

Leelanau
County,
Michigan



Year Ended
December 31,
2021

Financial
Statements

Rehmann

LEELANAU COUNTY, MICHIGAN

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INDEPENDENT AUDITORS' REPORT

May 24, 2022

Honorable Members of the
Board of Commissioners
Leelanau County
Suttons Bay, Michigan

Report on the Audit of the Financial Statements

Opinions

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

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

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Independent Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the County's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The combining and individual fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements 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 May 24, 2022, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Lehmann Lobach LLC". The signature is written in a cursive, flowing style.

MANAGEMENT'S DISCUSSION AND ANALYSIS

LEELANAU COUNTY, MICHIGAN

Management's Discussion and Analysis

As management of Leelanau County, Michigan, we offer readers of the financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended December 31, 2021. We encourage readers to consider the information presented here in conjunction with additional information that is furnished in the financial statements and notes to the financial statements.

Financial Highlights

Key metrics and financial highlights of the County for the year ended December 31, 2021 are as follows:

Total net position	\$ 34,776,831
Unrestricted net position	15,416,041
Change in net position	867,013
Fund balances, governmental funds	12,936,462
Change in fund balances, governmental funds	573,211
Fund balance, General Fund	9,450,782
(as percentage of General Fund expenditures and transfers out)	65%
Unassigned fund balance, General Fund	9,322,192
(as percentage of General Fund expenditures and transfers out)	64%

Overview of the Financial Statements

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

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

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

The *statement of activities* presents information showing how the County's net position changed during the most recent 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*). The governmental activities of the County include various services within the legislative, general government, judicial, public safety, public works, health and welfare, and recreation and cultural functions. The business-type activities of the County include delinquent tax collection, building inspection, inmate commissary, and tax reversion functions.

LEELANAU COUNTY, MICHIGAN

Management's Discussion and Analysis

The government-wide financial statements include not only the County itself (known as the *primary government*) , but also the legally separate Leelanau County Road Commission, Brownfield Redevelopment Authority and Land Bank Authority for which the County is financially accountable. Financial information for discretely presented *component units* is reported separately from the financial information presented for the primary government itself.

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

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

The County maintains numerous individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and change in fund balances for the General Fund, the Senior Services Special Revenue Fund, and the Village of Northport Sewer Debt Retirement Fund, which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The County adopts an annual appropriated budget for its general and special revenue funds. Budgetary comparison statements have been provided herein to demonstrate compliance with those budgets for the General Fund and the Senior Services Special Revenue Fund.

Proprietary funds. The County maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The County uses enterprise funds to account for its delinquent tax collection, building inspection, inmate commissary, homestead audit, and treasurer's tax reversion activities. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the various County functions.

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

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.

LEELANAU COUNTY, MICHIGAN

Management's Discussion and Analysis

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. This is limited to this management's discussion and analysis and the schedules for the pension plan.

The combining statements referred to earlier in connection with nonmajor funds are presented following the required supplementary information.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the County, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$34,776,831 at the close of the most recent fiscal year. A large portion of the County's net position represents its investment in capital assets (e.g., land, buildings, vehicles, equipment and infrastructure) less any related debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

Net Position

Net investment in capital assets is 44.5% of the total net position. Although the County's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay the debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The County's total net position increased by \$867,013 for the year ended December 31, 2021.

	Net Position					
	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Assets						
Current and other assets	\$ 25,159,690	\$ 23,118,587	\$ 8,060,809	\$ 7,668,642	\$ 33,220,499	\$ 30,787,229
Capital assets, net	19,433,260	20,948,568	-	-	19,433,260	20,948,568
Total assets	44,592,950	44,067,155	8,060,809	7,668,642	52,653,759	51,735,797
Deferred outflow of resources	1,338,418	729,351	-	-	1,338,418	729,351
Liabilities						
Long-term debt outstanding	9,466,777	10,881,596	20,615	17,051	9,487,392	10,898,647
Other liabilities	5,051,031	4,001,118	55,955	123,053	5,106,986	4,124,171
Total liabilities	14,517,808	14,882,714	76,570	140,104	14,594,378	15,022,818
Deferred inflows of resources	4,620,968	3,532,512	-	-	4,620,968	3,532,512
Net position						
Net investment in capital assets	15,486,149	16,402,619	-	-	15,486,149	16,402,619
Restricted	3,874,641	3,881,140	-	-	3,874,641	3,881,140
Unrestricted	7,431,802	6,097,521	7,984,239	7,528,538	15,416,041	13,626,059
Total net position	\$ 26,792,592	\$ 26,381,280	\$ 7,984,239	\$ 7,528,538	\$ 34,776,831	\$ 33,909,818

LEELANAU COUNTY, MICHIGAN

Management's Discussion and Analysis

	Change in Net Position					
	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenues						
Program revenues:						
Charges for services	\$ 2,431,278	\$ 2,224,922	\$ 1,531,690	\$ 1,241,233	\$ 3,962,968	\$ 3,466,155
Operating grants	1,138,085	1,659,699	-	-	1,138,085	1,659,699
Capital grants	31,650	31,650	-	-	31,650	31,650
General revenues:						
Property taxes	12,930,101	12,085,858	-	-	12,930,101	12,085,858
Unrestricted grants and contributions	251,697	135,982	-	-	251,697	135,982
Unrestricted investment earnings (loss)	10,293	62,854	(338)	22,681	9,955	85,535
Gain on sale of capital assets	31,800	4,501	-	-	31,800	4,501
Total revenues	16,824,904	16,205,466	1,531,352	1,263,914	18,356,256	17,469,380
Expenses						
Legislative	569,688	554,726	-	-	569,688	554,726
General government	4,399,732	4,038,169	-	-	4,399,732	4,038,169
Judicial	1,449,196	1,444,535	-	-	1,449,196	1,444,535
Public safety	7,076,451	7,120,092	-	-	7,076,451	7,120,092
Public works	691,337	653,404	-	-	691,337	653,404
Health and welfare	2,123,906	1,962,919	-	-	2,123,906	1,962,919
Recreation and cultural	220,973	159,281	-	-	220,973	159,281
Interest on long-term debt	136,655	205,867	-	-	136,655	205,867
Delinquent tax collection	-	-	10,024	33,237	10,024	33,237
Building inspections	-	-	759,142	760,666	759,142	760,666
Inmate commissary	-	-	7,039	4,495	7,039	4,495
Treasurer's tax reversion	-	-	45,100	58,851	45,100	58,851
Total expenses	16,667,938	16,138,993	821,305	857,249	17,489,243	16,996,242
Change in net position, before transfers	156,966	66,473	710,047	406,665	867,013	473,138
Transfers	254,346	239,937	(254,346)	(239,937)	-	-
Change in net position	411,312	306,410	455,701	166,728	867,013	473,138
Net position, beginning of year	26,381,280	26,074,870	7,528,538	7,361,810	33,909,818	33,436,680
Net position, end of year	\$ 26,792,592	\$ 26,381,280	\$ 7,984,239	\$ 7,528,538	\$ 34,776,831	\$ 33,909,818

LEELANAU COUNTY, MICHIGAN

Management's Discussion and Analysis

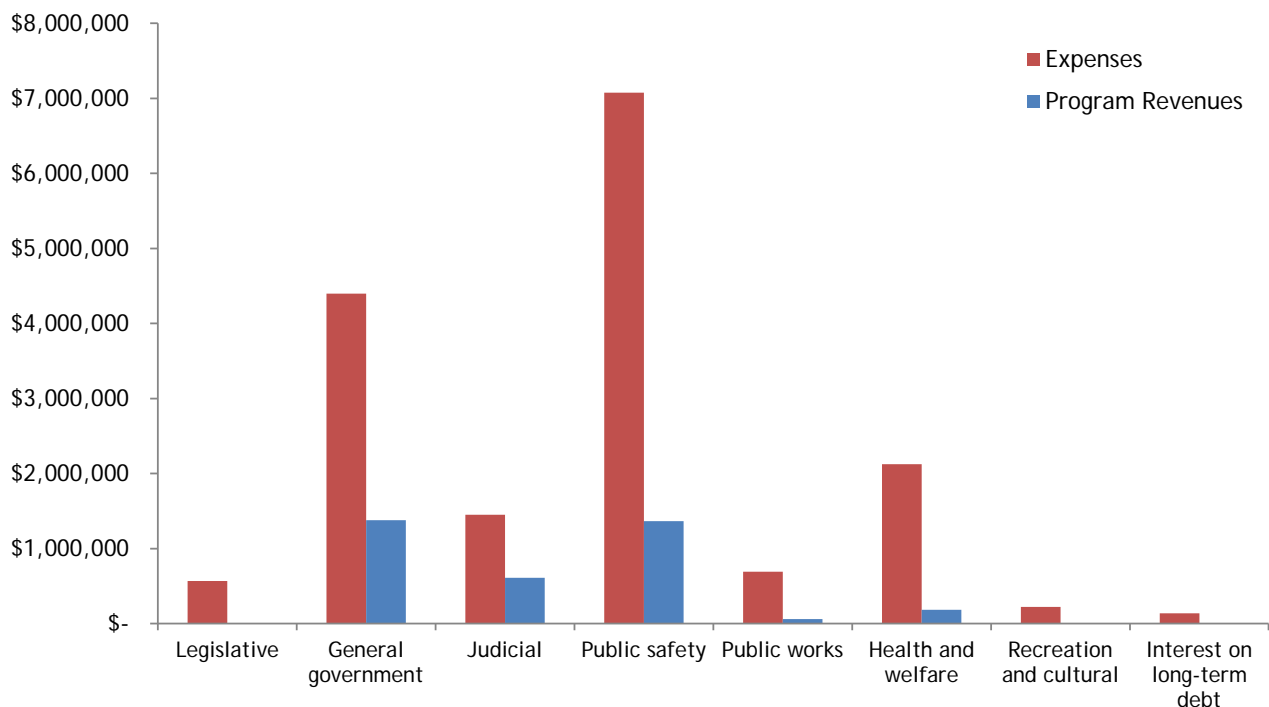
Governmental Activities

Governmental activities increased the County's net position by \$411,312, compared to an increase of \$306,410 in the prior year. While property tax revenues increased due to an increase in taxable values, operating grants decreased primarily due to certain COVID-19 related grants received in the prior year. Overall expenses increased by approximately 3.3% as compared to 2020.

Government activities include:

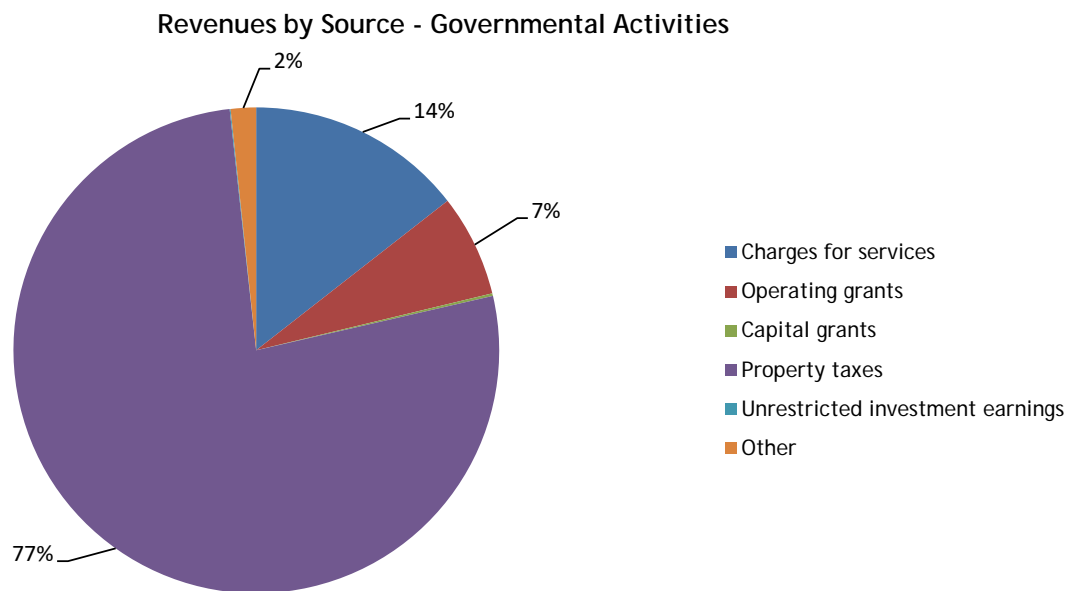
- Legislative activities - expenses related to support the Board of Commissioners and high-level administrative expenses.
- General government activities - expenses related to support the departments of the County such as administration, human resources, treasury, information services, facilities management and finance.
- Judicial activities - expenses related to the administration of circuit, district and probate/family courts and court probation units.
- Public safety - expenses related to sheriff's administration and road patrol and County corrections services.
- Public works - expenses related to the County drain commissioner.
- Health and welfare - expenses related to veterans' services, medical examiner fees, expansion of a local hospital (a legally separate entity), operations of the senior services and childcare programs.
- Recreational and cultural activities - expenses related to County owned parks.

Expenses and Program Revenues - Governmental Activities



LEELANAU COUNTY, MICHIGAN

Management's Discussion and Analysis



Business-type Activities

The business-type activities of the County include enterprise fund operations. Business-type activities increased the County's net position by \$455,701, compared to an increase of \$166,728 in the year, primarily due to an increase in building and other permit revenues.

Business-type activities include:

- Unpledged Delinquent Tax Revolving Fund - this fund was established as a means to provide the local governments within the County's jurisdiction with 100% of the property tax distributions owed to them annually. The County then acts as the collection agency for the outstanding delinquent taxes. Current policy is to maintain cash and investments to fund 100% of the prior year's delinquent tax settlements.
- Building Inspection Fund - this fund accounts for the County's building inspection fees and related services.
- Nonmajor Enterprise Funds - this consists of the Treasurer's Tax Reversion Fund which accounts for the collection of tax revenue on foreclosed properties and the Homestead Audit and Inmate Commissary Funds which provides for inspection services and jail commissary services in the County.

Financial Analysis of the County's Funds

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

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

LEELANAU COUNTY, MICHIGAN

Management's Discussion and Analysis

The fund balance of the General Fund increased by \$367,042 during 2021. Fund balance at December 31, 2021 totaled \$9,450,782, of which \$9,322,192 was considered unassigned.

The fund balance of the Senior Services Special Revenue Fund increased by \$148,836 during 2021. The increase was attributed to tax collections in excess of ongoing operational expenditures.

The Village of Northport Sewer Debt Retirement Fund had current year revenues of \$779,375, which were used entirely for debt service expenditures. There was no ending fund balance of the Village of Northport Sewer Debt Retirement Fund at year-end, as expected.

Proprietary funds. The County's proprietary fund financial statements provide the same type of information found in the government-wide financial statements, but in more detail. Other factors considering the finances of these funds have been addressed in the discussion of the County's business-type activities.

General Fund Budgetary Highlights

Over the course of the year, the County Board of Commissioners amended the budget to take into account events during the year. Specifically, the Board made several changes to the budget that fall into these categories:

- Amendments and supplemental appropriations to reflect actual beginning balances and prevention of budget overruns.
- Amendments to provide for the additional voluntary contributions made to the County's pension plan.
- Board approved capital expenditures for capital assets.

Overall expenditures were under budget by \$1,205,025, primarily due to conservative budgeting practices by the County. In addition, transfers out were under budget by \$449,052 due to the timing of cash flows needs for various construction projects.

Capital Asset and Debt Administration

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

LEELANAU COUNTY, MICHIGAN

Management's Discussion and Analysis

During the year, the County's primary capital asset activity related to various vehicle purchases and other equipment additions.

	Capital Assets (Net of Depreciation)	
	Governmental Activities	
	2021	2020
Land	\$ 1,305,276	\$ 1,305,276
Construction in progress	13,610	82,629
Infrastructure	1,891,209	2,035,196
Building and improvements	11,983,889	12,854,765
Land improvements	1,015,270	1,229,876
Towers	744,126	800,551
Equipment and furniture	2,169,519	2,327,645
Vehicles	310,361	312,630
Total capital assets, net	\$ 19,433,260	\$ 20,948,568

Long-term Debt. General installment debt consist of bonds of the Department of Public Works maturing in 2028, a general obligation bond refunded during 2021 for construction of the County Law Enforcement Center maturing in 2027, and a capital lease maturing in 2026.

	Governmental Activities		Business-type Activities	
	2021	2020	2021	2020
Public placement bonds	\$ 7,755,000	\$ 8,750,000	\$ -	\$ -
Direct placement capital lease	1,306,339	1,553,470		
Bond premiums	-	154,042	-	-
Compensated absences	405,438	424,084	20,615	17,051
Total long-term debt	\$ 9,466,777	\$ 10,881,596	\$ 20,615	\$ 17,051

Economic Factors and Next Year's Budget and Rates

The County's budget for 2022 does not increase property tax rates. Because of the impact of Proposal A, however, the County will continue to monitor its budget very closely. The Headlee statewide tax reform act limits growth in taxable value on any individual property to the lesser of inflation or 5% unless there is a transfer of ownership. Because some properties increase in value by less than inflation, the mathematical result of this is that the total taxable value for the County could grow less than inflation, before considering new property additions. Generally, properties that have transfer of ownership will offset the properties that do not increase by the rate of inflation, resulting in an actual increase in value by more than the rate of inflation before new construction.

Although having faced revenue shortages from the State over the last five years, the overall County adopted 2022 budget is expected to be a stable one.

LEELANAU COUNTY, MICHIGAN

Management's Discussion and Analysis

The above indicators were considered when adopting the General Fund budget for 2022. As the County prepared for the 2022 budget, those same indicators guided us in our budget deliberations, in addition to such things as additional grant revenue, cost of living adjustments, the cost of postemployment benefits, and the rising cost of health care. After all estimates were calculated, the County's budget for 2022 is expected to remain steady.

The COVID-19 pandemic has resulted in many unknowns when considering the long-term future economic outlook for the County. However, the County was awarded several grants for reimbursement of expenditures incurred during fiscal year 2021 and 2022 related to the pandemic.

Requests for Information

This financial report is designed to provide a general overview of the County finances for all those with an interest in the County's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Leelanau County, 8527 E. Government Center Drive, Suite 101, Suttons Bay, Michigan, 49682. Additional information can be found at our website at www.leelanau.gov.

BASIC FINANCIAL STATEMENTS

LEELANAU COUNTY, MICHIGAN

Statement of Net Position

December 31, 2021

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and investments	\$ 16,385,641	\$ 6,970,663	\$ 23,356,304	\$ 1,502,333
Receivables	8,299,528	1,090,096	9,389,624	2,749,338
Prepaid items	384,521	50	384,571	40,020
Inventory	-	-	-	1,111,225
Long-term advance to component units	90,000	-	90,000	-
Assets held for resale	-	-	-	75,307
Net pension asset	-	-	-	704,766
Capital assets:				
Not being depreciated	1,318,886	-	1,318,886	17,487,033
Being depreciated, net	18,114,374	-	18,114,374	19,746,561
Total assets	44,592,950	8,060,809	52,653,759	43,416,583
Deferred outflows of resources				
Deferred pension amounts	1,338,418	-	1,338,418	-
Liabilities				
Accounts payable and accrued liabilities	1,350,592	55,955	1,406,547	228,322
Unearned revenue	2,105,530	-	2,105,530	457,654
Long-term advance from primary government	-	-	-	90,000
Long-term debt:				
Due within one year	1,772,166	20,615	1,792,781	80,511
Due in more than one year	7,694,611	-	7,694,611	287,350
Net pension liability (due in more than one year)	1,594,909	-	1,594,909	-
Total liabilities	14,517,808	76,570	14,594,378	1,143,837
Deferred inflows of resources				
Taxes levied for a subsequent period	2,059,321	-	2,059,321	1,455,560
Deferred pension amounts	2,520,875	-	2,520,875	647,705
Deferred gain on refunding	40,772	-	40,772	-
Total deferred inflows of resources	4,620,968	-	4,620,968	2,103,265
Net position				
Net investment in capital assets	15,486,149	-	15,486,149	37,233,594
Restricted for:				
Capital projects	206,078	-	206,078	-
Other state mandated programs	3,668,563	-	3,668,563	-
Pension benefits	-	-	-	57,061
Unrestricted	7,431,802	7,984,239	15,416,041	2,878,826
Total net position	\$ 26,792,592	\$ 7,984,239	\$ 34,776,831	\$ 40,169,481

The accompanying notes are an integral part of these financial statements.

LEELANAU COUNTY, MICHIGAN

Statement of Activities

For the Year Ended December 31, 2021

		Program Revenues			
Functions/Programs	Expenses	Charges For Services	Operating Grants And Contributions	Capital Grants And Contributions	Net (Expenses) Revenues
Primary government					
Governmental activities:					
Legislative	\$ 569,688	\$ -	\$ -	\$ -	\$ (569,688)
General government	4,399,732	1,111,870	266,762	-	(3,021,100)
Judicial	1,449,196	371,059	238,830	-	(839,307)
Public safety	7,076,451	887,669	446,392	31,650	(5,710,740)
Public works	691,337	60,355	-	-	(630,982)
Health and welfare	2,123,906	325	185,736	-	(1,937,845)
Recreation and cultural	220,973	-	365	-	(220,608)
Interest on long-term debt	136,655	-	-	-	(136,655)
Total governmental activities	16,667,938	2,431,278	1,138,085	31,650	(13,066,925)
Business-type activities:					
Delinquent tax collection	10,024	399,974	-	-	389,950
Building inspections	759,142	1,016,804	-	-	257,662
Inmate commissary	7,039	3,080	-	-	(3,959)
Treasurer's tax reversion	45,100	111,832	-	-	66,732
Total business-type activities	821,305	1,531,690	-	-	710,385
Total primary government	\$ 17,489,243	\$ 3,962,968	\$ 1,138,085	\$ 31,650	\$ (12,356,540)
Component units					
Road Commission	\$ 7,539,279	\$ 1,508,756	\$ 5,750,453	\$ -	\$ (280,070)
Brownfield Redevelopment Authority	11,137	-	-	-	(11,137)
Land Bank Authority	74	60	-	-	(14)
Total component units	\$ 7,550,490	\$ 1,508,816	\$ 5,750,453	\$ -	\$ (291,221)

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LEELANAU COUNTY, MICHIGAN

Statement of Activities

For the Year Ended December 31, 2021

	Primary Government			Component Units
	Governmental Activities	Business- type Activities	Total	
Changes in net position				
Net (expenses) revenues	\$ (13,066,925)	\$ 710,385	\$ (12,356,540)	\$ (291,221)
General revenues:				
Property taxes	12,930,101	-	12,930,101	1,458,744
Grants and contributions not restricted to specific programs	251,697	-	251,697	-
Unrestricted investment earnings (loss)	10,293	(338)	9,955	239
Gain on sale of capital assets	31,800	-	31,800	161,973
Transfers	254,346	(254,346)	-	-
Total general revenues and transfers	13,478,237	(254,684)	13,223,553	1,620,956
Change in net position	411,312	455,701	867,013	1,329,735
Net position, beginning of year	26,381,280	7,528,538	33,909,818	38,839,746
Net position, end of year	<u>\$ 26,792,592</u>	<u>\$ 7,984,239</u>	<u>\$ 34,776,831</u>	<u>\$ 40,169,481</u>

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The accompanying notes are an integral part of these financial statements.

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LEELANAU COUNTY, MICHIGAN

Balance Sheet

Governmental Funds

December 31, 2021

	General	Senior Services Special Revenue	Village of Northport Sewer Debt Retirement	Nonmajor Governmental Funds	Total
Assets					
Cash and investments	\$ 11,754,069	\$ 1,035,045	\$ -	\$ 2,811,499	\$ 15,600,613
Receivables:					
Accounts	57,560	-	-	93,109	150,669
Loans	-	-	-	530,915	530,915
Taxes	473,442	860,714	-	922,565	2,256,721
Leases	-	-	5,155,000	-	5,155,000
Interest	1,525	-	20,942	-	22,467
Due from other governments	132,921	-	-	48,682	181,603
Prepaid items	38,590	264	-	15,943	54,797
Long-term advance to component units	90,000	-	-	-	90,000
Total assets	\$ 12,548,107	\$ 1,896,023	\$ 5,175,942	\$ 4,422,713	\$ 24,042,785
Liabilities					
Accounts payable	\$ 503,153	\$ 27,853	\$ -	\$ 193,987	\$ 724,993
Accrued liabilities	206,387	8,569	-	-	214,956
Unearned revenue	2,097,169	-	-	8,361	2,105,530
Total liabilities	2,806,709	36,422	-	202,348	3,045,479
Deferred inflows of resources					
Unavailable revenue - property taxes	290,616	4,050	-	-	294,666
Unavailable revenue - loans receivable	-	-	-	530,915	530,915
Unavailable revenue - leases and interest receivable	-	-	5,175,942	-	5,175,942
Taxes levied for a subsequent period	-	990,686	-	1,068,635	2,059,321
Total deferred inflows of resources	290,616	994,736	5,175,942	1,599,550	8,060,844
Fund balances					
Nonspendable	128,590	264	-	15,943	144,797
Restricted	-	864,601	-	2,458,868	3,323,469
Committed	-	-	-	146,004	146,004
Unassigned	9,322,192	-	-	-	9,322,192
Total fund balances	9,450,782	864,865	-	2,620,815	12,936,462
Total liabilities, deferred inflows of resources and fund balances	\$ 12,548,107	\$ 1,896,023	\$ 5,175,942	\$ 4,422,713	\$ 24,042,785

The accompanying notes are an integral part of these financial statements.

LEELANAU COUNTY, MICHIGAN

Reconciliation

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

Fund balances - total governmental funds	\$ 12,936,462
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Amounts reported for *governmental activities* in the statement of net position are different because:

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

Capital assets not being depreciated	1,318,886
Capital assets being depreciated, net	18,114,374
Less amounts accounted for in internal service funds	(387,992)

The focus of governmental funds is on short-term financing. Accordingly, some assets will not be available to pay for current-period expenditures. Those assets (such as certain receivables) are offset by deferred inflows of resources in the governmental funds, and thus are not included in fund balance.

Unavailable property taxes receivable	294,666
Unavailable loans receivable	530,915
Unavailable leases and interest receivable	5,175,942

Internal service funds are used by management to charge the costs of certain activities, such as insurance and other centralized costs, to individual funds. The assets and liabilities of internal service funds are included in governmental activities in the statement of net position.

Net position of governmental activities accounted for in internal service funds	1,124,261
---------------------------------------------------------------------------------	-----------

Certain liabilities are not due and payable in the current period, and therefore are not reported in the funds.

Bonds and capital lease payable	(9,061,339)
Compensated absences	(405,438)
Deferred gain on refunding, net	(40,772)
Accrued interest on long-term debt	(30,007)

Certain pension-related amounts, such as the net pension liability and deferred amounts, are not due and payable in the current period or do not represent current financial resources, and therefore are not reported in the funds.

Net pension liability	(1,594,909)
Deferred outflows related to the net pension liability	1,338,418
Deferred inflows related to the net pension liability	(2,520,875)

Net position of governmental activities	<u>\$ 26,792,592</u>
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The accompanying notes are an integral part of these financial statements.

LEELANAU COUNTY, MICHIGAN

Statement of Revenues, Expenditures and Change in Fund Balances

Governmental Funds

For the Year Ended December 31, 2021

	General	Senior Services Special Revenue	Village of Northport Sewer Debt Retirement	Nonmajor Governmental Funds	Total
Revenues					
Property taxes	\$ 10,810,316	\$ 961,385	\$ -	\$ 1,200,606	\$ 12,972,307
Licenses and permits	12,496	-	-	-	12,496
Intergovernmental	909,711	16,720	779,375	298,482	2,004,288
Charges for services	1,283,193	-	-	614,280	1,897,473
Refunds and reimbursements	103,848	291	-	128,941	233,080
Fines and forfeitures	2,461	-	-	-	2,461
Interest	1,598	-	-	3,482	5,080
Other	320,089	7,943	-	231,889	559,921
Total revenues	13,443,712	986,339	779,375	2,477,680	17,687,106
Expenditures					
Current:					
Legislative	587,706	-	-	-	587,706
General government	3,075,192	-	-	5,811	3,081,003
Judicial	1,471,940	-	-	-	1,471,940
Public safety	6,585,561	-	-	308,772	6,894,333
Public works	-	-	-	554,505	554,505
Health and welfare	1,051,188	759,085	-	341,615	2,151,888
Recreation and cultural	195,479	-	-	-	195,479
Other expenditures	795,206	-	-	-	795,206
Debt service:					
Principal	-	-	690,000	617,131	1,307,131
Interest and fiscal charges	-	-	89,375	61,314	150,689
Bond issuance costs	-	-	-	26,520	26,520
Capital outlay	-	-	-	153,903	153,903
Total expenditures	13,762,272	759,085	779,375	2,069,571	17,370,303
Revenues over (under) expenditures	(318,560)	227,254	-	408,109	316,803
Other financing sources (uses)					
Transfers in	1,395,059	-	-	1,232,564	2,627,623
Transfers out	(709,457)	(78,418)	-	(1,610,402)	(2,398,277)
Issuance of long-term refunding debt	-	-	-	2,600,000	2,600,000
Payment to refunding bond escrow agent	-	-	-	(2,572,938)	(2,572,938)
Total other financing sources (uses)	685,602	(78,418)	-	(350,776)	256,408
Net change in fund balances	367,042	148,836	-	57,333	573,211
Fund balances, beginning of year	9,083,740	716,029	-	2,563,482	12,363,251
Fund balances, end of year	\$ 9,450,782	\$ 864,865	\$ -	\$ 2,620,815	\$ 12,936,462

The accompanying notes are an integral part of these financial statements.

LEELANAU COUNTY, MICHIGAN

Reconciliation

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

Net change in fund balances - total governmental funds \$ 573,211

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 assets purchased/constructed	563,446
Less acquisition/construction of capital assets accounted for in governmental internal service funds	(162,991)
Depreciation expense	(2,078,754)
Less depreciation expense accounted for in governmental internal service funds	155,120

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds, but rather deferred to the following fiscal year.

Change in unavailable property tax receivables	(42,206)
Change in unavailable loans receivable	(164,205)
Change in unavailable leases receivable	(690,000)
Change in unavailable interest receivable	(2,804)

The issuance of long-term debt provides current financial resources to governmental funds in the period issued, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Principal payments on long-term debt	1,307,131
Issuance of long-term refunding debt	(2,600,000)
Payment to refunding bond escrow agent	2,572,938

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 accrued interest on bonds payable	8,533
Change in accrued compensated absences	18,646
Change in net pension liability and related deferred amounts	917,925
Amortization of bond premium	5,501
Amortization of deferred charge/gain on refunding	3,268

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

Gain on sale of capital assets in governmental internal service funds	31,800
Investment income from governmental internal service funds	5,213
Net operating transfers in from governmental activities accounted for in internal service funds	25,000
Net operating loss from governmental activities accounted for in internal service funds	(35,460)

Change in net position of governmental activities \$ 411,312

The accompanying notes are an integral part of these financial statements.

LEELANAU COUNTY, MICHIGAN

Statement of Revenues, Expenditures and Change in Fund Balance

Budget and Actual - General Fund
For the Year Ended December 31, 2021

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Property taxes	\$ 10,254,600	\$ 10,782,012	\$ 10,810,316	\$ 28,304
Licenses and permits	14,300	14,300	12,496	(1,804)
Intergovernmental	750,529	930,203	909,711	(20,492)
Charges for services	930,776	1,306,176	1,283,193	(22,983)
Refunds and reimbursements	107,099	123,099	103,848	(19,251)
Fines and forfeitures	1,500	3,000	2,461	(539)
Interest	45,000	45,000	1,598	(43,402)
Other	338,361	376,257	320,089	(56,168)
Total revenues	12,442,165	13,580,047	13,443,712	(136,335)
Expenditures				
Legislative:				
Board of Commissioners	565,660	617,285	587,706	(29,579)
General government:				
Accounting	186,084	189,024	179,318	(9,706)
Elections	52,269	52,269	30,497	(21,772)
Apportionment commission	6,600	6,600	110	(6,490)
County clerk	466,870	482,829	447,086	(35,743)
Circuit court clerk	29,242	29,242	13,341	(15,901)
Equalization	465,100	469,364	400,823	(68,541)
Attorney/legal fees	83,857	83,857	78,195	(5,662)
Remonumentation	31,000	31,000	27,357	(3,643)
Prosecuting attorney	585,837	588,428	566,250	(22,178)
Prosecuting attorney - social services	74,123	74,305	69,289	(5,016)
Victim services	84,972	85,442	82,229	(3,213)
Register of deeds	307,632	311,139	307,369	(3,770)
Plat board	496	496	-	(496)
Treasurer	347,786	350,098	341,563	(8,535)
Cooperative extension	267,938	272,052	269,292	(2,760)
Drain commission	57,973	215,943	146,482	(69,461)
Soil conservation	65,091	65,091	65,091	-
County audit	49,150	50,900	50,900	-
Total general government	3,162,020	3,358,079	3,075,192	(282,887)

continued...

LEELANAU COUNTY, MICHIGAN

Statement of Revenues, Expenditures and Change in Fund Balance

Budget and Actual - General Fund
For the Year Ended December 31, 2021

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Expenditures (continued)				
Judicial:				
Circuit court	\$ 205,417	\$ 205,417	\$ 196,353	\$ (9,064)
Circuit court - family	280,717	281,801	235,279	(46,522)
Friend of the court	45,000	45,000	22,500	(22,500)
Circuit court - family volume	800	800	625	(175)
Circuit court - juvenile	123,749	131,661	125,137	(6,524)
Family coordinating council	12,000	12,000	12,000	-
District court	513,581	545,221	456,154	(89,067)
Jury fees	13,890	13,890	10,812	(3,078)
Probate court	375,541	376,805	367,000	(9,805)
Friend of the court	48,300	48,300	42,280	(6,020)
Law library	9,500	9,500	3,800	(5,700)
Total judicial	1,628,495	1,670,395	1,471,940	(198,455)
Public safety:				
Sheriff	2,279,246	2,349,136	2,216,861	(132,275)
Emergency medical service	100	100	-	(100)
Marine	83,537	92,187	78,887	(13,300)
Sheriff secondary road patrol	116,236	116,850	103,829	(13,021)
Jail	2,107,046	2,138,504	2,084,560	(53,944)
Planning department	287,020	288,718	263,754	(24,964)
Planning commission	15,641	15,641	5,016	(10,625)
COPS Fast	88,254	88,254	81,107	(7,147)
Township/Village police services	104,923	105,537	99,199	(6,338)
Anti-Drug	105,356	105,970	100,627	(5,343)
Emergency services	98,922	288,229	269,589	(18,640)
Disaster contingency	5,500	5,500	-	(5,500)
Animal control	103,581	104,051	93,709	(10,342)
Community corrections	10,350	10,350	10,350	-
911	1,140,802	1,225,802	1,178,073	(47,729)
Total public safety	6,546,514	6,934,829	6,585,561	(349,268)

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LEELANAU COUNTY, MICHIGAN

Statement of Revenues, Expenditures and Change in Fund Balance

Budget and Actual - General Fund
For the Year Ended December 31, 2021

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Expenditures (concluded)				
Health and welfare:				
Benzie/Leelanau health department	\$ 338,371	\$ 338,371	\$ 338,271	\$ (100)
Substance abuse	54,500	54,500	48,924	(5,576)
Ambulance services	100	100	-	(100)
Medical examiner	85,096	93,196	85,309	(7,887)
Mental health board	139,700	139,700	139,700	-
American legion	3,000	3,825	3,812	(13)
Veteran's affairs	56,324	66,324	63,566	(2,758)
Veteran's burial	10,800	10,800	2,400	(8,400)
Department of human services	15,000	15,000	15,000	-
Child care	539,416	540,644	266,498	(274,146)
Soldiers and sailors	6,000	6,000	1,466	(4,534)
Juvenile justice	95,315	95,929	86,242	(9,687)
Total health and welfare	1,343,622	1,364,389	1,051,188	(313,201)
Recreation and cultural:				
Parks and recreation	167,001	216,536	195,479	(21,057)
Other expenditures:				
Insurance	465,000	727,000	726,299	(701)
Bonds	8,000	8,000	7,459	(541)
Unemployment compensation	5,000	5,000	364	(4,636)
Workers compensation insurance	50,890	60,330	55,630	(4,700)
NW Michigan council of governments	5,454	5,454	5,454	-
Total other expenditures	534,344	805,784	795,206	(10,578)
Total expenditures	13,947,656	14,967,297	13,762,272	(1,205,025)
Revenues over (under) expenditures	(1,505,491)	(1,387,250)	(318,560)	1,068,690
Other financing sources (uses)				
Transfers in	1,481,215	1,407,448	1,395,059	(12,389)
Transfers out	(1,083,509)	(1,158,509)	(709,457)	(449,052)
Total other financing sources (uses)	397,706	248,939	685,602	436,663
Net change in fund balance	(1,107,785)	(1,138,311)	367,042	1,505,353
Fund balance, beginning of year	9,083,740	9,083,740	9,083,740	-
Fund balance, end of year	\$ 7,975,955	\$ 7,945,429	\$ 9,450,782	\$ 1,505,353

The accompanying notes are an integral part of these financial statements.

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LEELANAU COUNTY, MICHIGAN

Statement of Revenues, Expenditures and Change in Fund Balance

Budget and Actual - Senior Services Special Revenue Fund

For the Year Ended December 31, 2021

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Property taxes	\$ 881,652	\$ 935,426	\$ 961,385	\$ 25,959
Intergovernmental	35,000	35,000	16,720	(18,280)
Refunds and reimbursements	-	-	291	291
Other	16,000	16,000	7,943	(8,057)
Total revenues	932,652	986,426	986,339	(87)
Expenditures				
Current - health and welfare	866,415	908,008	759,085	(148,923)
Revenues over expenditures	66,237	78,418	227,254	148,836
Other financing uses				
Transfers out	(78,418)	(78,418)	(78,418)	-
Net change in fund balance	(12,181)	-	148,836	148,836
Fund balance, beginning of year	716,029	716,029	716,029	-
Fund balance, end of year	<u>\$ 703,848</u>	<u>\$ 716,029</u>	<u>\$ 864,865</u>	<u>\$ 148,836</u>

The accompanying notes are an integral part of these financial statements.

LEELANAU COUNTY, MICHIGAN

Statement of Net Position

Proprietary Funds
December 31, 2021

	Business-type Activities - Enterprise Funds				Governmental Activities
	Unpledged Delinquent Tax Revolving	Building Inspection	Nonmajor Enterprise Funds	Total	Internal Service Funds
Assets					
Current assets:					
Cash and investments	\$ 5,451,243	\$ 1,074,686	\$ 444,734	\$ 6,970,663	\$ 785,028
Receivables:					
Accounts	-	-	-	-	2,153
Delinquent taxes	934,510	-	26,370	960,880	-
Interest on delinquent taxes	128,686	-	-	128,686	-
Due from other governments	-	-	530	530	-
Due from other funds	-	-	50	50	-
Prepaid items	-	-	-	-	329,724
Total current assets	6,514,439	1,074,686	471,684	8,060,809	1,116,905
Noncurrent assets:					
Capital assets being depreciated, net	-	-	-	-	387,992
Total assets	6,514,439	1,074,686	471,684	8,060,809	1,504,897
Liabilities					
Current liabilities:					
Accounts payable	-	4,246	6,825	11,071	304,378
Accrued liabilities	-	18,497	-	18,497	76,258
Due to other governments	18	-	26,369	26,387	-
Compensated absences	-	20,615	-	20,615	-
Total liabilities (all current)	18	43,358	33,194	76,570	380,636
Net position					
Investment in capital assets	-	-	-	-	387,992
Unrestricted	6,514,421	1,031,328	438,490	7,984,239	736,269
Total net position	\$ 6,514,421	\$ 1,031,328	\$ 438,490	\$ 7,984,239	\$ 1,124,261

The accompanying notes are an integral part of these financial statements.

LEELANAU COUNTY, MICHIGAN

Statement of Revenues, Expenses and Change in Fund Net Position

Proprietary Funds

For the Year Ended December 31, 2021

	Business-type Activities - Enterprise Funds				Governmental Activities
	Unpledged Delinquent Tax Revolving	Building Inspection	Nonmajor Enterprise Funds	Total	Internal Service Funds
Operating revenues					
Charges for services	\$ 126,820	\$ 1,016,804	\$ 114,912	\$ 1,258,536	\$ 3,377,281
Interest on delinquent taxes	273,154	-	-	273,154	-
Total operating revenues	<u>399,974</u>	<u>1,016,804</u>	<u>114,912</u>	<u>1,531,690</u>	<u>3,377,281</u>
Operating expenses					
Salaries and fringes	-	648,013	-	648,013	317,056
Depreciation	-	-	-	-	155,120
Other operating expenses	10,024	111,129	52,139	173,292	2,940,565
Total operating expenses	<u>10,024</u>	<u>759,142</u>	<u>52,139</u>	<u>821,305</u>	<u>3,412,741</u>
Operating income (loss)	<u>389,950</u>	<u>257,662</u>	<u>62,773</u>	<u>710,385</u>	<u>(35,460)</u>
Nonoperating revenues					
Gain on sale of capital assets	-	-	-	-	31,800
Investment income (loss)	(338)	-	-	(338)	5,213
Total nonoperating revenues	<u>(338)</u>	<u>-</u>	<u>-</u>	<u>(338)</u>	<u>37,013</u>
Income before transfers	<u>389,612</u>	<u>257,662</u>	<u>62,773</u>	<u>710,047</u>	<u>1,553</u>
Transfers					
Transfers in	-	-	-	-	25,000
Transfers out	(130,500)	(99,251)	(24,595)	(254,346)	-
Total transfers	<u>(130,500)</u>	<u>(99,251)</u>	<u>(24,595)</u>	<u>(254,346)</u>	<u>25,000</u>
Change in net position	<u>259,112</u>	<u>158,411</u>	<u>38,178</u>	<u>455,701</u>	<u>26,553</u>
Net position, beginning of year	<u>6,255,309</u>	<u>872,917</u>	<u>400,312</u>	<u>7,528,538</u>	<u>1,097,708</u>
Net position, end of year	<u>\$ 6,514,421</u>	<u>\$ 1,031,328</u>	<u>\$ 438,490</u>	<u>\$ 7,984,239</u>	<u>\$ 1,124,261</u>

The accompanying notes are an integral part of these financial statements.

LEELANAU COUNTY, MICHIGAN

Statement of Cash Flows

Proprietary Funds

For the Year Ended December 31, 2021

	Business-type Activities - Enterprise Funds				Governmental Activities
	Unpledged Delinquent Tax Revolving	Building Inspection	Nonmajor Enterprise Funds	Total	Internal Service Funds
Cash flows from operating activities					
Cash received from interfund services	\$ -	\$ -	\$ -	\$ -	\$ 3,428,362
Cash received from customers	3,902,357	1,017,457	131,626	5,051,440	-
Cash payments for delinquent taxes	(3,380,051)	-	-	(3,380,051)	-
Cash payments to suppliers for goods and services	(10,024)	(109,025)	(61,713)	(180,762)	(1,005,733)
Cash payments to employees for services	-	(644,449)	-	(644,449)	(2,329,797)
Net cash provided by operating activities	<u>512,282</u>	<u>263,983</u>	<u>69,913</u>	<u>846,178</u>	<u>92,832</u>
Cash flows from noncapital financing activities					
Transfers in	-	-	-	-	25,000
Transfers out	(130,500)	(99,251)	(24,595)	(254,346)	-
Net cash provided by (used in) noncapital financing activities	<u>(130,500)</u>	<u>(99,251)</u>	<u>(24,595)</u>	<u>(254,346)</u>	<u>25,000</u>
Cash flows from capital and related financing activities					
Purchases of capital assets	-	-	-	-	(162,991)
Proceeds from sale of capital assets	-	-	-	-	31,800
Net cash used in capital and related financing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(131,191)</u>
Cash flows from investing activities					
Interest received (investment loss)	(338)	-	-	(338)	5,213
Net change in cash and investments	<u>381,444</u>	<u>164,732</u>	<u>45,318</u>	<u>591,494</u>	<u>(8,146)</u>
Cash and investments, beginning of year	<u>5,069,799</u>	<u>909,954</u>	<u>399,416</u>	<u>6,379,169</u>	<u>793,174</u>
Cash and investments, end of year	<u>\$ 5,451,243</u>	<u>\$ 1,074,686</u>	<u>\$ 444,734</u>	<u>\$ 6,970,663</u>	<u>\$ 785,028</u>

continued...

LEELANAU COUNTY, MICHIGAN

Statement of Cash Flows

Proprietary Funds

For the Year Ended December 31, 2021

	Business-type Activities - Enterprise Funds				Governmental Activities
	Unpledged Delinquent Tax Revolving	Building Inspection	Nonmajor Enterprise Funds	Total	Internal Service Funds
Reconciliation of operating income (loss) to net cash provided by operating activities					
Operating income (loss)	\$ 389,950	\$ 257,662	\$ 62,773	\$ 710,385	\$ (35,460)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation	-	-	-	-	155,120
Changes in operating assets and liabilities which provided (used) cash:					
Receivables:					
Accounts	-	-	4,099	4,099	(1,471)
Delinquent taxes	154,388	-	12,558	166,946	-
Interest on delinquent taxes	28,275	-	-	28,275	-
Due from other governments	-	-	57	57	-
Prepaid items	-	-	(50)	(50)	(99,139)
Accounts payable	(60,349)	653	3,036	(56,660)	51,341
Accrued liabilities	-	2,104	-	2,104	22,441
Due to other governments	18	-	(12,560)	(12,542)	-
Compensated absences	-	3,564	-	3,564	-
Net cash provided by operating activities	<u>\$ 512,282</u>	<u>\$ 263,983</u>	<u>\$ 69,913</u>	<u>\$ 846,178</u>	<u>\$ 92,832</u>

concluded

The accompanying notes are an integral part of these financial statements.

LEELANAU COUNTY, MICHIGAN

Statement of Fiduciary Net Position

Fiduciary Funds

December 31, 2021

	Custodial Funds
Assets	
Cash and investments	\$ 684,087
Liabilities	
Due to other governments	<u>667,063</u>
Net position restricted for	
Individuals, organizations, and other governments	<u><u>\$ 17,024</u></u>

The accompanying notes are an integral part of these financial statements.

LEELANAU COUNTY, MICHIGAN

Statement of Changes in Fiduciary Net Position

Fiduciary Funds

For the Year Ended December 31, 2021

	Custodial Funds
Additions	
Property tax collections for other governments	\$ 23,803,078
Library penal fine collections	33,093
Inmate trust collections	78,266
Miscellaneous	314,618
	<hr/>
Total additions	24,229,055
	<hr/>
Deductions	
Payments of property taxes to other governments	23,803,078
Library penal fine distributions	33,093
Inmate trust distributions	68,538
Miscellaneous	314,618
	<hr/>
Total deductions	24,219,327
	<hr/>
Change in net position	9,728
	<hr/>
Net position, beginning of year	7,296
	<hr/>
Net position, end of year	\$ 17,024
	<hr/>

The accompanying notes are an integral part of these financial statements.

LEELANAU COUNTY, MICHIGAN

Combining Statement of Net Position

Discretely Presented Component Units

December 31, 2021

	Road Commission	Brownfield Redevelopment Authority	Land Bank Authority	Total
Assets				
Cash and investments	\$ 1,212,508	\$ 222,570	\$ 67,255	\$ 1,502,333
Receivables	2,729,338	-	20,000	2,749,338
Prepaid items	40,020	-	-	40,020
Inventory	1,111,225	-	-	1,111,225
Assets held for resale	-	-	75,307	75,307
Net pension asset	704,766	-	-	704,766
Capital assets:				
Not being depreciated	17,487,033	-	-	17,487,033
Being depreciated, net	19,746,561	-	-	19,746,561
Total assets	43,031,451	222,570	162,562	43,416,583
Liabilities				
Accounts payable and accrued liabilities	227,989	333	-	228,322
Unearned revenue	457,654	-	-	457,654
Long-term advance from primary government	-	90,000	-	90,000
Long-term debt:				
Due within one year	56,238	24,273	-	80,511
Due in more than one year	21,008	266,342	-	287,350
Total liabilities	762,889	380,948	-	1,143,837
Deferred inflows of resources				
Taxes levied for a subsequent period	1,455,560	-	-	1,455,560
Deferred pension amounts	647,705	-	-	647,705
Total deferred inflows of resources	2,103,265	-	-	2,103,265
Net position				
Investment in capital assets	37,233,594	-	-	37,233,594
Restricted for:				
Pension benefits	57,061	-	-	57,061
Unrestricted (deficit)	2,874,642	(158,378)	162,562	2,878,826
Total net position	\$ 40,165,297	\$ (158,378)	\$ 162,562	\$ 40,169,481

The accompanying notes are an integral part of these financial statements.

LEELANAU COUNTY, MICHIGAN

Combining Statement of Activities

Discretely Presented Component Units
For the Year Ended December 31, 2021

	Road Commission	Brownfield Redevelopment Authority	Land Bank Authority	Total
Expenses				
Road Commission	\$ 7,539,279	\$ -	\$ -	\$ 7,539,279
Brownfield Redevelopment Authority	-	11,137	-	11,137
Land Bank Authority	-	-	74	74
Total expenses	7,539,279	11,137	74	7,550,490
Program revenues				
Charges for services	1,508,756	-	60	1,508,816
Operating grants and contributions	5,750,453	-	-	5,750,453
Total program revenues	7,259,209	-	60	7,259,269
Net expenses	(280,070)	(11,137)	(14)	(291,221)
General revenues				
Property taxes	1,410,435	42,293	6,016	1,458,744
Unrestricted investment earnings	190	49	-	239
Gain on sale of capital assets	161,973	-	-	161,973
Total general revenues	1,572,598	42,342	6,016	1,620,956
Change in net position	1,292,528	31,205	6,002	1,329,735
Net position, beginning of year	38,872,769	(189,583)	156,560	38,839,746
Net position, end of year	\$ 40,165,297	\$ (158,378)	\$ 162,562	\$ 40,169,481

The accompanying notes are an integral part of these financial statements.

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NOTES TO FINANCIAL STATEMENTS

LEELANAU COUNTY, MICHIGAN

Notes to Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Leelanau County, Michigan (the "County") was organized in 1863 and covers an area of approximately 334 square miles with the county seat located in Suttons Bay, Michigan. The County operates under an elected Board of Commissioners of seven members and provides services, assistance and care to its more than 21,000 residents, primarily from the operations of its general and special revenue funds. The County's services, assistance and care include the (1) general county departments, boards and commissions; (2) court system administration; (3) law enforcement and corrections; (4) assistance and/or institutional care to the aged, needy, wards of the court, neglected children and public and mental health recipients; (5) libraries; and (6) recreation.

The financial statements of the County 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 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, the financial statements of the reporting entity include those of the County and its component units. The component units discussed below are included in the County's reporting entity because of the significance of their operational and financial relationship with the County.

Discretely Presented Component Units

Leelanau County Road Commission (the "Road Commission") - The Road Commission is responsible for the maintenance and construction of the County road system. The County appoints the members of the Road Commission and is a direct beneficiary of the services provided. The Road Commission may not issue debt or levy a tax without the approval of the County Board of Commissioners. The Road Commission is audited individually and complete financial statements can be obtained from the Road Commission at 10550 E. Eckerle Road, Suttons Bay, MI 49682.

Brownfield Redevelopment Authority (the "Brownfield") - Members of the governing board of the Brownfield are appointed by the County Board of Commissioners. The Brownfield reviews and approves plans for business development within designated areas of the County where property was once contaminated. Property tax revenues from the "captured" portion of these properties are restricted to pay for site clean-up expenditures and future development depending on the development plan adopted for each project. The County has the ability to significantly influence the operations of the Brownfield and has accountability for fiscal matters. There are no separately issued financial statements for the Brownfield.

LEELANAU COUNTY, MICHIGAN

Notes to Financial Statements

Land Bank Authority (the "Land Bank") - The Land Bank was incorporated pursuant to the Michigan Land Bank Fast Track Act (Public Act 258) and an intergovernmental agreement between the Land Bank and Leelanau County. The agreement established the Land Bank as a separate legal entity and public body corporate to administer and execute Land Bank objectives. Because members of the Land Bank are appointed by the Leelanau County Board of Commissioners, the County exercises effective control over its activities. There are no separately issued financial statements for the Land Bank.

Regional Joint Operations

The County participates jointly in the operations of the Benzie-Leelanau District Health Department. The financial operations of the Benzie-Leelanau District Health Department are recorded as a component unit of Benzie County. The County's appropriation to the Benzie-Leelanau District Health Department for the year ended December 31, 2021 was \$338,271.

The County participates in the operation of the Northwest Michigan Regional Airport Commission with Grand Traverse County. The Airport Commission operates with a separate treasurer. Separate financial statements for the Airport Commission are available from the Northwest Michigan Regional Airport Commission, Cherry Capital Airport Administrative Office, Traverse City, MI 49684.

The County participates jointly in the operations of the Grand Traverse County 86th District Court and 13th Circuit Court, including the Friend of the Court. The financial operations of the courts are reported in the financial statements of Grand Traverse County. Leelanau County provides financial support of the Friend of the Court through an appropriation, which amounted to \$38,170 for the year ended December 31, 2021.

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 nonfiduciary 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 the legally separate 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*.

LEELANAU COUNTY, MICHIGAN

Notes to Financial Statements

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

The government 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 Services Special Revenue Fund* accounts for the dedicated tax millage and senior services expenditures of the County.

The *Village of Northport Sewer Debt Retirement Fund* accounts for the debt payments made to retire the Northport Village sewer bond issue and the related receivable due from the Village.

The government reports the following major proprietary funds:

The *Unpledged Delinquent Tax Revolving (DTR) Fund* accounts for the County's administration and collection of delinquent real property taxes for all taxing units in Leelanau County.

The *Building Inspection Fund* accounts for the County's building inspection fees and related services.

Additionally, the government 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.

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

Internal Service Funds account for the fleet and equipment management, building and grounds, data processing, copy machine, mailing department, and insurance services provided to other departments or agencies of the government on a cost reimbursement basis.

LEELANAU COUNTY, MICHIGAN

Notes to Financial Statements

Custodial Funds are used to account for assets that the government holds for others in a custodial capacity (such as taxes collected for other governments).

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. Custodial funds, a type of fiduciary fund, 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 government 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 liabilities are 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, intergovernmental revenue, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and as such 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.

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. The General Fund provides certain central services to other funds of the County which are presented as program expenses in the funds receiving services. The related General Fund revenue has been netted against program expense in the government-wide statement of activities.

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 government's internal service funds 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.

LEELANAU COUNTY, MICHIGAN

Notes to Financial Statements

Restricted net position are assets that are subject to restrictions beyond the government's control. The restrictions may be externally imposed or imposed by law. When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Equity

Deposits and Investments

The County'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.

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 (except those with a fluctuating per share value).

Investments are stated at fair value, which is determined as follows: (a) short-term investments are reported at cost, which approximates fair value; (b) securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates; (c) investments for which market quotations are not readily available are valued at their fair values as determined by the custodian under the direction of the governing body, with the assistance of a valuation service; and (d) cash deposits are reported at carrying amounts which reasonably approximates fair value.

Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

LEELANAU COUNTY, 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 acquisition cost at the date of donation. 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.

Capital assets of the primary government and component units (excluding the Road Commission) are depreciated using the straight-line method over the following estimated useful lives:

	Years
Infrastructure	8-50
Building and improvements	5-30
Land improvements	5-30
Towers	40
Equipment	3-10
Vehicles	2-5
Office furniture	3-10

Assets Held for Resale

Assets held for resale consist of parcels of land held by the County resulting from tax foreclosed properties.

Deferred Outflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to one or more future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The County reports deferred outflows of resources related to its pension plan.

LEELANAU COUNTY, MICHIGAN

Notes to Financial Statements

Compensated Absences

County employees are granted vacation hours on their anniversary date of hire. The number of hours is dependent upon years of service. Unused vacation hours are accrued at fiscal year-end. Upon termination an employee may be paid for unused vacation up to a maximum of 240 hours. All vacation and personal leave is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignation or retirements.

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 position. Bond premiums and discounts, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

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 in the current period.

Deferred Inflows of Resources

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until a future period. The County reports deferred inflows of resources for the gain on advance bond refunding reported in the government-wide statement of net position, which results from the difference in the carrying value of refunded debt and its reacquisition price. The governmental funds report unavailable revenues, which arise only under a modified accrual basis of accounting, from several sources: loans receivable, leases receivable, property taxes and interest receivable. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. In addition, deferred inflows of resources are reported in the government-wide and governmental fund financial statements for property taxes levied during the year that were intended to finance future periods. The County also reports deferred inflows of resources related to its pension plan.

LEELANAU COUNTY, MICHIGAN

Notes to Financial Statements

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 Board of Commissioners (the government's highest level of decision-making authority). A formal resolution of the Board of Commissioners is required to establish, modify, or rescind a fund balance commitment. The County reports *assigned fund balance* when applicable for amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. The Board of Commissioners has delegated the authority to assign fund balance to the County Administrator or his/her designee. Unassigned fund balance is the residual classification for the General Fund.

The County Board of Commissioners has formally established a budget stabilization arrangement under which it commits General Fund fund balance in an amount equal to the lesser of 15 percent of the prior year's General Fund fund balance or the average of the last five year's General Fund budgets to insulate County programs and current service levels from large (\$400,000 or more) and unanticipated one time General Fund expenditure requirements, reductions in budgeted General Fund revenues due to a change in state or federal requirements, adverse litigation, catastrophic loss, or any similar swift unforeseen event. This commitment may be used if one of the several potential qualifying events occurs (as detailed in a Board of Commissioners resolution), the County Commissioners estimates the qualifying event will cost \$400,000 or more, and the Board of Commissioners, by majority vote of members present, affirms the qualifying event. As of December 31, 2021, the balance in the stabilization arrangement was \$1,215,757.

The County Board of Commissioners has adopted a minimum fund balance policy in which the total unassigned fund balance of the General Fund will be equal to at least 10 percent of the current year's adopted General Fund budgeted expenditures and transfers out. If the General Fund fund balance falls below the minimum range, the County will replenish shortages or deficiencies using budget strategies and timeframes as detailed in the policy.

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

Interfund Transactions

During the course of normal operations, the County has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

LEELANAU COUNTY, MICHIGAN

Notes to Financial Statements

Pensions

For purposes of measuring the net pension liability, deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the plan and additions to/deductions from the plan fiduciary net position have been determined on the same basis as they are reported by the plan. 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.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

2. BUDGETARY INFORMATION

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the general and special revenue funds. All annual appropriations lapse at fiscal year end. During the November board meeting of each year, the Board of Commissioners adopts, by resolution, the budget for the next fiscal year.

The budget document presents information by fund, function, department, and line items. The legal level of budgetary control adopted by the governing board for the general and special revenue funds is the activity and function level, respectively, which is the level at which expenditures may not legally exceed appropriations. The County Administrator may make transfers of appropriations between departments within any funds; however, any supplemental appropriations that amend the total expenditures of any fund require Board of Commissioner's resolution.

Public Act 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amount budgeted. During the year ended December 31, 2021, the County had no expenditures in budgetary funds which were in excess of the amounts budgeted.

LEELANAU COUNTY, MICHIGAN

Notes to Financial Statements

3. DEPOSITS AND INVESTMENTS

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

	Primary Government	Component Units	Totals
Statement of net position			
Cash and investments	\$ 23,356,304	\$ 1,502,333	\$ 24,858,637
Statement of fiduciary net position			
Cash and investments	684,087	-	684,087
Total	<u>\$ 24,040,391</u>	<u>\$ 1,502,333</u>	<u>\$ 25,542,724</u>
Deposits and investments			
Cash on hand			\$ 1,027
Checking and savings accounts			19,072,307
Certificates of deposit:			
Due in one to five years			500,925
Investments			<u>5,968,465</u>
Total			<u>\$ 25,542,724</u>

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the County's deposits may not be returned. State law does not require and the County does not have a policy for deposit custodial credit risk. As of year end, \$18,802,370 of the combined bank balance of \$19,771,461 was exposed to custodial credit risk because it was uninsured and uncollateralized. The County believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the County evaluates each financial institution with which it deposits County funds and assesses the level of risk of each institution; only those institutions with an acceptable level are used as depositories.

Custodial Credit Risk – Investments. Investments are exposed to custodial credit risk if the securities are unsecured, unregistered or held by a counterparty or its agency but not in the government's name. All investments are held in the name of the County, and thus are not exposed to custodial credit risk.

LEELANAU COUNTY, MICHIGAN

Notes to Financial Statements

Following is a summary of the County's investments as of December 31, 2021:

Investment	Fair Value	Rating	Maturity
U.S. Government Bonds	\$ 996,620	S&P AA+	2/18/2025
U.S. Government Bonds	132,959	S&P AA+	11/30/2023
U.S. Government Bonds	498,020	S&P AA+	4/28/2026
Municipal Bond	99,633	Moody Aa1	5/1/2023
Michigan CLASS government investment pool	<u>4,241,233</u>	S&P AAAm	N/A
Total	<u><u>\$ 5,968,465</u></u>		

Credit Risk. State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in the list of authorized investments in the accounting policies. The County's investment policy does not have specific limits in excess of state law on investment credit risk. Credit risk ratings, where applicable, have been identified above for the County's investments.

Interest Rate Risk. State law limits the allowable investments and the maturities of some of the allowable investments as identified in the accounting policies. 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. Maturities of investments, where applicable, have been identified above for the County's investments.

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 in the accounting policies. 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

Fair Value Measurements. 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.

LEELANAU COUNTY, MICHIGAN

Notes to Financial Statements

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

	Level 1	Level 2	Level 3	Total
U.S. government bonds	\$ -	\$ 1,627,599	\$ -	\$ 1,627,599
Municipal bonds	-	99,633	-	99,633
Total	<u>\$ -</u>	<u>\$ 1,727,232</u>	<u>\$ -</u>	<u>1,727,232</u>
Investments at net asset value - Michigan CLASS				<u>4,241,233</u>
Total				<u>\$ 5,968,465</u>

The County's investments at fair value are classified as Level 2 of the fair value hierarchy, which use one of the following valuation techniques depending on the investment: a) traditional net asset valuation (dividing the asset value by the number of units owned), b) matrix pricing technique (relying on the securities' relationship to other benchmark quoted securities instead of exclusively on quoted prices for specific securities), or c) quoted market prices for similar assets in active markets or quoted prices for identical or similar assets in markets that are not active.

The County holds shares in Michigan CLASS government investment pool whereby the fair value of the investment is measured on a recurring basis using net asset value per share (or its equivalent) of the investment pool as a practical expedient.

At year end, the net asset value of the County's investment in Michigan CLASS government investment pool was \$4,241,233. The investment pool had no unfunded commitments, specific redemption frequency or redemption notice period required. The Michigan CLASS government investment pool invests in U.S. treasury obligations, federal agency obligations of the U.S. government, high-grade commercial paper (rated 'A-1' or better) collateralized bank deposits, repurchase agreements (collateralized at 102% by Treasuries and agencies), and approved money-market funds. The program seeks to provide safety, liquidity, convenience, and competitive rates of return, and is designed to meet the needs of Michigan public sector investors. It purchases securities that are legally permissible under state statutes and are available for investment by Michigan counties, cities, townships, school districts, authorities and other public agencies.

LEELANAU COUNTY, MICHIGAN

Notes to Financial Statements

4. RECEIVABLES AND DEFERRED INFLOWS OF RESOURCES

Receivables are comprised of the following at year-end:

	Governmental Activities	Business-type Activities	Component Units
Accounts	\$ 152,822	\$ -	\$ 154,590
Loans	530,915	-	-
Taxes	2,256,721	960,880	1,455,560
Leases	5,155,000	-	-
Interest	22,467	128,686	-
Due from other governments	181,603	530	1,139,188
	<u>\$ 8,299,528</u>	<u>\$ 1,090,096</u>	<u>\$ 2,749,338</u>

Leases receivable from local units of government in the governmental activities are due from the Village of Northport. The terms of the leases, which relate to sewer systems financed by the County on behalf of the Village, match the debt maturity requirements of the related bonds. At year end, the County reported leases receivable in governmental activities of \$5,155,000, of which \$4,455,000 is not expected to be collected within one year.

Governmental funds report deferred inflows of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Resources intended to provide financing for a subsequent period are reported as deferred inflows of resources in the government-wide financial statements.

	Unavailable	Subsequent Years' Resources	Total
Governmental funds			
Property taxes receivable	\$ 294,666	\$ -	\$ 294,666
Loans receivable	530,915	-	530,915
Leases and interest receivable	5,175,942	-	5,175,942
Property taxes levied to finance subsequent years' operations	-	2,059,321	2,059,321
	<u>\$ 6,001,523</u>	<u>\$ 2,059,321</u>	<u>\$ 8,060,844</u>

LEELANAU COUNTY, MICHIGAN

Notes to Financial Statements

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities are comprised of the following at year-end:

	Governmental Activities	Business-type Activities	Component Units
Accounts payable	\$ 1,029,371	\$ 11,071	\$ 174,382
Accrued liabilities	291,214	18,497	53,940
Accrued interest	30,007	-	-
Due to other governments	-	26,387	-
	<u>\$ 1,350,592</u>	<u>\$ 55,955</u>	<u>\$ 228,322</u>

6. INTERFUND RECEIVABLES AND PAYABLES AND TRANSFERS

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

The composition of interfund balances as of December 31, 2021, was as follows:

Advances to and from primary government funds and component units

	Advances from Primary Government	Advances to Component Units
General Fund	\$ -	\$ 90,000
Brownfield Redevelopment Authority	90,000	-
	<u>\$ 90,000</u>	<u>\$ 90,000</u>

LEELANAU COUNTY, MICHIGAN

Notes to Financial Statements

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

	Transfers In	Transfers Out
General Fund	\$ 1,395,059	\$ 709,457
Senior Services Special Revenue Fund	-	78,418
Nonmajor governmental funds	1,232,564	1,610,402
Unpledged Delinquent Tax Revolving Fund	-	130,500
Building Inspection Fund	-	99,251
Nonmajor enterprise funds	-	24,595
Internal service funds	25,000	-
	<u>\$ 2,652,623</u>	<u>\$ 2,652,623</u>

Interfund transfers are for: (1) using unassigned revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations, (2) to transfer funds for reimbursement of administration expense earned in the CDBG Repayment and Home Funds to the CDBG Administration Fund, and (3) to transfer property taxes as required by State of Michigan Public Act 357 of 2004.

LEELANAU COUNTY, MICHIGAN

Notes to Financial Statements

7. CAPITAL ASSETS

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

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Governmental Activities					
Capital assets not being depreciated:					
Land	\$ 1,305,276	\$ -	\$ -	\$ -	\$ 1,305,276
Construction in progress	82,629	15,935	-	(84,954)	13,610
	<u>1,387,905</u>	<u>15,935</u>	<u>-</u>	<u>(84,954)</u>	<u>1,318,886</u>
Capital assets being depreciated:					
Infrastructure	4,066,557	-	-	-	4,066,557
Buildings and improvements	22,250,739	82,669	-	-	22,333,408
Land improvements	1,331,844	28,718	-	-	1,360,562
Towers	1,708,423	-	-	-	1,708,423
Equipment	5,152,538	273,133	-	84,954	5,510,625
Vehicles	1,441,567	124,332	(180,107)	-	1,385,792
Office furniture	545,663	38,659	-	-	584,322
	<u>36,497,331</u>	<u>547,511</u>	<u>(180,107)</u>	<u>84,954</u>	<u>36,949,689</u>
Less accumulated depreciation for:					
Infrastructure	(2,031,361)	(143,987)	-	-	(2,175,348)
Buildings and improvements	(9,395,974)	(953,545)	-	-	(10,349,519)
Land improvements	(101,968)	(243,324)	-	-	(345,292)
Towers	(907,872)	(56,425)	-	-	(964,297)
Equipment	(2,879,717)	(529,530)	-	-	(3,409,247)
Vehicles	(1,128,937)	(126,601)	180,107	-	(1,075,431)
Office furniture	(490,839)	(25,342)	-	-	(516,181)
	<u>(16,936,668)</u>	<u>(2,078,754)</u>	<u>180,107</u>	<u>-</u>	<u>(18,835,315)</u>
Total capital assets being depreciated, net	<u>19,560,663</u>	<u>(1,531,243)</u>	<u>-</u>	<u>84,954</u>	<u>18,114,374</u>
Governmental activities capital assets, net	<u>\$ 20,948,568</u>	<u>\$ (1,515,308)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,433,260</u>

LEELANAU COUNTY, MICHIGAN

Notes to Financial Statements

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

Depreciation of governmental activities by function

General government	\$ 973,551
Public safety	786,573
Public works	136,983
Recreation and cultural	26,527
Internal service funds	155,120
	<u>\$ 2,078,754</u>

	Beginning Balance	Additions	Disposals	Ending Balance
Component Unit - Road Commission				
Capital assets not being depreciated:				
Land	\$ 37,276	\$ -	\$ -	\$ 37,276
Infrastructure - land improvements	17,062,442	387,315	-	17,449,757
	<u>17,099,718</u>	<u>387,315</u>	<u>-</u>	<u>17,487,033</u>
Capital assets being depreciated:				
Land improvements	52,064	-	-	52,064
Buildings	2,018,407	25,945	-	2,044,352
Road equipment	12,454,089	939,439	(590,635)	12,802,893
Shop equipment	151,362	34,818	-	186,180
Office equipment	10,730	-	-	10,730
Engineering equipment	27,210	-	-	27,210
Yard and storage	601,188	-	-	601,188
Infrastructure - roads	34,540,570	1,909,485	(3,295,529)	33,154,526
	<u>49,855,620</u>	<u>2,909,687</u>	<u>(3,886,164)</u>	<u>48,879,143</u>
Less accumulated depreciation for:				
Land improvements	(52,064)	-	-	(52,064)
Buildings	(1,100,250)	(67,792)	-	(1,168,042)
Road equipment	(9,868,406)	(892,760)	590,635	(10,170,531)
Shop equipment	(147,314)	(3,978)	-	(151,292)
Office equipment	(6,037)	(2,155)	-	(8,192)
Engineering equipment	(21,691)	(1,409)	-	(23,100)
Yard and storage	(511,809)	(12,155)	-	(523,964)
Infrastructure - roads	(18,768,674)	(1,562,252)	3,295,529	(17,035,397)
	<u>(30,476,245)</u>	<u>(2,542,501)</u>	<u>3,886,164</u>	<u>(29,132,582)</u>
Total capital assets being depreciated, net	<u>19,379,375</u>	<u>367,186</u>	<u>-</u>	<u>19,746,561</u>
Component Unit - Road Commission capital assets, net	<u>\$ 36,479,093</u>	<u>\$ 754,501</u>	<u>\$ -</u>	<u>\$ 37,233,594</u>

LEELANAU COUNTY, MICHIGAN

Notes to Financial Statements

8. LONG-TERM DEBT

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

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Governmental Activities					
Public placement					
\$13,290,000 sewage disposal bonds due in annual installments of \$565,000 to \$775,000 through April 1, 2028, interest at 1.625%.	\$ 5,845,000	\$ -	\$ (690,000)	\$ 5,155,000	\$ 700,000
 \$5,360,000 law enforcement bonds due in annual installments of \$270,000 to \$455,000 through June 1, 2027, at interest ranging from 2% to 4%.	2,905,000	-	(2,905,000)	-	-
 \$2,600,000 law enforcement 2021 refunding bonds due in annual installments of \$415,000 to \$455,000 through June 1, 2027, at interest of 1.38%	-	2,600,000	-	2,600,000	415,000
	8,750,000	2,600,000	(3,595,000)	7,755,000	1,115,000
Direct placement					
\$2,498,950 equipment capital lease due in annual installments of \$230,836 to \$270,986 through September 15, 2026, interest at 1.86%.	1,553,470	-	(247,131)	1,306,339	251,728
Total installment debt	10,303,470	2,600,000	(3,842,131)	9,061,339	1,366,728
Bond premiums	154,042	-	(154,042)	-	-
Compensated absences	424,084	540,048	(558,694)	405,438	405,438
	<u>\$ 10,881,596</u>	<u>\$ 3,140,048</u>	<u>\$ (4,554,867)</u>	<u>\$ 9,466,777</u>	<u>\$ 1,772,166</u>

LEELANAU COUNTY, MICHIGAN

Notes to Financial Statements

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Business-type Activities					
Compensated absences	\$ 17,051	\$ 20,615	\$ (17,051)	\$ 20,615	\$ 20,615

Component Unit -

Brownfield Redevelopment

Authority

\$473,111 note payable due
in annual installments

(beginning in 2019) of

\$41,395, including interest

at 2.0%, through June 2033

\$ 314,828	\$ -	\$ (24,213)	\$ 290,615	\$ 24,273
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Annual debt service requirements to maturity for long-term debt are as follows:

Governmental Activities - Public Placement

Year Ended December 31,	Principal	Interest
2022	\$ 1,115,000	\$ 111,098
2023	1,110,000	94,018
2024	1,165,000	76,563
2025	1,185,000	58,560
2026	1,205,000	40,249
2027-2028	1,975,000	28,102
	<u>\$ 7,755,000</u>	<u>\$ 408,590</u>

Governmental Activities - Direct Placement

Year Ended December 31,	Principal	Interest
2022	\$ 251,728	\$ 24,298
2023	256,410	19,616
2024	261,179	14,847
2025	266,037	9,989
2026	270,985	5,041
	<u>\$ 1,306,339</u>	<u>\$ 73,791</u>

LEELANAU COUNTY, MICHIGAN

Notes to Financial Statements

Year Ended December 31,	Component Unit	
	Principal	Interest
2022	\$ 24,273	\$ 727
2023	24,334	666
2024	24,395	605
2025	24,456	544
2026	24,517	483
2027-2031	123,507	1,493
2032-2033	45,133	162
	<u>\$ 290,615</u>	<u>\$ 4,680</u>

For governmental activities, compensated absences are generally liquidated by the General Fund.

Refunded Debt

The County issued \$2.6 million of 2021 Law Enforcement Refunding Bonds to provide resources to purchase U.S. government securities that were placed in an escrow fund for the purpose of generating resources for all future debt service payments of \$2.535 million of the 2012 Law Enforcement Bonds. The refunding resulted in a savings of \$113,195 and an economic gain of \$109,726.

9. RISK MANAGEMENT

The County is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The County participates as a member in the Michigan Municipal Risk Management Authority (the "Authority"). The Authority is a municipal self-insurance entity operating pursuant to the State of Michigan Public Act 138 of 1982. The purpose of the Authority is to administer a risk management fund, which provides members with loss protection for general and auto liability, motor vehicle physical damage and property.

The Authority has entered into reinsurance agreements providing for loss coverage in excess of the amounts to be retained by the Authority and individual members. The County's member maximum retention on general liability is \$75,000 per occurrence and \$145,000 per policy year. The limits on auto physical damage are \$15,000 per unit and \$30,000 per occurrence. The retention limits for property and crime coverage are subject to a \$1,000 deductible per occurrence with 10 percent of the first \$100,000 to be paid by the member. The Authority administers all claims and provides the County quarterly activity statements that are used to estimate the liability for unpaid claims.

LEELANAU COUNTY, MICHIGAN

Notes to Financial Statements

In the event a reinsurance company does not meet its obligation to the Authority, responsibility for payment of any unreimbursed claims will be that of the Authority Reinsurance Fund.

The Authority has retained certain levels of risk rather than obtaining coverage through reinsurance agreements. The Authority established the Authority Reinsurance Fund in order to participate in the reinsurance agreements. Individual members are provided the same level of coverage previously afforded through a combination of the reinsurance agreements and the Reinsurance Fund.

In addition, the Authority purchases insurance for certain risks not covered by the reinsurance agreements. The reinsurance agreements discussed above include provisions for minimum annual premiums. As of December 31, 2021, the Authority had met the minimum requirements. The County reports the activity and its share of the Reinsurance Fund in an internal service fund.

The County has transferred the risk of loss for workers' compensation and health insurance via the purchase of commercial insurance policies. Settled claims have not exceeded coverage in any of the past three fiscal years.

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

	2021	2020
Workers compensation		
Estimated liability, January 1	\$ 86,052	\$ 90,541
Estimated claims incurred, including changes in estimates	65,976	15,803
Claim payments	<u>(36,238)</u>	<u>(20,292)</u>
Estimated liability, December 31	<u><u>\$ 115,790</u></u>	<u><u>\$ 86,052</u></u>

10. CONTINGENT LIABILITIES

There are lawsuits pending in which the County is involved. The County estimates that the potential claims against the County not covered by insurance resulting from such litigation would not materially affect the financial statements of the County.

The County participates in a number of federal and state assisted grant programs, which are subject to financial and compliance audits. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements, and is subject to audit by the grantor agencies. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the County expects such amounts, if any, to be immaterial.

LEELANAU COUNTY, MICHIGAN

Notes to Financial Statements

The County is a defendant in litigation related to provisions of the Michigan General Property Tax Act and surplus proceeds generated through the auction of property tax-foreclosed properties under the statute, with similarly situated counties in the state. Proceedings are currently stayed while an appeal pending in the U.S. Circuit Court of Appeals is heard. The County may be required to repay in the future some portion of the surplus from previous years proceeds to former owners of property tax-foreclosed properties for the tax-foreclosed property dispositions. As of December 31, 2021, the County is not able to reasonably estimate this potential liability. Accordingly, no amounts for this potential liability have been recognized in the County's financial statements.

11. PROPERTY TAXES

Prior to 2005, the County property taxes were levied on December 1 of each year (the lien date) and were due in full by March 1 of the year following the levy, at which time uncollected taxes became delinquent. Pursuant to Public Act 357 of 2004, which provides a funding mechanism to replace state revenue sharing payments to counties, the County's levy date gradually shifted from December 1 to July 1 of each year. As such, for the year ended December 31, 2021, the County recognized the full July 1, 2021 levy.

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

The taxable value of real and personal property for 2021, for which revenue was recognized in the General Fund, was approximately \$3.1 billion. The general operating tax rate for this levy was 3.3986 mills. The taxable value of real and personal property for 2020, for which revenue was recognized in all other funds, was approximately \$3.0 billion. The tax rate for that voted levy was 0.32 mills for Senior Services and 0.251 mills for Early Childhood.

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.

12. PENSION PLANS

Primary Government

General Information About the Plan

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

LEELANAU COUNTY, MICHIGAN

Notes to Financial Statements

Benefits Provided. Pension benefits vary by division/bargaining unit and are calculated as final average compensation (based on a 5 year period) and multipliers ranging from 2.0% to 2.5%. Participants are considered to be fully vested in the plan after 10 years. Normal retirement age is 60 with early retirement options available for certain bargaining units.

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

Inactive employees or beneficiaries currently receiving benefits	99
Inactive employees entitled to but not yet receiving benefits	66
Active employees	<u>111</u>
Total membership	<u><u>276</u></u>

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

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

Division/Bargaining Unit	Status	Employer Contribution Rate	Employee Contribution Rate
General	Closed	\$ 11,240	3.50%
POAM	Closed	14,758	2.92%
Non-Union	Closed	19,918	0.00%
COAM	Closed	11,691	2.92%
Non-Union hired after 3/1/2012	Open	7.77%	2.00%

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

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

Inflation	2.50%
Salary increases	3.00% in the long-term
Investment rate of return	7.35%, net of investment and administrative expense including inflation

LEELANAU COUNTY, MICHIGAN

Notes to Financial Statements

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

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

The actuarial assumptions used in the December 31, 2020 valuation were based on the results of the most recent actuarial experience study of 2014-2018.

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Expected Money-Weighted Rate of Return
Global equity	60.00%	5.25%	3.15%
Global fixed income	20.00%	1.25%	0.25%
Private investments	20.00%	7.25%	1.45%
	<u>100.00%</u>		
Inflation			2.50%
Administrative expenses netted above			<u>0.25%</u>
Investment rate of return			<u>7.60%</u>

Discount Rate. The discount rate used to measure the total pension liability as of December 31, 2021 was 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.

LEELANAU COUNTY, 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 (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at December 31, 2020	\$ 32,341,445	\$ 29,363,014	\$ 2,978,431
Changes for the year:			
Service cost	617,204	-	617,204
Interest	2,410,462	-	2,410,462
Differences between expected and actual experience	189,999	-	189,999
Changes in assumptions	1,154,841	-	1,154,841
Employer contributions	-	1,433,784	(1,433,784)
Employee contributions	-	206,418	(206,418)
Net investment income	-	4,127,831	(4,127,831)
Benefit payments, including refunds of employee contributions	(1,866,877)	(1,866,877)	-
Administrative expense	-	(47,324)	47,324
Other changes	(35,319)	-	(35,319)
Net changes	2,470,310	3,853,832	(1,383,522)
Balances at December 31, 2021	\$ 34,811,755	\$ 33,216,846	\$ 1,594,909

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

Sensitivity of the Net Pension Liability to Changes in the Discount Rate. The following presents the net pension liability of the County, calculated using the discount rate of 7.6%, as well as what the County's net pension liability would be if it were calculated using a discount rate that is 1% lower (6.6%) or 1% higher (8.6%) than the current rate:

	1% Decrease (6.6%)	Current Discount Rate (7.6%)	1% Increase (8.6%)
County's net pension liability (asset)	\$ 5,487,113	\$ 1,594,909	\$ (1,690,596)

LEELANAU COUNTY, MICHIGAN

Notes to Financial Statements

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

For the governmental activities, the net pension liability is generally liquidated by the General Fund.

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

For the year ended December 31, 2021, the County recognized pension expense of \$515,859. The County reported deferred outflows/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	\$ 126,666	\$ 216,883	\$ (90,217)
Changes in assumptions	1,211,752	-	1,211,752
Net difference between projected and actual earnings on pension plan investments	-	2,303,992	(2,303,992)
Total	\$ 1,338,418	\$ 2,520,875	\$ (1,182,457)

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

Year Ended December 31,	Amount
2022	\$ 163,535
2023	(304,887)
2024	(659,775)
2025	(381,330)
	<u>\$ (1,182,457)</u>

Payable to the Pension Plan. At December 31, 2021, the County had no amounts outstanding payable to the pension plan.

LEELANAU COUNTY, MICHIGAN

Notes to Financial Statements

Defined Contribution Plan

The County offers a money purchase pension plan, the Leelanau County Money Purchase Pension Plan 401(a), in accordance with Internal Revenue Code Section 401(a), to all regular and grant full-time employees who have been employed for at least two years. The Plan, which was closed to new hires effective January 1, 2015, is administered by PEBSCO. Plan provisions and contribution requirements are established and may be amended by Leelanau County. The County matches 100% of employee contributions to their Section 457 deferred compensation account, ranging from a minimum of \$300 to a maximum of \$1,000 depending on the employees' years of service. For the year ended December 31, 2020, the County contributed \$23,000 based on the employee contributions into their Section 457 accounts. The Plan is not considered a fiduciary activity of the County under GASB Statement No. 84.

Road Commission

General Information About the Plan

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

Benefits Provided. Pension benefits are calculated as final average compensation (based on a 5 year period) and multipliers at 2.0%. Participants are considered to be fully vested in the plan after 10 years. Normal retirement age is 60 with early retirement at age 50 with 25 years of service or age 55 with 15 years of service. The plan is closed to new entrants.

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

Inactive employees or beneficiaries currently receiving benefits	36
Inactive employees entitled to but not yet receiving benefits	16
Active employees	<u>10</u>
Total membership	<u><u>62</u></u>

Contributions. The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by the MERS Retirement Board. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. In addition, the employer may establish contribution rates to be paid by its covered employees. Monthly required employer contributions were \$11,374 during the year ended December 31, 2021, while employees contributed 4.0% to the plan.

LEELANAU COUNTY, MICHIGAN

Notes to Financial Statements

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

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

Inflation	2.50%
Salary increases	3.00% in the long-term
Investment rate of return	7.35%, net of investment and administrative expense 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 Disabled Retiree Tables for ages 18-120

The actuarial assumptions used in the December 31, 2020 valuation were based on the results of the most recent actuarial experience study of 2014-2018.

LEELANAU COUNTY, MICHIGAN

Notes to Financial Statements

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Expected Money-Weighted Rate of Return
Global equity	60.00%	5.25%	3.15%
Global fixed income	20.00%	1.25%	0.25%
Private investments	20.00%	7.25%	1.45%
	<u>100.0%</u>		
Inflation			2.50%
Administrative expenses netted above			<u>0.25%</u>
Investment rate of return			<u><u>7.60%</u></u>

Discount Rate. The discount rate used to measure the total pension liability as of December 31, 2021 was 7.6%. 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.

LEELANAU COUNTY, MICHIGAN

Notes to Financial Statements

Changes in Net Pension Liability (Asset)

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

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at December 31, 2020	\$ 8,156,950	\$ 8,312,232	\$ (155,282)
Changes for the year:			
Service cost	41,551	-	41,551
Interest	597,879	-	597,879
Differences between expected and actual experience	69,882	-	69,882
Changes in assumptions	148,779	-	148,779
Employer contributions	-	258,708	(258,708)
Employee contributions	-	18,550	(18,550)
Net investment income	-	1,148,640	(1,148,640)
Benefit payments, including refunds of employee contributions	(621,797)	(621,797)	-
Administrative expense	-	(13,203)	13,203
Other changes	5,120	-	5,120
Net changes	241,414	790,898	(549,484)
Balances at December 31, 2021	\$ 8,398,364	\$ 9,103,130	\$ (704,766)

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

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate. The following presents the net pension liability (asset) of the Road Commission, calculated using the discount rate of 7.6%, as well as what the Road Commission's net pension liability (asset) would be if it were calculated using a discount rate that is 1% lower (6.6%) or 1% higher (8.6%) than the current rate:

	1% Decrease (6.6%)	Current Discount Rate (7.6%)	1% Increase (8.6%)
Road Commission's net pension liability (asset)	\$ 86,541	\$ (704,766)	\$ (1,387,115)

LEELANAU COUNTY, MICHIGAN

Notes to Financial Statements

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 Inflows of Resources Related to Pensions

For the year ended December 31, 2021, the Road Commission recognized pension expense of \$81,378. The Road Commission reported deferred inflows of resources related to pensions from the following sources:

	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	<u>\$ (647,705)</u>

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

Year Ended December 31,	Amount
2022	\$ (102,829)
2023	(254,718)
2024	(184,058)
2025	<u>(106,100)</u>
Total	<u><u>\$ (647,705)</u></u>

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

Defined Contribution Pension Plan

The Road Commission's defined contribution pension plan provides pension benefits for all employees. New employees are added to the defined contribution plan upon hire and previous employees have the option to participate in the Plan. Employees vest immediately upon contribution. Plan members are required to contribute 4% of their annual salary. The Road Commission contributes a matching percentage. Employer and employee contributions were each \$42,771 for the year ended December 31, 2021. The Plan is administered by MERS, and is not considered a fiduciary activity under GASB Statement No. 84.

LEELANAU COUNTY, MICHIGAN

Notes to Financial Statements

13. OPERATING LEASES - LESSOR

The County has entered into operating lease agreements with several lessees for space on County-owned communication towers. The parties have agreed to various lengths of rental agreements, which all contain a right to renewal. Payment on lease rentals is dependent on the location of the antenna on the tower. Total rental income for 2021 amounted to \$341,079.

The following is a summary of the minimum lease rental revenue for the remainder of the leases:

Year Ended December 31,	Amount
2022	\$ 367,260
2023	376,767
2024	386,551
2025	<u>396,619</u>
	<u>\$ 1,527,197</u>

LEELANAU COUNTY, MICHIGAN

Notes to Financial Statements

14. FUND BALANCES - GOVERNMENTAL FUNDS

The County reports fund balance in governmental funds based on the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. GASB 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Detailed information on fund balances of governmental funds is as follows:

	General Fund	Senior Services	Nonmajor Governmental Funds	Total
Nonspendable:				
Prepays	\$ 38,590	\$ 264	\$ 15,943	\$ 54,797
Long-term advances	90,000	-	-	90,000
	<u>128,590</u>	<u>264</u>	<u>15,943</u>	<u>144,797</u>
Restricted for:				
Revenue sharing reserve	-	-	36,543	36,543
ROD automation	-	-	120,100	120,100
Inmate housing	-	-	225,269	225,269
911 Wireless	-	-	73,517	73,517
Training	-	-	46,815	46,815
Indigent defense	-	-	159,210	159,210
Gaming revenue	-	-	8,603	8,603
Communication towers	-	-	575,128	575,128
Recycling	-	-	374,392	374,392
Mapping	-	-	28,534	28,534
Concealed pistol licenses	-	-	43,578	43,578
CDBG administration	-	-	22,028	22,028
CDBG rehabilitation	-	-	29,885	29,885
CDBG repayment	-	-	187,885	187,885
HOME	-	-	10,000	10,000
Senior services	-	864,601	-	864,601
Early childhood	-	-	325,576	325,576
Communications	-	-	185,184	185,184
Drain revolving	-	-	3,074	3,074
Brewery Creek drain	-	-	3,547	3,547
	<u>-</u>	<u>864,601</u>	<u>2,458,868</u>	<u>3,323,469</u>

LEELANAU COUNTY, MICHIGAN

Notes to Financial Statements

	General Fund	Senior Services	Nonmajor Governmental Funds	Total
Committed for:				
Capital projects	\$ -	\$ -	\$ 88,707	\$ 88,707
Veterans campus maintenance	-	-	4,474	4,474
Law enforcement	-	-	52,823	52,823
	-	-	146,004	146,004
Unassigned	9,322,192	-	-	9,322,192
Total fund balances, governmental funds	\$ 9,450,782	\$ 864,865	\$ 2,620,815	\$ 12,936,462

15. NET INVESTMENT IN CAPITAL ASSETS

The composition of the net investment in capital assets as of December 31, 2021, was as follows:

	Governmental Activities	Component Units
Capital assets:		
Capital assets not being depreciated	\$ 1,318,886	\$ 17,487,033
Capital assets being depreciated, net	18,114,374	19,746,561
	19,433,260	37,233,594
Related debt:		
Bonds and capital leases payable	9,061,339	-
Deferred gain on refunding	40,772	-
Less bonds payable related to leases receivable	(5,155,000)	-
	3,947,111	-
Net investment in capital assets	\$ 15,486,149	\$ 37,233,594

16. CORONAVIRUS (COVID-19)

In March 2020, the World Health Organization declared the novel coronavirus outbreak (COVID-19) to be a global pandemic. The pandemic has resulted operational challenges for the County as it determines the impact on employees, vendors, and taxpayers, and the appropriate method for providing services. At this time, management does not believe that any ongoing negative financial impact related to the pandemic, if any, would be material to the County.



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REQUIRED SUPPLEMENTARY INFORMATION

LEELANAU COUNTY, MICHIGAN

Required Supplementary Information

MERS Agent Multiple-Employer Defined Benefit Pension Plan - Primary Government Schedule of Changes in the County's Net Pension Liability and Related Ratios

	Year Ended December 31,		
	2021	2020	2019
Total pension liability			
Service cost	\$ 617,204	\$ 636,530	\$ 614,803
Interest	2,410,462	2,263,648	2,320,901
Changes in benefit terms	-	(8,220)	(14,556)
Differences between expected and actual experience	189,999	(186,945)	(493,637)
Changes of assumptions	1,154,841	883,718	-
Benefit payments, including refunds of employee contributions	(1,866,877)	(1,663,574)	(1,550,819)
Other changes	(35,319)	117,923	(57,596)
Net change in total pension liability	<u>2,470,310</u>	<u>2,043,080</u>	<u>819,096</u>
Total pension liability, beginning of year	<u>32,341,445</u>	<u>30,298,365</u>	<u>29,479,269</u>
Total pension liability, end of year	<u>34,811,755</u>	<u>32,341,445</u>	<u>30,298,365</u>
Plan fiduciary net position			
Employer contributions	1,433,784	1,135,144	1,028,673
Employee contributions	206,418	177,633	111,720
Net investment income (loss)	4,127,831	3,382,119	3,210,495
Benefit payments, including refunds of employee contributions	(1,866,877)	(1,663,574)	(1,550,819)
Administrative expense	(47,324)	(53,170)	(55,239)
Net change in plan fiduciary net position	<u>3,853,832</u>	<u>2,978,152</u>	<u>2,744,830</u>
Plan fiduciary net position, beginning of year	<u>29,363,014</u>	<u>26,384,862</u>	<u>23,640,032</u>
Plan fiduciary net position, end of year	<u>33,216,846</u>	<u>29,363,014</u>	<u>26,384,862</u>
County's net pension liability	<u>\$ 1,594,909</u>	<u>\$ 2,978,431</u>	<u>\$ 3,913,503</u>
Plan fiduciary net position as a percentage of total pension liability	95.4%	90.8%	87.1%
Covered payroll	\$ 6,323,139	\$ 6,195,268	\$ 6,051,170
County's net pension liability as a percentage of covered payroll	25.2%	48.1%	64.7%

See notes to required supplementary information.

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Year Ended December 31,			
2018	2017	2016	2015
\$ 568,219	\$ 563,173	\$ 543,226	\$ 509,322
2,236,383	2,194,209	2,021,067	1,927,081
-	-	-	-
(104,311)	(672,312)	614,574	-
-	-	1,253,143	-
(1,532,396)	(1,471,441)	(1,338,945)	(1,267,146)
(125,502)	(58,504)	(106,961)	(11,078)
1,042,393	555,125	2,986,104	1,158,179
28,436,876	27,881,751	24,895,647	23,737,468
29,479,269	28,436,876	27,881,751	24,895,647
1,327,216	1,471,798	1,637,142	1,767,785
141,405	69,384	61,611	81,073
(984,692)	2,913,289	2,220,227	(296,090)
(1,532,396)	(1,471,441)	(1,338,945)	(1,267,146)
(48,121)	(46,046)	(43,809)	(42,516)
(1,096,588)	2,936,984	2,536,226	243,106
24,736,620	21,799,636	19,263,410	19,020,304
23,640,032	24,736,620	21,799,636	19,263,410
\$ 5,839,237	\$ 3,700,256	\$ 6,082,115	\$ 5,632,237
80.2%	87.0%	78.2%	77.4%
\$ 5,801,628	\$ 5,546,413	\$ 5,246,995	\$ 4,945,090
100.6%	66.7%	115.9%	113.9%

LEELANAU COUNTY, MICHIGAN

Required Supplementary Information

MERS Agent Multiple-Employer Defined Benefit Pension Plan - Primary Government
Schedule of Contributions

Fiscal Year Ended December 31,	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as Percentage of Covered Payroll
2021	\$ 933,784	\$ 1,433,784	\$ (500,000)	\$ 6,323,139	22.7%
2020	785,144	1,135,144	(350,000)	6,195,268	18.3%
2019	778,673	1,028,673	(250,000)	6,051,170	17.0%
2018	817,216	1,327,216	(510,000)	5,801,628	22.9%
2017	796,798	1,471,798	(675,000)	5,546,413	26.5%
2016	737,142	1,637,142	(900,000)	5,246,995	31.2%
2015	770,986	1,767,785	(996,799)	4,945,090	35.7%

See notes to required supplementary information.

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LEELANAU COUNTY, MICHIGAN

Required Supplementary Information

MERS Agent Multiple-Employer Defined Benefit Pension Plan - Road Commission

Schedule of Changes in the Road Commission's Net Pension Liability (Asset) and Related Ratios

	Year Ended December 31,		
	2021	2020	2019
Total pension liability			
Service cost	\$ 41,551	\$ 54,944	\$ 68,404
Interest	597,879	570,287	594,840
Differences between expected and actual experience	69,882	93,371	(40,985)
Changes of assumptions	148,779	233,994	-
Benefit payments, including refunds of employee contributions	(621,797)	(557,063)	(498,590)
Other changes	5,120	6,581	(19,432)
Net change in total pension liability	<u>241,414</u>	<u>402,114</u>	<u>104,237</u>
Total pension liability, beginning of year	<u>8,156,950</u>	<u>7,754,836</u>	<u>7,650,599</u>
Total pension liability, end of year	<u>8,398,364</u>	<u>8,156,950</u>	<u>7,754,836</u>
Plan fiduciary net position			
Employer contributions	258,708	750,000	600,000
Employee contributions	18,550	25,117	30,146
Net investment income (loss)	1,148,640	942,181	853,664
Benefit payments, including refunds of employee contributions	(621,797)	(557,063)	(498,590)
Administrative expense	(13,203)	(14,596)	(14,728)
Net change in plan fiduciary net position	<u>790,898</u>	<u>1,145,639</u>	<u>970,492</u>
Plan fiduciary net position, beginning of year	<u>8,312,232</u>	<u>7,166,593</u>	<u>6,196,101</u>
Plan fiduciary net position, end of year	<u>9,103,130</u>	<u>8,312,232</u>	<u>7,166,593</u>
Road Commission's net pension liability (asset)	<u>\$ (704,766)</u>	<u>\$ (155,282)</u>	<u>\$ 588,243</u>
Plan fiduciary net position as a percentage of total pension liability	108.4%	101.9%	92.4%
Covered payroll	\$ 463,750	\$ 627,925	\$ 753,650
Road Commission's net pension liability (asset) as a percentage of covered payroll	-152.0%	-24.7%	78.1%

See notes to required supplementary information.

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Year Ended December 31,			
2018	2017	2016	2015
\$ 75,638	\$ 87,575	\$ 101,926	\$ 98,043
588,250	581,951	538,670	516,891
(94,551)	(145,676)	144,554	-
-	-	359,724	-
(428,935)	(371,949)	(333,051)	(295,302)
(19,578)	(38,702)	(40,145)	(38,703)
120,824	113,199	771,678	280,929
7,529,775	7,416,576	6,644,898	6,363,969
7,650,599	7,529,775	7,416,576	6,644,898
630,000	582,000	486,000	473,484
34,603	38,677	43,676	49,761
(252,496)	709,362	527,239	(67,576)
(428,935)	(371,949)	(333,051)	(295,302)
(12,244)	(11,195)	(10,399)	(9,827)
(29,072)	946,895	713,465	150,540
6,225,173	5,278,278	4,564,813	4,414,273
6,196,101	6,225,173	5,278,278	4,564,813
\$ 1,454,498	\$ 1,304,602	\$ 2,138,298	\$ 2,080,085

81.0%	82.7%	71.2%	68.7%
\$ 874,715	\$ 966,929	\$ 1,197,106	\$ 1,153,314
166.3%	134.9%	178.6%	180.4%

LEELANAU COUNTY, MICHIGAN

Required Supplementary Information

MERS Agent Multiple-Employer Defined Benefit Pension Plan - Road Commission
Schedule of Contributions

Fiscal Year Ended December 31,	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as Percentage of Covered Payroll
2021	\$ 136,488	\$ 258,708	\$ (122,220)	\$ 463,750	55.8%
2020	128,196	750,000	(621,804)	627,925	119.4%
2019	150,504	600,000	(449,496)	753,650	79.6%
2018	183,732	630,000	(446,268)	874,715	72.0%
2017	214,116	582,000	(367,884)	966,929	60.2%
2016	175,188	486,000	(310,812)	1,197,106	40.6%
2015	323,484	473,484	(150,000)	1,153,314	41.1%

See notes to required supplementary information.

LEELANAU COUNTY, MICHIGAN

Required Supplementary Information

MERS Agent Multiple-Employer Defined Benefit Pension Plans

Notes to the Schedule of Changes in the Net Pension Liability and Related Ratios

The amounts presented for each fiscal year were determined as of December 31 of the preceding year.

GASB 68 was implemented in fiscal year 2015. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

Changes in Assumptions. In 2016, amounts reported as changes of assumptions resulted primarily from adjustments to the mortality table to reflect longer lifetimes, decreases in the assumed rate of return, and changes in asset smoothing.

In 2020, amounts reported as changes of assumptions resulted primarily from a decrease in the assumed rate of return from 7.75% to 7.35%, and a decrease in the assumed rate of wage inflation from 3.75% to 3.00%.

In 2021, amounts reported as changes of assumptions related to updated demographic assumptions, including adjustments to the following actuarial assumptions: mortality, retirement, disability, and termination rates.

Notes to Schedule of Contributions

GASB 68 was implemented in fiscal year 2015. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

Valuation Date	Actuarially determined contribution rates are calculated as of the December 31 that is 12 months prior to the beginning of the fiscal year in which contributions are reported.
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Methods and assumptions used to determine contribution rates (2021, based on the 12/31/2019 actuarial valuation):

Actuarial cost method	Entry-age normal
Amortization method	Level percent of payroll, closed
Remaining amortization period	20 years for County divisions; 14 years for Road Commission
Asset valuation method	5-year smooth market
Inflation	2.50%
Salary increases	3.00% in the long-term
Investment rate of return	7.35%, net of investment and administrative expense including inflation
Normal retirement age	Age 60
Mortality	50% Female/50% Male blend of the RP-2014 Healthy Annuitant Mortality Tables with rates multiplied by 105%, the RP-2014 Employee Mortality Tables, and the RP-2014 Juvenile Mortality Tables

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COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS

LEELANAU COUNTY, MICHIGAN

Combining Balance Sheet

Nonmajor Governmental Funds

December 31, 2021

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
Assets				
Cash and investments	\$ 2,435,431	\$ 52,823	\$ 323,245	\$ 2,811,499
Receivables:				
Accounts	93,109	-	-	93,109
Loans	530,915	-	-	530,915
Taxes	922,565	-	-	922,565
Due from other governments	48,682	-	-	48,682
Prepaid items	1,670	-	14,273	15,943
Total assets	<u>\$ 4,032,372</u>	<u>\$ 52,823</u>	<u>\$ 337,518</u>	<u>\$ 4,422,713</u>
Liabilities				
Accounts payable	\$ 151,254	\$ -	\$ 42,733	\$ 193,987
Unearned revenue	8,361	-	-	8,361
Total liabilities	<u>159,615</u>	<u>-</u>	<u>42,733</u>	<u>202,348</u>
Deferred inflows of resources				
Unavailable revenue - loans receivable	530,915	-	-	530,915
Taxes levied for a subsequent period	1,068,635	-	-	1,068,635
Total deferred inflows of resources	<u>1,599,550</u>	<u>-</u>	<u>-</u>	<u>1,599,550</u>
Fund balances				
Nonspendable	1,670	-	14,273	15,943
Restricted	2,267,063	-	191,805	2,458,868
Committed	4,474	52,823	88,707	146,004
Total fund balances	<u>2,273,207</u>	<u>52,823</u>	<u>294,785</u>	<u>2,620,815</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 4,032,372</u>	<u>\$ 52,823</u>	<u>\$ 337,518</u>	<u>\$ 4,422,713</u>

LEELANAU COUNTY, MICHIGAN

Combining Statement of Revenues, Expenditures

and Change in Fund Balances - Nonmajor Governmental Funds

For the Year Ended December 31, 2021

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
Revenues				
Property taxes	\$ 1,200,606	\$ -	\$ -	\$ 1,200,606
Intergovernmental	266,832	-	31,650	298,482
Charges for services	614,280	-	-	614,280
Refunds and reimbursements	128,941	-	-	128,941
Interest	3,469	-	13	3,482
Other	188,489	-	43,400	231,889
Total revenues	2,402,617	-	75,063	2,477,680
Expenditures				
Current:				
General government	5,811	-	-	5,811
Public safety	308,772	-	-	308,772
Public works	491,468	-	63,037	554,505
Health and welfare	341,615	-	-	341,615
Debt service:				
Principal	-	617,131	-	617,131
Interest and fiscal charges	-	61,314	-	61,314
Bond issuance costs	-	26,520	-	26,520
Capital outlay	-	-	153,903	153,903
Total expenditures	1,147,666	704,965	216,940	2,069,571
Revenues over (under) expenditures	1,254,951	(704,965)	(141,877)	408,109
Other financing sources (uses)				
Transfers in	128,074	730,726	373,764	1,232,564
Transfers out	(1,334,376)	-	(276,026)	(1,610,402)
Issuance of long-term refunding debt	-	2,600,000	-	2,600,000
Payment to refunding bond escrow agent	-	(2,572,938)	-	(2,572,938)
Total other financing sources (uses)	(1,206,302)	757,788	97,738	(350,776)
Net change in fund balances	48,649	52,823	(44,139)	57,333
Fund balances, beginning of year	2,224,558	-	338,924	2,563,482
Fund balances, end of year	\$ 2,273,207	\$ 52,823	\$ 294,785	\$ 2,620,815

LEELANAU COUNTY, MICHIGAN

Combining Balance Sheet

Nonmajor Special Revenue Funds

December 31, 2021

	Inmate Housing	Recycling	Wireless 911	911 Training
Assets				
Cash and investments	\$ 205,814	\$ 435,455	\$ 32	\$ 30,184
Receivables:				
Accounts	19,748	26,183	31,644	-
Loans	-	-	-	-
Taxes	-	385,827	-	-
Due from other governments	-	-	41,841	6,841
Prepaid items	-	50	-	1,320
Total assets	<u>\$ 225,562</u>	<u>\$ 847,515</u>	<u>\$ 73,517</u>	<u>\$ 38,345</u>
Liabilities				
Accounts payable	\$ 293	\$ 25,139	\$ -	\$ -
Unearned revenue	-	-	-	-
Total liabilities	<u>293</u>	<u>25,139</u>	<u>-</u>	<u>-</u>
Deferred inflows of resources				
Unavailable revenue - loans receivable	-	-	-	-
Taxes levied for a subsequent period	-	447,934	-	-
Total deferred inflows of resources	<u>-</u>	<u>447,934</u>	<u>-</u>	<u>-</u>
Fund balances				
Nonspendable	-	50	-	1,320
Restricted	225,269	374,392	73,517	37,025
Committed	-	-	-	-
Total fund balances	<u>225,269</u>	<u>374,442</u>	<u>73,517</u>	<u>38,345</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 225,562</u>	<u>\$ 847,515</u>	<u>\$ 73,517</u>	<u>\$ 38,345</u>

Veterans Campus Maintenance	ROD Automation	Indigent Defense	Gaming Revenue	Concealed Pistol License	Corrections Training
\$ 4,497	\$ 120,100	\$ 165,705	\$ 8,603	\$ 43,578	\$ 7,470
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 4,497</u>	<u>\$ 120,100</u>	<u>\$ 165,705</u>	<u>\$ 8,603</u>	<u>\$ 43,578</u>	<u>\$ 7,470</u>
\$ 23	\$ -	\$ 6,495	\$ -	\$ -	\$ -
-	-	-	-	-	-
<u>23</u>	<u>-</u>	<u>6,495</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-
-	120,100	159,210	8,603	43,578	7,470
<u>4,474</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>4,474</u>	<u>120,100</u>	<u>159,210</u>	<u>8,603</u>	<u>43,578</u>	<u>7,470</u>
\$ 4,497	\$ 120,100	\$ 165,705	\$ 8,603	\$ 43,578	\$ 7,470

continued...

LEELANAU COUNTY, MICHIGAN

Combining Balance Sheet

Nonmajor Special Revenue Funds

December 31, 2021

	CDBG Administration	CDBG Rehabilitation	CDBG Repayment	HOME
Assets				
Cash and investments	\$ 22,449	\$ 29,885	\$ 187,885	\$ 10,000
Receivables:				
Accounts	-	-	-	-
Loans	-	-	530,915	-
Taxes	-	-	-	-
Due from other governments	-	-	-	-
Prepaid items	-	-	-	-
Total assets	<u>\$ 22,449</u>	<u>\$ 29,885</u>	<u>\$ 718,800</u>	<u>\$ 10,000</u>
Liabilities				
Accounts payable	\$ 421	\$ -	\$ -	\$ -
Unearned revenue	-	-	-	-
Total liabilities	<u>421</u>	<u>-</u>	<u>-</u>	<u>-</u>
Deferred inflows of resources				
Unavailable revenue - loans receivable	-	-	530,915	-
Taxes levied for a subsequent period	-	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>530,915</u>	<u>-</u>
Fund balances				
Nonspendable	-	-	-	-
Restricted	22,028	29,885	187,885	10,000
Committed	-	-	-	-
Total fund balances	<u>22,028</u>	<u>29,885</u>	<u>187,885</u>	<u>10,000</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 22,449</u>	<u>\$ 29,885</u>	<u>\$ 718,800</u>	<u>\$ 10,000</u>



Early Childhood Fund	Revenue Sharing Reserve	Criminal Justice Training	Communication Towers	Map Fund	Total
\$ 510,342	\$ 36,543	\$ 2,320	\$ 570,242	\$ 44,327	\$ 2,435,431
-	-	-	15,534	-	93,109
-	-	-	-	-	530,915
536,738	-	-	-	-	922,565
-	-	-	-	-	48,682
-	-	-	-	300	1,670
<u>\$ 1,047,080</u>	<u>\$ 36,543</u>	<u>\$ 2,320</u>	<u>\$ 585,776</u>	<u>\$ 44,627</u>	<u>\$ 4,032,372</u>
\$ 100,803	-	\$ -	\$ 2,287	\$ 15,793	\$ 151,254
-	-	-	8,361	-	8,361
<u>100,803</u>	<u>-</u>	<u>-</u>	<u>10,648</u>	<u>15,793</u>	<u>159,615</u>
-	-	-	-	-	530,915
<u>620,701</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,068,635</u>
<u>620,701</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,599,550</u>
-	-	-	-	300	1,670
325,576	36,543	2,320	575,128	28,534	2,267,063
-	-	-	-	-	4,474
<u>325,576</u>	<u>36,543</u>	<u>2,320</u>	<u>575,128</u>	<u>28,834</u>	<u>2,273,207</u>
<u>\$ 1,047,080</u>	<u>\$ 36,543</u>	<u>\$ 2,320</u>	<u>\$ 585,776</u>	<u>\$ 44,627</u>	<u>\$ 4,032,372</u>

concluded

LEELANAU COUNTY, MICHIGAN

Combining Statement of Revenues, Expenditures and Change in Fund Balances

Nonmajor Special Revenue Funds

For the Year Ended December 31, 2021

	Inmate Housing	Recycling	Wireless 911	911 Training
Revenues				
Property taxes	\$ -	\$ 445,386	\$ -	\$ -
Intergovernmental	-	-	147,348	11,605
Charges for services	63,348	17,169	127,144	-
Refunds and reimbursements	128,691	-	-	-
Interest	-	-	-	-
Other	-	32,428	-	-
Total revenues	<u>192,039</u>	<u>494,983</u>	<u>274,492</u>	<u>11,605</u>
Expenditures				
Current:				
General government	-	-	-	-
Public safety	6,183	-	-	8,644
Public works	-	469,447	-	-
Health and welfare	-	-	-	-
Total expenditures	<u>6,183</u>	<u>469,447</u>	<u>-</u>	<u>8,644</u>
Revenues over (under) expenditures	<u>185,856</u>	<u>25,536</u>	<u>274,492</u>	<u>2,961</u>
Other financing sources (uses)				
Transfers in	-	-	-	-
Transfers out	(241,400)	(15,000)	(273,900)	-
Total other financing sources (uses)	<u>(241,400)</u>	<u>(15,000)</u>	<u>(273,900)</u>	<u>-</u>
Net change in fund balances	<u>(55,544)</u>	<u>10,536</u>	<u>592</u>	<u>2,961</u>
Fund balances, beginning of year	<u>280,813</u>	<u>363,906</u>	<u>72,925</u>	<u>35,384</u>
Fund balances, end of year	<u>\$ 225,269</u>	<u>\$ 374,442</u>	<u>\$ 73,517</u>	<u>\$ 38,345</u>



Veterans Campus Maintenance	ROD Automation	Indigent Defense	Gaming Revenue	Concealed Pistol License	Corrections Training
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	51,684	53,696	-	-
-	50,295	-	-	11,818	1,848
-	-	250	-	-	-
-	-	-	-	-	-
875	-	-	-	-	-
875	50,295	51,934	53,696	11,818	1,848
-	5,811	-	-	-	-
2,613	-	105,765	57,951	2,267	2,206
-	-	-	-	-	-
-	-	-	-	-	-
2,613	5,811	105,765	57,951	2,267	2,206
(1,738)	44,484	(53,831)	(4,255)	9,551	(358)
2,000	-	52,781	-	-	-
-	(10,222)	-	-	(1,880)	-
2,000	(10,222)	52,781	-	(1,880)	-
262	34,262	(1,050)	(4,255)	7,671	(358)
4,212	85,838	160,260	12,858	35,907	7,828
\$ 4,474	\$ 120,100	\$ 159,210	\$ 8,603	\$ 43,578	\$ 7,470

continued...

LEELANAU COUNTY, MICHIGAN

Combining Statement of Revenues, Expenditures and Change in Fund Balances

Nonmajor Special Revenue Funds

For the Year Ended December 31, 2021

	CDBG Administration	CDBG Rehabilitation	CDBG Repayment	HOME
Revenues				
Property taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Refunds and reimbursements	-	-	-	-
Interest	-	-	3,340	-
Other	-	-	155,186	-
Total revenues	-	-	158,526	-
Expenditures				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Health and welfare	2,991	-	18,102	-
Total expenditures	2,991	-	18,102	-
Revenues over (under) expenditures	(2,991)	-	140,424	-
Other financing sources (uses)				
Transfers in	31,293	-	-	9,000
Transfers out	(7,000)	(7,732)	(25,561)	-
Total other financing sources (uses)	24,293	(7,732)	(25,561)	9,000
Net change in fund balances	21,302	(7,732)	114,863	9,000
Fund balances, beginning of year	726	37,617	73,022	1,000
Fund balances, end of year	<u>\$ 22,028</u>	<u>\$ 29,885</u>	<u>\$ 187,885</u>	<u>\$ 10,000</u>



Early Childhood Fund	Revenue Sharing Reserve	Criminal Justice Training	Communication Towers	Map Fund	Total
\$ 755,220	\$ -	\$ -	\$ -	\$ -	\$ 1,200,606
-	-	2,499	-	-	266,832
-	-	-	331,900	10,758	614,280
-	-	-	-	-	128,941
-	129	-	-	-	3,469
-	-	-	-	-	188,489
755,220	129	2,499	331,900	10,758	2,402,617
-	-	-	-	-	5,811
-	-	985	122,158	-	308,772
-	-	-	-	22,021	491,468
320,522	-	-	-	-	341,615
320,522	-	985	122,158	22,021	1,147,666
434,698	129	1,514	209,742	(11,263)	1,254,951
-	-	-	-	33,000	128,074
(109,139)	(477,542)	-	(165,000)	-	(1,334,376)
(109,139)	(477,542)	-	(165,000)	33,000	(1,206,302)
325,559	(477,413)	1,514	44,742	21,737	48,649
17	513,956	806	530,386	7,097	2,224,558
\$ 325,576	\$ 36,543	\$ 2,320	\$ 575,128	\$ 28,834	\$ 2,273,207

concluded

LEELANAU COUNTY, MICHIGAN

Combining Balance Sheet

Nonmajor Debt Service Funds

December 31, 2021

	Radio Communications Project	Law Enforcement	Total
Assets			
Cash and investments	\$ -	\$ 52,823	\$ 52,823
Fund balances			
Committed	\$ -	\$ 52,823	\$ 52,823

LEELANAU COUNTY, MICHIGAN

Combining Statement of Revenues, Expenditures and Change in Fund Balances

Nonmajor Debt Service Funds

For the Year Ended December 31, 2021

	Radio Communications Project	Law Enforcement	Total
Expenditures			
Debt service:			
Principal	\$ 247,131	\$ 370,000	\$ 617,131
Interest and fiscal charges	28,895	32,419	61,314
Bond issuance costs	-	26,520	26,520
Total expenditures	276,026	428,939	704,965
Revenues under expenditures	(276,026)	(428,939)	(704,965)
Other financing sources (uses)			
Transfers in	276,026	454,700	730,726
Issuance of long-term refunding debt	-	2,600,000	2,600,000
Payment to refunding bond escrow agent	-	(2,572,938)	(2,572,938)
Total other financing sources (uses)	276,026	481,762	757,788
Net change in fund balances	-	52,823	52,823
Fund balances, beginning of year	-	-	-
Fund balances, end of year	<u>\$ -</u>	<u>\$ 52,823</u>	<u>\$ 52,823</u>

LEELANAU COUNTY, MICHIGAN

Combining Balance Sheet

Nonmajor Capital Projects Funds

December 31, 2021

	Radio Communications Project	Capital Projects Communications	Building Capital Projects
Assets			
Cash and investments	\$ 139,642	\$ 45,786	\$ 117,536
Prepaid items	14,273	-	-
Total assets	<u>\$ 153,915</u>	<u>\$ 45,786</u>	<u>\$ 117,536</u>
Liabilities			
Accounts payable	\$ 244	\$ -	\$ 42,489
Fund balances			
Nonspendable	14,273	-	-
Restricted	139,398	45,786	-
Committed	-	-	75,047
Total fund balances	<u>153,671</u>	<u>45,786</u>	<u>75,047</u>
Total liabilities and fund balances	<u>\$ 153,915</u>	<u>\$ 45,786</u>	<u>\$ 117,536</u>

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Drain Revolving	Special Assessments	Brewery Creek Drain	Total
\$ 3,074	\$ 13,660	\$ 3,547	\$ 323,245
-	-	-	14,273
<u>\$ 3,074</u>	<u>\$ 13,660</u>	<u>\$ 3,547</u>	<u>\$ 337,518</u>
\$ -	\$ -	\$ -	\$ 42,733
-	-	-	14,273
3,074	-	3,547	191,805
-	13,660	-	88,707
<u>3,074</u>	<u>13,660</u>	<u>3,547</u>	<u>294,785</u>
<u>\$ 3,074</u>	<u>\$ 13,660</u>	<u>\$ 3,547</u>	<u>\$ 337,518</u>

LEELANAU COUNTY, MICHIGAN

Combining Statement of Revenues, Expenditures and Change in Fund Balances

Nonmajor Capital Projects Funds

For the Year Ended December 31, 2021

	Radio Communications Project	Capital Projects Communications	Building Capital Projects
Revenues			
Intergovernmental	\$ 31,650	\$ -	\$ -
Interest	-	-	13
Other	43,400	-	-
Total revenues	<u>75,050</u>	<u>-</u>	<u>13</u>
Expenditures			
Current:			
Public works	17,705	-	-
Capital outlay	-	-	153,903
Total expenditures	<u>17,705</u>	<u>-</u>	<u>153,903</u>
Revenues over (under) expenditures	<u>57,345</u>	<u>-</u>	<u>(153,890)</u>
Other financing sources (uses)			
Transfers in	179,164	-	155,500
Transfers out	(276,026)	-	-
Total other financing sources (uses)	<u>(96,862)</u>	<u>-</u>	<u>155,500</u>
Net change in fund balances	<u>(39,517)</u>	<u>-</u>	<u>1,610</u>
Fund balances, beginning of year	<u>193,188</u>	<u>45,786</u>	<u>73,437</u>
Fund balances, end of year	<u>\$ 153,671</u>	<u>\$ 45,786</u>	<u>\$ 75,047</u>

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Drain Revolving	Special Assessments	Brewery Creek Drain	Total
\$ -	\$ -	\$ -	\$ 31,650
-	-	-	13
-	-	-	43,400
-	-	-	75,063
-	45,332	-	63,037
-	-	-	153,903
-	45,332	-	216,940
-	(45,332)	-	(141,877)
-	39,100	-	373,764
-	-	-	(276,026)
-	39,100	-	97,738
-	(6,232)	-	(44,139)
3,074	19,892	3,547	338,924
\$ 3,074	\$ 13,660	\$ 3,547	\$ 294,785

LEELANAU COUNTY, MICHIGAN

Combining Statement of Net Position

Nonmajor Enterprise Funds

December 31, 2021

	Inmate Commissary	Homestead Audit	Treasurer's Tax Reversion	Total
Assets				
Current assets:				
Cash and investments	\$ 11,631	\$ 43,324	\$ 389,779	\$ 444,734
Receivables:				
Delinquent taxes	-	26,370	-	26,370
Due from other governments	-	530	-	530
Prepaid items	50	-	-	50
Total assets (all current)	<u>11,681</u>	<u>70,224</u>	<u>389,779</u>	<u>471,684</u>
Liabilities				
Accounts payable	-	150	6,675	6,825
Due to other governments	-	26,369	-	26,369
Total liabilities (all current)	<u>-</u>	<u>26,519</u>	<u>6,675</u>	<u>33,194</u>
Net position				
Unrestricted	<u>\$ 11,681</u>	<u>\$ 43,705</u>	<u>\$ 383,104</u>	<u>\$ 438,490</u>

LEELANAU COUNTY, MICHIGAN

Combining Statement of Revenues, Expenses

and Change in Fund Net Position

Nonmajor Enterprise Funds

For the Year Ended December 31, 2021

	Inmate Commissary	Homestead Audit	Treasurer's Tax Reversion	Total
Operating revenues				
Charges for services	\$ 3,080	\$ 16,198	\$ 95,634	\$ 114,912
Operating expenses				
Other operating expenses	7,039	10,207	34,893	52,139
Operating income (loss) before transfers	(3,959)	5,991	60,741	62,773
Transfers				
Transfers out	-	(24,595)	-	(24,595)
Change in net position	(3,959)	(18,604)	60,741	38,178
Net position, beginning of year	15,640	62,309	322,363	400,312
Net position, end of year	<u>\$ 11,681</u>	<u>\$ 43,705</u>	<u>\$ 383,104</u>	<u>\$ 438,490</u>

LEELANAU COUNTY, MICHIGAN

Combining Statement of Cash Flows

Nonmajor Enterprise Funds

For the Year Ended December 31, 2021

	Inmate Commissary	Homestead Audit	Treasurer's Tax Reversion	Total
Cash flows from operating activities				
Cash receipts from customers	\$ 7,179	\$ 28,813	\$ 95,634	\$ 131,626
Cash payments to suppliers for goods and services	(7,089)	(22,778)	(31,846)	(61,713)
Net cash provided by operating activities	90	6,035	63,788	69,913
Cash flows from noncapital financing activities				
Transfers out	-	(24,595)	-	(24,595)
Net change in cash and investments	90	(18,560)	63,788	45,318
Cash and investments, beginning of year	11,541	61,884	325,991	399,416
Cash and investments, end of year	<u>\$ 11,631</u>	<u>\$ 43,324</u>	<u>\$ 389,779</u>	<u>\$ 444,734</u>
Reconciliation of operating income (loss) to net cash provided by operating activities				
Operating income (loss)	\$ (3,959)	\$ 5,991	\$ 60,741	\$ 62,773
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Changes in operating assets and liabilities which provided (used) cash:				
Accounts receivable	4,099	-	-	4,099
Delinquent taxes receivable	-	12,558	-	12,558
Due from other governments	-	57	-	57
Prepaid items	(50)	-	-	(50)
Accounts payable	-	(11)	3,047	3,036
Due to other governments	-	(12,560)	-	(12,560)
Net cash provided by operating activities	<u>\$ 90</u>	<u>\$ 6,035</u>	<u>\$ 63,788</u>	<u>\$ 69,913</u>

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LEELANAU COUNTY, MICHIGAN

Combining Statement of Net Position

Internal Service Funds

December 31, 2021

	Building and Grounds	Data Processing	Duplicating Machine
Assets			
Current assets:			
Cash and investments	\$ 82,250	\$ 46,359	\$ 28,469
Accounts receivable	-	-	-
Prepaid items	-	61,791	-
Total current assets	82,250	108,150	28,469
Noncurrent assets:			
Capital assets being depreciated, net	11,297	27,797	25,955
Total assets	93,547	135,947	54,424
Liabilities			
Current liabilities:			
Accounts payable	17,758	7,713	-
Accrued liabilities	6,610	2,989	-
Total liabilities	24,368	10,702	-
Net position			
Investment in capital assets	11,297	27,797	25,955
Unrestricted	57,882	97,448	28,469
Total net position	\$ 69,179	\$ 125,245	\$ 54,424

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Mailing Department	Telecom- munications	Health Insurance	MMRMA Retention	Motor Pool	Totals
\$ 38,412	\$ 58,216	\$ 352,943	\$ -	\$ 178,379	\$ 785,028
-	-	2,153	-	-	2,153
-	-	-	267,933	-	329,724
38,412	58,216	355,096	267,933	178,379	1,116,905
-	21,808	-	-	301,135	387,992
38,412	80,024	355,096	267,933	479,514	1,504,897
-	-	163,117	115,790	-	304,378
-	-	66,659	-	-	76,258
-	-	229,776	115,790	-	380,636
-	21,808	-	-	301,135	387,992
38,412	58,216	125,320	152,143	178,379	736,269
\$ 38,412	\$ 80,024	\$ 125,320	\$ 152,143	\$ 479,514	\$ 1,124,261

LEELANAU COUNTY, MICHIGAN

Combining Statement of Revenues, Expenses

and Change in Fund Net Position

Internal Service Funds

For the Year Ended December 31, 2021

	Building and Grounds	Data Processing	Duplicating Machine
Operating revenues			
Charges for services	\$ 678,276	\$ 428,961	\$ 20,106
Operating expenses			
Salaries and fringes	204,146	112,910	-
Depreciation	5,160	15,897	5,334
Other operating expenses	496,917	281,566	32,355
Total operating expenses	706,223	410,373	37,689
Operating income (loss)	(27,947)	18,588	(17,583)
Nonoperating revenues			
Gain on sale of capital assets	-	-	-
Investment income	-	-	-
Total nonoperating revenues	-	-	-
Income (loss) before transfers	(27,947)	18,588	(17,583)
Transfers			
Transfers in	-	-	25,000
Change in net position	(27,947)	18,588	7,417
Net position, beginning of year	97,126	106,657	47,007
Net position, end of year	\$ 69,179	\$ 125,245	\$ 54,424

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Mailing Department	Telecom- munications	Health Insurance	MMRMA Retention	Motor Pool	Totals
\$ 35,859	\$ 14,137	\$ 1,943,010	\$ 153,625	\$ 103,307	\$ 3,377,281
-	-	-	-	-	317,056
-	6,542	-	-	122,187	155,120
33,189	17,821	2,012,741	65,976	-	2,940,565
33,189	24,363	2,012,741	65,976	122,187	3,412,741
2,670	(10,226)	(69,731)	87,649	(18,880)	(35,460)
-	-	-	-	31,800	31,800
-	-	-	5,213	-	5,213
-	-	-	5,213	31,800	37,013
2,670	(10,226)	(69,731)	92,862	12,920	1,553
-	-	-	-	-	25,000
2,670	(10,226)	(69,731)	92,862	12,920	26,553
35,742	90,250	195,051	59,281	466,594	1,097,708
\$ 38,412	\$ 80,024	\$ 125,320	\$ 152,143	\$ 479,514	\$ 1,124,261

LEELANAU COUNTY, MICHIGAN

Combining Statement of Cash Flows

Internal Service Funds

For the Year Ended December 31, 2021

	Building and Grounds	Data Processing	Duplicating Machine
Cash flows from operating activities			
Cash received from interfund services	\$ 678,276	\$ 428,961	\$ 20,106
Cash payments to suppliers for goods and services	(495,483)	(265,990)	(34,412)
Cash payments to employees for services	(204,146)	(112,910)	-
Net cash provided by (used in) operating activities	<u>(21,353)</u>	<u>50,061</u>	<u>(14,306)</u>
Cash flows from noncapital financing activities			
Transfers in	-	-	25,000
Cash flows from capital and related financing activities			
Purchases of capital assets	-	(24,900)	(13,759)
Proceeds from sale of capital assets	-	-	-
Net cash used in capital and related financing activities	<u>-</u>	<u>(24,900)</u>	<u>(13,759)</u>
Cash flows from investing activities			
Interest received	-	-	-
Net change in cash and investments	(21,353)	25,161	(3,065)
Cash and investments, beginning of year	<u>103,603</u>	<u>21,198</u>	<u>31,534</u>
Cash and investments, end of year	<u>\$ 82,250</u>	<u>\$ 46,359</u>	<u>\$ 28,469</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities			
Operating income (loss)	\$ (27,947)	\$ 18,588	\$ (17,583)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation	5,160	15,897	5,334
Changes in operating assets and liabilities that provided (used) cash:			
Accounts receivable	-	-	-
Prepaid items	8,603	14,858	-
Accounts payable	(7,704)	343	(2,057)
Accrued liabilities	535	375	-
Net cash provided by (used in) operating activities	<u>\$ (21,353)</u>	<u>\$ 50,061</u>	<u>\$ (14,306)</u>

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Mailing Department	Telecom- munications	Health Insurance	MMRMA Retention	Motor Pool	Totals
\$ 35,859 (33,189) -	\$ 14,137 (17,821) -	\$ 1,994,091 - (2,012,741)	\$ 153,625 (158,838) -	\$ 103,307 - -	\$ 3,428,362 (1,005,733) (2,329,797)
2,670	(3,684)	(18,650)	(5,213)	103,307	92,832
-	-	-	-	-	25,000
-	-	-	-	(124,332)	(162,991)
-	-	-	-	31,800	31,800
-	-	-	-	(92,532)	(131,191)
-	-	-	5,213	-	5,213
2,670	(3,684)	(18,650)	-	10,775	(8,146)
35,742	61,900	371,593	-	167,604	793,174
<u>\$ 38,412</u>	<u>\$ 58,216</u>	<u>\$ 352,943</u>	<u>\$ -</u>	<u>\$ 178,379</u>	<u>\$ 785,028</u>
\$ 2,670	\$ (10,226)	\$ (69,731)	\$ 87,649	\$ (18,880)	\$ (35,460)
-	6,542	-	-	122,187	155,120
-	-	(1,471)	-	-	(1,471)
-	-	-	(122,600)	-	(99,139)
-	-	31,021	29,738	-	51,341
-	-	21,531	-	-	22,441
<u>\$ 2,670</u>	<u>\$ (3,684)</u>	<u>\$ (18,650)</u>	<u>\$ (5,213)</u>	<u>\$ 103,307</u>	<u>\$ 92,832</u>

LEELANAU COUNTY, MICHIGAN

Combining Statement of Fiduciary Net Position

Custodial Funds

December 31, 2021

	Trust & Agency	Library Penal Fine	Inmate Trust Account	Totals
Assets				
Cash and investments	\$ 644,256	\$ 22,807	\$ 17,024	\$ 684,087
Liabilities				
Due to other governments	<u>644,256</u>	<u>22,807</u>	<u>-</u>	<u>667,063</u>
Net position restricted for				
Individuals, organizations, and other governments	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,024</u>	<u>\$ 17,024</u>

LEELANAU COUNTY, MICHIGAN

Combining Statement of Changes in Fiduciary Net Position

Custodial Funds

For the Year Ended December 31, 2021

	Trust & Agency	Library Penal Fine	Inmate Trust Account	Totals
Additions				
Property tax collections for other governments	\$ 23,803,078	\$ -	\$ -	\$ 23,803,078
Library penal fine collections	-	33,093	-	33,093
Inmate trust collections	-	-	78,266	78,266
Miscellaneous	314,618	-	-	314,618
Total additions	<u>24,117,696</u>	<u>33,093</u>	<u>78,266</u>	<u>24,229,055</u>
Deductions				
Payments of property taxes to other governments	23,803,078	-	-	23,803,078
Library penal fine distributions	-	33,093	-	33,093
Inmate trust distributions	-	-	68,538	68,538
Miscellaneous	314,618	-	-	314,618
Total deductions	<u>24,117,696</u>	<u>33,093</u>	<u>68,538</u>	<u>24,219,327</u>
Change in net position	-	-	9,728	9,728
Net position, beginning of year,	-	-	7,296	7,296
Net position, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,024</u>	<u>\$ 17,024</u>

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COMPONENT UNITS

LEELANAU COUNTY, MICHIGAN

Balance Sheet

Brownfield Redevelopment Authority Component Unit

December 31, 2021

Assets

Cash and investments	\$ 222,570
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Liabilities

Due to other governments	\$ 333
Long-term advance from primary government	90,000

Total liabilities	90,333
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Fund balance

Unassigned	132,237
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Total liabilities and fund balance	\$ 222,570
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LEELANAU COUNTY, MICHIGAN

Reconciliation

Fund Balance of Governmental Fund
to Net Position of Governmental Activities
Brownfield Redevelopment Authority Component Unit
December 31, 2021

Fund balance - governmental fund \$ 132,237

Certain liabilities are not due and payable in the current period, and therefore are not reported in the funds.

Notes payable (290,615)

Net position of governmental activities \$ (158,378)

LEELANAU COUNTY, MICHIGAN

Statement of Revenues, Expenditures and Change in Fund Balance

Brownfield Redevelopment Authority Component Unit

For the Year Ended December 31, 2021

Revenues

Taxes	\$ 42,293
Interest	49

Total revenues

42,342

Expenditures

Public works	10,350
Debt service:	
Principal	24,213
Interest	787

Total expenditures

35,350

Net change in fund balance

6,992

Fund balance, beginning of year

125,245

Fund balance, end of year

\$ 132,237

LEELANAU COUNTY, MICHIGAN

Reconciliation

Net Change in Fund Balance of Governmental Fund
to Change in Net Position of Governmental Activities
Brownfield Redevelopment Authority Component Unit
For the Year Ended December 31, 2021

Net change in fund balance - governmental fund	\$ 6,992
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	
Principal payments on long-term debt	<u>24,213</u>
Change in net position of governmental activities	<u><u>\$ 31,205</u></u>

LEELANAU COUNTY, MICHIGAN

Statement of Revenues, Expenditures and Change in Fund Balance

Budget and Actual

Brownfield Redevelopment Authority Component Unit

For the Year Ended December 31, 2021

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Taxes	\$ 53,103	\$ 53,103	\$ 42,293	\$ (10,810)
Interest	140	140	49	(91)
Other revenue	300	300	-	(300)
Total revenues	<u>53,543</u>	<u>53,543</u>	<u>42,342</u>	<u>(11,201)</u>
Expenditures				
Public works	28,543	28,543	10,350	(18,193)
Debt service:				
Principal	24,213	24,213	24,213	-
Interest	787	787	787	-
Total expenditures	<u>53,543</u>	<u>53,543</u>	<u>35,350</u>	<u>(18,193)</u>
Net change in fund balance	-	-	6,992	6,992
Fund balance, beginning of year	<u>125,245</u>	<u>125,245</u>	<u>125,245</u>	<u>-</u>
Fund balance, end of year	<u>\$ 125,245</u>	<u>\$ 125,245</u>	<u>\$ 132,237</u>	<u>\$ 6,992</u>

LEELANAU COUNTY, MICHIGAN

Balance Sheet

Land Bank Authority Component Unit
December 31, 2021

Assets

Cash and investments	\$ 67,255
Due from other governments	20,000
Assets held for resale	<u>75,307</u>

Total assets

\$ 162,562

Fund balance

Nonspendable - assets held for resale	\$ 75,307
Unassigned	<u>87,255</u>

Total fund balance

\$ 162,562

LEELANAU COUNTY, MICHIGAN

Statement of Revenues, Expenditures and Change in Fund Balance

Land Bank Authority Component Unit

For the Year Ended December 31, 2021

Revenues

Taxes	\$ 6,016
Sale of Land Bank assets	18
Other revenue	42
	<hr/>

Total revenues

6,076

Expenditures

Public works	74
	<hr/>

Net change in fund balance

6,002

Fund balance, beginning of year

156,560

Fund balance, end of year

\$ 162,562

LEELANAU COUNTY, MICHIGAN

Statement of Revenues, Expenditures and Change in Fund Balance

Budget and Actual

Land Bank Authority Component Unit

For the Year Ended December 31, 2021

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Taxes	\$ 7,500	\$ 7,500	\$ 6,016	\$ (1,484)
Sale of Land Bank assets	-	-	18	18
Other revenue	125	125	42	(83)
Total revenues	7,625	7,625	6,076	(1,549)
Expenditures				
Public works	7,625	7,625	74	(7,551)
Net change in fund balance	-	-	6,002	6,002
Fund balance, beginning of year	156,560	156,560	156,560	-
Fund balance, end of year	<u>\$ 156,560</u>	<u>\$ 156,560</u>	<u>\$ 162,562</u>	<u>\$ 6,002</u>

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INTERNAL CONTROL AND COMPLIANCE

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

May 24, 2022

Honorable Members of the
Board of Commissioners
Leelanau County
Suttons Bay, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of **Leelanau County, Michigan** (the "County"), as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated May 24, 2022.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses, as item 2021-001 that we consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial 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*.

Leelanau County, Michigan's Response to Finding

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County'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.

A handwritten signature in black ink that reads "Lehmann Rohan LLC". The signature is written in a cursive, flowing style.

LEELANAU COUNTY, MICHIGAN

Schedule of Findings and Responses

For the Year Ended December 31, 2021

2021-001 - Audit Adjustments and Preparation of Financial Statements in Accordance with GAAP (Repeated from Prior Year)

Finding Type. Material Weakness in Internal Control over Financial Reporting.

Criteria. All Michigan governments are required to prepare financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP). This is a responsibility of the County's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal books and records), and (2) reporting government-wide and fund financial statements, including the related footnotes (i.e., external financial reporting).

Condition. We identified and proposed material audit adjustments related to cash and payables, and to record the long-term debt refunding transaction in the fund financial statements. In addition, the County has historically relied on its independent external auditors to assist in the preparation of the government-wide financial statements and footnotes as part of its external financial reporting process. Accordingly, the government's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its external auditors, who cannot by definition be considered a part of the government's internal controls.

Cause. This condition was caused by various oversights in recording adjustments for those areas noted above. This condition was also caused by the County's decision that it is more cost effective to outsource the preparation of its annual financial statements to the auditors than to incur the time and expense of obtaining the necessary training and expertise required for the County to perform this task internally.

Effect. As a result of this condition, the County's accounting records were initially misstated by amounts material to the financial statements. Also as a result of this condition, the County lacks complete internal controls over the preparation of financial statements in accordance with GAAP, and instead relies, in part, on its external auditors for assistance with this task.

View of Responsible Officials. Management agrees with the proposed entries, and they have been recorded. In addition, the County has evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interests of the County to outsource this task to its external auditors, and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their content and presentation.



INDEPENDENT AUDITORS' COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

May 24, 2022

Honorable Members of the
Board of Commissioners
Leelanau County
Suttons Bay, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of **Leelanau County, Michigan** (the "County") as of and for the year ended December 31, 2021, and have issued our report thereon dated May 24, 2022. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated February 4, 2022, our responsibility, as described by professional standards, is to form and express opinions about whether the financial statements that have been prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

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

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

We have provided our findings regarding internal control over financial reporting and compliance noted during our audit in a separate letter to you dated May 24, 2022.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our engagement letter and in our meeting about planning matters on March 16, 2022.

Compliance with All Ethics Requirements Regarding Independence

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

Significant Risks Identified

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

Qualitative Aspects of the County's Significant Accounting Practices

Significant Accounting Policies

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

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

No matters have come to our attention that would require us, under professional standards, to inform you about the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements were:

- Management's estimate of the useful lives of depreciable capital assets is based on the length of time it is believed that those assets will provide some economic benefit in the future.

- Management's estimate of the accrued compensated absences is based on current hourly rates and policies regarding payment of sick and vacation banks.
- Management's estimate of the insurance claims incurred but not reported is based on information provided by the entity's third party administrators and subsequent claims activity.

We evaluated the key factors and assumptions used to develop these estimates and determined that they are reasonable in relation to the basic financial statements taken as a whole and in relation to the applicable opinion units. In addition, the financial statements include a net pension liability and other pension-related amounts, which are dependent on estimates made by the plan. These estimates are based on historical trends and industry standards, but are not within the control of management.

Significant Difficulties Encountered During the Audit

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

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit. In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. The material misstatements detected as a result of audit procedures and corrected by management are described in the Schedule of Findings and Responses issued in connection with our report on internal control over financial reporting.

Disagreements with Management

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

Representations Requested from Management

We have requested certain written representations from management, which are included in Attachment B to this letter.

Management's Consultations with Other Accountants

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

Other Significant Matters, Findings, or Issues

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

Other Information in Documents Containing Audited Financial Statements

Our responsibility for the supplementary information accompanying the financial statements, as described by professional standards, is to evaluate the presentation of the supplementary information in relation to the financial statements as a whole and to report on whether the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole. We made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Upcoming Changes in Accounting Standards

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

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

Very truly yours,

Rehmann Lohman LLC

LEELANAU COUNTY, MICHIGAN

Attachment A – Upcoming Changes in Accounting Standards / Regulations

For the December 31, 2021 Audit

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

GASB 87 ■ Leases

Effective 06/15/2022 (your FY 2022)

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

GASB 91 ■ Conduit Debt Obligations

Effective 12/15/2022 (your FY 2022)

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

GASB 92 ■ Omnibus 2020

Effective 06/15/2022 (your FY 2022)

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

GASB 93 ■ Replacement of Interbank Offered Rates

Effective 06/15/2022 (your FY 2022)

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

GASB 94 ■ Public-Private and Public-Public Partnerships and Availability Payment Arrangements

Effective 06/15/2023 (your FY 2023)

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

LEELANAU COUNTY, MICHIGAN

■ Attachment A – Upcoming Changes in Accounting Standards / Regulations

For the December 31, 2021 Audit

GASB 96 ■ Subscription-Based Information Technology Arrangements

Effective 06/15/2023 (your FY 2023)

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

GASB 97 ■ Certain Component Unit Criteria and IRC Section 457 Deferred Compensation Plans

Effective 06/15/2022 (your FY 2022)

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

■ ■ ■ ■ ■

LEELANAU COUNTY, MICHIGAN

Attachment B – Management Representations

For the December 31, 2021 Audit

The following pages contain the written representations that we requested from management.

BOARD OF COMMISSIONERS

Rick Robbins, District #1
Debra L. Rushton, District #2
Lois Bahle, District #3
Ty Wessell, District #4
Patricia Soutas-Little, District #5
Gwenne Allgaier, District #6
Melinda C. Lautner, District #7



Chet Janik, County Administrator

Leelanau County Government Center
8527 E. Government Center Drive, Suite #101
Suttons Bay, Michigan 49682
(231) 256-9711 • (866) 256-9711 toll free
(231) 256-0120 fax
www.leelanau.gov • cjanik@co.leelanau.gov

May 24, 2022

Rehmann Robson
107 S. Cass St. Suite A
Traverse City, MI 49684

This representation letter is provided in connection with your audit of the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of **Leelanau County, Michigan** (the "County"), as of and for the year ended December 31, 2021, and the related notes to the financial statements, for the purpose of expressing opinions on whether the basic financial statements present fairly, in all material respects, the financial position, results of operations, and cash flows, where applicable, and the respective budgetary comparison for the General Fund and the major special revenue fund of the County in conformity with accounting principles generally accepted for governments in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm that, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves as of May 24, 2022:

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated February 4, 2022, for the preparation and fair presentation of the financial statements of the various opinion units referred to above in accordance with U.S. GAAP.
2. The financial statements referred to above have been fairly presented in accordance with U.S. GAAP, and include all properly classified funds, required supplementary information, and notes to the basic financial statements.
3. We have reviewed and approved the various adjusting journal entries that were proposed by you for recording in our books and records and reflected in the financial statements.
4. With respect to any assistance you provided in drafting the financial statements and related notes, we have performed the following:

- a. Made all management decisions and performed all management functions;
 - b. Assigned a competent individual to oversee the services;
 - c. Evaluated the adequacy of the services performed;
 - d. Evaluated and accepted responsibility for the result of the service performed; and
 - e. Established and maintained internal controls, including monitoring ongoing activities.
5. We acknowledge our responsibility 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.
 6. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
 7. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
 8. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP. For the purposes of this letter, related parties mean members of the governing body; board members; administrative officials; immediate families of administrative officials, board members, and members of the governing body; and any companies affiliated with or owned by such individuals.
 9. All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.
 10. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.
 11. With regard to items reported at fair value:
 - a. The underlying assumptions are reasonable, and they appropriately reflect management's intent and ability to carry out its stated courses of action.
 - b. The measurement methods and related assumptions used in determining fair value are appropriate in the circumstances and have been consistently applied.
 - c. The disclosures related to fair values are complete, adequate, and in conformity with U.S. GAAP.
 - d. There are no subsequent events that require adjustments to the fair value measurements and disclosures included in the financial statements.
 12. All component units, as well as joint ventures with an equity interest, are included and other joint ventures and related organizations are properly disclosed.
 13. All funds and activities are properly classified.
 14. All funds that meet the quantitative criteria in GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, and GASB Statement No. 37, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments: Omnibus*, for presentation as major are identified and presented as such and all other funds that are presented as major are considered important to financial statement users.
 15. All components of net position and fund balance classifications have been properly reported.
 16. All revenues within the statement of activities have been properly classified as program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
 17. All expenses have been properly classified in or allocated to functions and programs in the statement of activities, and allocations, if any, have been made on a reasonable basis.
 18. All interfund and intra-entity transactions and balances have been properly classified and reported.

19. Special items and extraordinary items have been properly classified and reported.
20. Deposit and investment risks have been properly and fully disclosed.
21. Capital assets, including infrastructure assets, are properly capitalized, reported, and if applicable, depreciated.
22. All required supplementary information is measured and presented within the prescribed guidelines.
23. We believe that the actuarial assumptions and methods used to measure pension liabilities and costs for financial accounting purposes are appropriate in the circumstances.
24. We are responsible for the fair presentation of the County's net pension liability as calculated by the Municipal Employees' Retirement System of Michigan (MERS) and related amounts. We provided MERS with complete and accurate information regarding the County's participation in the plan, and have reviewed the information provided by MERS for inclusion in the County's financial statements.
25. In March 2020, the World Health Organization declared the novel coronavirus outbreak (COVID-19) to be a global pandemic. While the pandemic has resulted in an increase in the demands on the County for providing emergency services to its citizens, the Federal Government has also provided significant resources to help mitigate the impacts of COVID-19. At this time, management does not believe that any ongoing negative financial impact related to the pandemic, if any, would be material to the County.

Information Provided

26. We have provided you with:
 - a. Access to all information, of which we are aware that is relevant to the preparation and fair presentation of the financial statements of the various opinion units referred to above, such as records, documentation, meeting minutes, and other matters;
 - b. Additional information that you have requested from us for the purpose of the audit; and
 - c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
27. All transactions have been recorded in the accounting records and are reflected in the financial statements.
28. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
29. We have disclosed to you all information that we are aware of regarding fraud or suspected fraud that affects the entity and involves:
 - a. Management;
 - b. Employees who have significant roles in internal control; or
 - c. Others where the fraud could have a material effect on the financial statements.
30. We have disclosed to you all information that we are aware of regarding instances, that have occurred or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance, whether communicated by employees, former employees, vendors (contractors), regulators, or others.
31. We have no knowledge of any instances that have occurred or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that has a material effect on the

determination of financial statement amounts or other financial data significant to the audit objectives.

32. We have no knowledge of any instances that have occurred or are likely to have occurred of abuse that could be quantitatively or qualitatively material to the financial statements or other financial data significant to the audit objectives.
33. We have a process to track the status of audit findings and recommendations.
34. We have identified for you all previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
35. We have provided views on your reported audit findings, conclusions, and recommendations, as well as our planned corrective actions, for the report.
36. We are not aware of any pending or threatened litigation and claims whose effects should be considered when preparing the financial statements.
37. We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.
38. There have been no communications from regulatory agencies concerning noncompliance with or deficiencies in accounting, internal control, or financial reporting practices.
39. The County has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
40. We have disclosed to you all guarantees, whether written or oral, under which the County is contingently liable.
41. We have identified and disclosed to you the laws, regulations, and provisions of contracts and grant agreements that could have a direct and material effect on financial statement amounts, including legal and contractual provisions for reporting specific activities in separate funds.
42. There are no:
 - a. Violations or possible violations of laws or regulations, or provisions of contracts or grant agreements whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency, including applicable budget laws and regulations.
 - b. Unasserted claims or assessments that our lawyer has advised are probable of assertion and must be disclosed in accordance with GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.
 - c. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by GASB Statement No. 62.
43. The County has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset or future revenue been pledged as collateral, except as disclosed to you.
44. We have complied with all aspects of grant agreements and other contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
45. We have disclosed to you all significant estimates and material concentrations known to management that are required to be disclosed in accordance with GASB Statement No. 62. Significant estimates are estimates at the balance sheet date that could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets or geographic areas for which events could occur that would significantly disrupt normal finances within the next year.

Supplementary Information in Relation to the Financial Statements as a Whole

46. With respect to the supplementary information accompanying the financial statements:

- a. We acknowledge our responsibility for the presentation of the supplementary information in accordance with accounting principles generally accepted in the United States of America.
- b. We believe the supplementary information, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America.
- c. The methods of measurement or presentation have not changed from those used in the prior period.
- d. We believe the significant assumptions or interpretations underlying the measurement or presentation of the supplementary information, and the basis for our assumptions and interpretations, are reasonable and appropriate in the circumstances.


Required Supplementary Information

47. With respect to the required supplementary information accompanying the financial statements:

- a. We acknowledge our responsibility for the presentation of the required supplementary information in accordance with accounting principles generally accepted in the United States of America.
- b. We believe the required supplementary information, including its form and content, is measured and fairly presented in accordance with accounting principles generally accepted in the United States of America.
- c. The methods of measurement or presentation have not changed from those used in the prior period.
- d. We believe the significant assumptions or interpretations underlying the measurement or presentation of the required supplementary information, and the basis for our assumptions and interpretations, are reasonable and appropriate in the circumstances.


Chet Janik, County Administrator


Michelle L. Crocker, County Clerk


John A. Gallagher, County Treasurer