	-	-	-	-	-	-	-	1,226,404
Refunds and reimbursements	-	-	-	-	-	-	-	-	-	135,561
Interest and rentals	43	-	-	-	-	-	-	444	4	974
Other revenue	-	-	-	-	17,639	-	-	-	-	1,654,163
Total revenues	630,474	-	-	-	17,639	-	-	444	4	5,128,656
Expenditures										
Current:										
Judicial	-	-	-	-	-	-	-	-	-	14,846
General government	-	-	-	-	-	-	-	-	-	397,330
Public safety	-	-	-	-	-	-	-	-	-	1,667,973
Health and welfare	-	-	-	-	-	-	-	-	-	3,605,113
Recreation and culture	-	-	-	-	-	-	-	-	-	58,219
Capital outlay	-	-	-	-	97,080	-	-	734,940	-	849,238
Principal	520,000	-	270,000	55,000	-	-	40,000	-	-	885,000
Interest	96,996	-	3,654	10,501	-	-	4,468	-	-	115,619
Total expenditures	616,996	-	273,654	65,501	97,080	-	44,468	734,940	-	7,593,338
Revenues over (under) expenditures	13,478	-	(273,654)	(65,501)	(79,441)	-	(44,468)	(734,496)	4	(2,464,682)
Other financing sources (uses)										
Transfers in	81,578	-	273,654	63,318	122,963	-	44,468	21,909	-	1,409,033
Transfers out	-	-	-	-	(9,133)	-	-	-	-	(113,601)
Total other financing sources (uses)	81,578	-	273,654	63,318	113,830	-	44,468	21,909	-	1,295,432
Net changes in fund balances	95,056	-	-	(2,183)	34,389	-	-	(712,587)	4	(1,169,250)
Fund balances (deficit), beginr	468,830	720	-	2,183	78,287	985	-	712,587	3,262	3,594,873
Prior Period Adjustment	(73,398)	-	-	-	-	-	-	-	-	(73,398)
Fund balances, end of year	\$ 490,488	\$ 720	\$ -	\$ -	\$ 112,676	\$ 985	\$ -	\$ -	\$ 3,266	\$ 2,352,225

COUNTY OF HILLSDALE, MICHIGAN

Combining Statement of Net Position

Nonmajor Enterprise Funds
December 31, 2021

	Non Major Delinquent Tax Revolving	Building Inspection	Geographic Information Systems	Total
Assets				
Current assets:				
Cash and investments	\$ 1,172,875	\$ 1,732,747	\$ 5,290	\$ 2,910,912
Taxes receivable	143,970	-	-	143,970
Accounts receivable	141,712	-	-	141,712
Interest receivable	39,787	-	-	39,787
Prepays	1,868	2,145	-	4,013
Total current assets	1,500,212	1,734,892	5,290	3,240,394
Noncurrent assets:				
Capital assets	-	50,700	-	50,700
Total assets	1,500,212	1,785,592	5,290	3,291,094
Liabilities				
Current liabilities:				
Accounts payable	1,446	2,120	100	3,666
Accrued liabilities	350	3,867	-	4,217
Due to other governments	2,612	-	-	2,612
Total liabilities	4,408	5,987	100	10,495
Net position				
Net investment in capital assets	-	50,700	-	50,700
Unrestricted	1,495,804	1,728,905	5,190	3,229,899
Total net position	\$ 1,495,804	\$ 1,779,605	\$ 5,190	\$ 3,280,599

COUNTY OF HILLSDALE, MICHIGAN

Combining Statement of Revenues, Expenses and Changes in Net Position

Nonmajor Enterprise Funds

Year Ended December 31, 2021

	Non Major Delinquent Tax Revolving	Building Inspection	Geographic Information Systems	Total
Operating revenues				
Charges for services	\$ (38,232)	\$ 607,727	\$ 8,948	\$ 578,443
Other operating revenue	(26,024)	8,522	-	(17,502)
Total operating revenues	<u>(64,256)</u>	<u>616,249</u>	<u>8,948</u>	<u>560,941</u>
Operating expenses				
Depreciation	-	4,074	-	4,074
Cost of services	104,921	410,494	9,258	524,673
Total operating expenses	<u>104,921</u>	<u>414,568</u>	<u>9,258</u>	<u>528,747</u>
Operating income (loss)	<u>(169,177)</u>	<u>201,681</u>	<u>(310)</u>	<u>32,194</u>
Non-operating revenues (expenses)				
Interest revenue	(303,083)	-	-	(303,083)
Interest expense	6	-	-	6
Total non-operating revenues (expenses)	<u>(303,077)</u>	<u>-</u>	<u>-</u>	<u>(303,077)</u>
Income (loss) before transfers	<u>(472,254)</u>	<u>201,681</u>	<u>(310)</u>	<u>(270,883)</u>
Transfers				
Transfers in	-	-	5,500	5,500
Transfers out	(465,000)	-	-	(465,000)
Change in net position	<u>(937,254)</u>	<u>201,681</u>	<u>5,190</u>	<u>(730,383)</u>
Net position, beginning of year	<u>2,433,058</u>	<u>1,577,924</u>	<u>-</u>	<u>4,010,982</u>
Net position, end of year	<u>\$ 1,495,804</u>	<u>\$ 1,779,605</u>	<u>\$ 5,190</u>	<u>\$ 3,280,599</u>

COUNTY OF HILLSDALE, MICHIGAN

Combining Statement of Cash Flows

Nonmajor Enterprise Funds
Year Ended December 31, 2021

	Non Major Delinquent Tax Revolving	Building Inspection	Geographic Information Systems	Total
Cash flows from operating activities				
Cash received from customers	\$ 1,160,923	\$ 620,256	\$ 8,948	\$ 1,790,127
Cash payments to suppliers for goods and services	(106,296)	(412,384)	(9,158)	(527,838)
Net cash provided by (used in) operating activities	<u>1,054,627</u>	<u>207,872</u>	<u>(210)</u>	<u>1,262,289</u>
Cash flows from non-capital financing activities				
Transfers in/out	(465,000)	-	5,500	(459,500)
Cash flows from capital and related financing activities				
Purchase of capital assets	-	(23,000)	-	(23,000)
Principal payments	(850,000)	-	-	(850,000)
Net cash provided by (used in) capital and related financing activities	<u>(850,000)</u>	<u>(23,000)</u>	<u>-</u>	<u>(873,000)</u>
Cash flows from investing activities				
Interest received	(303,077)	-	-	(303,077)
Total cash provided by (used in) investing activities	<u>(303,077)</u>	<u>-</u>	<u>-</u>	<u>(303,077)</u>
Net change in cash and cash equivalents	(563,450)	184,872	5,290	(373,288)
Cash and cash equivalents, beginning of year	1,736,325	1,547,875	-	3,284,200
Cash and cash equivalents, end of year	<u>\$ 1,172,875</u>	<u>\$ 1,732,747</u>	<u>\$ 5,290</u>	<u>\$ 2,910,912</u>
Cash flows from operating activities				
Operating income (loss)	\$ (169,177)	\$ 201,681	\$ (310)	\$ 32,194
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	-	2,480	-	2,480
(Increase) decrease in:				
Taxes receivable	520,661	-	-	520,661
Accounts receivable	472,694	4,007	-	476,701
Interest receivable	231,824	-	-	231,824
Prepays	(1)	(1,744)	-	(1,745)
Accounts payable	(1,374)	1,448	100	174
Net cash provided by (used in) operating activities	<u>\$ 1,054,627</u>	<u>\$ 207,872</u>	<u>\$ (210)</u>	<u>\$ 1,262,289</u>

COUNTY OF HILLSDALE, MICHIGAN

Combining Statement of Fiduciary Assets and Liabilities

Agency Funds
December 31, 2021

	Trust & Agency	Land Policy Education	Library Penal Fines	Employee Benefit Trust	Sheriff Department Retirement	District Court	Inmate Trust	Community Development Block Grant	Total
Assets									
Cash and investments	\$ 380,992	\$ -	\$ 61,657	\$ 363	\$ 160,360	\$ 146,616	\$ 54,732	\$ 8,336	\$ 813,056
Liabilities									
Due to other governments	\$ 284,435	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 284,435
Undistributed receipts	96,557	-	61,657	363	160,360	146,616	54,732	8,336	528,621
Total liabilities	\$ 380,992	\$ -	\$ 61,657	\$ 363	\$ 160,360	\$ 146,616	\$ 54,732	\$ 8,336	\$ 813,056

COUNTY OF HILLSDALE, MICHIGAN

Statement of Net Position / Governmental Funds Balance Sheet

Drain Commission Component Unit
December 31, 2021

	Debt Service		Capital Projects				Total	Internal Service		Statement of Net Position
	Drain Construction Debt	Drain Special Assessment	Drain Revolving	Lake Level Special Assessment	Lake Level Revolving	Drain Construction		Drain Equipment Revolving	Adjustments	
Assets										
Cash and investments	\$ 318	\$ 895,891	\$ 268,848	\$ 47,223	\$ (93,351)	\$ 56,366	\$ 1,175,295	\$ 97,141	\$ -	\$ 1,272,436
Special assessments receivable	-	524,250	-	51,861	-	-	576,111	-	-	576,111
Due from other funds	-	-	355,165	-	131,831	-	486,996	-	(486,996)	-
Capital assets, net	-	-	-	-	-	-	-	815,976	-	815,976
Total assets	<u>\$ 318</u>	<u>\$ 1,420,141</u>	<u>\$ 624,013</u>	<u>\$ 99,084</u>	<u>\$ 38,480</u>	<u>\$ 56,366</u>	<u>\$ 2,238,402</u>	<u>\$ 913,117</u>	<u>(486,996)</u>	<u>2,664,523</u>
Liabilities										
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (207)	\$ -	\$ (207)
Due to other funds	-	355,165	-	131,831	-	-	486,996	-	(486,996)	-
Long Term Liabilities	-	-	-	-	-	-	-	-	1,416,508	1,416,508
Advance to Primary Government	-	-	325,000	-	38,480	-	363,480	-	-	363,480
Total liabilities	<u>-</u>	<u>355,165</u>	<u>325,000</u>	<u>131,831</u>	<u>38,480</u>	<u>-</u>	<u>850,476</u>	<u>(207)</u>	<u>929,512</u>	<u>1,779,781</u>
Deferred inflows of resources										
Unavailable revenue - special assessments	-	524,250	-	51,861	-	-	576,111	-	(576,111)	-
Fund balances										
Unassigned	318	540,726	299,013	(84,608)	-	56,366	811,815	913,324	(1,725,139)	-
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 318</u>	<u>\$ 1,420,141</u>	<u>\$ 624,013</u>	<u>\$ 99,084</u>	<u>\$ 38,480</u>	<u>\$ 56,366</u>	<u>\$ 2,238,402</u>	<u>\$ 913,117</u>		
Net position										
Net investment in capital assets									815,976	815,976
Unrestricted									68,766	68,766
Total net position									<u>\$ 884,742</u>	<u>\$ 884,742</u>

COUNTY OF HILLSDALE, MICHIGAN

Reconciliation

Fund Balances for Governmental Funds
To Net Position of Governmental Activities
Drain Commission Component Unit
December 31, 2021

Fund balances - governmental funds	\$ 811,815
Amounts reported for <i>governmental activities</i> in the statement of net position are different because:	
Internal service funds are used by management to charge the costs of certain activities, for equipment usage, to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.	
Net position of governmental activities accounted for in the internal service fund	913,324
Long-term liability used in governmental activities are not financial resources and therefore are not reported in funds.	(1,416,508)
Other long-term assets are not available to pay current year expenditures and, therefore, are not recorded in the funds.	
Deferred inflows on long-term special assessments receivable	<u>576,111</u>
Net position of governmental activities	<u><u>\$ 884,742</u></u>

COUNTY OF HILLSDALE, MICHIGAN

Statement of Activities / Governmental Funds Revenues,
 Expenditures, and Changes in Fund Balances
 Drain Commission Component Unit
 Year Ended December 31, 2021

	Debt Service	Capital Projects					Total	Internal Service	Adjustments	Statement of Activities
	Drain Construction Debt	Drain Special Assessment	Drain Revolving	Lake Level Special Assessment	Lake Level Revolving	Drain Construction		Drain Equipment Revolving		
Revenues										
Interest revenue	\$ (2)	\$ 2,059	\$ -	\$ 1	\$ -	\$ 20	\$ 2,078	\$ 10	\$ -	\$ 2,088
Other revenue	10	1,567,693	-	52,000	-	-	1,619,703	-	-	1,619,703
Total revenues	8	1,569,752	-	52,001	-	20	1,621,781	10	-	1,621,791
Expenditures/Expenses										
Public works	156,783	1,144,438	(17,794)	181,271	(29,515)	(14,415)	1,420,768	-	753,340	2,174,108
Transfers Out	-	148,473	8,301	-	-	-	156,774	-	-	156,774
Operating Expense	-	-	-	-	-	-	-	(59,914)	-	(59,914)
Depreciation	-	-	-	-	-	-	-	(137,796)	-	(137,796)
Total expenditures/expenses	156,783	1,292,911	(9,493)	181,271	(29,515)	(14,415)	1,577,542	(197,710)	753,340	2,133,172
Excess of revenues over (under) expenditures/expenses	(156,775)	276,841	9,493	(129,270)	29,515	14,435	44,239	197,720	(753,340)	(511,381)
Other financing sources (uses)										
Transfers in	156,774	-	-	-	-	-	156,774	-	-	156,774
Net change in fund balances/ change in net position	(1)	276,841	9,493	(129,270)	29,515	14,435	201,013	197,720	(753,340)	(354,607)
Fund balances / net position,										
Beginning of year	319	263,885	(24,968)	44,662	(29,515)	41,931	296,314	715,604	(87,057)	924,861
Prior period adjustment	-	-	314,488	-	-	-	314,488	-	-	314,488
Fund balances / net position, end of year	\$ 318	\$ 540,726	\$ 299,013	\$ (84,608)	\$ -	\$ 56,366	\$ 811,815	\$ 913,324	\$ (840,397)	\$ 884,742

COUNTY OF HILLSDALE, MICHIGAN

Statement of Net Position / Governmental Funds Balance Sheet

Drain Commission Component Unit
 Reconciliation of the Statement of Revenues, Expenditures
 and Changes in Fund Balance to the Statement of Activities
 Year Ended December 31, 2021

Net change in fund balance - Governmental funds	\$ 201,013
Amounts reported for <i>governmental activities</i> in the statement of activities are different because:	
Governmental funds report 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.	
Deduct - depreciation expense	
Add - capital assets purchased	(753,340)
Internal service funds are used by management to charge the costs of certain activities, such as equipment purchases, to individual funds. The net revenue (expense) of the internal service fund is reported with governmental activities:	
Net operating loss from governmental activities accounted for in the internal service fund	<u>197,720</u>
Change in net position of governmental activities	<u><u>\$ (354,607)</u></u>

Report on Compliance



ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

KINROSS OFFICE

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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**

Members of the Board
County of Hillsdale, Michigan
Courthouse, 29 N. Howell Street
Hillsdale, Michigan 49242

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 unit, each major fund, and the aggregate remaining fund information of the County of Hillsdale, 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 Hillsdale, Michigan's basic financial statements and have issued our report thereon dated June 24, 2022. Our report includes a reference to other auditors who audited the financial statements of the Hillsdale County Road Commission and Medical Care Facility as described in our report on the County of Hillsdale, 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 Hillsdale, 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 Hillsdale, Michigan's internal control. Accordingly, we do not express an opinion on the effectiveness of the County of Hillsdale, 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.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County of Hillsdale's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the 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 24, 2022