

County of Hillsdale, Michigan

BASIC FINANCIAL STATEMENTS

December 31, 2022

COUNTY OF HILLSDALE, MICHIGAN

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Prosecuting Attorney

Derek Ringman
Finance Director

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR’S REPORT	1
MANAGEMENT’S DISCUSSION AND ANALYSIS.....	4
BASIC FINANCIAL STATEMENTS:	
Government-Wide Financial Statements:	
Statement of Net Position	8
Statement of Activities.....	9
Fund Financial Statements:	
Balance Sheet - Governmental Funds.....	11
Reconciliation of Governmental Funds	
Balance Sheet to the Statement of Net Position	12
Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds	13
Reconciliation of Governmental Funds	
Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities.....	14
Proprietary Funds:	
Statement of Net Position	15
Statement of Revenues, Expenses, and Changes in Net Position	16
Statement of Cash Flows.....	17
Fiduciary Funds:	
Statement of Fiduciary Net Position	18
Statement of Changes in Fiduciary Net Position	19
COMPONENT UNITS:	
Financial Statements:	
Combining Statement of Net Position	20
Combining Statement of Activities.....	21
NOTES TO FINANCIAL STATEMENTS	22

REQUIRED SUPPLEMENTARY INFORMATION:

Employee Retirement and Benefit Systems:

Pension:

Schedule of Changes in the Net Pension Liability and Related Ratios 49
Schedule of Contributions 49

Other Post-Employment Benefits (OPEB):

Schedule of Changes in the OPEB Liability and Related Ratios 50

Major Funds:

Budgetary Comparison Schedule - General Fund 51
Budgetary Comparison Schedule - Senior Citizens Special Revenue Fund 54
Budgetary Comparison Schedule - American Rescue Plan Act Fund 55

SUPPLEMENTARY INFORMATION:

Combining Balance Sheet - Nonmajor Governmental Funds 56

Combining Statement of Revenues, Expenditures, and Changes in
Fund Balance - Nonmajor Governmental Funds 60

Combining Statement of Net Position - Nonmajor Enterprise Funds 64

Combining Statement of Revenues, Expenses, and Changes in
Net Position - Nonmajor Enterprise Funds 65

Combining Statement of Cash Flows - Nonmajor Enterprise Funds 66

Combining Statement of Fiduciary Funds - Assets and Liabilities 67

Combining Statement of Net Position/Balance Sheet -
Drain Commission - Component Unit 68

Reconciliation of Governmental Funds

Balance Sheet to the Statement of Net Position - Drain Commission - Component Unit 69

Combining Statement of Revenues, Expenditures,
and Changes in Fund Balance/Net Assets - Drain Commission - Component Unit 70

Reconciliation of Governmental Funds

Statement of Revenues, Expenditures, and Changes in
in Fund Balances to the Statement of Activities - Drain Commission - Component Unit 71

REPORTS ON COMPLIANCE:

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* 72

Independent Auditor’s Report on Compliance for Each Major Program
and on Internal Control Over Compliance Required by
the Uniform Guidance 74

Schedule of Expenditures of Federal Awards 77
Notes to Schedule of Expenditures of Federal Awards 78
Schedule of Findings and Questioned Costs 79
Schedule of Prior Year Audit Findings 81



ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

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TORI N. KRUISE, CPA

MEMBER AICPA DIVISION FOR
CPA FIRMS

MEMBER MACPA
OFFICES IN MICHIGAN

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 units, each major fund, and the aggregate remaining fund information of the County of Hillsdale, Michigan, as of and for the year ended December 31, 2022, 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 units, each major fund and the aggregate remaining fund information of the County of Hillsdale, Michigan, as of December 31, 2022, 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, 2022, 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 and schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standard generally accepted in the United States of America by us and other auditors. In our opinion, 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 26, 2023, 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 26, 2023

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, 2022. Please read it in conjunction with the County's financial statements which follow this section.

Financial Highlights

- The general fund reported an increase in fund balance of \$11,825 from year end 2021 to 2022.
- General Fund Property tax revenue increased by \$918,176 in 2022 compared to 2021.
- The Medical Care Facility reported an decrease in net position of \$1,465,332

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	
	2022	2021	2022	2021	2021	2020
Assets						
Current and other assets	\$ 19,854,186	\$ 14,472,203	\$ 21,779,688	\$ 22,340,723	\$ 41,633,874	\$ 36,812,926
Capital assets, net	8,591,862	8,172,675	8,517,712	8,941,360	17,109,574	17,114,035
Total assets	28,446,048	22,644,878	30,297,400	31,282,083	58,743,448	53,926,961
Deferred outflows						
Deferred Outflow from OPEB	315,335	373,953	-	-	315,335	373,953
Deferred Outflow from Pension	1,245,071	507,077	-	-	1,245,071	507,077
Total Deferred Outflows	1,560,406	881,030	-	-	1,560,406	881,030
Liabilities						
Long-term liabilities	9,741,409	9,771,822	3,250,000	3,100,000	12,991,409	12,871,822
Other liabilities	4,141,052	6,110,283	2,187,145	2,290,030	6,328,197	8,400,313
Total liabilities	13,882,461	15,882,105	5,437,145	5,390,030	19,319,606	21,272,135
Deferred inflows						
Deferred inflow from OPEB	1,035,022	961,598	-	-	1,035,022	961,598
Deferred inflow from Pension	127,492	796,434	-	-	127,492	796,434
Deferred inflow of resources	2,795,808	1,860,277	958,303	876,559	3,754,111	2,736,836
Total Deferred Inflows	3,958,322	3,618,309	958,303	876,559	4,916,625	4,494,868
Net position:						
Net investment in capital assets	4,646,002	3,036,436	8,517,712	8,941,360	13,163,714	11,977,796
Restricted	2,705,997	2,369,431	-	-	2,705,997	2,369,431
Unrestricted	4,813,672	(1,380,373)	15,384,240	16,074,134	20,197,912	14,693,761
Total net position	\$ 12,165,671	\$ 4,025,494	\$ 23,901,952	\$ 25,015,494	\$ 36,067,623	\$ 29,040,988

COUNTY OF HILLSDALE, MICHIGAN

Management's Discussion and Analysis

The County's combined net position increased 24.2% from a year ago - increasing from \$29,040,988 to \$36,067,623. Governmental activities experienced an increase in net position of \$8,140,177, which includes a prior period adjustment of \$76,520. Business-type activities experienced a decrease of \$1,113,540 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	
	2022	2021	2022	2021	2022	2021
Program revenues:						
Charges for services	\$ 2,781,755	\$ 2,838,623	\$ 16,621,788	\$ 15,584,064	\$ 19,403,543	\$ 18,422,687
Operating grants and contributions	13,334,560	5,508,755	4,291,744	14,124,247	17,626,304	19,633,002
General revenues:						
Property taxes	10,511,019	9,479,432	-	-	10,511,019	9,479,432
State shared revenue	1,019,068	987,383	-	-	1,019,068	987,383
Personal Property Tax Reimbursement	-	114,719	-	-	-	114,719
Unrestricted investment earnings	(253,448)	(58,337)	-	-	(253,448)	(58,337)
Other Revenue	340,830	332,957	-	-	340,830	332,957
Total revenues	27,733,784	19,203,532	20,913,532	29,708,311	48,647,316	48,911,843
Expenses:						
Legislative	83,784	83,560	-	-	83,784	83,560
Judicial	1,758,701	1,739,372	-	-	1,758,701	1,739,372
General government	3,918,114	3,171,956	-	-	3,918,114	3,171,956
Public safety	5,318,637	5,164,777	-	-	5,318,637	5,164,777
Public works	27,693	26,324	-	-	27,693	26,324
Health and welfare	6,468,679	5,644,091	-	-	6,468,679	5,644,091
Recreation and cultural	70,922	58,219	-	-	70,922	58,219
Other governmental activities	2,528,931	3,282,372	-	-	2,528,931	3,282,372
Interest on long-term debt	35,299	46,075	-	-	35,299	46,075
Medical Care Facility	-	-	20,730,741	20,609,095	20,730,741	20,609,095
Delinquent tax collections/forfeitures	-	-	208,592	226,556	208,592	226,556
Building inspections	-	-	537,622	414,568	537,622	414,568
Geographic information services	-	-	9,484	9,258	9,484	9,258
Total expenses	20,210,760	19,216,746	21,486,439	21,259,477	41,697,199	40,476,223
Change in net position, before transfers	7,523,024	(13,214)	(572,907)	8,448,834	6,950,117	8,435,620
Transfers	540,633	541,078	(540,633)	(541,078)	-	-
Change in net position	8,063,657	527,864	(1,113,540)	7,907,756	6,950,117	8,435,620
Net position:						
Beginning of year, as restated	4,025,494	3,391,756	25,015,492	17,107,738	29,040,986	20,499,494
Prior Period Adjustment	76,520	105,874	-	-	76,520	105,874
End of year	\$ 12,165,671	\$ 4,025,494	\$ 23,901,952	\$ 25,015,494	\$ 36,067,623	\$ 29,040,988

Governmental Activities

Total governmental revenues increased by \$8,530,252. Governmental expenses had an increase of 5.2%

Business-Type Activities

The county's business-type activities consist primarily of the Medical Care Facility fund. Medical Care Facility revenue decreased by \$9,299,166 and expenses increased \$116,991. Medical Care overall net position decreased \$1,465,332.

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 2022 include the general fund, the senior citizens fund, ARPA 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 \$3,541,794, \$3,263,017, and \$1,741,932, 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 2020 and 2021 delinquent tax revolving fund.

Capital Asset and Debt Administration

At the end of the fiscal year 2022, the County had approximately \$17,109,574 (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, 2022, debt related to capital assets of governmental activities totaled \$3,945,860. Debt related to business-type activities totaled \$3,250,000, this relates to delinquent tax notes for 2020 and 2021.

Economic Factors and Next Year's Budgets and Rates

The County's 2022 taxable value was a little higher than 2021 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, 2022

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and investments	\$ 11,289,278	\$ 12,571,954	\$ 23,861,232	\$ 3,980,823
Receivables, net	7,519,727	9,061,631	16,581,358	2,875,679
Prepaid items and other assets	292,612	146,103	438,715	1,040,232
Leases Recievable	752,569	-	752,569	-
Capital assets not being depreciated	928,842	-	928,842	6,645,373
Capital assets being depreciated, net	7,663,020	8,517,712	16,180,732	26,241,155
Total assets	28,446,048	30,297,400	58,743,448	40,783,262
Deferred outflow of resources				
Deferred outflow from OPEB	315,335	-	315,335	-
Deferred outflow from Pension	1,245,071	-	1,245,071	1,705,895
Total Deferred Outflows	1,560,406	-	1,560,406	1,705,895
Liabilities				
Accounts payable and accrued expenses	1,688,613	2,090,129	3,778,742	623,770
Unearned revenue	2,452,439	97,016	2,549,455	-
Long-term liabilities				
Other post employment benefits	1,005,844	-	1,005,844	-
Due within one year	1,155,860	2,350,000	3,505,860	175,950
Due in more than one year	3,330,495	900,000	4,230,495	1,393,795
Net Pension Liability	4,249,210	-	4,249,210	5,089,860
Total liabilities	13,882,461	5,437,145	19,319,606	7,283,375
Deferred Inflow of Resources				
Deferred inflow from OPEB	1,035,022	-	1,035,022	-
Deferred inflow from Pension	127,492	-	127,492	14,430
Deferred inflow of resources	2,795,808	958,303	3,754,111	-
Total Deferred Inflows	3,958,322	958,303	4,916,625	14,430
Net position				
Net investment in capital assets	4,646,002	8,517,712	13,163,714	32,886,528
Restricted for:				
Endowments and trusts	3,270	-	3,270	-
Other purposes	2,702,727	-	2,702,727	4,842,947
Unrestricted (deficit)	4,813,672	15,384,240	20,197,912	(2,538,123)
Total net position	\$ 12,165,671	\$ 23,901,952	\$ 36,067,623	\$ 35,191,352

See accompanying notes to financial statements.

COUNTY OF HILLSDALE, MICHIGAN

Statement of Activities Year Ended December 31, 2022

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government					
Governmental activities:					
Legislative	\$ 83,784	\$ -	\$ -	\$ -	\$ (83,784)
Judicial	1,758,701	695,348	2,157,602	-	1,094,249
General government	3,918,114	698,493	765,719	-	(2,453,902)
Public safety	5,318,637	1,232,286	8,807,378	-	4,721,027
Public works	27,693	-	-	-	(27,693)
Health and welfare	6,468,679	147,666	1,052,413	-	(5,268,600)
Recreation and cultural	70,922	-	36,037	-	(34,885)
Other governmental activities	2,528,931	7,962	515,411	-	(2,005,558)
Interest on long-term debt	35,299	-	-	-	(35,299)
Principal	-	-	-	-	-
Total governmental activities	20,210,760	2,781,755	13,334,560	-	(4,094,445)
Business-type activities:					
Medical Care Facility	20,730,741	15,049,798	4,291,744	-	(1,389,199)
Delinquent tax collections/forfeitures	208,592	958,960	-	-	750,368
Building inspections	537,622	603,290	-	-	65,668
Geographic information services	9,484	9,740	-	-	256
Board of Public Works	-	-	-	-	-
Total business-type activities	21,486,439	16,621,788	4,291,744	-	(572,907)
Total primary government	\$ 41,697,199	\$ 19,403,543	\$ 17,626,304	\$ -	\$ (4,667,352)
Component units					
County Drains	\$ 1,046,827	\$ 1,033,534	\$ 5,582	\$ -	\$ (7,711)
County Roads	10,987,447	1,410,523	10,846,842	-	1,269,918
Total component units	\$ 12,034,274	\$ 2,444,057	\$ 10,852,424	\$ -	\$ 1,262,207

COUNTY OF HILLSDALE, MICHIGAN

Statement of Activities (Continued)

Year Ended December 31, 2022

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Changes in net position				
Net (expense) revenue	\$ (4,094,445)	\$ (572,907)	\$ (4,667,352)	\$ 1,262,207
General revenues:				
Property taxes	10,511,019	-	10,511,019	-
State shared revenue	1,019,068	-	1,019,068	-
Personal Property Tax Reimbursement	-	-	-	-
Unrestricted investment earnings	(253,448)	-	(253,448)	23,873
Other revenue	340,830	-	340,830	273,374
Transfers - internal activities	540,633	(540,633)	-	-
Total general revenues and transfers	12,158,102	(540,633)	11,617,469	297,247
Change in net position	8,063,657	(1,113,540)	6,950,117	1,559,454
Net position, beginning of year	4,025,494	25,015,492	29,040,986	33,688,418
Prior Period Adjustment	76,520	-	76,520	(56,520)
Net position, end of year	\$ 12,165,671	\$ 23,901,952	\$ 36,067,623	\$ 35,191,352

COUNTY OF HILLSDALE, MICHIGAN

Balance Sheet - Governmental Funds
December 31, 2022

	General	Senior Citizen	Senior Center Debt Service	ARPA Funds	Nonmajor Funds	Totals
Assets						
Cash and investments	\$ 371,826	\$ 184,692	\$ 8,043	\$ 2,492,700	\$ 8,027,003	\$ 11,084,264
Taxes receivable	685,584	1,599,611	-	-	2,419,589	4,704,784
Accounts receivable	409,018	14,158	-	-	1,487,684	1,910,860
Leases receivable	752,569	-	620,000	-	-	1,372,569
Due from other governments	108,783	-	-	-	300	109,083
Prepaid expenditures	291,009	-	-	-	1,603	292,612
Advance to component unit	175,000	-	-	-	-	175,000
Due from other funds	119,095	-	-	-	-	119,095
Total assets	<u>\$ 2,912,884</u>	<u>\$ 1,798,461</u>	<u>\$ 628,043</u>	<u>\$ 2,492,700</u>	<u>\$ 11,936,179</u>	<u>\$ 19,768,267</u>
Liabilities						
Accounts payable	\$ 183,600	\$ 13,978	\$ 180,000	\$ -	\$ 975,822	\$ 1,353,400
Unearned revenue	-	-	-	2,452,439	-	2,452,439
Accrued expenditures	200,165	-	-	-	73,022	273,187
Due to other funds	-	-	-	-	119,095	119,095
Total liabilities	<u>383,765</u>	<u>13,978</u>	<u>180,000</u>	<u>2,452,439</u>	<u>1,167,939</u>	<u>4,198,121</u>
Deferred inflows of resources	<u>752,569</u>	<u>1,599,611</u>	<u>440,000</u>	<u>-</u>	<u>2,175,343</u>	<u>4,967,523</u>
Fund balances						
Nonspendable	466,009	-	-	-	4,873	470,882
Restricted	-	184,872	8,043	40,261	2,469,551	2,702,727
Assigned	-	-	-	-	6,118,473	6,118,473
Unassigned	1,310,541	-	-	-	-	1,310,541
Total fund balances	<u>1,776,550</u>	<u>184,872</u>	<u>8,043</u>	<u>40,261</u>	<u>8,592,897</u>	<u>10,602,623</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 2,912,884</u>	<u>\$ 1,798,461</u>	<u>\$ 628,043</u>	<u>\$ 2,492,700</u>	<u>\$ 11,936,179</u>	<u>\$ 19,768,267</u>

COUNTY OF HILLSDALE, MICHIGAN

Reconciliation

Fund Balances for Governmental Funds
to Net Position of Governmental Activities
December 31, 2022

Fund balances - total governmental funds	\$ 10,602,623
Amounts reported for <i>governmental activities</i> 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	928,842
Capital assets being depreciated, net	7,663,020
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
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	204,817
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	(3,945,860)
Net Pension Liability	(4,249,210)
Compensated absences	(540,495)
Deferred Outflow Pension Liability	1,245,071
Deferred Inflow Pension Liability	(127,492)
Deferred Outflow OPEB	315,335
Deferred Inflow OPEB	(1,035,022)
Other post employment benefits	(1,005,844)
Accrued interest on long-term liabilities	(61,829)
Net position of governmental activities	<u><u>\$ 12,165,671</u></u>

COUNTY OF HILLSDALE, MICHIGAN

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds
Year Ended December 31, 2022

	General	Senior Citizen	Senior Center Debt Service	ARPA Funds	Nonmajor Funds	Totals
Revenues						
Taxes and special assessments	\$ 8,389,536	\$ 1,519,135	\$ -	\$ -	\$ 602,348	\$ 10,511,019
Intergovernmental	2,521,389	2,051	-	6,405,798	1,785,349	10,714,587
Licenses and permits	71,507	-	-	-	-	71,507
Contributions	-	-	152,695	-	7,318	160,013
Fines and forfeits	250,773	-	-	-	158,832	409,605
Charges for services	1,115,633	-	-	-	1,170,760	2,286,393
Reimbursements and refunds	781,110	-	-	-	81,528	862,638
Interest and rentals	(62,783)	-	-	40,261	9,071	(13,451)
Other revenue	-	-	183,347	-	2,447,615	2,630,962
Total revenues	13,067,165	1,521,186	336,042	6,446,059	6,262,821	27,633,273
Expenditures						
Current:						
Legislative	83,784	-	-	-	-	83,784
Judicial	1,741,932	-	-	-	13,880	1,755,812
General government	3,263,017	-	-	-	396,644	3,659,661
Public safety	3,541,794	-	-	-	1,676,330	5,218,124
Public works	25,993	-	-	-	-	25,993
Health and welfare	814,666	1,531,911	-	-	4,066,351	6,412,928
Recreation and cultural	-	-	-	-	70,922	70,922
Other	2,505,535	-	-	-	-	2,505,535
Capital outlay	15,987	-	-	-	884,861	900,848
Debt service:						
Principal	-	-	315,000	-	825,000	1,140,000
Interest	-	-	21,043	-	97,224	118,267
Total expenditures	11,992,708	1,531,911	336,043	-	8,031,212	21,891,874
Revenue over (under) expenditures	1,074,457	(10,725)	(1)	6,446,059	(1,768,391)	5,741,399
Other financing sources (uses)						
Transfers in	7,006,170	-	-	-	8,181,389	15,187,559
Transfers out	(8,068,802)	-	-	(6,405,798)	(172,326)	(14,646,926)
Total other financing sources (uses)	(1,062,632)	-	-	(6,405,798)	8,009,063	540,633
Net change in fund balances	11,825	(10,725)	(1)	40,261	6,240,672	6,282,032
Fund balances, beginning of year	1,688,205	195,597	8,044	-	2,352,225	4,244,071
Prior Period Adjustment	76,520	-	-	-	-	76,520
Fund balances (deficit), end of year	\$ 1,776,550	\$ 184,872	\$ 8,043	\$ 40,261	\$ 8,592,897	\$ 10,602,623

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, 2022

Net change in fund balances - total governmental funds \$ 6,282,032

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	900,850
Depreciation expense	(481,662)

The receipt of a long-term receivable represents revenue in the fund financial statements, but is reported as a reduction of the receivable in the statement of activities.

Payments received on deferred long-term receivables

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.

Principal payments on bonds	1,190,379
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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	(29,331)
Change in the accrual of other post employment benefits	194,106
Change in Pension Obligation	(1,324,742)
Change in deferred Inflows from Pension	668,942
Change in deferred Outflows from Pension	737,994
Change in deferred Inflows from OPEB	(73,424)
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>57,131</u>
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Change in net position of governmental activities \$ 8,063,657

COUNTY OF HILLSDALE, MICHIGAN

Statement of Net Position

Proprietary Funds
December 31, 2022

	Business-type Activities - Enterprise Funds					Internal Service
	Medical Care Facility	2020 Delinquent Tax Revolving	2021 Delinquent Tax Revolving	Nonmajor Funds	Totals	Self Insurance
Assets						
Current assets:						
Cash and investments	\$ 6,929,000	\$ 992,760	\$ 1,506,213	\$ 3,143,981	\$ 12,571,954	\$ 205,014
Taxes receivable	958,303	198,037	-	118,887	1,275,227	-
Accounts receivable	6,024,072	13,560	1,092,519	80,555	7,210,706	-
Interest receivable	-	51,038	-	524,660	575,698	-
Prepays	-	-	2,325	2,406	4,731	-
Other assets	141,372	-	-	-	141,372	-
Total current assets	14,052,747	1,255,395	2,601,057	3,870,489	21,779,688	205,014
Noncurrent assets:						
Capital assets not being depreciated	-	-	-	-	-	-
Capital assets being depreciated, net	8,480,875	-	-	36,837	8,517,712	-
Total noncurrent assets	8,480,875	-	-	36,837	8,517,712	-
Total assets	22,533,622	1,255,395	2,601,057	3,907,326	30,297,400	205,014
Liabilities						
Current liabilities:						
Accounts payable	572,546	20,569	-	6,101	599,216	197
Notes payable	6,942	-	-	-	6,942	-
Accrued liabilities	1,481,581	-	-	4,368	1,485,949	-
Advances from other funds	-	-	-	-	-	-
Unearned CARES Act Revenue	97,016	-	-	-	97,016	-
Due to other governments	-	-	-	(1,978)	(1,978)	-
Current portion of long-term debt	-	800,000	1,450,000	-	2,250,000	-
Total current liabilities	2,158,085	820,569	1,450,000	8,491	4,437,145	197
Long-term liabilities:						
Due in more than one year	-	-	1,000,000	-	1,000,000	-
Total long-term liabilities	-	-	1,000,000	-	1,000,000	-
Total liabilities	2,158,085	820,569	2,450,000	8,491	5,437,145	197
Deferred inflows of resources						
Property taxes levied for the subsequent year	958,303	-	-	-	958,303	-
Net position						
Net investment in capital assets	8,480,875	-	-	36,837	8,517,712	-
Unrestricted	10,936,359	434,826	151,057	3,861,998	15,384,240	204,817
Total net position	\$ 19,417,234	\$ 434,826	\$ 151,057	\$ 3,898,835	\$ 23,901,952	\$ 204,817

COUNTY OF HILLSDALE, MICHIGAN

Statement of Revenues, Expenses and Changes in Net Position

Proprietary Funds

Year Ended December 31, 2022

	Business-type Activities - Enterprise Funds					Internal Service
	Medical Care Facility	2020 Delinquent Tax Revolving	2021 Delinquent Tax Revolving	Nonmajor Funds	Totals	Self Insurance
Operating revenues						
Charges for services	\$ 15,049,798	\$ 161,880	\$ 203,766	\$ 1,118,344	\$ 16,533,788	\$ -
Refunds and reimbursements	-	-	-	8,087	8,087	-
Other operating revenue	2,309,482	-	-	6,874	2,316,356	100,511
Total operating revenues	<u>17,359,280</u>	<u>161,880</u>	<u>203,766</u>	<u>1,133,305</u>	<u>18,858,231</u>	<u>100,511</u>
Operating expenses						
Depreciation expense	590,650	-	-	13,863	604,513	-
Cost of services	20,138,191	45,839	51,270	644,728	20,880,028	43,380
Total operating expenses	<u>20,728,841</u>	<u>45,839</u>	<u>51,270</u>	<u>658,591</u>	<u>21,484,541</u>	<u>43,380</u>
Operating income (loss)	<u>(3,369,561)</u>	<u>116,041</u>	<u>152,496</u>	<u>474,714</u>	<u>(2,626,310)</u>	<u>57,131</u>
Nonoperating revenues (expenses)						
Property tax revenue	910,275	-	-	-	910,275	-
Contributions	988,539	-	-	-	988,539	-
Interest and rentals	83,448	-	-	73,039	156,487	-
Interest expense	(1,900)	2,341	(1,722)	(617)	(1,898)	-
Total nonoperating revenues	<u>1,980,362</u>	<u>2,341</u>	<u>(1,722)</u>	<u>72,422</u>	<u>2,053,403</u>	<u>-</u>
Income (loss) before transfers	<u>(1,389,199)</u>	<u>118,382</u>	<u>150,774</u>	<u>547,136</u>	<u>(572,907)</u>	<u>57,131</u>
Transfers in (out)						
Transfers in	-	-	-	5,500	5,500	-
Transfers out	(76,133)	-	-	(470,000)	(546,133)	-
Total transfers	<u>(76,133)</u>	<u>-</u>	<u>-</u>	<u>(464,500)</u>	<u>(540,633)</u>	<u>-</u>
Change in Net Position	<u>(1,465,332)</u>	<u>118,382</u>	<u>150,774</u>	<u>82,636</u>	<u>(1,113,540)</u>	<u>57,131</u>
Net position, beginning of year	<u>20,882,566</u>	<u>316,444</u>	<u>283</u>	<u>3,816,199</u>	<u>25,015,492</u>	<u>147,686</u>
Net position, end of year	<u>\$ 19,417,234</u>	<u>\$ 434,826</u>	<u>\$ 151,057</u>	<u>\$ 3,898,835</u>	<u>\$ 23,901,952</u>	<u>\$ 204,817</u>

COUNTY OF HILLSDALE, MICHIGAN

Statement of Cash Flows

Proprietary Funds
Year Ended December 31, 2022

	Business-type Activities - Enterprise Funds					Internal Service
	Medical Care Facility	2020 Delinquent Tax Revolving	2021 Delinquent Tax Revolving	Nonmajor Funds	Totals	Self Insurance
Cash flows from operating activities						
Cash received from customers	\$ 14,733,622	\$ 732,854	\$ 203,766	\$ 1,140,865	\$ 16,811,107	\$ 100,511
Cash received from quality assurance supplement	1,917,519	-	-	-	1,917,519	-
Other operating receipts	488,979	-	-	-	488,979	-
Cash payments to suppliers and employees for goods and services	(20,031,157)	(25,270)	(1,145,831)	(655,170)	(21,857,428)	(43,183)
Net cash provided by (used in) operating activities	(2,891,037)	707,584	(942,065)	485,695	(2,639,823)	57,328
Cash flows from noncapital financing activities						
Property tax and other nonoperating revenue	1,973,511	-	-	-	1,973,511	-
Transfers out	(76,133)	-	-	(464,500)	(540,633)	-
Net cash provided by (used in) non-capital financing activities	1,897,378	-	-	(464,500)	1,432,878	-
Cash flows from capital and related financing activities						
Purchase of capital assets	(180,865)	-	-	-	(180,865)	-
Interest payments	(1,900)	2,341	(1,722)	-	(1,281)	-
Principal payments	-	(1,450,000)	(450,000)	(850,000)	(2,750,000)	-
Proceeds from long-term debt	-	-	2,900,000	-	2,900,000	-
Net cash provided by (used in) capital and related financing activities	(182,765)	(1,447,659)	2,448,278	(850,000)	(32,146)	-
Cash flows from investing activities						
Interest and rental earnings	83,448	-	-	72,422	155,870	-
Net cash provided by investing activities	83,448	-	-	72,422	155,870	-
Net increase (decrease) in cash and cash equivalents	(1,092,976)	(740,075)	1,506,213	(756,383)	(1,083,221)	57,328
Cash equivalents, beginning of year	8,021,976	1,732,835	-	3,900,364	13,655,175	147,686
Cash equivalents, end of year	\$ 6,929,000	\$ 992,760	\$ 1,506,213	\$ 3,143,981	\$ 12,571,954	\$ 205,014
Cash flows from operating activities						
Operating income (loss)	\$ (3,369,561)	\$ 116,041	\$ 152,496	\$ 474,714	\$ (2,626,310)	\$ 57,131
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Depreciation	590,650	-	-	13,862	604,512	-
Changes in assets and liabilities:						
Taxes receivable	-	471,200	-	269,777	740,977	-
Accounts receivable	(335,858)	(13,560)	(1,092,519)	66,690	(1,375,247)	-
Lease receivable	30,859	-	-	-	30,859	-
Interest receivable	-	113,334	283	(328,907)	(215,290)	-
Prepays	12,044	-	(2,325)	1,912	11,631	-
Accounts payable	26,769	20,569	-	(12,353)	34,985	197
Accrued expenses	57,044	-	-	-	57,044	-
Unearned QMI Revenue	97,016	-	-	-	97,016	-
Net cash provided by (used in) operating activities	\$ (2,891,037)	\$ 707,584	\$ (942,065)	\$ 485,695	\$ (2,639,823)	\$ 57,328

Non-cash transactions

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

COUNTY OF HILLSDALE, MICHIGAN

Statement of Fiduciary Net Position

December 31, 2022

	Agency Funds
Assets	
Cash and investments	\$ 1,427,891
Liabilities	
Due to other governments	\$ 586,039
Undistributed receipts	841,852
Total liabilities	\$ 1,427,891

COUNTY OF HILLSDALE, MICHIGAN

Statement of Changes In Fiduciary Net Position

December 31, 2022

	Agency Funds
Additions	
Taxes/Fees/Fines	\$ 25,597,658
Deductions	
Distributions	25,597,658
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, 2022

	Drain Commission	Road Commission	Total
Assets			
Cash and investments	\$ 982,414	\$ 2,998,409	\$ 3,980,823
Special assessments receivable	471,248	-	471,248
Receivables, net	-	2,404,431	2,404,431
Prepaid items and other assets	-	1,040,232	1,040,232
Capital assets:			
Capital assets not being depreciated	-	6,645,373	6,645,373
Capital assets being depreciated, net	747,589	25,493,566	26,241,155
Total assets	<u>2,201,251</u>	<u>38,582,011</u>	<u>40,783,262</u>
Deferred Outflows of Resources			
Deferred pension amounts	-	1,705,895	1,705,895
Liabilities			
Accounts payable and accrued expenses	(208)	257,705	257,497
Advances from primary government	175,000	191,273	366,273
Long-term liabilities:			
Due within one year	157,760	18,190	175,950
Due in more than one year	1,048,188	345,607	1,393,795
Net Pension Liability	-	5,089,860	5,089,860
Total liabilities	<u>1,380,740</u>	<u>5,902,635</u>	<u>7,283,375</u>
Deferred Inflows of Resources			
Deferred pension amounts	-	14,430	14,430
Net position			
Net investment in capital assets	747,589	32,138,939	32,886,528
Restricted	-	4,842,947	4,842,947
Unrestricted (deficit)	72,922	(2,611,045)	(2,538,123)
Total net position	<u>\$ 820,511</u>	<u>\$ 34,370,841</u>	<u>\$ 35,191,352</u>

COUNTY OF HILLSDALE, MICHIGAN

Combining Statement of Activities

Discretely Presented Component Units

Year Ended December 31, 2022

	Drain Commission	Road Commission	Total
Expenses			
County Drains	\$ 1,046,827	\$ -	\$ 1,046,827
County Roads	-	10,987,447	10,987,447
Total expenses	<u>1,046,827</u>	<u>10,987,447</u>	<u>12,034,274</u>
Program revenues			
Charges for services	1,033,534	1,410,523	2,444,057
Operating grants and contributions	5,582	10,846,842	10,852,424
Total program revenues	<u>1,039,116</u>	<u>12,257,365</u>	<u>13,296,481</u>
Net revenue (expense)	<u>(7,711)</u>	<u>1,269,918</u>	<u>1,262,207</u>
General revenues			
Unrestricted investment earnings	-	23,873	23,873
Other revenue	-	273,374	273,374
Total general revenues	<u>-</u>	<u>297,247</u>	<u>297,247</u>
Change in net position	(7,711)	1,567,165	1,559,454
Net position, beginning of year	884,742	32,803,676	33,688,418
Prior Period Adjustment	(56,520)	-	(56,520)
Net position, end of year	<u>\$ 820,511</u>	<u>\$ 34,370,841</u>	<u>\$ 35,191,352</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, 2022, 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 six (6) member board, two (2) from Hillsdale County, two (2) from Branch County, and two (2) 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 2022 per capita rate approved by the board is \$5.15, which equates to a \$235,592 allocation from Hillsdale County. The current funding formula approved by the District Health Board requires Hillsdale, Branch and St. Joseph Counties to provide 30.47, 28.94, and 40.59 percent, respectively.

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.

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 *ARPA fund* is used to account for monies 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 2020 and 2021 *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.

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.

COUNTY OF HILLSDALE, MICHIGAN

Notes to Financial Statements

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.

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.

COUNTY OF HILLSDALE, MICHIGAN

Notes to Financial Statements

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.

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.

Leases (Lessor)

The County recognizes leases receivable and deferred inflows related to lease items in the financial statements. Variable payments based on the future performance of the lessee are not included in the measurement of the lease receivable.

At the commencement of a lease, the lease receivable is measured at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflows of resources are measured as the initial amount of the lease receivable and is subsequently adjusted for lease payments received at or before the commencement of the lease. Deferred inflows of resources related to lease items are recognized as revenue over the lease term in a systematic and rational method.

Key estimates and judgements related to lease receivables and deferred inflows include the discount rate used to discount the expected lease payments to present value and the lease term. The County uses its estimated incremental borrowing rate as the lease discount rate. The lease term is the non-cancellable period of the lease, which is the initial term of the lease and any options to extend if they are reasonably certain to be exercised. Payments included in the measurement of the lease receivable are composed of fixed payments expected to be received from the lessee.

The County monitors changes in circumstances that would require a remeasurement of its leases and will remeasure the lease receivable if changes occur that are anticipated to significantly affect the amount of the lease receivable. The County does have items that qualify for reporting in this category.

Leases (Lessee)

The lease liability is measured at the present value of the payments expected to be made during the lease term and subsequent extensions, if they are reasonably certain to be exercised. The lease liability is subsequently reduced by the principal portion of the lease payments.

Lease assets are recorded at the amount of the initial measurement of the lease liabilities and modified by any prepayments made at or before the commencement of the lease, less any lease incentives received from the lessor. Lease assets are amortized using the straight-line method over the shorter of the useful life of the underlying asset or the lease term, unless the lease contains an option to purchase the underlying asset at the end of the term. The useful life will be used to amortize the lease if a purchase option is present and it is reasonably certain the entity will exercise that option.

Key estimates and judgements related to leases include the discount rate used to discount the expected lease payments to present value, the lease term, and lease payments. The County uses the interest rate charged by the lessor as the discount rate, when available. When this rate is not provided, the Corporation generally uses the estimated incremental borrowing rate. The lease term is the non-cancellable period of the lease, which is the initial term of the lease and any options to extend if they are reasonably certain to be exercised. Payments included in the measurement of the lease liability are composed of fixed payments and purchase option prices that are reasonably certain to be exercised.

The County monitors changes in circumstances that would require a remeasurement of its leases and will remeasure the lease asset and liability if changes occur that are anticipated to significantly affect the amount of the lease asset and liability. The County does not currently have any items that require reporting in this category.

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.

COUNTY OF HILLSDALE, MICHIGAN

Notes to Financial Statements

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.

Deferred outflows of resources

In addition to assets, the statement of net position and governmental funds balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to future periods and so will not be recognized as an outflow of resources (expenses) until that time.

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.

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 a 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.

COUNTY OF HILLSDALE, MICHIGAN

Notes to Financial Statements

3. CASH AND INVESTMENTS

Summary of Deposit and Investment Balances

Following is a reconciliation of deposit and investment balances as of December 31, 2022:

	Primary Government	Component Units	Totals
Financial statements			
Statement of net assets -			
Cash and investments	\$ 23,861,232	\$ 3,980,823	\$ 27,842,055
Statement of fiduciary assets and liabilities -			
Cash and investments	1,427,891	-	1,427,891
Total	\$ 25,289,123	\$ 3,980,823	\$ 29,269,946
Cash and investments			
Bank deposits (checking accounts, savings accounts and certificates of deposits)			\$ 19,141,775
Investments in securities, mutual funds and similar vehicles:			
Treasurer's pool			10,122,281
Cash on hand			5,890
Total			\$ 29,269,946

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:

	Investment Maturities (fair value by years)				
	Total Fair	Less than 1	1-5	6-10	More than 10
U.S. Agencies	\$ 233,098	\$ -	\$ 233,098	\$ -	\$ -
Municipal bonds	9,889,183	5,407,530	4,298,847	182,806	-
Total	\$ 10,122,281	\$ 5,407,530	\$ 4,531,945	\$ 182,806	\$ -

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, 2022, \$10,209,994 of the County's total balance of \$29,264,987 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, 2022:

U.S. agencies	\$ 233,098
Michigan municipal bonds and notes	9,889,183
Certificates of Deposit	6,615,140
Checking	1,335,675
Money market & Savings funds	11,196,850
Total	\$ 29,269,946

COUNTY OF HILLSDALE, MICHIGAN

Notes to Financial Statements

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, 2022, 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, 2022:

	Total	Level 1	Level 2	Level 3
Municipal Bonds	\$ 9,889,183	\$ 9,889,183	\$ -	\$ -

4. RECEIVABLES

Receivables as of December 31, 2022 are summarized as follows:

	Governmental Activities	Business-type Activities	Component Units
Property taxes	\$ 4,704,784	\$ 1,275,227	\$ -
Accounts receivable	1,910,860	7,210,706	2,404,431
Advances from other funds	-	-	-
Due From other Funds	-	-	-
Special assessments	-	-	471,248
Due from other governments	109,083	-	-
Advances to component unit	175,000	-	-
Leases receivable	1,372,569	-	-
Interest receivable	-	575,698	-
	<u>\$ 8,272,296</u>	<u>\$ 9,061,631</u>	<u>\$ 2,875,679</u>

Of the amounts reported for receivables above, leases receivable in the amount of \$295,000 are not expected to be collected within one year.

COUNTY OF HILLSDALE, MICHIGAN

Notes to Financial Statements

5. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund receivables and payables at December 31, 2022 is as follows:

	Receivable	Payable
General fund	\$ 119,095	\$ -
Nonmajor governmental funds	-	119,095
	<u>\$ 119,095</u>	<u>\$ 119,095</u>

Interfund receivables/payables represent short-term working capital loans for funds with negative balances in the County's cash and investment pool at year-end.

For the year ended December 31, 2022, interfund transfers consisted of the following:

	Transfers In	Transfers Out
General fund	\$ 7,006,170	\$ 8,068,802
ARPA Fund		6,405,798
Nonmajor governmental funds	8,181,389	172,326
Medical Care Facility	-	76,133
Nonmajor enterprise funds	5,500	470,000
	<u>\$ 15,193,059</u>	<u>\$ 15,193,059</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.

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,

Contracted Entity	Program	Tax Abated	Gross Amount Abated
ALPHI MANUFACTURING LLC	IFT	Property Tax	\$ 178
ANDERSONS INC	IFT	Property Tax	5,036
CENTRAL COAST DESIGNS INC	IFT	Property Tax	191
COBRA MOTO LLC	IFT	Property Tax	18
COBRA MOTORCYCLES INC	IFT	Property Tax	22
DDP SPECIALTY ELEC MATLS US LLC	IFT	Property Tax	1,711
DOW/DUPONT	IFT	Property Tax	1,195
FAIRWAY PRODUCTS	IFT	Property Tax	10
GENERAL AUTOMATIC MACHINE PRODU	IFT	Property Tax	10
HI-LEX CONTROLS INC	IFT	Property Tax	16,468
HORNET MANUFACTURING INC	IFT	Property Tax	320
JONESVILLE PAPER TUBE CORP	IFT	Property Tax	869
LIVONIA TOOL AND LASER	IFT	Property Tax	48
LIVONIA TOOL INC	IFT	Property Tax	1,940
MARTINREA JONESVILLE LLC	IFT	Property Tax	8,331
NORTH EAST FABRICATION CO INC	IFT	Property Tax	134
NORTH EAST FABRICATION COMPANY	IFT	Property Tax	170
PRECISION GAGE, LLC	IFT	Property Tax	1,516
RAPTOR INDUSTRIES LLC	IFT	Property Tax	58
ROSS DESIGN	IFT	Property Tax	75
TENNECO - WALKER	IFT	Property Tax	379
TENNECO INC	IFT	Property Tax	907
TI GROUP AUTOMOTIVE SYSTEMS LLC	IFT	Property Tax	91
			<u>\$ 39,677</u>

COUNTY OF HILLSDALE, MICHIGAN

Notes to Financial Statements

7. CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2022 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	82,210	655,347	-	-	737,557
Total capital assets not being depreciated	273,495	655,347	-	-	928,842
Capital assets being depreciated:					
Buildings and improvements	12,183,628	22,267	-	-	12,205,895
Vehicles and equipment	3,544,286	223,236	-	-	3,767,522
Total capital assets being depreciated	15,727,914	245,503	-	-	15,973,417
Less accumulated depreciation for:					
Buildings and improvements	(5,088,003)	(272,660)	-	-	(5,360,663)
Vehicles and equipment	(2,740,731)	(209,003)	-	-	(2,949,734)
Total accumulated depreciation	(7,828,734)	(481,663)	-	-	(8,310,397)
Total capital assets being depreciated, net	7,899,180	(236,160)	-	-	7,663,020
Capital assets, net	\$ 8,172,675	\$ 419,187	\$ -	\$ -	\$ 8,591,862

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

General Government	\$ 227,453
Judicial	2,889
Public Safety	212,956
Health and Welfare	34,995
Public Works	1,700
Recreation & Culture	1,670
Total	<u>\$ 481,663</u>

COUNTY OF HILLSDALE, MICHIGAN

Notes to Financial Statements

Capital assets activity for the year ended December 31, 2022 was as follows:

	Beginning Balance	Additions	Adjustments	Disposals	Ending Balance
Business-type activities					
Capital assets not being depreciated					
Construction in Progress	\$ 47,078	\$ -	\$ -	\$ (47,078)	\$ -
Capital assets being depreciated:					
Land improvements	29,524	-	-	-	29,524
Buildings and improvements	17,801,768	183,345	-	(4,720)	17,980,393
Vehicles and equipment	912,938	44,598	22,981	(18,032)	962,485
Total capital assets being depreciated	18,744,230	227,943	22,981	(22,752)	18,972,402
Less accumulated depreciation for:					
Land improvements	(29,524)	-	-	-	(29,524)
Buildings and improvements	(9,251,834)	(513,505)	-	4,720	(9,760,619)
Vehicles and equipment	(568,590)	(91,008)	(22,981)	18,032	(664,547)
Total accumulated depreciation	(9,849,948)	(604,513)	(22,981)	22,752	(10,454,690)
Total capital assets being depreciated, net	8,894,282	(376,570)	-	-	8,517,712
Business-type activities capital assets, net	\$ 8,941,360	\$ (376,570)	\$ -	\$ (47,078)	\$ 8,517,712

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

Medical Care Facility	\$ 590,650
Building Inspection	13,863
Total	<u>\$ 604,513</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	6,118,374	462,365	-	-	6,580,739
Total capital assets not being	6,183,008	462,365	-	-	6,645,373
Capital assets being depreciated:					
Buildings and improvements	3,224,696	82,012	(961,768)	-	2,344,940
Equipment	11,351,664	840,538	962,026	(897,756)	12,256,472
Infrastructure	67,086,926	1,966,829	-	-	69,053,755
Depletable assets	54,700	-	-	-	54,700
Total capital assets being	81,717,986	2,889,379	258	(897,756)	83,709,867
Less accumulated depreciation for:					
Buildings and improvements	(1,504,939)	(75,393)	11,937	-	(1,568,395)
Equipment	(9,096,373)	(908,072)	(11,937)	896,027	(9,120,355)
Infrastructure	(45,691,013)	(1,784,281)	-	-	(47,475,294)
Depletable assets	(52,257)	-	-	-	(52,257)
Total accumulated depreciator	(56,344,582)	(2,767,746)	-	896,027	(58,216,301)
Total capital assets being depreciated, net	25,373,404	121,633	258	(1,729)	25,493,566
Capital assets, net	\$ 31,556,412	\$ 583,998	\$ 258	\$ (1,729)	\$ 32,138,939

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

Total Depreciation Expense - Public Works \$ 2,767,746

Capital assets activity for the year ended December 31, 2022 was as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
Component unit - Drainage District				
Capital assets being depreciated -				
Buildings	\$ 135,000	\$ -	\$ -	\$ 135,000
Equipment	1,145,276	-	-	1,145,276
Infrastructure	628,693	-	-	628,693
Total capital assets being depreciated	1,908,969	-	-	1,908,969
Less accumulated depreciation for -				
Buildings	(124,200)	(5,400)	-	(129,600)
Equipment	(786,432)	(50,413)	-	(836,845)
Infrastructure	(182,361)	(12,574)	-	(194,935)
Total accumulated depreciation	(1,092,993)	(68,387)	-	(1,161,380)
Capital assets, net	\$ 815,976	\$ (68,387)	\$ -	\$ 747,589

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

Total Depreciation Expense - Public Works \$ 68,387

COUNTY OF HILLSDALE, MICHIGAN

Notes to Financial Statements

8. PAYABLES

Accounts payable and accrued liabilities as of December 31, 2022 are summarized as follows:

	Governmental Activities	Business-type Activities	Components Units
Accounts payable	\$ 1,353,597	\$ 599,216	\$ 257,497
Note Payable	-	6,942	-
Accrued liabilities	273,187	1,485,949	-
Due to other governments	-	(1,978)	-
Advances from other funds	-	-	-
Advances from primary government	-	-	366,273
Accrued interest payable	61,829	-	-
	<u>\$ 1,688,613</u>	<u>\$ 2,090,129</u>	<u>\$ 623,770</u>

9. LONG-TERM DEBT

General obligation bonds. The government issues general obligation bonds to provide funds for the acquisition and construction of

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	\$ 440,000
2015 MCF Refunding	2.74%	2026	5,755,000	2,475,000
2016 County Office Building	2.10%	2028	500,000	385,000
2015 Senior Center Capital Debt	.75%-2.45%	2023	1,300,000	180,000
				<u>\$ 3,480,000</u>

Business-type activities

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

Year Ending December 31,	Governmental Activities	
	Principal	Interest
2023	955,000	89,761
2024	810,000	64,921
2025	850,000	43,210
2026	730,000	22,421
2027	65,000	2,835
2028	70,000	1,470
	<u>\$ 3,480,000</u>	<u>\$ 224,618</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, 2022, the County's legal debt limit was \$240,471,210

COUNTY OF HILLSDALE, MICHIGAN

Notes to Financial Statements

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:

Purpose	Interest Rates	Maturity Date	Amount of Original Issue	Amount Outstanding
Governmental activities				
2016 E-911 Central Dispatch	1.70%	2026	\$ 400,000	\$ 170,000
2020 Courthouse HVAC Debt		2024	720,000	270,000
Police Vehicles		2023		25,859
				<u>465,859</u>
				<u>\$ 465,859</u>

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

Year Ending December 31,	Governmental Activities	
	Principal	Interest
2023	\$ 200,859	\$ 6,396
2024	175,000	3,347
2025	45,000	1,868
2026	45,000	968
	<u>\$ 465,859</u>	<u>\$ 12,579</u>

COUNTY OF HILLSDALE, MICHIGAN

Notes to Financial Statements

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, 2022, are as follows:

Purpose	Interest Rates	Maturity Date	Amount of Original Issue	Amount Outstanding
Business-type activities				
2019 Delinquent Tax Revolving Notes	1.00%	2022	2,700,000	-
2020 Delinquent Tax Revolving Notes	1.00%	2023	2,600,000	800,000
2021 Delinquent Tax Revolving Notes	2.25%-3.25%	2024	2,900,000	2,450,000
				<u>\$ 3,250,000</u>

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

Year Ending December 31,	Business-type Activities	
	Principal	Interest
2023	\$ 2,350,000	\$ 58,675
2024	900,000	20,500
	<u>\$ 3,250,000</u>	<u>\$ 79,175</u>

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	\$ -
Boyd #118	2.15%	2023	235,000	33,571
Knapp	2.15%	2024	64,318	18,377
Boyd 2 #118	3.20%	2025	40,000	24,000
Hacket #240	2.15%	2026	320,000	105,000
Lindsey #238	2.15%	2035	225,000	195,000
Lake Pleasant	.14%-1.34%	2036	889,000	830,000
				<u>\$ 1,205,948</u>

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

Year Ending December 31,	Component Unit - Drain Notes	
	Principal	Interest
2023	\$ 157,760	\$ 17,004
2024	124,187	14,780
2025	115,000	12,963
2026	84,000	11,274
2027	74,000	10,239
2028-2032	370,000	36,056
2033-2037	281,000	8,778
	<u>\$ 1,205,947</u>	<u>\$ 111,094</u>

Road Commission Installment Purchase Agreements.

The road commission has no outstanding installment agreements.

COUNTY OF HILLSDALE, MICHIGAN

Notes to Financial Statements

Changes in long-term debt. Long-term debt activity for the year ended December 31, 2022 was as follows:

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Primary Government:					
Governmental activities					
General obligation bonds	\$ 4,400,000	\$ -	\$ (920,000)	\$ 3,480,000	\$ 955,000
Installment contracts	736,239	-	(270,379)	465,860	200,860
Compensated absences	511,164	33,578	(4,247)	540,495	-
	<u>\$ 5,647,403</u>	<u>\$ 33,578</u>	<u>\$ (1,194,626)</u>	<u>\$ 4,486,355</u>	<u>\$ 1,155,860</u>
Business-type activities					
MCF - PPA Loan	\$ 2,901,705	\$ -	\$ (2,901,705)	\$ -	\$ -
Delinquent tax notes	3,100,000	2,900,000	(2,750,000)	3,250,000	2,350,000
	<u>\$ 6,001,705</u>	<u>\$ 2,900,000</u>	<u>\$ (5,651,705)</u>	<u>\$ 3,250,000</u>	<u>\$ 2,350,000</u>
Component Units:					
Drains					
Luke #238	\$ 30,800	\$ -	\$ (30,800)	\$ -	\$ -
Boyd #118	67,143	-	(33,572)	33,571	33,571
Knapp	27,565	-	(9,188)	18,377	9,189
Boyd 2 #118	32,000	-	(8,000)	24,000	8,000
Hacket #240	160,000	-	(55,000)	105,000	32,000
Lindsey #238	210,000	-	(15,000)	195,000	15,000
Lake Pleasant	889,000	-	(59,000)	830,000	60,000
Road Commission					
Installment lease payable	-	-	-	-	-
Compensated absences	405,963	48,783	(90,949)	363,797	18,190
	<u>\$ 1,822,471</u>	<u>\$ 48,783</u>	<u>\$ (301,509)</u>	<u>\$ 1,569,745</u>	<u>\$ 175,950</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. LEASE RECEIVABLE

The County is the lessor of office space as well as communications towers to multiple organizations. These lease agreements are non-cancelable operating leases with fixed minimum rentals and non-cancelable operating use and lease agreements. The initial lease receivable and deferred inflow of resources related to leases was calculated at \$926,986 as of January 1, 2022.

	1/1/2022	Increases	Decreases	12/31/2022
Lease Receivable	\$ 926,986	\$ -	\$ 175,417	\$ 751,569

The subsequent payments made to the County relating to the assets leased by other organizations are as follows:

Year	Principal Amount	Interest Amount	Total
2023	\$ 191,997	21,615	213,612
2024	198,331	15,282	213,613
2025	138,665	9,349	148,014
2026	85,931	5,994	91,925
2027	20,332	3,989	24,321
2028-2034	54,839	20,761	75,600
2035-2041	62,474	6,825	69,299
	<u>\$ 752,569</u>	<u>\$ 83,815</u>	<u>\$ 836,384</u>

COUNTY OF HILLSDALE, MICHIGAN

Notes to Financial Statements

11. 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, 2022, 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:

	2022	2021
Workers compensation		
Estimated liability, January 1	\$ 106,751	\$ 212,046
Estimated claims incurred, including changes in estimates	1,056	2,885
Claim payments	<u>(23,526)</u>	<u>(108,180)</u>
Estimated liability, December 31	<u>\$ 84,281</u>	<u>\$ 106,751</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.

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.

COUNTY OF HILLSDALE, MICHIGAN

Notes to Financial Statements

12. 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.

13. 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

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, 2021 levy, for which revenue was recognized in fiscal 2022, was \$1,526,210,983. For the general fund, the assessed and taxable value of real and personal property for the July 1, 2022 levy, for which revenue was recognized in fiscal 2022, was \$1,669,000,789. The general operating tax rate for this levy was at the maximum rate of 4.8619 mills, as adjusted by the Headlee Amendment to the State of Michigan Constitution. The County also had a voter approved tax of .9868 mills for ambulance services, .9830 mills for senior services, .5921 for Medical Care Facility operating, .4934 for Mental Health, and .3500 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.

14. CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT

For 2022, the County implemented Governmental Accounting Standards Board (GASB) Statement No. 87, Leases. GASB Statement No. 87 enhances the relevance and consistency of information of the government's leasing activities. It establishes requirements for lease accounting based on the principle that leases are financings of the right to use an underlying asset. A lessor is required to recognize a lease receivable and a deferred inflow of resources, except for certain regulated leases. The County's 2022 financial statements will include a prior period adjustment to account for the Lease Receivable and related Deferred Inflow. This change in accounting principle had no effect on the beginning net position for governmental activities.

The implementation of GASB Statement No. 87 had the following effect on net position as reported December 31, 2022:

Net Position December 31, 2021	\$	12,048,347
Adjustments:		
Lease Receivable		926,986
Deferred Inflows - Leases		(926,986)
Restated Net Position December 31, 2021	\$	<u>12,048,347</u>
Net Effect of Implementation of GASB 87 on Net Position	\$	<u>-</u>

COUNTY OF HILLSDALE, MICHIGAN

Notes to Financial Statements

15. DEFINED BENEFIT PENSION PLANS - Primary Government

Employees of the Sheriff Department that are covered by the POLC collective bargaining agreements, hired prior to January 1, 2021, 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 amount; the current amount for the County is \$264,636 for fiscal year 2022. 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

	2021 Valuation	2020 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%	14.40%
DC Plan for new hires:	1/1/2021	1/1/2021
Act 88:	No	No

Employees Covered by Benefit Terms. As of December 1, 2021, the following employees were covered by the benefit terms:

Retirees and Beneficiaries	23
Vested Former Employees	10
Active Employees	26
Pending Refunds	7
Total Employee	66

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 amount.

The contribution flat rate amount at December 31, 2022 is as follows:

02 - Sheriff Suprvsry & Non-Suprvs \$ 264,636

Actuarial Assumptions. The total pension liability in the December 31, 2022 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	7.00 percent

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 inflations 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

COUNTY OF HILLSDALE, MICHIGAN

Notes to Financial Statements

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, 2022	\$ 9,864,410	\$ 6,939,942	\$ 2,924,468
Service Cost:	176,311	-	176,311
Interest:	734,760	-	734,760
Difference between expected and actual experience	90,786	-	90,786
Changes in assumptions	409,002	-	409,002
Benefit Changes	-	-	-
Employer Contributions	-	534,636	(534,636)
Employee Contributions	-	223,149	(223,149)
Net Investment Income	-	(708,958)	708,958
Benefit payments, including employee refunds	(569,339)	(569,339)	-
Administrative expense	-	(12,848)	12,848
Other Changes	(50,138)	-	(50,138)
Net Changes	791,382	(533,360)	1,324,742
Balances as of December 31, 2022	\$ 10,655,792	\$ 6,406,582	\$ 4,249,210

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	\$ 5,606,336	\$ 4,249,210	\$ 3,158,611

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

COUNTY OF HILLSDALE, MICHIGAN

Notes to Financial Statements

For the year ended December 31, 2022, the County recognized pension expense of \$452,442. At December 31, 2022, 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	\$ -	\$ 127,492
Changes in assumptions	696,625	-
Difference in expected and actual returns	548,446	
Total	\$ 1,245,071	\$ 127,492

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
2023	\$ 210,262	\$ (34,280)
2024	266,229	(52,369)
2025	328,395	(43,673)
2026	372,018	(12,301)
2027	68,167	15,131
	<u>\$ 1,245,071</u>	<u>\$ (127,492)</u>

Annual Pension Cost

During the year ended December 31, 2022, the County's contributions totaling \$534,636 were made in accordance with contribution requirement determined by an actuarial valuation of the plan as of December 31, 2021. 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 17 years.

16. 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

Benefits Provided. Pension benefits are calculated as final average compensation (based on a 5 year period) and multiplier of 2%.

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

Inactive employees or beneficiaries currently receiving benefits	46
Inactive employees entitled to but not yet receiving benefits	4
Active employees	48
Total membership	<u><u>98</u></u>

COUNTY OF HILLSDALE, MICHIGAN

Notes to Financial Statements

Contributions. The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by Employer and employee contribution amounts or rates, by division/bargaining unit, were as follows for the year ended December

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, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2021.

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%
Salary increases	3.00% in the long-term
Investment rate of return	7.00%, net of investment expense and including inflation

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 retired plan members and beneficiaries mortality based on 106% of Pub-2010 Juvenile Mortality Tables for ages 0-17, 106% of PubG-2010 Employee Mortality Tables for Ages 18-49, and 106% of PubG-2010 Healthy Retiree Tables for ages 50-120
- 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 18-120

The actuarial assumptions used in the December 31, 2021 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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Expected Money- Weighted Rate of Return
Global equity	60.00%	4.50%	2.70%
Global fixed income	20.00%	2.00%	0.40%
Private Investments	20.00%	7.00%	1.40%
	<u>100.00%</u>		
Inflation			2.50%
Administrative expenses netted above			<u>0.25%</u>
Investment rate of return			<u><u>7.25%</u></u>

Discount Rate. The discount rate used to measure the total pension liability as of December 31, 2022 was 7.25%. 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, 2021	\$ 13,560,369	\$ 10,750,656	\$ 2,809,713
Changes for the year:			
Service cost	264,414	-	264,414
Interest	961,115	-	961,115
Differences between expected and actual experience	193,386	-	193,386
Changes in assumptions	490,718	-	490,718
Employer contributions	-	615,527	(615,527)
Employee contributions	-	167,503	(167,503)
Net investment income	-	(1,114,695)	1,114,695
Benefit payments, including refunds of employee contributions	(871,624)	(871,624)	-
Administrative expense	-	(20,035)	20,035
Other changes	18,814	-	18,814
Net changes	1,056,823	(1,223,324)	2,280,147
Balances at December 31, 2022	\$ 14,617,192	\$ 9,527,332	\$ 5,089,860

Changes in Assumptions. In 2022, amounts reported as changes of assumptions resulted from a decrease in the assumed rate of return from 7.35% to 7.00%

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 7.25%, 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 (6.25%) or 1% higher (8.25%) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Road Commission's net pension liability	\$ 6,658,260	\$ 5,089,860	\$ 3,757,574

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, 2022 the Road Commission recognized pension expense of \$977,568. The Road Commission 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	Net Deferred Outflows (Inflows) of Resources
Difference between expected and actual experience	\$ 201,417	\$ 14,430	\$ 186,987
Changes in assumptions	625,577	-	625,577
Net difference between projected and actual earnings on pension plan investments	878,901	-	878,901
Total	\$ 1,705,895	\$ 14,430	\$ 1,691,465

COUNTY OF HILLSDALE, MICHIGAN

Notes to Financial Statements

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

Year Ended December 31,	Amount
2022	\$ 474,833
2023	412,941
2024	425,655
2025	<u>378,036</u>
Total	\$ <u>1,691,465</u>

Payable to the Pension Plan. At December 31, 2022, 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.

17. 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 - 8.0 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 \$352,087 for the year ended December 31, 2022 and employees contributed \$318,751.

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.

18. 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. In 2022, the county opened a Trust to 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	<u>2</u>
Total Members	36

Total OPEB Liability and Net OPEB Liability.

The County's total OPEB liability of \$1,005,844 was measured as of December 31, 2022.

The County has contributed \$9,605 into a trust towards funding this liability.

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.

Return on plan assets	7.00%
Salary Increases	3% (for purpose of allocating liability)
Investment rate of return	None; Plan is not pre-funded

COUNTY OF HILLSDALE, MICHIGAN

Notes to Financial Statements

20-year Aa Municipal bond rate	4.31%
Mortality	Public Safety and Public General 2010 Employee and Healthy Retiree, Headcount weighted, MP-2021 improvement
Utilization	40% of future retirees will elect coverage at retirement; actual coverage used for non-
Discount Rate	2.25% for 2021 contribution; 4.31% for December 31, 2022 liability and 2023 contribution rationalre - Blended rate based on long term expeted return and 20 year Aa Municipal Bond Rate

	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance at January 1 2022	\$ 1,199,950	\$ -	\$ 1,199,950
Changes during the Year			
Service Cost	34,687	-	34,687
Interest	27,635	-	27,635
Experience (Gains)/Losses	(23,096)	-	(23,096)
Change in plan terms	-	-	-
Change in Actuarial assumptions	(210,935)	-	(210,935)
Contributions to OPEB Trust	-	9,605	(9,605)
Benefits paid from Operating Funds	-	12,792	(12,792)
Net Investment Income	-	-	-
Benefit Payments	(12,792)	(12,792)	-
Administrative Expenses	-	-	-
Other Changes	-	-	-
Total Changes	(184,501)	9,605	(194,106)
Balance at December 31, 2022	\$ 1,015,449	\$ 9,605	\$ 1,005,844

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:

Discount	1% Decrease	Current Rate	1% Increase
Total OPEB Liability	\$ 1,112,581	\$ 1,015,449	\$ 927,860
Plan Fiduciary Net Position	9,605	9,605	9,605
Net OPEB Liability	\$ 1,102,976	\$ 1,005,844	\$ 918,255

For the year ended December 31, 2022, the County recognized an OPEB expense as follows:

Service Cost	\$ 34,687
Interest on Total OPEB Liability	27,635
Experience (Gains)/Losses	(65,415)
Changes of Assumptions	(36,574)
Total OPEB Expense	\$ (39,667)

Deferred Inflows and Outflows of Resources Related to OPEB Plan

	Deferred Outflows	Deferred Inflows
Experience (Gains)/Losses	\$ -	\$ 386,717
Changes of Assumptions	315,335	648,305
Investment Earnings (Gains)/Losses	-	-
Total	\$ 315,335	\$ 1,035,022

COUNTY OF HILLSDALE, MICHIGAN

Notes to Financial Statements

19. NET INVESTMENT IN CAPITAL ASSETS

	Governmental activities	Business-type activities
Capital assets not being depreciated	\$ 928,842	\$ -
Capital assets being depreciated, net	7,663,020	8,517,712
Total capital assets	<u>8,591,862</u>	<u>8,517,712</u>
Capital related bonds	(3,480,000)	-
Installment contracts	(465,860)	-
PPP Loan	-	-
Capital leases	-	-
Total net investment in capital assets	<u>\$ 4,646,002</u>	<u>\$ 8,517,712</u>

20. Restatement

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

General Fund

\$ 76,520 Correct reserve amount for drain loans to match the actual outstanding.

Drain Fund

\$ (56,520) Correct reserve amount for drain loans to match the actual outstanding.

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	2022
Total Pension Liability							
Service Cost	\$ 198,793	\$ 196,805	\$ 203,621	\$ 211,620	\$ 207,582	\$ 217,770	\$ 176,311
Interest	595,086	618,638	653,908	682,800	663,894	694,838	734,760
Benefit payments, including refund of member contributions	(315,192)	(448,312)	(514,830)	(455,089)	(538,258)	(596,428)	(569,339)
Other Changes	17,024	91,178	(15,421)	(195,292)	97,942	216,297	449,650
Net Change in Total Pension Liability	495,711	458,309	327,278	244,039	431,160	532,477	791,382
Total Pension Liability - Beginning	7,375,436	7,871,147	8,329,456	8,656,734	8,900,773	9,331,933	9,864,410
Total Pension Liability - Ending	7,871,147	8,329,456	8,656,734	8,900,773	9,331,933	9,864,410	10,655,792
Plan fiduciary net position							
Contributions - employer	\$ 137,998	\$ 144,608	\$ 314,432	\$ 184,549	\$ 183,928	\$ 184,320	\$ 534,636
Contributions - employee	218,671	252,676	254,856	263,244	261,761	248,645	223,149
Net investment income	469,826	605,974	(199,104)	676,479	720,455	871,804	(708,958)
Benefit payments, including refunds of member contributions	(315,192)	(448,312)	(514,830)	(455,089)	(538,258)	(596,428)	(569,339)
Administrative expense	(9,261)	(9,587)	(9,846)	(11,662)	(11,312)	(10,004)	(12,848)
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	(533,360)
Total plan fiduciary net position - Beginning	4,626,228	4,576,643	5,122,002	4,967,510	5,625,032	6,241,605	6,939,942
Total plan fiduciary net position - Ending	\$ 4,576,643	\$ 5,122,002	\$ 4,967,510	\$ 5,625,032	\$ 6,241,605	\$ 6,939,942	\$ 6,406,582
County's net pension liability - Ending	\$ 3,294,504	\$ 3,207,454	\$ 3,689,224	\$ 3,275,741	\$ 3,090,328	\$ 2,924,468	\$ 4,249,210
Plan fiduciary net position as a percentage of the total pension liability	58%	61%	57%	63%	67%	70%	60%
Covered - Employee Payroll	1,799,823	1,753,157	1,770,578	1,770,578	1,770,578	1,683,583	1,683,583
County's net pension liability as a percentage of covered-employee payroll	183%	183%	208%	185%	175%	174%	252%
Annual money-weighted rate of return, net investment expense	4%	4%	4%	4%	4%	4%	4%
Actuarially determined contribution	137,998	144,608	164,432	184,549	183,928	184,320	184,320
Contributions in relation to the actuarially determined	(137,998)	(144,608)	(314,432)	(184,549)	(183,928)	(184,320)	(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	1,683,583
Contributions as a percentage of covered-employee payroll	-8%	-8%	-18%	-10%	-10%	-11%	-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	2022
Total OPEB Liability - Beginning of Year	952,190	1,581,723	1,685,183	2,004,225	1,199,950
Service Cost	35,316	33,342	45,449	58,649	34,687
Interest	34,315	56,431	56,183	39,689	27,635
Experience (Gains)/Losses	9,801	(249,277)	(12,656)	(286,860)	(23,096)
Change in Actuarial Assumptions	569,855	277,635	244,540	(602,821)	(210,935)
Benefit Payments	(19,754)	(14,671)	(14,474)	(12,932)	(12,792)
Total OPEB Liability - End of Year	\$ 1,581,723	\$ 1,685,183	\$ 2,004,225	\$ 1,199,950	\$ 1,015,449
Plan fiduciary net Position					
Contributions - to OPEB Trust					\$ 9,605
Contributions - employer	19,754	14,671	14,474	12,932	12,792
Net Investment Income	-	-	-	-	-
Benefit Payments	(19,754)	(14,671)	(14,474)	(12,932)	(12,792)
Administrative Expense	-	-	-	-	-
Net Change in Plan fiduciary net Position	-	-	-	-	9,605
Plan fiduciary net Position - Beginning of Year	-	-	-	-	-
Plan fiduciary net Position - End of Year	\$ -	\$ -	\$ -	\$ -	\$ 9,605
Net OPEB Liability - End of Year	1,581,723	1,685,183	2,004,225	1,199,950	1,005,844
Plan fiduciary net Position as a percentage of total OPEB Liability	0.00%	0.00%	0.00%	0.00%	95.00%
Covered Payroll	Not Avail.	1,664,488	1,795,430	1,811,332	2,046,379
Net OPEB liability as a percentage of covered payroll	Not Avail.	101.2%	111.6%	66.2%	49.6%
Schedule of Employer Contributions					
Service Cost	35,316	33,342	45,449	58,649	34,687
Amortization of unfunded liability		176,208	189,136	241,468	146,185
Actuarially determined employer contribution	151,426	216,905	242,233	305,909	184,941
Employer contribution (benefit payments)	(19,754)	(14,671)	(14,474)	(12,932)	(12,792)
Contribution deficiency/(excess)	131,672	202,234	227,759	292,977	172,149
Covered Payroll	Not Avail.	1,664,488	1,795,430	1,811,332	2,046,379
ADC as a percentage of payroll	Not Avail.	13.0%	13.5%	16.9%	9.0%
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, 2022

	Original Budget	Final Budget	Actual	Actual over (under) Final Budget
Revenues				
Property taxes	\$ 8,047,334	\$ 8,375,334	\$ 8,389,536	\$ 14,202
Intergovernmental:				
State revenue sharing	1,001,075	1,001,075	1,019,068	17,993
Personal Property Tax Reimbursement	-	-	-	-
Juvenile Officer's Grant	27,000	27,000	27,317	317
Judges Salaries Grant	247,000	247,000	253,782	6,782
Juror Compensation Grant	4,000	4,000	3,247	(753)
Liquor Tax	108,000	108,000	125,099	17,099
Secondary Road Patrol Grant	58,972	58,972	96,371	37,399
Marine Safety Grant	10,000	10,000	15,844	5,844
Emergency Management Grant	10,000	10,000	11,245	1,245
Drunk Driving Grant	5,000	5,000	5,101	101
Prosecutor - Cooperative Reimbursement Program	80,000	80,000	88,181	8,181
FOC - Cooperative Reimbursement Program	300,000	300,000	335,026	35,026
FOC - Other	100,000	100,000	100,325	325
Survey and Remonumentation Grant	50,000	50,000	29,950	(20,050)
State court equity funding	178,000	178,000	198,247	20,247
Elections	20,000	191,000	196,938	5,938
Other intergovernmental revenue	-	20,000	15,648	(4,352)
Total intergovernmental	2,199,047	2,390,047	2,521,389	131,342
Licenses and permits:				
Dog licenses	37,000	37,000	33,492	(3,508)
Other licenses and permits	21,500	21,500	38,015	16,515
Total licenses and permits	58,500	58,500	71,507	13,007
Fines and forfeits:				
Ordinance fines and costs	235,000	235,000	177,502	(57,498)
Bond forfeitures	38,500	38,500	73,271	34,771
Total fines and forfeits	273,500	273,500	250,773	(22,727)
Charges for services:				
Circuit Court	25,200	25,200	22,705	(2,495)
District Court	95,000	95,000	104,823	9,823
Friend of the Court	76,000	76,000	75,150	(850)
Probate/Family Court	162,050	162,050	149,934	(12,116)
Clerk	69,000	69,000	70,035	1,035
Register of deeds	473,000	473,000	471,970	(1,030)
Sheriff	85,500	85,500	53,857	(31,643)
Equalization	60,000	60,000	73,891	13,891
Other charges for services	92,100	92,100	93,268	1,168
Total charges for services	1,137,850	1,137,850	1,115,633	(22,217)

continued...

COUNTY OF HILLSDALE, MICHIGAN

Statement of Revenues, Expenditures and Changes in Fund Balances

Budget and Actual - General Fund
Year Ended December 31, 2022

	Original Budget	Final Budget	Actual	Actual over (under) Final Budget
Revenues (continued)				
Interest and rentals:				
Interest revenue	50,000	150,000	\$ (309,439)	\$ (459,439)
Rents	256,047	260,705	246,656	(14,049)
Total interest and rentals	<u>306,047</u>	<u>410,705</u>	<u>(62,783)</u>	<u>(473,488)</u>
Other revenue/reimbursements -				
Reimbursements and refunds	733,262	733,262	781,110	47,848
Total revenues	<u>12,755,540</u>	<u>13,379,198</u>	<u>13,067,165</u>	<u>(312,033)</u>
Expenditures				
Legislative -				
Board of Commissioners	79,865	93,865	83,784	(10,081)
Judicial:				
Circuit Court	172,997	172,997	172,754	(243)
District Court	490,055	492,055	488,859	(3,196)
Friend of the Court	459,936	459,936	451,573	(8,363)
Jury Commission	4,007	4,007	3,204	(803)
Probate Court	514,684	514,684	493,542	(21,142)
Family/Juvenile Court	140,000	140,000	132,000	(8,000)
Total judicial	<u>1,781,679</u>	<u>1,783,679</u>	<u>1,741,932</u>	<u>(41,747)</u>
General government:				
Elections	141,131	281,131	278,902	(2,229)
Clerk	257,010	257,010	256,758	(252)
Register of deeds	160,249	160,249	159,703	(546)
Planning	3,894	3,894	-	(3,894)
Equalization	278,520	278,520	266,290	(12,230)
Information technology	430,449	441,374	441,373	(1)
Prosecutor	492,293	492,293	492,135	(158)
Survey & Remonumentation	50,000	50,000	49,542	(458)
Treasurer	244,282	244,282	176,781	(67,501)
Finance	78,320	80,320	79,263	(1,057)
MSU Extension	163,581	163,581	152,397	(11,184)
Courthouse and grounds	397,500	413,500	438,212	24,712
FOC Building	23,500	25,500	23,993	(1,507)
DHS Building	150,429	150,429	160,147	9,718
Drain Commissioner	393,264	318,264	155,308	(162,956)
Bus Garage	23,000	23,000	20,616	(2,384)
Sr Ctr Utility	10,000	10,000	8,473	(1,527)
MCF Utility	60,000	75,000	58,802	(16,198)
Office building	31,700	47,700	44,322	(3,378)
Total general government	<u>3,389,122</u>	<u>3,516,047</u>	<u>3,263,017</u>	<u>(253,030)</u>

continued...

COUNTY OF HILLSDALE, MICHIGAN

Statement of Revenues, Expenditures and Changes in Fund Balances

Budget and Actual - General Fund
Year Ended December 31, 2022

	Original Budget	Final Budget	Actual	Actual over (under) Final Budget
Expenditures (continued)				
Public safety:				
Sheriff's Department	2,028,757	2,128,757	2,139,939	11,182
Secondary Road Patrol Grant	113,458	113,458	107,632	(5,826)
Marine Patrol	13,500	13,500	11,077	-
Jail Operation	1,091,072	1,200,697	1,204,787	4,090
Emergency Preparedness	50,388	50,388	47,228	(3,160)
Animal control	38,156	38,156	31,131	(7,025)
Total public safety	<u>3,335,331</u>	<u>3,544,956</u>	<u>3,541,794</u>	<u>(739)</u>
Public works -				
Board of Public Works	<u>25,992</u>	<u>25,992</u>	<u>25,993</u>	<u>1</u>
Health and welfare:				
Health Department	108,441	115,191	104,809	(10,382)
Medical Examiner	135,740	138,735	138,735	-
Veteran's Burial	10,000	12,000	11,657	(343)
Veteran's Affairs Office	65,056	65,056	49,873	(15,183)
District Health Department	235,592	235,592	235,592	-
Mental Health Authority	274,000	274,000	274,000	-
Total health and welfare	<u>828,829</u>	<u>840,574</u>	<u>814,666</u>	<u>(25,908)</u>
Other:				
Employee Benefits	1,771,430	1,668,400	1,602,553	(65,847)
Property/Liability Insurance	419,411	442,651	421,294	(21,357)
Other	547,823	513,606	413,632	(99,974)
Appropriations	71,276	72,646	68,056	(4,590)
Total other	<u>2,809,940</u>	<u>2,697,303</u>	<u>2,505,535</u>	<u>(191,768)</u>
Capital outlay	<u>22,000</u>	<u>49,000</u>	<u>15,987</u>	<u>(33,013)</u>
Total expenditures	<u>12,272,758</u>	<u>12,551,416</u>	<u>11,992,708</u>	<u>(556,285)</u>
Revenues over (under) expenditures	<u>482,782</u>	<u>827,782</u>	<u>1,074,457</u>	<u>246,675</u>
Other financing sources (uses)				
Proceeds from capital lease	-	-	-	-
Transfers in	600,372	7,149,796	7,006,170	(143,626)
Transfers out	(1,292,004)	(8,186,428)	(8,068,802)	(117,626)
Total other financing sources (uses)	<u>(691,632)</u>	<u>(1,036,632)</u>	<u>(1,062,632)</u>	<u>(26,000)</u>
Net change in fund balances	<u>(208,850)</u>	<u>(208,850)</u>	<u>11,825</u>	<u>220,675</u>
Fund balances, beginning of year	1,688,205	1,688,205	1,688,205	-
Prior Period Adjustment	-	-	76,520	76,520
Fund balances, end of year	<u>\$ 1,479,355</u>	<u>\$ 1,479,355</u>	<u>\$ 1,776,550</u>	<u>\$ 297,195</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, 2022

	Original Budget	Final Budget	Actual	Actual over (under) Final Budget
Revenues				
Property tax revenue	\$ 1,600,000	\$ 1,600,000	\$ 1,519,135	\$ (80,865)
Intergovernmental	-	-	2,051	2,051
Total Revenues	<u>1,600,000</u>	<u>1,600,000</u>	<u>1,521,186</u>	<u>(78,814)</u>
Expenditures				
Health and welfare	<u>1,600,000</u>	<u>1,600,000</u>	<u>1,531,911</u>	<u>(68,089)</u>
Revenues over expenditures	-	-	(10,725)	(10,725)
Fund balances, beginning of year	<u>195,597</u>	<u>195,597</u>	<u>195,597</u>	<u>-</u>
Fund balances, end of year	<u>\$ 195,597</u>	<u>\$ 195,597</u>	<u>\$ 184,872</u>	<u>\$ (10,725)</u>

COUNTY OF HILLSDALE, MICHIGAN

Statement of Revenues, Expenditures and Changes in Fund Balances

Budget and Actual -America Rescue Plan Special Revenue Fund

Year Ended December 31, 2022

	Original Budget	Final Budget	Actual	Actual over (under) Final Budget
Revenues				
Intergovernmental	\$ 4,429,119	\$ 6,500,000	\$ -	\$ (6,500,000)
Interest Income	-	50,000	-	(50,000)
Total Revenues	<u>4,429,119</u>	<u>6,550,000</u>	<u>-</u>	<u>(6,550,000)</u>
Expenditures				
General Government	-	-	-	-
Revenues over expenditures	<u>4,429,119</u>	<u>6,550,000</u>	<u>-</u>	<u>(6,550,000)</u>
Other financing sources (uses)				
Transfers out	(1,150,476)	(6,549,424)	(6,405,798)	(143,626)
Total other financing sources (uses)	<u>(1,150,476)</u>	<u>(6,549,424)</u>	<u>(6,405,798)</u>	<u>(143,626)</u>
Fund balances, beginning of year	-	-	-	-
Fund balances, end of year	<u>\$ 4,429,119</u>	<u>\$ 6,550,000</u>	<u>\$ (6,405,798)</u>	<u>\$ (6,550,000)</u>

Supplementary Information

COUNTY OF HILLSDALE, MICHIGAN

Combining Balance Sheet - Nonmajor Governmental Funds
December 31, 2022

	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	\$ 16,048	\$ 143,337	\$ 8,881	\$ -	\$ 625,228	\$ 108,371	\$ 161,799	\$ 254,004	\$ 6,157	\$ 1,461
Taxes receivable	-	1,528,996	-	-	-	-	-	-	-	-
Accounts receivable	-	172	-	-	62,713	-	3,422	115	61	-
Due from other governments	-	-	-	-	-	-	-	-	-	-
Prepaid expenditures	-	-	-	-	-	-	-	-	-	-
Total assets	\$ 16,048	\$ 1,672,505	\$ 8,881	\$ -	\$ 687,941	\$ 108,371	\$ 165,221	\$ 254,119	\$ 6,218	\$ 1,461
Liabilities										
Accounts payable	\$ 13,162	\$ -	\$ -	\$ -	\$ 16,100	\$ 350	\$ -	\$ -	\$ -	\$ -
Accrued liabilities	1,377	-	-	-	27,387	-	-	-	-	-
Due to other funds	-	-	-	-	-	-	-	-	-	-
Total liabilities	14,539	-	-	-	43,487	350	-	-	-	-
Deferred inflows of resources										
Taxes levied for subsequent periods	-	1,605,796	-	-	-	-	-	-	-	-
Fund balances										
Nonspendable	-	-	-	-	-	-	-	-	-	-
Restricted	-	66,709	-	-	644,454	108,021	165,221	254,119	6,218	1,461
Assigned	1,509	-	8,881	-	-	-	-	-	-	-
Total fund balances	1,509	66,709	8,881	-	644,454	108,021	165,221	254,119	6,218	1,461
Total liabilities, deferred inflows of resources and fund balances	\$ 16,048	\$ 1,672,505	\$ 8,881	\$ -	\$ 687,941	\$ 108,371	\$ 165,221	\$ 254,119	\$ 6,218	\$ 1,461

COUNTY OF HILLSDALE, MICHIGAN

Combining Balance Sheet - Nonmajor Governmental Funds
December 31, 2022

	Special Revenue											
	County Law Library	County House Arrest	Strategic Facility Grant	Byrne Jag Grant	Child Abuse	Department of Human Services	Department of Human Services Child Care	Probate Child Care	Soldiers' and Sailors' Relief	Opioid Settlement Funds	Veterans' Service Grant	Veterans' Incentive Grant
Assets												
Cash and investments	\$ 12,633	\$ 14,287	\$ -	\$ -	\$ 72,455	\$ 1,287	\$ 18,620	\$ -	\$ 31,499	\$ -	\$ 33,151	\$ 5,629
Taxes receivable	-	-	-	-	-	-	-	-	-	-	-	-
Accounts receivable	-	-	5,000	21,000	-	-	-	126,937	-	249,973	-	-
Due from other governments	-	300	-	-	-	-	-	-	-	-	-	-
Prepaid expenditures	-	-	-	-	-	1,603	-	-	-	-	-	-
Total assets	<u>\$ 12,633</u>	<u>\$ 14,587</u>	<u>\$ 5,000</u>	<u>\$ 21,000</u>	<u>\$ 72,455</u>	<u>\$ 2,890</u>	<u>\$ 18,620</u>	<u>\$ 126,937</u>	<u>\$ 31,499</u>	<u>\$ 249,973</u>	<u>\$ 33,151</u>	<u>\$ 5,629</u>
Liabilities												
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 658	\$ 66,516	\$ 12,739	\$ -	\$ (208)	\$ -
Accrued liabilities	-	-	-	-	-	-	-	44,258	-	-	-	-
Due to other funds	-	-	5,000	21,000	-	-	-	15,844	-	36,788	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>5,000</u>	<u>21,000</u>	<u>-</u>	<u>-</u>	<u>658</u>	<u>126,618</u>	<u>12,739</u>	<u>36,788</u>	<u>(208)</u>	<u>-</u>
Deferred inflows of resources												
Taxes levied for subsequent periods	-	-	-	-	-	-	-	-	-	-	-	-
Fund balances												
Nonspendable	-	-	-	-	-	1,603	-	-	-	-	-	-
Restricted	12,633	14,587	-	-	72,455	1,287	17,962	319	18,760	213,185	33,359	5,629
Assigned	-	-	-	-	-	-	-	-	-	-	-	-
Total fund balances	<u>12,633</u>	<u>14,587</u>	<u>-</u>	<u>-</u>	<u>72,455</u>	<u>2,890</u>	<u>17,962</u>	<u>319</u>	<u>18,760</u>	<u>213,185</u>	<u>33,359</u>	<u>5,629</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 12,633</u>	<u>\$ 14,587</u>	<u>\$ 5,000</u>	<u>\$ 21,000</u>	<u>\$ 72,455</u>	<u>\$ 2,890</u>	<u>\$ 18,620</u>	<u>\$ 126,937</u>	<u>\$ 31,499</u>	<u>\$ 249,973</u>	<u>\$ 33,151</u>	<u>\$ 5,629</u>

COUNTY OF HILLSDALE, MICHIGAN

Combining Balance Sheet - Nonmajor Governmental Funds
December 31, 2022

	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	\$ 7,116	\$ 4,315	\$ 6,430	\$ -	\$ 95,513	\$ -	\$ 130,604	\$ 883	\$ 25
Taxes receivable	-	-	-	-	-	-	-	-	-
Accounts receivable	-	465	-	78,765	112,059	22,140	785,166	2,050	-
Due from other governments	-	-	-	-	-	-	-	-	-
Prepaid expenditures	-	-	-	-	-	-	-	-	-
Total assets	\$ 7,116	\$ 4,780	\$ 6,430	\$ 78,765	\$ 207,572	\$ 22,140	\$ 915,770	\$ 2,933	\$ 25
Liabilities									
Accounts payable	\$ -	\$ -	\$ -	\$ 1,725	\$ 23,746	\$ 21,446	\$ 819,588	\$ -	\$ -
Accrued liabilities	-	-	-	-	-	-	-	-	-
Due to other funds	-	-	-	40,362	-	101	-	-	-
Total liabilities	-	-	-	42,087	23,746	21,547	819,588	-	-
Deferred inflows of resources									
Taxes levied for subsequent periods	-	-	-	-	-	-	-	-	-
Fund balances									
Nonspendable	-	-	-	-	-	-	-	-	-
Restricted	7,116	-	-	-	183,826	593	96,182	2,933	25
Assigned	-	4,780	6,430	36,678	-	-	-	-	-
Total fund balances	7,116	4,780	6,430	36,678	183,826	593	96,182	2,933	25
Total liabilities, deferred inflows of resources and fund balances	\$ 7,116	\$ 4,780	\$ 6,430	\$ 78,765	\$ 207,572	\$ 22,140	\$ 915,770	\$ 2,933	\$ 25

COUNTY OF HILLSDALE, MICHIGAN

Combining Balance Sheet - Nonmajor Governmental Funds
December 31, 2022

	Debt Service					Capital Projects				Permanent	Total
	Court House Annex	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	\$ -	220,001	720	-	-	6,041,564	985	-	730	3,270	8,027,003
Taxes receivable	-	890,593	-	-	-	-	-	-	-	-	2,419,589
Accounts receivable	-	-	-	-	-	17,646	-	-	-	-	1,487,684
Due from other governments	-	-	-	-	-	-	-	-	-	-	300
Prepaid expenditures	-	-	-	-	-	-	-	-	-	-	1,603
Total assets	\$ -	\$ 1,110,594	\$ 720	\$ -	\$ -	\$ 6,059,210	\$ 985	\$ -	\$ 730	\$ 3,270	\$ 11,936,179
Liabilities											
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 975,822
Accrued liabilities	-	-	-	-	-	-	-	-	-	-	73,022
Due to other funds	-	-	-	-	-	-	-	-	-	-	119,095
Total liabilities	-	-	-	-	-	-	-	-	-	-	1,167,939
Deferred inflows of resources											
Taxes levied for subsequent periods	-	569,547	-	-	-	-	-	-	-	-	2,175,343
Fund balances											
Nonspendable	-	-	-	-	-	-	-	-	-	3,270	4,873
Restricted	-	541,047	720	-	-	-	-	-	730	-	2,469,551
Assigned	-	-	-	-	-	6,059,210	985	-	-	-	6,118,473
Total fund balances	-	541,047	720	-	-	6,059,210	985	-	730	3,270	8,592,897
Total liabilities, deferred inflows of resources and fund balances	\$ -	\$ 1,110,594	\$ 720	\$ -	\$ -	\$ 6,059,210	\$ 985	\$ -	\$ 730	\$ 3,270	\$ 11,936,179

COUNTY OF HILLSDALE, MICHIGAN

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 Nonmajor Governmental Funds
 Year Ended December 31, 2022

	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	-	1,525,213	-	-	-	-	-	-	-	-
Contributions	-	-	-	-	-	-	-	-	-	-
Fines and forfeits	-	-	125	-	-	-	14,640	-	-	-
Charges for services	-	-	-	-	1,153,530	17,230	-	-	-	-
Refunds and reimbursements	-	-	-	-	7,374	-	-	-	-	-
Interest and rentals	200	-	-	-	7,544	-	-	-	-	-
Other revenue	33,307	-	-	-	65,279	-	17,528	44,470	800	2,239
Total revenues	33,507	1,525,213	125	-	1,233,727	17,230	32,168	44,470	800	2,239
Expenditures										
Current:										
Judicial	-	-	-	-	-	-	3,265	-	-	-
General government	-	-	-	-	-	-	-	48,902	-	-
Public safety	-	-	-	-	1,039,389	19,272	-	-	4,388	3,052
Health and welfare	-	1,457,872	-	-	-	-	-	-	-	-
Recreation and culture	70,290	632	-	-	-	-	-	-	-	-
Capital outlay	13,125	-	-	-	152,472	-	-	-	-	-
Debt service:										
Principal	-	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-	-
Total expenditures	83,415	1,458,504	-	-	1,191,861	19,272	3,265	48,902	4,388	3,052
Revenues over (under) expenditures	(49,908)	66,709	125	-	41,866	(2,042)	28,903	(4,432)	(3,588)	(813)
Other financing sources (uses)										
Transfers in	40,000	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	(4,372)	(41,954)	-	(66,000)	-	-	-
Total other financing sources (uses)	40,000	-	-	(4,372)	(41,954)	-	(66,000)	-	-	-
Net changes in fund balances	(9,908)	66,709	125	(4,372)	(88)	(2,042)	(37,097)	(4,432)	(3,588)	(813)
Fund balances, beginning of year	11,417	-	8,756	4,372	644,542	110,063	202,318	258,551	9,806	2,274
Fund balances, end of year	\$ 1,509	\$ 66,709	\$ 8,881	\$ -	\$ 644,454	\$ 108,021	\$ 165,221	\$ 254,119	\$ 6,218	\$ 1,461

COUNTY OF HILLSDALE, MICHIGAN

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds
Year Ended December 31, 2022

	Special Revenue											
	County Law Library	County House Arrest	Strategic Facility Grant	Byrne Jag Grant	Child Abuse	Department of Human Services	Department of Human Services Child Care	Probate Child Care	Soldiers' and Sailors' Relief	Opioid Settlement Funds	Veterans' Service Grant	Veterans' Incentive Grant
Revenues												
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	48,350	-	-	-	-	-	-	-	-	-
Contributions	-	-	-	-	-	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-	-	-	-	-
Refunds and reimbursements	-	-	-	-	-	-	69,716	-	-	-	-	-
Interest and rentals	-	-	-	-	-	-	365	-	-	-	-	-
Other revenue	4,500	8,200	-	21,000	25,883	-	485,418	50	249,973	52,594	-	-
Total revenues	4,500	8,200	48,350	21,000	25,883	-	-	555,499	50	249,973	52,594	-
Expenditures												
Current:												
Judicial	10,154	110	-	-	-	-	-	-	-	-	-	-
General government	-	-	-	-	-	-	-	-	-	-	-	-
Public safety	-	-	48,350	21,001	6,600	-	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	27,239	2,317	1,581,087	179,545	36,788	46,633	-
Recreation and culture	-	-	-	-	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-	-	-	-	-
Debt service:												
Principal	-	-	-	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-	-	-	-
Total expenditures	10,154	110	48,350	21,001	6,600	27,239	2,317	1,581,087	179,545	36,788	46,633	-
Revenues over (under) expenditures	(5,654)	8,090	-	(1)	19,283	(27,239)	(2,317)	(1,025,588)	(179,495)	213,185	5,961	-
Other financing sources (uses)												
Transfers in	-	-	-	-	-	18,000	-	1,018,000	166,559	-	-	-
Transfers out	-	-	-	-	(60,000)	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	(60,000)	18,000	-	1,018,000	166,559	-	-	-
Net changes in fund balances	(5,654)	8,090	-	(1)	(40,717)	(9,239)	(2,317)	(7,588)	(12,936)	213,185	5,961	-
Fund balances, beginning of year	18,287	6,497	-	1	113,172	12,129	20,279	7,907	31,696	-	27,398	5,629
Fund balances, end of year	\$ 12,633	\$ 14,587	\$ -	\$ -	\$ 72,455	\$ 2,890	\$ 17,962	\$ 319	\$ 18,760	\$ 213,185	\$ 33,359	\$ 5,629

COUNTY OF HILLSDALE, MICHIGAN

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 Nonmajor Governmental Funds
 Year Ended December 31, 2022

	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
Revenues									
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	6,575	-	-	205,211	-	-	-	-
Contributions	4,788	-	-	-	-	-	-	2,530	-
Fines and forfeits	-	-	-	-	144,067	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-	-
Refunds and reimbursements	-	-	-	1,030	3,408	-	-	-	-
Interest and rentals	-	-	-	-	-	-	182	-	-
Other revenue	-	-	1,695	254,719	152,974	53,680	763,306	-	-
Total revenues	4,788	6,575	1,695	255,749	505,660	53,680	763,488	2,530	-
Expenditures									
Current:									
Judicial	-	-	-	-	-	-	351	-	-
General government	-	-	-	347,742	-	-	-	-	-
Public safety	-	5,835	-	-	474,730	53,713	-	-	-
Health and welfare	1,498	-	-	-	-	-	730,622	2,750	-
Recreation and culture	-	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-	-
Debt service:									
Principal	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-
Total expenditures	1,498	5,835	-	347,742	474,730	53,713	730,973	2,750	-
Revenues over (under) expenditures	3,290	740	1,695	(91,993)	30,930	(33)	32,515	(220)	-
Other financing sources (uses)									
Transfers in	-	-	-	112,643	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	112,643	-	-	-	-	-
Net changes in fund balances	3,290	740	1,695	20,650	30,930	(33)	32,515	(220)	-
Fund balances, beginning of year	3,826	4,040	4,735	16,028	152,896	626	63,667	3,153	25
Fund balances, end of year	\$ 7,116	\$ 4,780	\$ 6,430	\$ 36,678	\$ 183,826	\$ 593	\$ 96,182	\$ 2,933	\$ 25

COUNTY OF HILLSDALE, MICHIGAN

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds
Year Ended December 31, 2022

	Debt Service					Capital Projects			Permanent	Total	
	Court House Annex	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
Revenues											
Property taxes	\$ -	\$ 602,348	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 602,348
Intergovernmental	-	-	-	-	-	-	-	-	-	-	1,785,349
Contributions	-	-	-	-	-	-	-	-	-	-	7,318
Fines and forfeits	-	-	-	-	-	-	-	-	-	-	158,832
Charges for services	-	-	-	-	-	-	-	-	-	-	1,170,760
Refunds and reimbursements	-	-	-	-	-	-	-	-	-	-	81,528
Interest and rentals	-	46	-	-	-	-	-	-	730	4	9,071
Other revenue	-	-	-	-	-	210,000	-	-	-	-	2,447,615
Total revenues	-	602,394	-	-	-	210,000	-	-	730	4	6,262,821
Expenditures											
Current:											
Judicial	-	-	-	-	-	-	-	-	-	-	13,880
General government	-	-	-	-	-	-	-	-	-	-	396,644
Public safety	-	-	-	-	-	-	-	-	-	-	1,676,330
Health and welfare	-	-	-	-	-	-	-	-	-	-	4,066,351
Recreation and culture	-	-	-	-	-	-	-	-	-	-	70,922
Capital outlay	-	-	-	-	-	719,264	-	-	-	-	884,861
Debt service:											
Principal	-	545,000	-	180,000	60,000	-	-	40,000	-	-	825,000
Interest	-	82,968	-	2,957	9,345	-	-	1,954	-	-	97,224
Total expenditures	-	627,968	-	182,957	69,345	719,264	-	41,954	-	-	8,031,212
Revenues over (under) expenditures	-	(25,574)	-	(182,957)	(69,345)	(509,264)	-	(41,954)	730	4	(1,768,391)
Other financing sources (uses)											
Transfers in	-	76,133	-	182,957	69,345	6,455,798	-	41,954	-	-	8,181,389
Transfers out	-	-	-	-	-	-	-	-	-	-	(172,326)
Total other financing sources (uses)	-	76,133	-	182,957	69,345	6,455,798	-	41,954	-	-	8,009,063
Net changes in fund balances	-	50,559	-	-	-	5,946,534	-	-	730	4	6,240,672
Fund balances, beginning of year	-	490,488	720	-	-	112,676	985	-	-	3,266	2,352,225
Fund balances, end of year	\$ -	\$ 541,047	\$ 720	\$ -	\$ -	\$ 6,059,210	\$ 985	\$ -	\$ 730	\$ 3,270	\$ 8,592,897

COUNTY OF HILLSDALE, MICHIGAN

Combining Statement of Net Position Nonmajor Enterprise Funds December 31, 2022

	Non Major Delinquent Tax Revolving	Building Inspection	Geographic Information Systems	Total
Assets				
Current assets:				
Cash and investments	\$ 1,319,628	\$ 1,813,445	\$ 10,908	\$ 3,143,981
Taxes receivable	118,887	-	-	118,887
Accounts receivable	80,555	-	-	80,555
Interest receivable	524,660	-	-	524,660
Prepays	2,368	-	38	2,406
Total current assets	2,046,098	1,813,445	10,946	3,870,489
Noncurrent assets:				
Capital assets	-	36,837	-	36,837
Total noncurrent assets	-	36,837	-	36,837
Total assets	2,046,098	1,850,282	10,946	3,907,326
Liabilities				
Current liabilities:				
Accounts payable	5,110	991	-	6,101
Accrued liabilities	350	4,018	-	4,368
Due to other governments	(1,978)	-	-	(1,978)
Total liabilities	3,482	5,009	-	8,491
Net position				
Net investment in capital assets	-	36,837	-	36,837
Unrestricted	2,042,616	1,808,436	10,946	3,861,998
Total net position	\$ 2,042,616	\$ 1,845,273	\$ 10,946	\$ 3,898,835

COUNTY OF HILLSDALE, MICHIGAN

Combining Statement of Revenues, Expenses and Changes in Net Position

Nonmajor Enterprise Funds

Year Ended December 31, 2022

	Non Major Delinquent Tax Revolving	Building Inspection	Geographic Information Systems	Total
Operating revenues				
Charges for services	\$ 514,456	\$ 594,148	\$ 9,740	\$ 1,118,344
Refunds and reimbursements	-	8,087	-	8,087
Other operating revenue	5,819	1,055	-	6,874
Total operating revenues	520,275	603,290	9,740	1,133,305
Operating expenses				
Depreciation	-	13,863	-	13,863
Cost of services	111,485	523,759	9,484	644,728
Total operating expenses	111,485	537,622	9,484	658,591
Operating income (loss)	408,790	65,668	256	474,714
Non-operating revenues (expenses)				
Interest revenue	73,039	-	-	73,039
Interest expense	(617)	-	-	(617)
Total non-operating revenues (expenses)	72,422	-	-	72,422
Income (loss) before transfers	481,212	65,668	256	547,136
Transfers				
Transfers in	-	-	5,500	5,500
Transfers out	(470,000)	-	-	(470,000)
Change in net position	11,212	65,668	5,756	82,636
Net position, beginning of year	2,031,404	1,779,605	5,190	3,816,199
Net position, end of year	\$ 2,042,616	\$ 1,845,273	\$ 10,946	\$ 3,898,835

COUNTY OF HILLSDALE, MICHIGAN

Combining Statement of Cash Flows Nonmajor Enterprise Funds Year Ended December 31, 2022

	Non Major Delinquent Tax Revolving	Building Inspection	Geographic Information Systems	Total
Cash flows from operating activities				
Cash received from customers	\$ 527,835	\$ 603,290	\$ 9,740	\$ 1,140,865
Cash payments to suppliers for goods and services	(122,956)	(522,592)	(9,622)	(655,170)
Net cash provided by (used in) operating activities	<u>404,879</u>	<u>80,698</u>	<u>118</u>	<u>485,695</u>
Cash flows from non-capital financing activities				
Transfers in/out	(470,000)	-	5,500	(464,500)
Net cash provided by (used in) operating activities	<u>(470,000)</u>	<u>-</u>	<u>5,500</u>	<u>(464,500)</u>
Cash flows from capital and related financing activities				
Principal payments	(850,000)	-	-	(850,000)
Net cash provided by (used in) capital and related financing activities	<u>(850,000)</u>	<u>-</u>	<u>-</u>	<u>(850,000)</u>
Cash flows from investing activities				
Interest received	72,422	-	-	72,422
Total cash provided by (used in) investing activities	<u>72,422</u>	<u>-</u>	<u>-</u>	<u>72,422</u>
Net change in cash and cash equivalents	(842,699)	80,698	5,618	(756,383)
Cash and cash equivalents, beginning of year	2,162,327	1,732,747	5,290	3,900,364
Cash and cash equivalents, end of year	<u>\$ 1,319,628</u>	<u>\$ 1,813,445</u>	<u>\$ 10,908</u>	<u>\$ 3,143,981</u>
Cash flows from operating activities				
Operating income (loss)	\$ 408,790	\$ 65,668	\$ 256	\$ 474,714
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	-	13,862	-	13,862
(Increase) decrease in:				
Taxes receivable	269,777	-	-	269,777
Accounts receivable	66,690	-	-	66,690
Interest receivable	(328,907)	-	-	(328,907)
Prepays	(195)	2,145	(38)	1,912
Accounts payable	(11,276)	(977)	(100)	(12,353)
Net cash provided by (used in) operating activities	<u>\$ 404,879</u>	<u>\$ 80,698</u>	<u>\$ 118</u>	<u>\$ 485,695</u>

COUNTY OF HILLSDALE, MICHIGAN

Combining Statement of Fiduciary Assets and Liabilities

Agency Funds
December 31, 2022

	Trust & Agency	Library Penal Fines	Employee Benefit Trust	Sheriff Department Retirement	District Court	Inmate Trust	Community Development Block Grant	Total
Assets								
Cash and investments	\$ 1,086,199	\$ 60,480	\$ 1,362	\$ 21,341	\$ 166,991	\$ 67,668	\$ 23,850	\$ 1,427,891
Liabilities								
Due to other governments	\$ 586,039	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 586,039
Undistributed receipts	500,160	60,480	1,362	21,341	166,991	67,668	23,850	841,852
Total liabilities	\$ 1,086,199	\$ 60,480	\$ 1,362	\$ 21,341	\$ 166,991	\$ 67,668	\$ 23,850	\$ 1,427,891

COUNTY OF HILLSDALE, MICHIGAN

Statement of Net Position / Governmental Funds Balance Sheet
 Drain Commission Component Unit
 December 31, 2022

	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	\$ 752,793	\$ 143,820	\$ 44,381	\$ (66,331)	\$ -	\$ 874,981	\$ 107,433	\$ -	\$ 982,414
Special assessments receivable	-	398,771	-	72,477	-	-	471,248	-	-	471,248
Due from other funds	-	-	70,213	-	136,173	-	206,386	-	(206,386)	-
Capital assets, net	-	-	-	-	-	-	-	747,589	-	747,589
Total assets	<u>\$ 318</u>	<u>\$ 1,151,564</u>	<u>\$ 214,033</u>	<u>\$ 116,858</u>	<u>\$ 69,842</u>	<u>\$ -</u>	<u>\$ 1,552,615</u>	<u>\$ 855,022</u>	<u>(206,386)</u>	<u>2,201,251</u>
Liabilities										
Accounts payable	\$ (1)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (1)	\$ (207)	\$ -	\$ (208)
Due to other funds	-	70,213	-	136,173	-	-	206,386	-	(206,386)	-
Long Term Liabilities	-	-	-	-	-	-	-	-	1,205,948	1,205,948
Advance to Primary Government	-	-	-	-	175,000	-	175,000	-	-	175,000
Total liabilities	<u>(1)</u>	<u>70,213</u>	<u>-</u>	<u>136,173</u>	<u>175,000</u>	<u>-</u>	<u>381,385</u>	<u>(207)</u>	<u>999,562</u>	<u>1,380,740</u>
Deferred inflows of resources										
Unavailable revenue - special assessments	-	398,771	-	72,477	-	-	471,248	-	(471,248)	-
Fund balances										
Unassigned	319	682,580	214,033	(91,792)	(105,158)	-	699,982	855,229	(1,555,211)	-
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 318</u>	<u>\$ 1,151,564</u>	<u>\$ 214,033</u>	<u>\$ 116,858</u>	<u>\$ 69,842</u>	<u>\$ -</u>	<u>\$ 1,552,615</u>	<u>\$ 855,022</u>		
Net position										
Net investment in capital assets									747,589	747,589
Unrestricted									72,922	72,922
Total net position									<u>\$ 820,511</u>	<u>\$ 820,511</u>

COUNTY OF HILLSDALE, MICHIGAN

Reconciliation

Fund Balances for Governmental Funds
To Net Position of Governmental Activities
Drain Commission Component Unit
December 31, 2022

Fund balances - governmental funds	\$ 699,982
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	855,229
Long-term liability used in governmental activities are not financial resources and therefore are not reported in funds.	
	(1,205,948)
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>471,248</u>
Net position of governmental activities	<u>\$ 820,511</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, 2022

	Debt Service	Capital Projects					Total	Internal Service	Adjustments	Statement of Net Activities
	Drain Construction Debt	Drain Special Assessment	Drain Revolving	Lake Level Special Assessment	Lake Level Revolving	Drain Construction		Drain Equipment Revolving		
Revenues										
Interest revenue	\$ 1	\$ 5,561	\$ -	\$ 5	\$ -	\$ -	\$ 5,567	\$ 15	\$ -	\$ 5,582
Equipment rentals	-	-	-	-	-	-	-	98,211	-	98,211
Other revenue	-	977,431	-	62,755	-	-	1,040,186	-	(104,863)	935,323
Total revenues	1	982,992	-	62,760	-	-	1,045,753	98,226	(104,863)	1,039,116
Expenditures/Expenses										
Public works	230,606	776,879	(1)	69,944	23,638	-	1,101,066	-	(210,560)	890,506
Operating Expense	-	-	-	-	-	-	-	87,934	-	87,934
Depreciation	-	-	-	-	-	-	-	68,387	-	68,387
Total expenditures/expenses	230,606	776,879	(1)	69,944	23,638	-	1,101,066	156,321	(210,560)	1,046,827
Excess of revenues over (under) expenditures/expenses	(230,605)	206,113	1	(7,184)	(23,638)	-	(55,313)	(58,095)	105,697	(7,711)
Other financing sources (uses)										
Transfers In	230,606	56,366	-	-	-	-	286,972	-	-	286,972
Transfers Out	-	(120,625)	(109,981)	-	-	(56,366)	(286,972)	-	-	(286,972)
Net change in fund balances/ change in net position	1	141,854	(109,980)	(7,184)	(23,638)	(56,366)	(55,313)	(58,095)	105,697	(7,711)
Fund balances / net position,										
Beginning of year	318	540,726	299,013	(84,608)	-	56,366	811,815	913,324	(840,397)	884,742
Prior period adjustment	-	-	25,000	-	(81,520)	-	(56,520)	-	-	(56,520)
Fund balances / net position, end of year	\$ 319	\$ 682,580	\$ 214,033	\$ (91,792)	\$ (105,158)	\$ -	\$ 699,982	\$ 855,229	\$ (734,700)	\$ 820,511

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, 2022

Net change in fund balance - Governmental funds	\$ (55,313)
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.	
principal payments	210,560
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds, but rather are deferred to the following fiscal year.	(104,863)
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>(58,095)</u>
Change in net position of governmental activities	<u><u>\$ (7,711)</u></u>

Reports on Compliance



ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

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**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, 2022, 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 26, 2023. 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 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 26, 2023



ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

KINROSS OFFICE

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

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the County of Hillsdale, Michigan's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the County of Hillsdale, Michigan's major federal programs for the year ended December 31, 2022. The County of Hillsdale, Michigan's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

The County of Hillsdale, Michigan's basic financial statements include the operations of the Hillsdale County Road Commission and Medical Care Facility, which received \$0 and \$988,539, respectively, in federal awards, which are not included in the County of Hillsdale, Michigan's schedule of expenditures of federal awards during the year ended December 31, 2022. Our audit, described below, did not include the operations of the Hillsdale County Road Commission or Medical Care Facility because they were engaged by other auditors to perform a separate financial audit and it did not meet compliance requirements for a single audit in accordance with the Uniform Guidance, as expenditures of directly administered federal awards did not exceed \$750,000.

In our opinion, the County of Hillsdale, Michigan complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2022.

Basis for Opinion on Each Major Federal Program

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

To the Board of Commissioners
County of Hillsdale, Michigan

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

To the Board of Commissioners
County of Hillsdale, Michigan

Report on Internal Control Over Compliance

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

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

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

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



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

June 26, 2023

COUNTY OF HILLSDALE, MICHIGAN

Schedule of Expenditures of Federal Awards

For the Year Ended December 31, 2022

Federal/ Pass-through Grantor Program Title	Federal CFDA Number	COVID-19 Related	Passed Through	Pass-through Grantor's Number	Federal Expenditures
U.S. Department of Justice					
District Drug Court Fed Grant	16.585	No	US DOJ	15PBJA-21-GG-04128-DGCT	\$ 166,906
Family Treatment Drug Court Fed Grant	16.838	No	US DOJ	15PJDP-21-GG-04509-COAP	138,453
Coronavirus Emergency Supplemental Funding Program	16.034	Yes	MSP	2020-VD-BX-0434	41,914
Coronavirus Emergency Supplemental Funding Program	16.034	Yes	MSP	CESF-192-2020	11,766
Total U.S. Department of Justice					<u>359,039</u>
U.S. Department of Transportation					
Hazardous Materials Emergency Preparedness	20.703	No	MSP	NA	1,029
U.S. Department of Treasury					
Coronavirus State and Local Fiscal Recovery Funds	21.027	Yes	US DOT	NA	6,405,798
U.S. Department of Health and Human Services					
Child Support Enforcement:					
IV-D Support Incentive	93.563	No	MDHS	PROFC17-30001	60,437
Friend of the Court	93.563	No	MDHS	CSFOC17-30001	337,026
Prosecuting Attorney	93.563	No	MDHS	CSPA17-30002	79,661
Total U.S. Department of Health and Human Services					<u>477,124</u>
U.S. Department of Homeland Security					
Boating Safety Financial Assistance	97.012	No	DNR	MS20-014	10,195
Emergency Management Preparedness Grant	97.042	No	MSP	EMC-2019-EP-00004	11,245
Homeland Security Grant Program	97.067	No	COI	NA	6,000
Total U.S. Department of Homeland Security					<u>27,440</u>
Total expenditures of federal awards					<u>\$ 7,270,430</u>

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

NOTE A - BASIS OF PRESENTATION:

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the County of Hillsdale, Michigan under programs of the federal government for the year ended December 31, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the County of Hillsdale, Michigan, it is not intended to and does not present the financial position, changes in net position, or cash flows of the County of Hillsdale, Michigan. All expenditures of federal awards from component units are included in the schedule except for the Road Commission and Medical Care Facility which issues a separate report.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE C - COGNIZANT AGENCY:

The County has not been assigned a cognizant agency. Therefore, the County is under the general oversight of the U.S. Department of Treasury which provided the greatest amount of indirect federal funding to the County during 2022.

NOTE D - INDIRECT COST:

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

NOTE E - SUBRECIPIENTS:

There were no awards passed through to subrecipients.

Section I - Summary of Auditor's Results

Financial Statements

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

Federal Awards

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

Identification of Major Programs

<u>CFDA NUMBERS</u>	<u>Name of Federal Program or Cluster</u>
21.027	Coronavirus State and Local Fiscal Recovery Act
Dollar threshold used to distinguish between type A and type B programs:	\$750,000
Auditee qualified as low-risk auditee?	Yes

Section II - Financial Statement Findings

NONE.

Section III - Federal Award Findings and Questioned Costs

NONE.

Section III - Federal Award Findings and Questioned Costs

NONE.