

Antrim County
Finance Department

2021 Annual Report

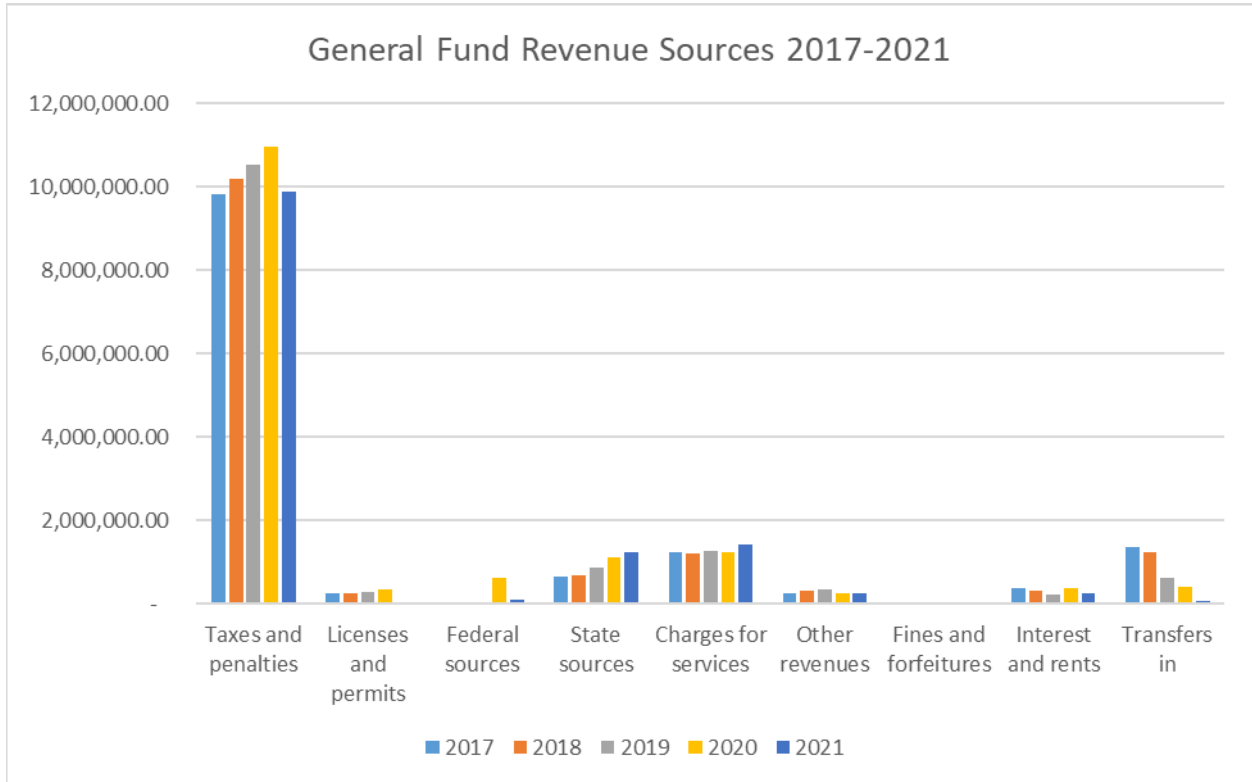
General Fund Sources and Uses of Funds:

Revenues

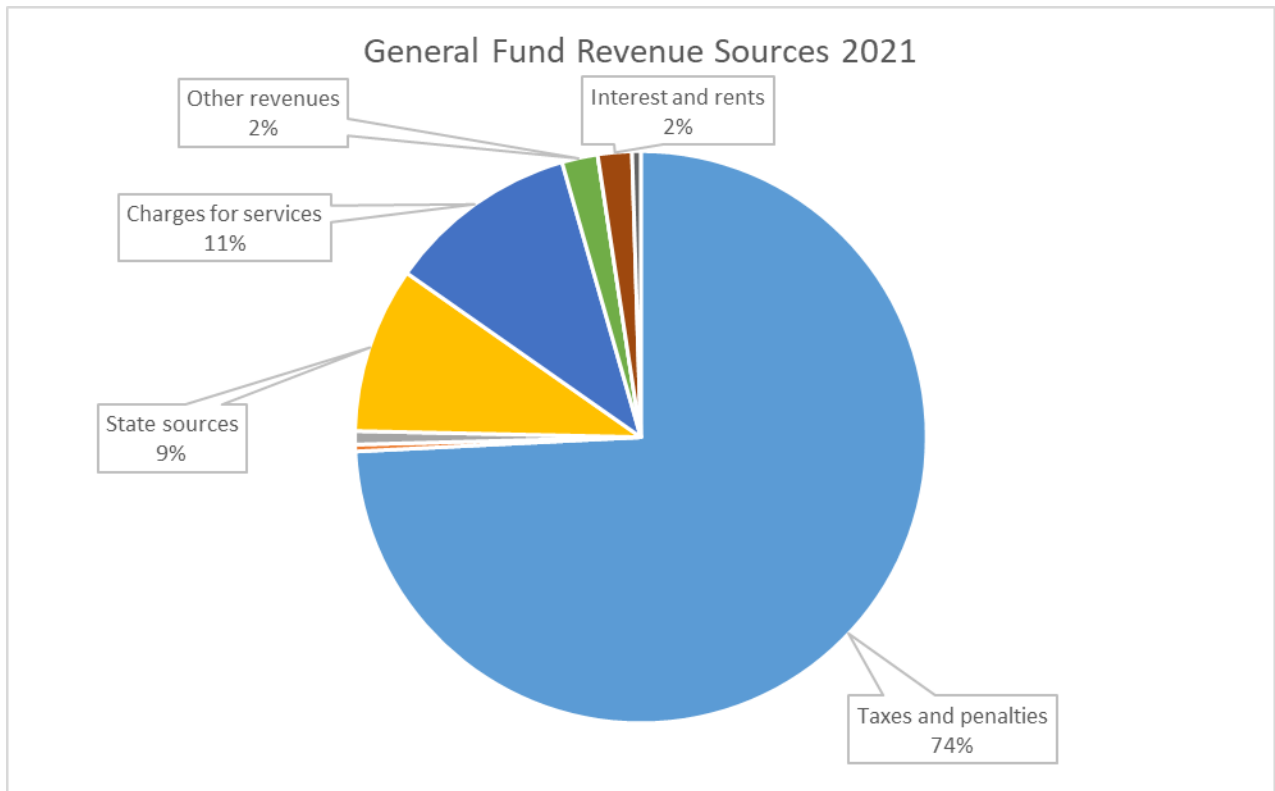
The general fund has several revenue sources but is primarily funded by property taxes. A brief overview of funding sources is as follows:

1. Property taxes: These are the current property tax collections for individuals owning property in the County.
2. Licenses and permits: These currently include items such as earth change permits, dog licenses, and kennel inspection fees. Please note that in the past, this line item also included camping fees, however the parks were reclassified to a separate fund in 2021 and are now reported in fund 508.
3. Federal sources: These are Federal grants. In 2021, the majority of this funding was from the Coronavirus Emergency Supplemental Funding Grants for the courts, prosecutor, and sheriff, as well as the Assistance to Firefighters Grant and the Bulletproof Vest Grant.
4. State sources: This line item includes state revenue sharing and several state grants, such as Marine Patrol, Secondary Roads, and judicial reimbursements.
5. Charges for services: These are fees charged by various departments, including court costs, deed recording, and paper service.
6. Other revenues: These are reimbursements and other miscellaneous items such as sales of assets or salvage, and insurance refunds.
7. Interest and rents: Include both rent payments received for leased office space and bank interest.
8. Transfers in: Transfers in are intra-entity revenues and expenditures, where another fund has transferred funds to the general fund.

A five-year trend for each category of general fund revenues is below:



A summary of 2021's revenues as a percent of total is below:

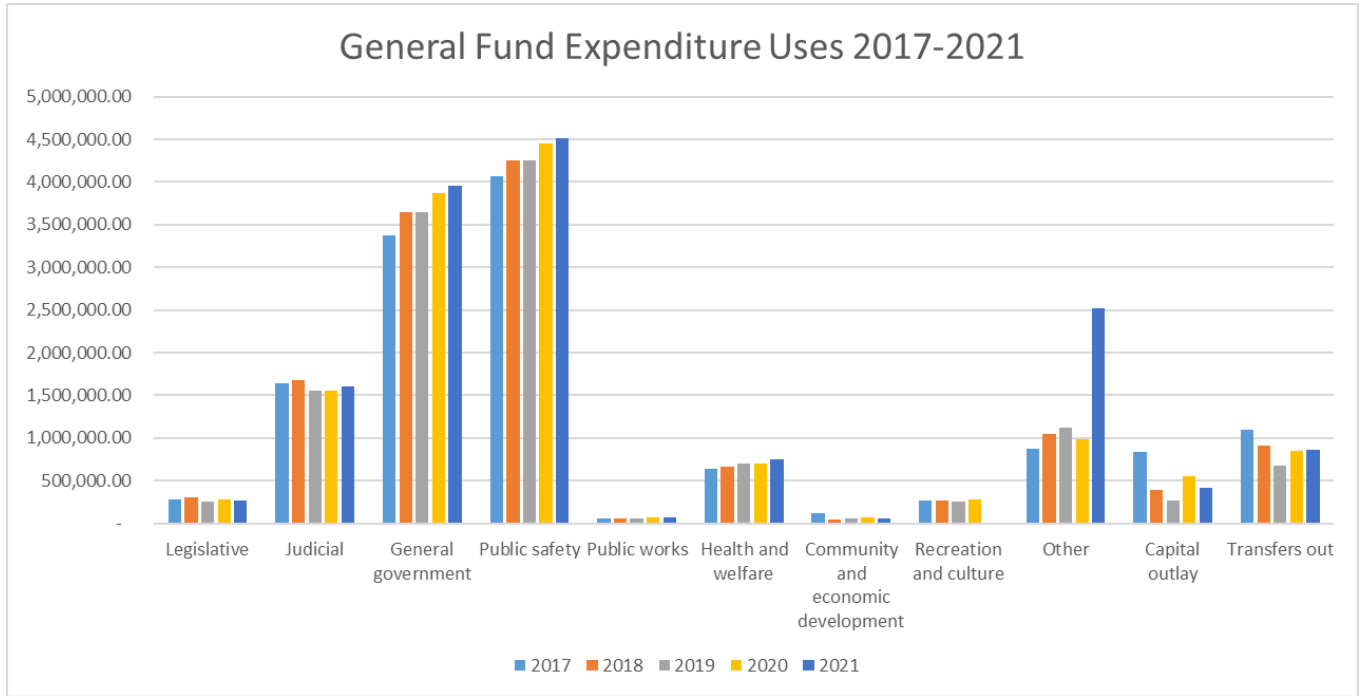


Expenditures

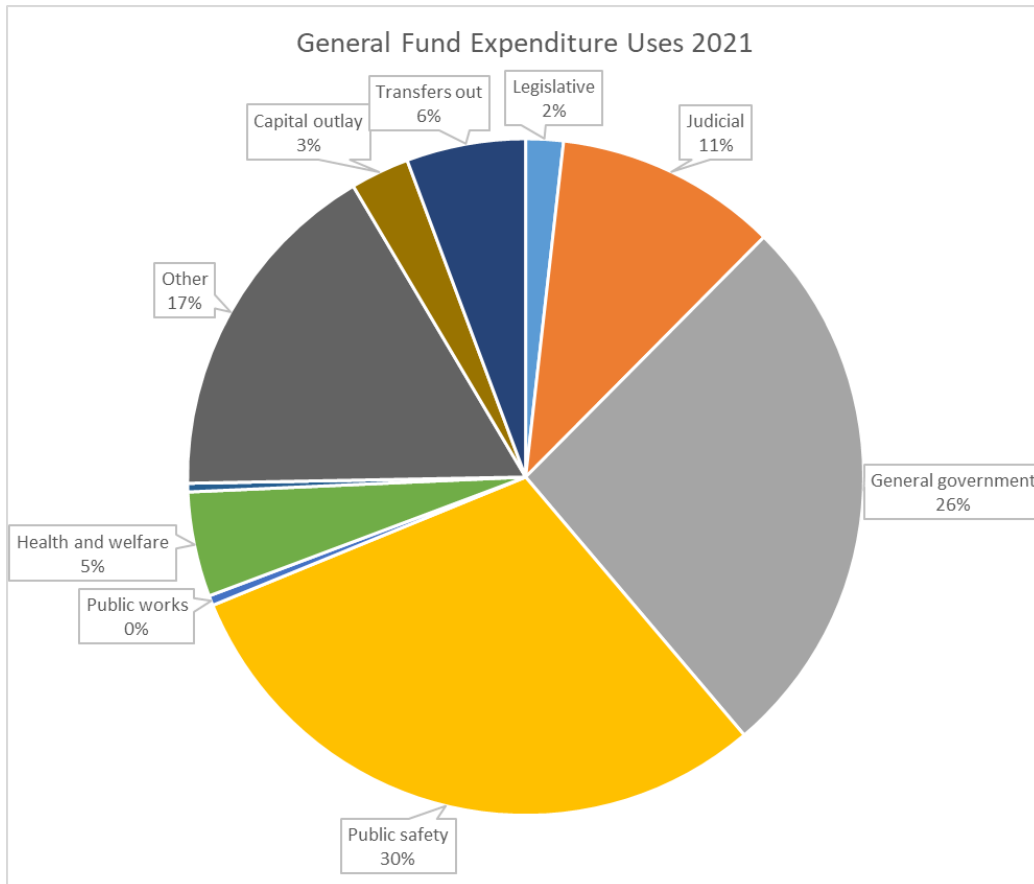
The general fund expends funds for a variety of purposes. These purposes are summarized as follows:

1. Legislative: Activities related to the Board of Commissioners as well as some general county items, such as legal fees.
2. Judicial: Costs incurred to operate the circuit and district courts and related activities.
3. General Governmental: Costs consist of general governmental departments, such as administration, accounting, clerk, treasurer, register of deeds, technology, and maintenance.
4. Public Safety: Includes the sheriff and related departments, the jail, emergency services, and animal control.
5. Public Works: The only general fund department in the public works section is the operator of dams.
6. Health and Welfare: Includes the medical examiner, the appropriations to the health department and mental health, and veterans' affairs.
7. Community and Economic Development: This line item consists of resource recovery, the planning commission, and the EDC costs.
8. Recreation and Culture: This line item consisted of the costs for the parks. Please note that in 2021, these were reclassified to a separate fund and are now recorded in fund 508.
9. Other: This line item consists of insurance costs, other miscellaneous, supplemental payments to the pension liability, and appropriations not allocated to a particular line item.
10. Capital Outlays: Capital outlays are purchases of large equipment, large repairs to buildings, and purchases of technology.
9. Transfers Out: Transfers out are intra-entity revenues and expenditures, where the general fund transferred funds to another fund. The largest transfers out are to ACT and the airport.

A five-year trend for each category of general fund expenditure is below:



A summary of 2021's expenditures as a percent of total is below:



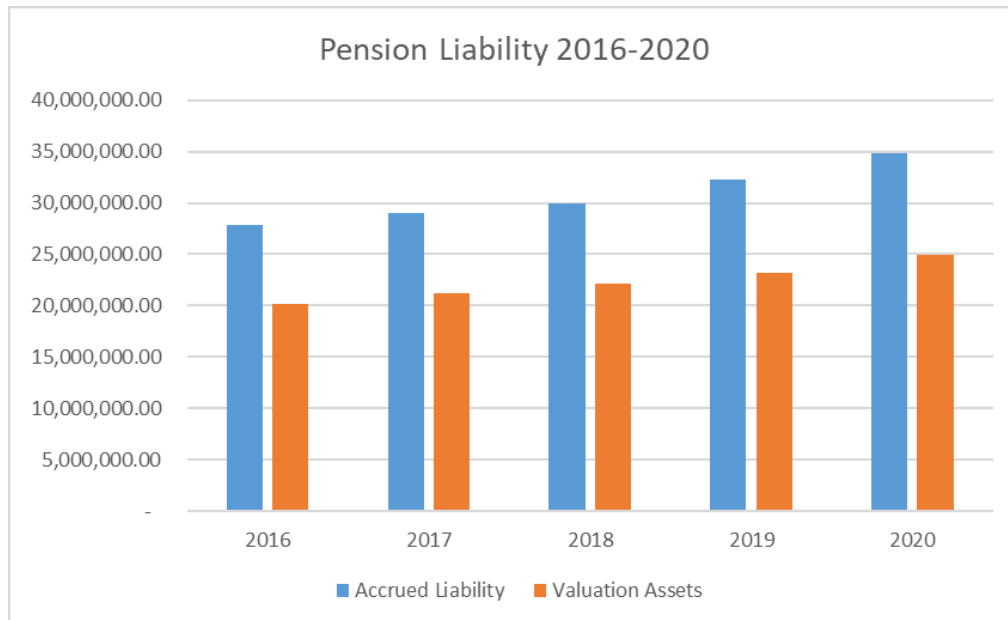
Pension

There are two factors in determining the funded status of a pension system:

1. Projected Benefit Obligation (or actuarially accrued liability): This is the present value of the projected benefits expected to be paid in the future. The increases in the accrued liability in 2019 and 2020 are due to the changes in MERS' actuarial assumptions. MERS reviews their inputs every 5 years, and decided to split their adjustments on this most recent revision due to the size of the effects. The first year were changes due to demographics and mortality, and the second year was due to market rate assumptions.
2. Plan Assets: These are the funds currently in the plan.

The difference between these amounts is the net pension liability, if underfunded, or the net pension asset, if overfunded.

Please note that the figures below are from the annual actuarial valuation reports as provided by MERS. These differ from the amounts reported in the audit due to several reasons including differences in GAAP and MERS calculations of the AAL and MERS smoothing of asset values.



The County has not yet received the actuarial valuation for the year ended December 31, 2021, however we may expect to see significant asset growth in 2021 due to the additional contribution to the plan and market returns. A breakdown of the change in market value of plan assets for 2021 is as follows:

Value January 1, 2021	25,670,000
Employer contributions	3,124,311
Investment income	3,670,602
Benefits paid	(1,727,799)
Administrative expense	<u>(42,083)</u>
Value December 31, 2021	<u>30,695,031</u>

Goal sets identified from previous year:

1. Regulatory/Accounting Standards:

- a. GASB 84 was issued in January of 2017, and was originally effective for the 2019 audit but was delayed to the 2020 audit due to the passage of GASB 95, which delayed several pending pronouncements.

Under this standard, governments are to reclassify several items formerly accounted for in fiduciary funds to the general government reporting. Remaining items in the fiduciary funds are to have a balance sheet and statement of revenues and expenditures.

Progress: I have evaluated all liabilities in the fiduciary funds for proper accounting treatment under the new standards, developed a system to transfer necessary liabilities to the general fund at year-end, and track revenues and expenditures for the remaining items which continue to be accounted for in the fiduciary funds.

- b. GASB 87 was issued in June of 2017, and was originally effective for the 2020 audit but was delayed to the 2022 audit due to the passage of GASB 95, which delayed several pending pronouncements.

Under this standard, the operating lease category has been eliminated, and all leases are now required to be shown on the balance sheet showing the value of the leased asset and the future lease liability.

Progress: I have created a base template for copiers and small equipment and am in the process of identifying all lease agreements through review of the general ledger and inquiry of the Administration office.

- c. The Michigan Department of Treasury has required all governmental units to update their chart of accounts to the revised standard chart effective December 31, 2022.

Progress: The County's current chart of accounts is quite large, consisting of 144 funds, 163 departments, 1,301 accounts, and the chart has 5,681 general ledger accounts created.

I have identified inactive funds, departments, accounts, and general ledger numbers which are either inactive in the system or have not been used in the past 5 years. I have also created an outline for revenue, expenditure, asset, liability, and equity accounts to manage county-level detail in accordance with the State requirements.

All items have been converted to the new standard, and in March, 2022, I have contacted BS&A software to inquire about the timing of conversion. This is expected to be completed in mid-2022.

2. BS&A Review and Feature Implementation:

a. General Ledger Grouping Schedules

Grouping schedules allow for faster, more efficient, and more consistent creation of financial reporting through our information system by predetermining where general ledger accounts should be classified. This will reduce time required to produce financial statements for the audit and annual F-65 report creation.

Progress: As the chart of accounts is going to be renumbered, this project needs to wait until after conversion. As part of the chart conversion process, I have created a preliminary grouping for balance sheet and revenue items to assist in verifying the accuracy of conversion.

b. General Ledger Grant Reporting

The BS&A general ledger module contains a feature for grant reporting, in which, we are able to enter the grant's budget and charge revenues and expenses to the grant in the system. This would allow for increased monitoring and easier reporting for grants. This feature is also able to generate the schedule of expenditures of federal awards (SEFA), which is needed in the event of a single audit.

Progress: This feature was used on a limited basis in 2021, primarily for testing purposes.

c. Fixed Assets

There are several planned changes and improvements within the fixed asset module of BS&A software. These include the following:

- i. Consolidating the separate databases into a single database. This will allow for more integration with the general ledger, purchase order, and accounts payable modules. Only one database is allowed to be linked to the other modules, so items such as invoices and payment information are not available in the airport or ACT databases.
- ii. Replacing the current asset categories to match the audit reports (land, buildings, equipment, and vehicles) and developing subcategories for further detail.
- iii. Changing land items to more descriptive terms and renumbering to the parcel numbers, which will allow for easier identification of County properties in BS&A.
- iv. Completing a physical inventory of all departments for assets owned or disposed to ensure accurate reporting of equipment and property.

Progress: Changes to land entries were started in late 2020, and Gloria completed the task in early 2022. The remaining items included above are still open.

3. Budgeting Process

Developing an analysis tool for use by accounting, the board of commissioners, and department heads to more accurately identify trends in departmental budgets.

Progress: I developed an Excel based pivot chart and slicer (filter) workbook for this purpose for the 2022 budget. Unfortunately, the slicer function is not available for iPads and mobile devices in Excel, Apple Numbers, or Google Sheets. I was approached by a software vendor about a program with similar functionality, however pricing was determined to be unfeasible.

Other items in 2021, which were not planned or identified in the prior year's goals:

1. Capital Improvement Planning Committee

As part of the CIP meetings for 2021 for the 2022-2026 plan, the CIP requested to have deferred maintenance on the County properties included in the plan. As part of this process, I interviewed the Maintenance Director, ACT Director, Airport Director, COA Director, and Sheriff regarding known future capital needs. These were summarized on an Excel sheet by year and potential funding source with a proposed financing plan to prepare for future needs.

2. Road Commission Bond Issue

In 2021, the Road Commission requested the County issue bonds for their garage replacement. This involved several meetings with Bendzinski and Co., preparation and meeting with the ratings analysts at S&P Global. The County's bond rating remains at AA+. I also researched proper accounting for the issue and coordinated with the Treasurer's office on procedures for deposits and bond draws.

Additional goals for 2022 are to include:

1. ACT physical inventory and input into Fleet Maintenance Pro

With the hiring of the new mechanic in late 2021, ACT implemented a new transportation management software package, due to timing, the inventory was not yet entered into the system at year-end. As inventory value is recorded in the financial statements, it is imperative that we have an accurate value.

2. GASB 96 – Subscription Based IT Arrangements

GASB 96 was issued in May, 2020, and provides new guidance on the accounting for subscription based software costs. In the future, software costs will be accounted for in a similar manner as the new leasing guidance noted above.