

County of Benzie, Michigan

BASIC FINANCIAL STATEMENTS

September 30, 2016

BENZIE COUNTY, MICHIGAN

ORGANIZATION

MEMBERS OF THE COUNTY COMMISSION

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COMMISSIONER

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COUNTY ADMINISTRATOR

MITCH DEISCH

COUNTY TREASURER

MICHELLE L. THOMPSON

COUNTY CLERK

DAWN OLNEY

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR’S REPORT	1
MANAGEMENT’S DISCUSSION AND ANALYSIS	4
BASIC FINANCIAL STATEMENTS:	
Government-Wide Financial Statements:	
Statement of Net Position	10
Statement of Activities.....	11
Fund Financial Statements:	
Balance Sheet – Governmental Funds.....	12
Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds.....	13
Reconciliation of Governmental Funds:	
Statement of Revenues, Expenditures, and Changes in in Fund Balance to the Statement of Activities.....	14
Proprietary Funds:	
Statement of Net Position	15
Statement of Revenues, Expenses, and Changes in Net Position	16
Statement of Cash Flows	17
Fiduciary Funds:	
Statement of Fiduciary Net Position.....	18
COMPONENT UNIT FINANCIAL STATEMENTS:	
Statement of Net Position	19
Statement of Activities.....	20
NOTES TO FINANCIAL STATEMENTS	21

TABLE OF CONTENTS (Continued)

REQUIRED SUPPLEMENTARY INFORMATION:

Employee Retirement and Benefit Systems:
 Schedule of Changes in Pension Liability 63
 Schedule of Employer Contributions 64
 Schedule of Funding Progress 65

Major Funds:

 Budgetary Comparison Schedule – General Fund..... 66
 Budgetary Comparison Schedule – Jail Operations Fund 68

OTHER INFORMATION:

 Combining Balance Sheet – Nonmajor Governmental Funds..... 69
 Combining Statement of Revenues, Expenditures, and Changes in
 Fund Balance – Nonmajor Governmental Funds 75
 Combining Statement of Net Position – Nonmajor Enterprise Funds..... 81
 Combining Statement of Revenues, Expenses, and Changes in
 Net Position – Nonmajor Enterprise Funds 82
 Combining Statement of Cash Flows – Nonmajor Enterprise Funds..... 83

REPORTS ON COMPLIANCE:

 Independent Auditor’s Report on Internal Control Over Financial
 Reporting and on Compliance and Other Matters Based on an
 Audit of Financial Statements Performed in Accordance
 with *Government Auditing Standards*..... 84
 Schedule of Findings and Responses 86

ADDITIONAL INFORMATION:

 Municipal Securities Disclosure Requirements of the
 Securities Exchange Commission (SEC) Rule 15c2-12..... 87



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CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

Members of the Board of Commissioners
County of Benzie, Michigan
448 Court Place
Beulah, Michigan 49617

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information, of the County of Benzie, Michigan, as of and for the year ending September 30, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Benzie Transportation Authority, which represents 12 percent, 16 percent, and 17 percent, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units. We also did not audit the financial statements of the County Medical Care Facility, which represents 51 percent, 49 percent, and 77 percent, respectively, of the assets, net position, and revenues of the business-type activities. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Benzie Transportation Authority and the County Medical Care Facility are based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of the County Medical Care Facility were not audited in accordance with *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

Honorable Chairman and Members
of the Board of Commissioners
County of Benzie, Michigan

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our report and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Benzie, Michigan, as of September 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, employee retirement and benefits systems and budgetary comparison schedules on pages 4 through 9, pages 63 through 65, and pages 66 through 68 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Benzie, Michigan's basic financial statements. The combining nonmajor fund financial statements and statistical information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Honorable Chairman and Members
of the Board of Commissioners
County of Benzie, Michigan

The combining nonmajor fund financial statements are 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The statistical information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 10, 2017 on our consideration of the County of Benzie, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County of Benzie, Michigan's internal control over financial reporting and compliance.



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

March 10, 2017

Management's Discussion and Analysis

As managers of the County of Benzie, Michigan, we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended September 30, 2016. 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

- Net position for the County was reported at \$17,550,803 for 2016 and was \$17,273,820 for 2015, an increase of 2%. For 2016, net position for our business-type activities was \$11,652,742 or 66% of total net position, while net position in our governmental activities was \$5,898,061 or 34% of total net position.
- At September 30, 2016, Benzie County's governmental funds report a combined fund balance of \$4,657,460 compared to \$4,482,653 for 2015.
- At September 30, 2016, the fund balance for the general fund was \$1,644,665 with \$32,322 nonspendable for prepaid items.

Overview of the Financial Statements

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

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

The *statement of net position* presents information on all of the County's assets, deferred outflows of resources and liabilities, with the difference between the two 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 government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the County include Legislative, Judicial, General Government, Public Safety, Public Works, Health and Welfare, and Culture and Recreation. The business-type activities of the County include the Medical Care Facility, Delinquent Tax Revolving, and Emergency Medical Services funds.

The government-wide financial statements include not only the County itself (known as the *primary government*), but also legally separate component units for which the County is financially accountable. Component Units include the Benzie County Road Commission, Benzie/Leelanau District Health Department, Benzie Transportation Authority, and Benzie Economic Development Corporation. Financial information for component units are reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 10-11 of this report.

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

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the 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 fund balance sheet and the governmental fund statement on revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The County maintains many individual funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the General and Jail Operations, each of 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.

The governmental fund financial statements can be found on pages 12-14 of this report.

Proprietary funds. Proprietary funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Services for which the County charges customers a fee are generally reported in proprietary funds. The Medical Care Facility, Delinquent Tax Revolving, and Emergency Medical Services are reported as major proprietary funds.

The proprietary fund financial statements can be found on pages 15-17 of this report.

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.

The fiduciary fund financial statements can be found on page 18 of this report.

Notes to the financial statements. The notes provide additional information that is essential to fully understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 21-62 of this report.

Required Supplementary Information. Required supplementary information related to the County’s pension and health plans can be found on pages 63-65 and budgetary comparison information related to the County’s major governmental funds can be found on pages 66-68 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain other information. This includes the combining nonmajor fund financial statements. Combining nonmajor fund financial statements can be found on pages 69-83 of this report.

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 Benzie County, net position exceeded liabilities by \$912,972 at the close of the most recent fiscal year.

**Benzie County
Net Position**

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Current Assets	\$ 5,230,915	\$ 5,103,038	\$ 8,333,943	\$ 8,554,436	\$ 13,564,858	\$ 13,657,474
Capital Assets	11,406,469	11,567,654	5,690,405	4,970,397	17,096,874	16,538,051
Total Assets	16,637,384	16,670,692	14,024,348	13,524,833	30,661,732	30,195,525
Deferred Outflows of Resources	\$ 2,073,154	\$ 588,703	\$ 1,453,748	\$ 325,096	\$ 3,526,902	\$ 913,799
Current Liabilities	\$ 995,471	\$ 1,083,020	\$ 502,461	\$ 793,602	\$ 1,497,932	\$ 1,876,622
Noncurrent Liabilities	11,817,006	10,138,725	3,322,893	1,820,157	15,139,899	11,958,882
Total Liabilities	12,812,477	11,221,745	3,825,354	2,613,759	16,637,831	13,835,504
Net Position						
Net Investment in Capital Assets	5,373,952	5,113,963	5,543,144	4,925,891	10,917,096	10,039,854
Restricted	2,577,023	2,434,982	-	-	2,577,023	2,434,982
Unrestricted	(2,052,914)	(1,511,295)	6,109,598	6,310,279	4,056,684	4,798,984
Total Net Position	\$ 5,898,061	\$ 6,037,650	\$ 11,652,742	\$ 11,236,170	\$ 17,550,803	\$ 17,273,820

A large portion of the County’s net position reflects its investment in capital assets (e.g., land, buildings, equipment and construction in progress); less any related debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay the debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

In addition to the net position invested in capital assets, certain other restrictions on use of net position apply due primarily to legal guidelines. The restricted net position total was \$2,577,023. The remaining balance of unrestricted net position of \$4,056,684 may be used to meet the government’s ongoing obligations to citizens and creditors.

**Benzie County
Changes in Net Position**

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Program Revenues						
Charges for Services	\$ 2,552,697	\$ 2,584,895	\$ 8,206,506	\$ 8,072,943	\$ 10,759,203	\$ 10,657,838
Operating Grants and Contributions	867,694	962,077	-	-	867,694	962,077
Capital Grants and Contributions	691,573	85,314	-	-	691,573	85,314
General Revenues						
Property Taxes	7,193,059	6,951,370	1,090,208	1,062,220	8,283,267	8,013,590
State Revenue Sharing	339,785	330,905	-	-	339,785	330,905
Investment Earnings - Unrestricted	8,275	13,647	25,584	23,131	33,859	36,778
Other Revenue	228,642	137,081	-	-	228,642	137,081
Total Revenues	11,881,725	11,065,289	9,322,298	9,158,294	21,204,023	20,223,583
Program Expenses						
Legislative	92,518	103,021	-	-	92,518	103,021
Judicial	1,129,991	1,097,149	-	-	1,129,991	1,097,149
General Government	2,072,646	1,819,786	-	-	2,072,646	1,819,786
Public Safety	4,407,002	4,303,613	-	-	4,407,002	4,303,613
Public Works	333,871	346,443	-	-	333,871	346,443
Health and Welfare	1,480,288	1,527,841	-	-	1,480,288	1,527,841
Recreation and Culture	42,784	172,766	-	-	42,784	172,766
Interest Expense - Unallocated	212,068	225,613	-	-	212,068	225,613
Other Expenses	2,215,943	5,509,983	-	-	2,215,943	5,509,983
Medical Care Facility	-	-	7,163,980	5,870,971	7,163,980	5,870,971
Tax Collection	-	-	99,565	124,454	99,565	124,454
Emergency Medical Services	-	-	1,684,510	1,539,178	1,684,510	1,539,178
Sheriff Commissary	-	-	13,213	10,153	13,213	10,153
Total Expenses	11,987,111	15,106,215	8,961,268	7,544,756	20,948,379	22,650,971
Excess (Deficiency)						
Before Transfers	(105,386)	(4,040,926)	361,030	1,613,538	255,644	(2,427,388)
Transfers	(34,203)	1,390,018	34,203	(1,390,018)	-	-
Changes in Net Position	(139,589)	(2,650,908)	395,233	223,520	255,644	(2,427,388)
Net Position - Beginning - Restatement	6,037,650	8,688,558	11,257,509	11,012,650	17,295,159	19,701,208
Net Position - Ending	\$ 5,898,061	\$ 6,037,650	\$ 11,652,742	\$ 11,236,170	\$ 17,550,803	\$ 17,273,820

Financial Analysis of the Government Funds

As noted earlier, Benzie 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 accessing 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.

The County’s general fund is the chief operating fund of the County. The County’s ending fund balance for the general fund was \$1,644,665.

General Fund Budgetary Highlights

The General Fund realized \$91,647 less in revenues than anticipated for the fiscal year. The General Fund operations also expended \$210,586 less than appropriated. Operating Transfers In/Out were more than budgeted and resulted in a positive net budget variance of \$5,066.

All of the General Fund services departments expended less than the budgeted amount for departmental operations in 2016. Elected Officials and Department Heads continue to exhibit diligence across the board of keeping within budget parameters or identifying problems before they occur.

Over the course of the year the County Board amended the General Fund budget to reflect adjustments in revenues and expenditures that developed in the year.

Capital Assets and Debt Administration

Capital Assets:

At September 30, 2016 the County had \$17,096,874 invested in a range of assets. This includes a net increase of \$558,823 from last year as additions exceeded depreciation and deletions.

**Benzie County
Capital Assets
(net of depreciation)**

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land	\$ 5,931,926	\$ 5,931,926	\$ 47,424	\$ 47,424	\$ 5,979,350	\$ 5,979,350
Construction in Progress	-	-	3,914,673	3,241,190	3,914,673	3,241,190
Buildings and Improvements	4,770,372	4,983,091	1,313,396	1,402,786	6,083,768	6,385,877
Land Improvements	55,682	60,949	3,164	3,744	58,846	64,693
Machinery and Equipment	648,489	591,688	411,748	275,253	1,060,237	866,941
Total	\$ 11,406,469	\$ 11,567,654	\$ 5,690,405	\$ 4,970,397	\$ 17,096,874	\$ 16,538,051

Additional information on the County’s capital assets can be found in Note 4 on pages 31-34 of this report.

Debt Administration

At the end of fiscal year 2016, the County had outstanding bond debt in the amount of \$6,005,000. This was due to decreasing its bond debt in the amount of \$390,000. All bonds are backed by the County’s full faith and credit of the government. The remainder of the County’s debt is comprised of bond premiums, installment loans, compensated absences, OPEB, and net pension liabilities.

The County reduced its bond debt by \$390,000 in principal payments.

Debt Administration

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Bonds	\$ 6,005,000	\$ 6,395,000	\$ -	\$ -	\$ 6,005,000	\$ 6,395,000
Bond Premium	112,686	120,735	-	-	112,686	120,735
Installment Payables	27,517	58,691	147,261	44,506	174,778	103,197
Net Pension Liability	5,958,751	3,890,038	3,100,044	1,716,497	9,058,795	5,606,535
Compensated Absences	117,721	117,649	125,369	92,335	243,090	209,984
Total	\$ 12,221,675	\$ 10,582,113	\$ 3,372,674	\$ 1,853,338	\$ 15,594,349	\$ 12,435,451

Additional information on the County’s long-term debt can be found in Note 6 on pages 36-38 of this report.

Economic Factors and Next Year’s Budgets and Rates

Two large capital projects are expected to continue in FY 2016-17, notably construction with the County’s Medical Care Facility (The Maples) and the Point Betsie Lighthouse. These projects will impact two operational departments, notably the Treasurer’s office (who provides grant administration and support to the County Building Authority) and the Building Department (permits and inspections).

Benzie County’s financial challenges are being addressed through a new strategic plan that will eventually provide multi-year budgeting and projections. The County will also establish processes to closely monitor capital and operational expenses. While the fiscal performance in FY 2015-16 was significantly better than expected, the concerns with personal property tax reduction, court reform and state revenue sharing, along with containing operational costs will be diligently monitored.

Requests for Information

This financial report is designed to provide a general overview of the County’s finances for all those with an interest in the government’s finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: Benzie County, 448 Court Place, Beulah, Michigan, 49617.

Basic Financial Statements

Statement of Net Position
September 30, 2016

	Primary Government		Totals	Component Units
	Governmental Activities	Business-type Activities		
ASSETS:				
Cash and Equivalents - Unrestricted	\$ 3,905,305	\$ 4,458,289	\$ 8,363,594	\$ 1,958,096
Cash and Equivalents - Restricted	-	92,458	92,458	-
Investments	-	1,430,127	1,430,127	-
Receivables:				
Accounts	473,727	1,051,367	1,525,094	1,170,908
Taxes	889,561	1,008,223	1,897,784	4,958
Interest	-	103,316	103,316	-
Notes	-	-	-	92,917
Internal Loans	(70,000)	70,000	-	-
Prepaid Items	32,322	3,591	35,913	18,516
Due from Governmental Units	-	-	-	148,515
Other Assets	-	116,572	116,572	-
Inventories	-	-	-	410,957
Net Pension Asset	-	-	-	60,164
Capital Assets (Not Depreciated)	5,931,926	3,962,097	9,894,023	1,699,861
Capital Assets (Net of Accumulated Depreciation)	5,474,543	1,728,308	7,202,851	15,308,523
TOTAL ASSETS	16,637,384	14,024,348	30,661,732	20,873,415
DEFERRED OUTFLOWS OF RESOURCES:				
Pension Investment Experience and Contributions	2,073,154	1,453,748	3,526,902	1,024,640
LIABILITIES:				
Accounts Payable	497,227	155,393	652,620	221,250
Accrued Liabilities	76,228	160,605	236,833	133,720
Accrued Interest Payable	17,347	-	17,347	-
Due to Others	-	136,682	136,682	-
Advances from State	-	-	-	130,078
Installment Loans - Due within one year	9,669	49,781	59,450	7,084
Installment Loans - Due in more than one year	17,848	97,480	115,328	111,221
Bonds Payable - Due within one year	395,000	-	395,000	-
Bonds Payable - Due in more than one year	5,610,000	-	5,610,000	-
Bond Premium - Due in more than one year	112,686	-	112,686	-
Other Post Employment Benefits - Due in more than one year	-	-	-	6,640
Net Pension Liability - Due in more than one year	5,958,751	3,100,044	9,058,795	5,136,381
Vested Employee Benefits - Due in more than one year	117,721	125,369	243,090	115,055
TOTAL LIABILITIES	12,812,477	3,825,354	16,637,831	5,861,429
DEFERRED INFLOWS OF RESOURCES:				
Pension Investment Experience	-	-	-	64,297
Grant Advances	-	-	-	35,000
TOTAL DEFERRED INFLOWS OF RESOURCES	-	-	-	99,297
NET POSITION:				
Net Investment in Capital Assets	5,373,952	5,543,144	10,917,096	16,890,079
Restricted	2,577,023	-	2,577,023	-
Unrestricted	(2,052,914)	6,109,598	4,056,684	(952,750)
TOTAL NET POSITION	\$ 5,898,061	\$ 11,652,742	\$ 17,550,803	\$ 15,937,329

County of Benzie, Michigan

Statement of Activities Year Ended September 30, 2016

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Units
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
Governmental Activities:								
Legislative	\$ 92,518	\$ -	\$ -	\$ -	\$ (92,518)	\$ -	\$ (92,518)	\$ -
Judicial	1,129,991	280,328	222,501	-	(627,162)	-	(627,162)	-
General Government	2,072,645	474,198	400,614	-	(1,197,833)	-	(1,197,833)	-
Public Safety	4,407,002	1,466,199	148,722	-	(2,792,081)	-	(2,792,081)	-
Public Works	333,871	289,493	16,749	-	(27,629)	-	(27,629)	-
Health and Welfare	1,480,288	42,479	79,108	673,482	(685,219)	-	(685,219)	-
Recreation and Culture	42,784	-	-	18,091	(24,693)	-	(24,693)	-
Interest Expense - Unallocated	212,068	-	-	-	(212,068)	-	(212,068)	-
Other Expenses	2,215,943	-	-	-	(2,215,943)	-	(2,215,943)	-
Total Governmental Activities	11,987,110	2,552,697	867,694	691,573	(7,875,146)	-	(7,875,146)	-
Business-type Activities:								
Tax Collection	99,565	503,533	-	-	-	403,968	403,968	-
Emergency Medical Services	1,684,510	937,207	-	-	-	(747,303)	(747,303)	-
Sheriff Commissary	13,213	7,786	-	-	-	(5,427)	(5,427)	-
Medical Care Facility	7,163,980	6,757,980	-	-	-	(406,000)	(406,000)	-
Total Business-type Activities	8,961,268	8,206,506	-	-	-	(754,762)	(754,762)	-
Total Primary Government	\$ 20,948,378	\$ 10,759,203	\$ 867,694	\$ 691,573	(7,875,146)	(754,762)	(8,629,908)	-
Component Units:								
Road Commission	\$ 4,658,047	\$ 1,040,246	\$ 1,198,194	\$ 2,655,523	-	-	-	235,916
Benzie/Leelanau Health Dept.	2,657,617	720,689	1,058,672	-	-	-	-	(878,256)
Benzie Transportation Authority	1,567,291	140,491	783,471	233,909	-	-	-	(409,420)
Economic Development Corporation	27,808	4,941	-	-	-	-	-	(22,867)
Total Component Units	8,910,763	1,906,367	3,040,337	2,889,432	-	-	-	(1,074,627)
Total	\$ 29,859,141	\$ 12,665,570	\$ 3,908,031	\$ 3,581,005	-	-	-	-
General Revenues and Transfers:								
Taxes - Real and Personal	-	-	-	-	7,193,059	1,090,208	8,283,267	1,566,613
Appropriations	-	-	-	-	-	-	-	524,111
State Revenue Sharing	-	-	-	-	339,785	-	339,785	-
Investment Earnings (Loss)	-	-	-	-	8,275	25,584	33,859	5,038
Rent	-	-	-	-	242,323	-	242,323	332,050
Other	-	-	-	-	-	-	-	4,361
Gain (Loss) on Disposal	-	-	-	-	(13,682)	-	(13,682)	46,960
Transfers	-	-	-	-	(34,203)	34,203	-	-
Total General Revenues and Transfers	-	-	-	-	7,735,557	1,149,995	8,885,552	2,479,133
Changes in Net Position	-	-	-	-	(139,589)	395,233	255,644	1,404,506
Net Position - Beginning - Restated	-	-	-	-	6,037,650	11,257,509	17,295,159	14,532,823
Net Position - Ending	-	-	-	-	\$ 5,898,061	\$ 11,652,742	\$ 17,550,803	\$ 15,937,329

County of Benzie, Michigan

Balance Sheet Governmental Funds September 30, 2016

	General	Jail Operations	Nonmajor Governmental Funds	Total
ASSETS:				
Cash and Equivalents - Restricted	\$ 857,542	\$ 92,891	\$ 2,954,872	\$ 3,905,305
Receivables:				
Accounts	107,502	43,276	322,949	473,727
Taxes	889,561	-	-	889,561
Prepaid Items	17,863	8,673	5,786	32,322
Due from Other Funds	-	-	9,000	9,000
TOTAL ASSETS	<u>\$ 1,872,468</u>	<u>\$ 144,840</u>	<u>\$ 3,292,607</u>	<u>\$ 5,309,915</u>
LIABILITIES:				
Accounts Payable	\$ 181,056	\$ 26,523	\$ 289,648	\$ 497,227
Accrued Liabilities	46,747	17,245	12,236	76,228
Due to Other Funds	-	50,000	29,000	79,000
TOTAL LIABILITIES	<u>227,803</u>	<u>93,768</u>	<u>330,884</u>	<u>652,455</u>
FUND BALANCES:				
Nonspendable	17,863	8,673	5,786	32,322
Restricted	-	42,399	2,534,624	2,577,023
Committed	-	-	134,271	134,271
Assigned	-	-	287,042	287,042
Unassigned	1,626,802	-	-	1,626,802
TOTAL FUND BALANCES	<u>1,644,665</u>	<u>51,072</u>	<u>2,961,723</u>	<u>4,657,460</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,872,468</u>	<u>\$ 144,840</u>	<u>\$ 3,292,607</u>	

Reconciliation to amounts reported for governmental activities in the statement of net position:

Capital Assets used by Governmental Activities	11,406,469
Long-term Debt Payable for Governmental Activities	(6,032,517)
Bond Premium	(112,686)
Net Pension Liability and Deferred Outflows	(3,885,597)
Vested Employee Benefits	(117,721)
Accrued Interest Payable	(17,347)
Net position of governmental activities	<u>\$ 5,898,061</u>

County of Benzie, Michigan

Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds Year Ended September 30, 2016

	General	Jail Operations	Nonmajor Governmental Funds	Total
REVENUES:				
Taxes	\$ 4,351,819	\$ 1,039,186	\$ 1,802,054	\$ 7,193,059
Licenses and Permits	34,552	-	-	34,552
Federal Sources	85,350	-	83,987	169,337
State Sources	769,328	-	152,237	921,565
Local Sources	-	-	743,798	743,798
Contributions	-	-	64,352	64,352
Charges for Services	478,292	166,013	1,531,112	2,175,417
Refunds and Reimbursements	200,143	189,742	58,439	448,324
Interest and Rentals	27,606	-	111,489	139,095
Other Revenue	-	-	5,907	5,907
TOTAL REVENUES	5,947,090	1,394,941	4,553,375	11,895,406
EXPENDITURES:				
Legislative	92,518	-	-	92,518
Judicial	1,103,809	-	23,944	1,127,753
General Government	1,495,553	-	70,099	1,565,652
Public Safety	1,089,285	1,675,162	1,231,104	3,995,551
Public Works	-	-	316,005	316,005
Health and Welfare	426,717	-	1,054,212	1,480,929
Recreation and Cultural	4,545	-	16,535	21,080
Capital Outlay	-	-	1,178,192	1,178,192
Debt Service	-	-	612,017	612,017
Other Expenditures	1,320,655	-	-	1,320,655
TOTAL EXPENDITURES	5,533,082	1,675,162	4,502,108	11,710,352
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	414,008	(280,221)	51,267	185,054
OTHER FINANCING SOURCES (USES):				
Installment Loan Proceeds	23,956	-	-	23,956
Operating Transfers In	55,800	329,265	594,691	979,756
Operating Transfers Out	(523,959)	-	(490,000)	(1,013,959)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	(30,195)	49,044	155,958	174,807
FUND BALANCES, OCTOBER 1	1,674,860	2,028	2,805,765	4,482,653
FUND BALANCES, SEPTEMBER 30	\$ 1,644,665	\$ 51,072	\$ 2,961,723	\$ 4,657,460

**Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balance of Governmental Funds
to the Statement of Activities
Year Ended September 30, 2016**

Net changes in fund balance - total governmental funds \$ 174,807

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

Governmental funds reported capital outlays as expenditures. However, in the statement of activities the cost of those assets is capitalized and the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation (\$430,407) exceeded capital outlay \$282,904 and loss on disposal of (\$13,682) in the current period. (161,185)

Repayment of principal is an expenditure in the governmental funds but it reduces the liability in the statement of net position.

Principal repayments:	
Bonds Payable	390,000
Installments Payable	55,130

Proceeds of installment notes, bonds and bond premiums are an other financing source in the governmental funds, in the statement of net position, it increases liabilities.

Installment Proceeds	(23,956)
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Under the modified accrual basis of accounting used in governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. This adjustment combines the following net changes:

Pension Expense and Deferred Outflows	(584,262)
Accrued Interest on Bonds	1,900
Amortization of Bond Premium	8,049
Vested Employee Benefits	(72)
	<hr/>

Changes in net position of governmental activities	<u><u>\$ (139,589)</u></u>
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**Statement of Net Position
Proprietary Funds
September 30, 2016**

	Enterprise Funds				Totals
	County Medical Care Facility	Delinquent Tax Revolving	Emergency Medical Services	Nonmajor Enterprise Funds	
ASSETS:					
Cash and Equivalents - Unrestricted	\$ 1,114,877	\$ 2,523,858	\$ 72,330	\$ 747,224	\$ 4,458,289
Cash and Equivalents - Restricted	92,458	-	-	-	92,458
Investments	-	1,430,127	-	-	1,430,127
Receivables:					
Accounts	768,961	38,780	243,626	-	1,051,367
Taxes	-	1,008,223	-	-	1,008,223
Interest	-	103,316	-	-	103,316
Due from Other Funds	-	270,000	-	-	270,000
Prepaid Items	-	-	3,591	-	3,591
Other Assets	116,572	-	-	-	116,572
Capital Assets (Not Depreciated)	3,927,097	-	35,000	-	3,962,097
Capital Assets (Net of Accumulated Depreciation)	1,278,837	-	449,471	-	1,728,308
TOTAL ASSETS	7,298,802	5,374,304	804,018	747,224	14,224,348
DEFERRED OUTFLOWS OF RESOURCES					
Pension Investment Experience and Contributions	1,197,516	-	256,232	-	1,453,748
LIABILITIES:					
Accounts Payable	121,303	-	34,090	-	155,393
Accrued Liabilities	144,998	-	15,607	-	160,605
Due to Others	46,003	90,679	-	-	136,682
Due to Other Funds	-	-	200,000	-	200,000
Vested Employee Benefits - Due in more than one year	125,369	-	-	-	125,369
Net Pension Liability - Due in more than one year	2,362,013	-	738,031	-	3,100,044
Installment Payable - Due within one year	-	-	49,781	-	49,781
Installment Payable - Due in more than one year	-	-	97,480	-	97,480
TOTAL LIABILITIES	2,799,686	90,679	1,134,989	-	4,025,354
NET POSITION:					
Net Investment in Capital Assets	5,205,934	-	337,210	-	5,543,144
Unrestricted	490,698	5,283,625	(411,949)	747,224	6,109,598
TOTAL NET POSITION	\$ 5,696,632	\$ 5,283,625	\$ (74,739)	\$ 747,224	\$ 11,652,742

**Statement of Revenues, Expenses, and
Changes in Net Position - Proprietary Funds
Year Ended September 30, 2016**

	Enterprise Funds				Totals
	County Medical Care Facility	Delinquent Tax Revolving	Emergency Medical Services	Nonmajor Enterprise Funds	
OPERATING REVENUES:					
Taxes and Penalties	\$ 421,151	\$ -	\$ 669,057	\$ -	\$ 1,090,208
Charges for Services	6,713,759	81,247	901,195	193,321	7,889,522
Interest and Rentals	-	236,751	1	-	236,752
Refunds and Reimbursements	-	-	36,011	-	36,011
Other Revenue	44,221	-	-	-	44,221
Total Operating Revenues	<u>7,179,131</u>	<u>317,998</u>	<u>1,606,264</u>	<u>193,321</u>	<u>9,296,714</u>
OPERATING EXPENSES:					
Personal Services	3,473,390	-	1,262,886	16,530	4,752,806
Contractual Services	-	-	43,258	-	43,258
Utilities	-	-	27,907	-	27,907
Repair and Maintenance	-	-	58,602	-	58,602
Insurance	-	-	59,855	-	59,855
Other Supplies and Expenses	3,583,245	-	117,105	96,248	3,796,598
Depreciation	107,345	-	109,503	-	216,848
Total Operating Expenses	<u>7,163,980</u>	<u>-</u>	<u>1,679,116</u>	<u>112,778</u>	<u>8,955,874</u>
OPERATING INCOME (LOSS)	<u>15,151</u>	<u>317,998</u>	<u>(72,852)</u>	<u>80,543</u>	<u>340,840</u>
NON-OPERATING REVENUES (EXPENSES):					
Interest on Deposits	3,967	21,068	-	549	25,584
Interest and Fiscal Charges	-	-	(5,394)	-	(5,394)
Total Non-Operating Revenues (Expenses)	<u>3,967</u>	<u>21,068</u>	<u>(5,394)</u>	<u>549</u>	<u>20,190</u>
INCOME (LOSS) BEFORE TRANSFERS	<u>19,118</u>	<u>339,066</u>	<u>(78,246)</u>	<u>81,092</u>	<u>361,030</u>
Operating Transfers In	-	14,020	-	82,000	96,020
Operating Transfers Out	-	-	(6,017)	(55,800)	(61,817)
CHANGES IN NET POSITION	<u>19,118</u>	<u>353,086</u>	<u>(84,263)</u>	<u>107,292</u>	<u>395,233</u>
NET POSITION - BEGINNING - RESTATED	<u>5,677,514</u>	<u>4,930,539</u>	<u>9,524</u>	<u>639,932</u>	<u>11,257,509</u>
NET POSITION - ENDING	<u>\$ 5,696,632</u>	<u>\$ 5,283,625</u>	<u>\$ (74,739)</u>	<u>\$ 747,224</u>	<u>\$ 11,652,742</u>

**Statement of Cash Flows
Proprietary Funds
Year Ended September 30, 2016**

	Enterprise Funds				Totals
	County Medical Care Facility	Delinquent Tax Revolving	Emergency Medical Services	Nonmajor Enterprise Funds	
CASH FLOWS FROM OPERATING ACTIVITIES:					
Receipts from Customers	\$ 6,826,761	\$ 436,617	\$ 1,623,485	\$ 298,629	\$ 9,185,492
Payments to Suppliers	-	(17,986)	(295,360)	(112,778)	(426,124)
Payments to Employees	(6,888,152)	-	(1,215,658)	-	(8,103,810)
Internal Activity - Receipts(Payments) with Other Funds	-	152,148	(30,000)	-	122,148
Net Cash Provided (Used) by Operating Activities	<u>(61,391)</u>	<u>570,779</u>	<u>82,467</u>	<u>185,851</u>	<u>777,706</u>
CASH FLOWS FROM NON-CAPITAL AND RELATED FINANCING ACTIVITIES:					
Operating Transfers In	-	14,020	-	82,000	96,020
Operating Transfers Out	-	-	(6,017)	(55,800)	(61,817)
Net Cash Provided (Used) by Non-Capital and Related Financing Activities	<u>-</u>	<u>14,020</u>	<u>(6,017)</u>	<u>26,200</u>	<u>34,203</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Acquisition of Capital Assets	(62,500)	-	(6,201)	-	(68,701)
Principal Payments	-	-	(70,578)	-	(70,578)
Interest Payments	-	-	(5,394)	-	(5,394)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(62,500)</u>	<u>-</u>	<u>(82,173)</u>	<u>-</u>	<u>(144,673)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:					
Purchase of Investments	-	(407,268)	-	-	(407,268)
Interest Income	3,967	21,068	-	549	25,584
Net Cash Provided (Used) by Investing Activities	<u>3,967</u>	<u>(386,200)</u>	<u>-</u>	<u>549</u>	<u>(381,684)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(119,924)	198,599	(5,723)	212,600	285,552
Balances - Beginning of the Year	1,327,259	2,325,259	78,053	534,624	4,265,195
Balances - End of the Year	<u>\$ 1,207,335</u>	<u>\$ 2,523,858</u>	<u>\$ 72,330</u>	<u>\$ 747,224</u>	<u>\$ 4,550,747</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Operating Income (Loss)	\$ 15,151	\$ 317,998	\$ (72,852)	\$ 80,543	\$ 340,840
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Depreciation	107,345	-	109,503	-	216,848
Provision for Bad Debts	28,702	-	-	-	28,702
Amortization of Deferrals	237,850	-	-	-	237,850
Change in Assets and Liabilities:					
(Increase) Decrease in Assets and Deferred Outflows:					
Accounts Receivable	(381,072)	-	17,221	-	(363,851)
Prepaid Items	(3,300)	-	(1)	-	(3,301)
Taxes Receivable	-	118,619	-	-	118,619
Due from Other Funds	-	152,148	-	105,308	257,456
Pension Investment Experience and Contributions	(1,183,031)	-	(183,471)	-	(1,366,502)
Increase (Decrease) in Liabilities:					
Accounts Payable	(55,379)	-	11,368	-	(44,011)
Accrued Liabilities	46,036	-	(26,541)	-	19,495
Due to Other Funds	-	-	(30,000)	-	(30,000)
Due to Other Governments	-	(17,986)	-	-	(17,986)
Net Pension Liability	1,126,307	-	257,240	-	1,383,547
Net Cash Provided (Used) by Operating Activities	<u>\$ (61,391)</u>	<u>\$ 570,779</u>	<u>\$ 82,467</u>	<u>\$ 185,851</u>	<u>\$ 777,706</u>

**Statement of Fiduciary Net Position
Fiduciary Funds
September 30, 2016**

	<u>Agency Funds</u>
ASSETS:	
Cash and Equivalents:	
Unrestricted	<u>\$ 3,853,654</u>
 TOTAL ASSETS	 <u><u>\$ 3,853,654</u></u>
 LIABILITIES:	
Due to Others	<u>\$ 3,853,654</u>
 TOTAL LIABILITIES	 <u><u>\$ 3,853,654</u></u>

Component Units

Statement of Net Position
Component Units
September 30, 2016

	Road Commission	Benzie/ Leelanau District Health Dept.	Benzie Transportation Authority	Economic Development Corporation	Totals
ASSETS:					
Cash and Equivalents - Unrestricted	\$ 1,352,293	\$ 371,211	\$ 229,131	\$ 5,461	\$ 1,958,096
Accounts Receivable	1,023,074	139,882	7,210	742	1,170,908
Taxes Receivable	-	-	4,958	-	4,958
Notes Receivable	-	-	-	92,917	92,917
Due from Governmental Units	-	89,791	58,724	-	148,515
Inventories	375,896	-	35,061	-	410,957
Prepaid Items	-	18,516	-	-	18,516
Net Pension Asset	-	-	60,164	-	60,164
Capital Assets (Not Depreciated)	1,699,861	-	-	-	1,699,861
Capital Assets (Net of Accumulated Depreciation)	13,131,194	16,594	2,160,735	-	15,308,523
TOTAL ASSETS	17,582,318	635,994	2,555,983	99,120	20,873,415
DEFERRED OUTFLOWS OF RESOURCES:					
Pension Investment Experience and Contributions	812,379	108,924	103,337	-	1,024,640
LIABILITIES:					
Accounts Payable	156,007	27,843	37,400	-	221,250
Accrued Liabilities	43,849	68,080	21,791	-	133,720
Advances	130,078	-	-	-	130,078
Note Payable - Due within one year	7,084	-	-	-	7,084
Note Payable - Due in more than one year	111,221	-	-	-	111,221
Other Post Employment Benefits - Due in more than one year	6,640	-	-	-	6,640
Net Pension Liability - Due in more than one year	4,861,657	274,724	-	-	5,136,381
Vested Employee Benefits - Due in more than one year	40,480	74,575	-	-	115,055
TOTAL LIABILITIES	5,357,016	445,222	59,191	-	5,861,429
DEFERRED INFLOWS OF RESOURCES:					
Pension Investment Experience	55,430	5,915	2,952	-	64,297
Grant Advances	-	-	35,000	-	35,000
TOTAL DEFERRED INFLOWS OF RESOURCES	55,430	5,915	37,952	-	99,297
NET POSITION:					
Net Investment in Capital Assets	14,712,750	16,594	2,160,735	-	16,890,079
Unrestricted	(1,730,499)	277,187	401,442	99,120	(952,750)
TOTAL NET POSITION	\$ 12,982,251	\$ 293,781	\$ 2,562,177	\$ 99,120	\$ 15,937,329

**Statement of Activities
Component Units
Year Ended September 30, 2016**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position				
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Road Commission	Benzie/ Leelanau District Health Dept.	Benzie Transportation Authority	Economic Development Corporation	Total
Road Commission									
Public Works	\$ 4,658,047	\$ 1,040,246	\$ 1,198,194	\$ 2,655,523	\$ 235,916	\$ -	\$ -	\$ -	\$ 235,916
Benzie/Leelanau District Health Dept.									
Health and Welfare	2,657,617	720,689	1,058,672	-	-	(878,256)	-	-	(878,256)
Benzie Transportation Authority									
Transportation	1,567,291	140,491	783,471	233,909	-	-	(409,420)	-	(409,420)
Economic Development Corporation									
Public Works	27,808	4,941	-	-	-	-	-	(22,867)	(22,867)
Total Component Units	<u>\$ 8,910,763</u>	<u>\$ 1,906,367</u>	<u>\$ 3,040,337</u>	<u>\$ 2,889,432</u>	<u>235,916</u>	<u>(878,256)</u>	<u>(409,420)</u>	<u>(22,867)</u>	<u>(1,074,627)</u>
General Revenues:									
County Appropriations					-	514,111	-	10,000	524,111
Taxes - Real Property					989,120	-	577,493	-	1,566,613
Investment Earnings					4,009	566	452	11	5,038
Gain (Loss) on Disposal					41,202	-	5,758	-	46,960
Rent					-	332,050	-	-	332,050
Other					-	-	4,361	-	4,361
Total General Revenues					<u>1,034,331</u>	<u>846,727</u>	<u>588,064</u>	<u>10,011</u>	<u>2,479,133</u>
Changes in Net Position					1,270,247	(31,529)	178,644	(12,856)	1,404,506
Net Position - Beginning					11,712,004	325,310	2,383,533	111,976	14,532,823
Net Position - Ending					<u>\$ 12,982,251</u>	<u>\$ 293,781</u>	<u>\$ 2,562,177</u>	<u>\$ 99,120</u>	<u>\$ 15,937,329</u>

Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the County of Benzie, Michigan, conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental entities. The following is a summary of the significant accounting policies used by the County:

A – Reporting Entity:

The County of Benzie, Michigan was organized in 1869 and covers an area of approximately 316 square miles with the County Seat located in Beulah, Michigan. The County operates under an elected Board of Commissioners of seven (7) members and provides services, assistance, and care to its residents. As required by U.S. generally accepted accounting principles, these basic financial statements present the County of Benzie (primary government) and its component units. The component units discussed below are included in the reporting entity because of the significance of their operational or financial relationship with the County.

Component Units:

In conformity with U.S. generally accepted accounting principles, the financial statements of component units have been included in the financial reporting entity either as blended component units or as discretely presented component units.

Blended Component Units

County of Benzie Building Authority – The Authority is an entity legally separate from the County. The Authority is governed by a board, appointed by the Commission and is reported as if it were part of the County’s operations because its primary purpose is the procurement and management of debt financing for the County.

Discretely Presented Component Units

The component units column in the government-wide financial statements include the financial data of the other component units of the County. The following is a summary of the component units:

Benzie County Economic Development Corporation – The Corporation is a legally separate non-profit corporation whose primary purpose is to promote economic development in the County of Benzie. The board of the Economic Development Corporation is appointed by the Board of Commissioners. The Corporation’s annual budget is subject to the approval of the Board of Commissioners and is financially accountable to the County.

Benzie County Economic Development Corporation
448 Court Place
Beulah, Michigan 49617

Benzie County Road Commission – The members of the governing board of the Road Commission are elected by the voters of Benzie County. Although the County does not have the authority to approve or modify the Road Commission’s operational and capital budgets, bonded debt must be approved by the County Commission. Complete financial statements of the individual component unit can be obtained from the following:

Benzie County Road Commission
11318 Main Street
Honor, Michigan 49640

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Benzie – Leelanau District Health Department – The members of the governing body of the Health Department are jointly appointed by the Benzie and Leelanau County Commissions. The Health Department’s operational and capital budgets are not subject to approval or modification by any governmental entity, and it establishes fees for various services and other activities. Complete financial statements of the individual component unit can be obtained from the following:

Benzie/Leelanau Health Department
6051 Frankfort Hwy, Suite 100
Benzonia, Michigan 49616

Benzie Transportation Authority – The members of the governing board of the Bus System are appointed by the County Board. The County does not exercise oversight responsibility and does not have accountability of fiscal matters. Complete financial statements of the individual component unit can be obtained from the following:

Benzie Transportation Authority
14150 Honor Highway
Beulah, Michigan 49619

Jointly Governed Organization

City – County Airport – The City-County Airport Authority (the “Authority”), an entity legally separate from the County, is governed by a seven-member board. Two members are appointed from the County; two members are appointed from the City of Frankfort; two members are appointed from Crystal Lake Township, and the seventh member is appointed by the other members.

For financial reporting purposes, the Authority is reported as a separate unit because the Authority can legally issue debt (although it has a letter of understanding with the City of Frankfort that no debt will be issued); levy tax revenue if desired; and adopt and amend its own budget. In the event of the Authority being dissolved, it will be reverted to the City of Frankfort. The Authority operates on a June 30 year end.

Related Organization

Manistee – Benzie Mental Health – The Manistee – Benzie Mental Health is governed by a board whose voting majority is appointed by the Manistee County Board of Commissioners.

B – 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, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 revenue.

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.

C – 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. Revenue is 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 revenue 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.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected 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. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Under the term of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the County's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

Taxes Receivable – Current or Property Taxes

The County of Benzie property tax is levied on each December 1st and July 1st on the taxable valuation of property (as defined by State statutes) located in the County of Benzie as of the preceding December 31st.

Although the County of Benzie 2015 ad valorem tax is levied and collectible on December 1, 2015, and 2016 ad valorem tax is levied and collectible on July 1, 2016, it is the County of Benzie's policy to recognize revenue from the current tax levy in the current year when the proceeds of this levy are budgeted and made "available" for the financing of operations. "Available" means collected within the current period or expected to be paid from the delinquent tax revolving funds within one year.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The 2015 taxable valuation of the County of Benzie totaled \$1,147,594,711, (not including renaissance zone) on which ad valorem taxes levied consisted of 1.0000 mills for Medical Care Facility Debt and Operations, .6600 mills for Commission on Aging, .9000 mills for Jail Operations, .0982 mills for Animal Control, .5795 mills for Ambulance Millage, .0600 mills for Soldier Relief, .1000 mills for the Conservation District, 1.0000 mills for Roads, and .1000 mills for TNT operations. These amounts are recognized in the respective General, Special Revenue, Debt Service, and Enterprise Fund financial statements as tax revenue.

The July 1, 2016 taxable valuation of County of Benzie totaled \$1,170,367,636, (not including renaissance zone) on which ad valorem taxes levied consisted of 3.4919 mills for the General Fund, this amount is recognized in the General Fund financial statements as revenue.

All other revenue items are considered to be available only when cash is received by the government.

The County reports the following major governmental funds:

General Fund

This is the County's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Jail Operations Fund

This fund accounts for the operation of the jail.

The County reports the following major proprietary funds:

County Medical Care Facility

This fund accounts for the long-term care services provided to the residents of Benzie County.

Delinquent Tax Revolving Fund

This fund accounts for the collection of delinquent taxes.

Emergency Medical Services Fund

This fund accounts for ambulance services provided to the citizens of Benzie County.

Additionally, the County reports the following fund types:

Special Revenue Funds

The special revenue funds account for revenue sources that are legally restricted to expenditures for specific purposes (not including major capital projects).

Debt Service Funds

The debt service fund accounts for the servicing of general long-term debt not financed by proprietary or permanent trust funds.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**Capital Project Fund**

The capital project fund is used to account for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

Enterprise Funds

These funds account for the County's business-type operations that provide services to residents of the County for a fee.

Agency Funds

Agency Funds are used to account for assets held by the County as an agent for individuals, private organizations, other governments, and/or other funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's tax collection function 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.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds relate to charges to customers for tax collections. Operating expenses for proprietary funds include the cost of sales and services, and administrative expenses. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

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

Bank Deposits and Investments – Deposits and investments are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. Pooled investment income from all funds and is allocated to each fund based on average cash balance. Deposits are recorded at cost.

Receivables and Payables – In general, outstanding balances between funds are reported as “due to/from other funds.” Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as “advances to/from other funds. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as “internal balances.”

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each December 1st and July 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

Inventories and Prepaid Items – All inventories, including the cost of supplies, are expensed when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets – Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property, plant, and equipment are depreciated using the straight-line method over the following useful lives:

Buildings	40 to 60 years
Building Improvements	15 to 30 years
Vehicles	3 to 5 years
Office Equipment	5 to 7 years
Computer Equipment	3 to 7 years

Vested Employee Benefits Payable – County General Employees - The County’s employment policies provide for vacation benefits to be earned in varying amounts depending on the employee’s years of service.

The annual vacation benefits earned by each employee during the current year are credited to the employee at year end. Employees are required to use their vacation benefits within one year, except under special circumstances where, with the approval of the Commission, some carry-over may be authorized.

The County’s employment policies provide for sick leave benefits to be earned at the rate of 64 hours applied on January 1st. of each year. Payment for sick time upon separation of employment is disbursed according to the separate union contracts covering sheriff department employees and the government center union employees. The nonunion personnel are paid half of their accumulated sick time.

Long-Term Obligations – In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position.

Deferred Outflows of Resources – In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government has pension items that qualify for reporting in this category.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pensions – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Pension Plan and additions to/deductions from the fiduciary net position have been determined on the same basis as they are reported by MERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Fund Balance Classification – The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the County is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The County has classified Prepaid Items as being Nonspendable as these items are not expected to be converted to cash within the next year. The County has \$32,322 in Nonspendable fund balance.
- Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The County has restricted \$2,577,023 for fund and/or debt specific purposes.
- Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the County. These amounts cannot be used for any other purpose unless the County removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The County has committed \$134,271 for special fund purposes.
- Assigned: This classification includes amounts that are constrained by the County's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the County through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund.
- Unassigned: This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

The County would typically use Restricted fund balances first, followed by Committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned resources first to defer the use of these other classified funds.

Unearned Revenues – Unearned revenues are those where asset recognition criteria have been met, but for which revenue recognition criteria have not.

Grants and Other Intergovernmental Revenues – Federal grants and assistance awards for all governmental type funds are recorded as intergovernmental revenue in accordance with the terms of the representative grants.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

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

- a. Each August, after receiving input from the individual departments, the Board of Commissioners prepares a proposed operating budget for the fiscal period commencing October 1 and lapses on September 30. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted to obtain taxpayer comments.
- c. Prior to October 1, the budget is legally enacted through a resolution passed by the Board of Commissioners.
- d. Budgetary control is exercised at the departmental level of the General Fund. Any revisions that alter the total expenditures of any department or fund (i.e., budget amendments) require approval by the Board of Commissioners. Such amendments are made in accordance with the procedures prescribed under Public Act 621 of 1978.
- e. The budget and approved appropriations lapse at the end of the fiscal year.
- f. The County does not record encumbrances in the accounting records during the year as normal practice and, therefore, no outstanding encumbrances exist at year end.

Budgeted amounts are as originally adopted or amended by the Board of Commissioners during the year. Individual amendments were not material in relation to the original appropriations which were amended. The modified accrual basis of accounting is used for budgetary purposes.

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

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

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

NOTE 3 - DEPOSITS AND INVESTMENTS

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

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total Primary Government</u>	<u>Fiduciary Funds</u>	<u>Component Units</u>
Cash and Cash Equivalents -					
Unrestricted	\$ 3,905,305	\$ 4,458,289	\$ 8,363,594	\$ 3,853,654	\$ 1,958,096
Restricted	<u>-</u>	<u>92,458</u>	<u>92,458</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 3,905,305</u>	<u>\$ 4,550,747</u>	<u>\$ 8,456,052</u>	<u>\$ 3,853,654</u>	<u>\$ -</u>

The breakdown between deposits and investments is as follows:

	<u>Primary Government</u>	<u>Fiduciary Funds</u>	<u>Component Units</u>
Bank Deposits (checking and savings accounts, certificates of deposit, and money markets)	\$ 8,454,552	\$ 3,853,654	\$ 1,957,031
Petty Cash and Cash on Hand	<u>1,500</u>	<u>-</u>	<u>1,065</u>
Total	<u>\$ 8,456,052</u>	<u>\$ 3,853,654</u>	<u>\$ 1,958,096</u>

	<u>Fair Value</u>	<u>Years</u>			
		<u>Less Than 1</u>	<u>1 – 5</u>	<u>6 – 10</u>	<u>More Than 10</u>
Investments:					
Treasury Securities	\$ 1,430,127	\$ 408,907	\$ 1,021,220	\$ -	\$ -
Total Investments	<u>\$ 1,430,127</u>	<u>\$ 408,907</u>	<u>\$ 1,021,220</u>	<u>\$ -</u>	<u>\$ -</u>

Interest rate risk. The County does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk. State law limits investments in commercial paper, corporate bonds, and mutual bond funds to the top two ratings issued by nationally recognized statistical rating organizations. The County has no investment policy that would further limit its investment choices. The County had investments in the following funds at September 30, 2016:

<u>Fund Name</u>	<u>Ticker/CUSIP</u>	<u>S&P Rating</u>
MI-010257-0001 DTRF	N/A	AAAm
Anchor Bay Mich Sch Dist	032879TC2	AA-
Fed Farm CR BK	3133EA7H5	AA+

Custodial credit risk. Investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or securities that are in the possession of an outside party.

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

Custodial deposit credit risk. Custodial deposit credit risk is the risk that in the event of a bank failure, the County’s deposits may not be returned. State law does not require and the County does not have a policy for deposit custodial credit risk. As of year end, \$9,523,342 of the County’s bank balance of \$12,069,977 was exposed to credit risk because it was uninsured and uncollateralized. \$0 was insured and collateralized by the pledging financial institution.

Money market accounts are not rated investments and are not subject to custodial credit risk.

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

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

The County has the following fair value measurements as of September 30, 2016:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Government Securities	\$ 911,266	\$ -	\$ 911,266	\$ -
Municipal Bonds	518,861	-	518,861	-
Total	<u>\$ 1,430,127</u>	<u>\$ -</u>	<u>\$ 1,430,127</u>	<u>\$ -</u>

Statutory Authority:

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

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

- a. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, or depository receipts of a financial institution, but only if the financial institution complies with subsection (2); certificates of deposit obtained through a financial institution as provided in subsection (5); or deposit accounts of a financial institution as provided in subsection (6).
- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and matures not more than 270 days after the date of purchase.
- d. Repurchase agreements consisting of instruments listed in subdivision (a).

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

- e. Bankers’ acceptances of United States banks.
- f. Obligations of this state or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
- g. Mutual funds registered under the investment company act of 1940, 15 USC 80a-1 to 80a-64, with authority to purchase only investment vehicles that are legal for direct investment by a public corporation. However, a mutual fund is not disqualified as a permissible investment solely by reason of any of the following:
 - (i) The purchase of securities on a when-issued or delayed delivery basis.
 - (ii) The ability to lend portfolio securities as long as the mutual fund receives collateral at all times equal to at least 100% of the value of the securities loaned.
 - (iii) The limited ability to borrow and pledge a like portion of the portfolio’s assets for temporary or emergency purposes.
- h. Obligations described in subdivisions (a) through (g) if purchased through an interlocal agreement under the urban cooperation act of 1967, 1967 (Ex Sess) PA 7, MCL 124.501 to 124.512.
- i. Investment pools organized under the surplus funds investment pool act, 1982 PA 367, MCL 129.111 to 129.118.
- j. The investment pools organized under the local government investment pool act, 1985 PA 121, MCL 129.141 to 129.150.

The County’s deposits and investment policy are in accordance with statutory authority.

These deposits are in various financial institutions in varying amounts. All accounts are in the name of the County and specific funds. They are recorded in County records at cost. Interest is recorded when the deposits mature or is credited to the applicable account.

NOTE 4 - CAPITAL ASSETS

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

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Adjustments/ Deductions</u>	<u>Ending Balances</u>
Governmental Activities:				
<i>Capital assets not being depreciated:</i>				
Land	\$ 5,931,926	\$ -	\$ -	\$ 5,931,926
<i>Capital assets being depreciated:</i>				
Buildings and improvements	8,578,078	17,582	-	8,595,660
Land improvements	74,865	-	-	74,865
Machinery and equipment	<u>2,377,947</u>	<u>265,322</u>	<u>(13,682)</u>	<u>2,629,587</u>
Subtotal	<u>11,030,890</u>	<u>282,904</u>	<u>(13,682)</u>	<u>11,300,112</u>

NOTE 4 - CAPITAL ASSETS (Continued)

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Adjustments/ Deductions</u>	<u>Ending Balances</u>
<i>Less accumulated depreciation for:</i>				
Buildings and improvements	(3,594,987)	(230,301)	-	(3,825,288)
Land improvements	(13,916)	(5,267)	-	(19,183)
Machinery and equipment	<u>(1,786,259)</u>	<u>(194,839)</u>	-	<u>(1,981,098)</u>
Subtotal	<u>(5,395,162)</u>	<u>(430,407)</u>	-	<u>(5,825,569)</u>
Net Capital Assets Being Depreciated	<u>5,635,728</u>	<u>(147,503)</u>	<u>(13,682)</u>	<u>5,474,543</u>
Capital Assets – Net	<u>\$ 11,567,654</u>	<u>\$ (147,503)</u>	<u>\$ (13,682)</u>	<u>\$ 11,406,469</u>

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

Governmental Activities:		
Judicial		\$ 2,238
General Government		138,725
Public Safety		254,080
Public Works		11,160
Health and Welfare		2,500
Recreation and Culture		<u>21,704</u>
Total Governmental Activities		<u>\$ 430,407</u>

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Adjustments/ Deductions</u>	<u>Ending Balances</u>
Business-type Activities:				
<i>Capital assets not being depreciated:</i>				
Land	\$ 47,424	\$ -	\$ -	\$ 47,424
Construction in progress	<u>3,241,190</u>	<u>673,483</u>	-	<u>3,914,673</u>
Subtotal	<u>3,288,614</u>	<u>673,483</u>	-	<u>3,962,097</u>
<i>Capital assets being depreciated:</i>				
Land improvements	91,661	-	-	91,661
Buildings and improvements	3,906,766	6,201	-	3,912,967
Machinery and equipment	<u>2,059,174</u>	<u>257,172</u>	-	<u>2,316,346</u>
Subtotal	<u>6,057,601</u>	<u>263,373</u>	-	<u>6,320,974</u>
<i>Less accumulated depreciation for:</i>				
Land improvements	(87,917)	(580)	-	(88,497)
Buildings and improvements	(2,503,980)	(95,591)	-	(2,599,571)
Machinery and equipment	<u>(1,783,921)</u>	<u>(120,677)</u>	-	<u>(1,904,598)</u>
Subtotal	<u>(4,375,818)</u>	<u>(216,848)</u>	-	<u>(4,592,666)</u>
Net Capital Assets Being Depreciated	<u>1,681,783</u>	<u>46,525</u>	-	<u>1,728,308</u>
Capital Assets – Net	<u>\$ 4,970,397</u>	<u>\$ 720,008</u>	<u>\$ -</u>	<u>\$ 5,690,405</u>

NOTE 4 - CAPITAL ASSETS (Continued)

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

Business-type Activities:		
Medical Care Facility	\$	107,345
Emergency Medical Services		<u>109,503</u>
Total Business-Type Activities	\$	<u><u>216,848</u></u>

BENZIE COUNTY ROAD COMMISSION

Capital asset activity of the Benzie County Road Commission for the current year was as follows:

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Adjustments/ Deductions</u>	<u>Ending Balances</u>
<i>Capital assets not being depreciated:</i>				
Land	\$ 12,708	\$ -	\$ -	\$ 12,708
Land Improvements	<u>1,641,697</u>	<u>45,456</u>	<u>-</u>	<u>1,687,153</u>
Subtotal	<u>1,654,405</u>	<u>45,456</u>	<u>-</u>	<u>1,699,861</u>
<i>Capital assets being depreciated:</i>				
Buildings	1,123,929	44,754	(6,607)	1,162,076
Road Equipment	5,027,165	464,763	(306,693)	5,185,235
Shop Equipment	142,786	9,527	(997)	151,316
Office Equipment	66,278	10,637	(22,325)	54,590
Engineer's Equipment	58,289	878	(19,822)	39,345
Yard and Storage	327,507	-	(82,065)	245,442
Infrastructure	<u>13,723,048</u>	<u>2,610,067</u>	<u>(527,955)</u>	<u>15,805,160</u>
Subtotal	<u>20,469,002</u>	<u>3,140,626</u>	<u>(966,464)</u>	<u>22,643,164</u>
<i>Less accumulated depreciation for:</i>				
Buildings	(1,036,936)	(13,817)	6,607	(1,044,146)
Road Equipment	(4,150,988)	(328,149)	304,108	(4,175,029)
Shop Equipment	(117,943)	(9,818)	997	(126,764)
Office Equipment	(61,645)	(2,269)	22,325	(41,589)
Engineer's Equipment	(52,662)	(3,139)	15,822	(39,979)
Yard and Storage	(263,219)	(10,625)	82,065	(191,779)
Infrastructure	<u>(3,663,801)</u>	<u>(756,838)</u>	<u>527,955</u>	<u>(3,892,684)</u>
Subtotal	<u>(9,347,194)</u>	<u>(1,124,655)</u>	<u>959,879</u>	<u>(9,511,970)</u>
Net Capital Assets Being Depreciated	<u>11,121,808</u>	<u>2,015,971</u>	<u>(6,585)</u>	<u>13,131,194</u>
Capital Assets – Net	<u>\$ 12,776,213</u>	<u>\$ 2,061,427</u>	<u>\$ (6,585)</u>	<u>\$ 14,831,055</u>

NOTE 4 - CAPITAL ASSETS (Continued)

Depreciation expense was charged to Public Works as follows:

Unallocated	\$	756,838
Equipment		328,149
Administration		6,521
Other		<u>33,147</u>
Total	\$	<u>1,124,655</u>

BENZIE/LEELANAU DISTRICT HEALTH DEPARTMENT

Capital asset activity of the Benzie/Leelanau District Health Department for the current year was as follows:

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Adjustments/ Deductions</u>	<u>Ending Balances</u>
<i>Capital assets being depreciated:</i>				
Other capital assets:				
Equipment & furniture	\$ 45,552	\$ -	\$ -	\$ 45,552
Subtotal	<u>45,552</u>	<u>-</u>	<u>-</u>	<u>45,552</u>
<i>Less accumulated depreciation for:</i>				
Equipment & furniture	<u>(26,841)</u>	<u>(2,117)</u>	<u>-</u>	<u>(28,958)</u>
Subtotal	<u>(26,841)</u>	<u>(2,117)</u>	<u>-</u>	<u>(28,958)</u>
Net Capital Assets	<u>\$ 18,711</u>	<u>\$ (2,117)</u>	<u>\$ -</u>	<u>\$ 16,594</u>

Depreciation expense was charged to:

Health and Welfare	\$	<u>2,117</u>
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BENZIE TRANSPORTATION AUTHORITY

Capital asset activity of the Benzie Transportation Authority for the current year was as follows:

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Adjustments/ Deductions</u>	<u>Ending Balances</u>
<i>Capital assets being depreciated:</i>				
Building and improvements	\$ 2,049,404	\$ 54,836	\$ -	\$ 2,104,240
Vehicles	1,729,901	188,644	(160,816)	1,757,729
Shop equipment	91,318	3,221	-	94,539
Office equipment	<u>90,904</u>	<u>1,535</u>	<u>-</u>	<u>92,439</u>
Subtotal	<u>3,961,527</u>	<u>248,236</u>	<u>(160,816)</u>	<u>4,048,947</u>
<i>Less accumulated depreciation</i>	<u>(1,905,599)</u>	<u>(143,429)</u>	<u>160,816</u>	<u>(1,888,212)</u>
Net Capital Assets	<u>\$ 2,055,928</u>	<u>\$ 104,807</u>	<u>\$ -</u>	<u>\$ 2,160,735</u>

Depreciation expense was charged to:

Transportation	\$	<u>143,429</u>
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NOTE 5 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

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

		DUE FROM OTHER FUNDS		
DUE TO OTHER FUNDS		Nonmajor Governmental	Delinquent Tax Revolving	Total
		Jail Operations	\$ -	\$ 50,000
	Nonmajor Governmental	9,000	20,000	29,000
	Emergency Medical Services	-	200,000	200,000
	Total	<u>\$ 9,000</u>	<u>\$ 270,000</u>	<u>\$ 279,000</u>

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

		TRANSFERS OUT				
TRANSFERS IN		General	Nonmajor Governmental	Emergency Medical Services	Nonmajor Enterprise	Total
		General	\$ -	\$ -	\$ -	\$ 55,800
	Jail Operations	329,265	-	-	-	329,265
	Nonmajor Governmental	180,674	408,000	6,017	-	594,691
	Delinquent Tax Revolving	14,020	-	-	-	14,020
	Nonmajor Enterprise	-	82,000	-	-	82,000
	Total	<u>\$ 523,959</u>	<u>\$ 490,000</u>	<u>\$ 6,017</u>	<u>\$ 55,800</u>	<u>\$ 1,075,776</u>

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

NOTE 6 - LONG-TERM DEBT

General Obligation Debt

Governmental activities general obligation debt consists of general obligation bonds of the Building Authority. Business-type activities general obligation debt consists of installment loans for equipment.

Installment Loans

The County has purchased vehicles and equipment used for governmental activities using commercial notes payable with annual principal payments ranging from \$4,366 to \$5,303, plus interest charges at 2.10% to 8.89%. The business-type activities have purchased an ambulance and equipment using commercial notes payable with annual principal payments ranging from \$11,325 to \$40,660, plus interest charged at 2.79% to 3.55%.

General obligation and installment payables debt outstanding is as follows:

	<u>Interest Rate</u>	<u>Principal Matures</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:							
General Obligation Bonds							
1998 Building Authority Bonds	3.60-4.95%	2018	\$ 240,000	\$ -	\$ (75,000)	\$ 165,000	\$ 75,000
2014 Building Authority Bonds	3.00-4.00%	2030	6,155,000	-	(315,000)	5,840,000	320,000
Building Authority Bonds Premium			120,735	-	(8,049)	112,686	-
Installment Loans payable to Financial Institutions, monthly installments of \$461 to \$2,742, secured by equipment.	2.10- 8.89%	Various	<u>58,691</u>	<u>23,956</u>	<u>(55,130)</u>	<u>27,517</u>	<u>9,669</u>
Total Governmental Activities			<u>\$ 6,574,426</u>	<u>\$ 23,956</u>	<u>\$ (453,179)</u>	<u>\$ 6,145,203</u>	<u>\$ 404,669</u>
Business-Type Activities:							
Installment Loans payable to Financial Institutions							
Life Pak Monitors - Monthly installments of \$2,852, secured by equipment.	3.55%	2017	\$ 44,506	\$ -	\$ (33,181)	\$ 11,325	\$ 11,325
Ambulance - Monthly installments of \$3,480, secured by the vehicle.	2.79%	2020	<u>194,672</u>	<u>-</u>	<u>(58,736)</u>	<u>135,936</u>	<u>38,456</u>
Total Business-Type Activities			<u>\$ 239,178</u>	<u>\$ -</u>	<u>\$ (91,917)</u>	<u>\$ 147,261</u>	<u>\$ 49,781</u>

NOTE 6 - LONG-TERM DEBT (Continued)

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

	Governmental Activities Bonds Payable		Governmental Activities Installment Note Payable		Business –type Activities Installment Note Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
	Fiscal:					
2017	\$ 395,000	\$ 208,167	\$ 9,669	\$ 1,222	\$ 49,781	\$ 3,387
2018	415,000	194,855	4,614	1,708	39,542	2,217
2019	340,000	180,650	4,895	645	40,660	1,099
2020	355,000	170,450	5,186	350	17,278	120
2021	370,000	159,800	3,153	61	-	-
2022-2026	2,080,000	620,150	-	-	-	-
2027-2030	2,050,000	208,812	-	-	-	-
TOTALS	\$ 6,005,000	\$ 1,742,884	\$ 27,517	\$ 3,986	\$ 147,261	\$ 6,823

Vested Employee Benefits – Governmental Activities

A summary of vested benefits payable at September 30, 2016 is as follows:

	Beginning Balances	Additions	Net Reductions	Ending Balances
Vested Employee Benefits	\$ 117,649	\$ 72	\$ -	\$ 117,721

Vested Employee Benefits – Business-type Activities

A summary of vested benefits payable at September 30, 2016 is as follows:

	Beginning Balances	Additions	Net Reductions	Ending Balances
Vested Employee Benefits	\$ 92,335	\$ 33,034	\$ -	\$ 125,369

BENZIE COUNTY ROAD COMMISSION

The following is a summary of pertinent information concerning the Road Commission's long-term debt.

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Installment payable to Finance Company, 2.69% interest rate, payable in monthly installments of \$848, secured by equipment.	\$ 125,185	\$ -	\$ 6,680	\$ 118,305	\$ 7,084
Vested Employee Benefits	48,246	-	7,766	40,480	
TOTAL	\$ 173,431	\$ -	\$ 14,646	\$ 158,785	

NOTE 6 - LONG-TERM DEBT (Continued)

BENZIE/LEELANAU DISTRICT HEALTH DEPARTMENT

The following is a summary of pertinent information concerning the Benzie/Leelanau District Health Department's long-term debt.

	<u>Beginning Balances</u>	<u>Net Additions</u>	<u>Reductions</u>	<u>Ending Balances</u>
Vested Employee Benefits	\$ <u>69,016</u>	\$ <u>5,559</u>	\$ <u>-</u>	\$ <u>74,575</u>

NOTE 7 - RISK MANAGEMENT

The County is a voluntary member of the Michigan Municipal Risk Management Authority (MMRMA) (the "Authority"). The County makes annual contributions to MMRMA based on actuarial studies using historical data and insurance industry statistics. Such contributions as received by MMRMA are allocated between its general and member retention funds. Economic resources in the MMRMA's general fund are expended or reinsurance coverage, claim payments and certain general and administrative costs, whereas resources in the member retention fund are used for loss payments and defense costs up to the members' self-insured retention limits along with certain other member-specific costs.

The Authority has reserved fund balance to pay losses incurred by members that exceed individual retention levels and are not covered under existing reinsurance agreements. Losses incurred within the established limits are general obligations of the Authority. In the event that the County incurs loss in excess of the resources available, the Authority as a whole (i.e. all constituent municipalities) is liable for the excess. In the event that the Pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific Pool's policy year may be subject to special assessments to make up the deficiency. The County has not been informed of any special assessments being required.

In addition, the Authority has accumulated resources to create and fund an internal stop loss fund. The stop loss fund was initiated to eliminate the need to purchase aggregate reinsurance for aggregate losses paid in excess of \$178,000, net of reinsurance recoveries for any one member in any one year. Aggregate paid losses in excess of \$178,000 net of reinsurance recoveries are paid entirely from the internal stop loss fund. If at any time the stop loss fund is insufficient to fund the County's losses, the remaining liability shall become the responsibility of the Authority as a whole.

At September 30, 2016, the County has funds on deposit of \$178,000 with the Authority and reserves for reported claims of \$178,000. Management has not recorded the net of these amounts in the financial statements, as the amount has been deemed immaterial.

NOTE 8 - 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 are 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.

NOTE 9 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS

PRIMARY GOVERNMENT

General Information about the Pension Plan

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

01 – Courthouse Emplys: Closed to new hires, linked to Division 13

	<u>2015 Valuation</u>
Benefit Multiplier:	2.50% Multiplier (80% max)
Normal Retirement Age:	60
Vesting:	8 Years
Early Retirement (Unreduced):	-
Early Retirement (Reduced):	50/25 55/15
Final Average Compensation:	5 years
Employee Contributions	2.30%
Act 88:	Yes (Adopted 4/18/2000)

02 – Sheriff Dept.: Closed to new hires, linked to Division 21

	<u>2015 Valuation</u>
Benefit Multiplier:	2.50% Multiplier (80% max)
Normal Retirement Age:	60
Vesting:	8 Years
Early Retirement (Unreduced):	25 and Out
Early Retirement (Reduced):	55/15
Final Average Compensation:	5 years
Employee Contributions	1.84%
Act 88:	Yes (Adopted 4/18/2000)

10 – Elctd Officials: Open Division

	<u>2015 Valuation</u>
Benefit Multiplier:	2.50% Multiplier (80% max)
Normal Retirement Age:	60
Vesting:	8 Years
Early Retirement (Unreduced):	50/25
Early Retirement (Reduced):	50/25 55/15
Final Average Compensation:	5 years
Employee Contributions	2.08%
Act 88:	Yes (Adopted 4/18/2000)

NOTE 9 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

11 – Commissioners: Open Division	
	<u>2015 Valuation</u>
Benefit Multiplier:	2.25% Multiplier (80% max)
Normal Retirement Age:	60
Vesting:	8 Years
Early Retirement (Unreduced):	-
Early Retirement (Reduced):	50/25 55/15
Final Average Compensation:	5 years
Employee Contributions	0%
Act 88:	Yes (Adopted 4/18/2000)
12 – NonUnion&NonElct: Open Division	
	<u>2015 Valuation</u>
Benefit Multiplier:	2.50% Multiplier (80% max)
Normal Retirement Age:	60
Vesting:	8 Years
Early Retirement (Unreduced):	-
Early Retirement (Reduced):	50/25 55/15
Final Average Compensation:	5 years
Employee Contributions	2.07%
Act 88:	Yes (Adopted 4/18/2000)
13 – Courthouse Employee’s after 10/01/12: Open Division, linked to Division 01	
	<u>2015 Valuation</u>
Benefit Multiplier:	2.00% Multiplier (no max)
Normal Retirement Age:	60
Vesting:	10 Years
Early Retirement (Unreduced):	55/25
Early Retirement (Reduced):	50/25 55/15
Final Average Compensation:	5 years
Employee Contributions	2.30%
Act 88:	Yes (Adopted 4/18/2000)
20 – COAM: Closed to new hires, linked to Division 22	
	<u>2015 Valuation</u>
Benefit Multiplier:	2.50% Multiplier (80% max)
Normal Retirement Age:	60
Vesting:	8 Years
Early Retirement (Unreduced):	25 and Out
Early Retirement (Reduced):	55/15
Final Average Compensation:	5 years
Employee Contributions	2%
Act 88:	Yes (Adopted 4/18/2000)

NOTE 9 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

21 – Sheriff Dept after 10/01/2011: Open Division, linked to Division 02

	<u>2015 Valuation</u>
Benefit Multiplier:	2.00% Multiplier (no max)
Normal Retirement Age:	60
Vesting:	10 Years
Early Retirement (Unreduced):	50/25
Early Retirement (Reduced):	50/25
	55/15
Final Average Compensation:	5 years
Employee Contributions	1.84%
Act 88:	Yes (Adopted 4/18/2000)

Employees Covered by Benefit Terms

At December 31, 2015, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	66
Inactive employees entitled to but not yet receiving benefits	34
Active employees	<u>91</u>
	191

Funding Policy

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

Courthouse Employees	\$1,987	Non Union & Non Elected	\$12,904
Sheriff Dept.	\$11,407	Courthouse Employees after 10/01/12	\$749
Elected Officials	\$7,440	COAM	\$7,740
Commissioners	\$1,287	Sheriff Department after 10/01/011	\$2,056

Net Pension Liability

The County’s net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions. The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5%
Salary increases	3.75% in the long-term
Investment rate of return	7.75%, net of investment and administrative expense including inflation

NOTE 9 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

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

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

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	57.5%	5.02%
Global Fixed Income	20.0%	2.18%
Real Assets	12.5%	4.23%
Diversifying Strategies	10.0%	6.56%

Discount Rate. The discount rate used to measure the total pension liability is 8.25% for 2015. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NOTE 9 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

Changes in the Net Pension Liability:

	Increases (Decreases)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at December 31, 2014	\$ 14,957,192	\$ 10,598,955	\$ 4,358,237
Service cost	372,988	-	372,988
Interest on total pension liability	1,215,689	-	1,215,689
Changes in benefits	-	-	-
Difference between expected and actual experience	469,454	-	469,454
Changes in assumptions	826,589	-	826,589
Employer contributions	-	643,589	(643,589)
Employee contributions	-	86,789	(86,789)
Net investment income	-	(160,875)	160,875
Benefit payments, including employee refunds	(816,063)	(816,063)	-
Administrative expense	-	(23,326)	23,326
Other Changes	2	-	2
Net changes	<u>2,068,659</u>	<u>(269,886)</u>	<u>2,338,545</u>
Balances as of December 31, 2015	<u>\$ 17,025,851</u>	<u>\$ 10,329,069</u>	<u>\$ 6,696,782</u>

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 8.25%, as well as what the County’s net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.25%) or 1-percentage-point higher (9.25%) than the current rate:

	1% Decrease (7.25%)	Current Discount Rate (8.25%)	1% Increase (9.25%)
County’s net pension liability	\$8,736,514	\$6,696,782	\$4,980,498

Note: The current discount rate shown for GASB 68 purposes is higher than the MERS assumed rate of return. This is because for GASB purposes, the discount rate must be gross of administrative expenses, whereas for funding purposes, it is net of administrative expenses.

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

NOTE 9 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

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

For the year ended September 30, 2016, the County recognized pension expense of \$658,031. At September 30, 2016, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 352,091	\$ -
Changes in assumptions	619,941	-
Net difference between projected and actual earnings on pension plan investments	943,190	-
Contributions subsequent to the measurement date	414,164	-
 Total	 <u>\$ 2,329,386</u>	 <u>\$ -</u>

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

Year Ended September 30:

2017	\$	569,688
2018		569,688
2019		569,688
2020		206,158

BENZIE COUNTY ROAD COMMISSION

Description of Plan and Plan Assets

The Road Commission is in an agent multiple-employer defined benefit pension plan with the Municipal Employees' Retirement System (MERS). The system provides the following provisions: normal retirement, deferred retirement and service retirement to plan members and their beneficiaries. The service requirement is computed using credited service at the time of termination of membership multiplies by the sum of 2.0% or 1.0% times the final compensation (FAC). The most recent period of which actuarial data was available was for year ended December 31, 2015.

General Information about the Pension Plan

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

01 – Gnrl Emp: Closed to new hires, linked to Division HA	
	2015 Valuation
Benefit Multiplier:	2.00% Multiplier (no max)
Normal Retirement Age:	60
Vesting:	10 Years
Early Retirement (Unreduced):	55/25
Early Retirement (Reduced):	50/25
	55/15
Final Average Compensation:	5 years
Employee Contributions:	0%
Act 88:	No
11 – Commissioners: Closed to new hires, linked to Division HA	
	2015 Valuation
Benefit Multiplier:	1.50% Multiplier (no max)
Normal Retirement Age:	60
Vesting:	10 Years
Early Retirement (Unreduced):	-
Early Retirement (Reduced):	50/25
	55/15
Final Average Compensation:	5 years
Employee Contributions	2.82%
Act 88:	No
12 – Admin: Closed to new hires, linked to Division HA	
	2015 Valuation
Benefit Multiplier:	2.00% Multiplier (no max)
Normal Retirement Age:	60
Vesting:	10 Years
Early Retirement (Unreduced):	55/25
Early Retirement (Reduced):	50/25
	55/15
Final Average Compensation:	3 years
Employee Contributions	0%
Act 88:	No

NOTE 9 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

HA – New hires after 7/1/2011: Open Division, linked to Division 01, 11, 12

	<u>2015 Valuation</u>
Benefit Multiplier:	Hybird Plan - 1.00% Multiplier
Normal Retirement Age:	60
Vesting:	6 Years
Early Retirement (Unreduced):	-
Early Retirement (Reduced):	-
Final Average Compensation:	3 years
Employee Contributions	0%
Act 88:	No

Employees Covered by Benefit Terms

At December 31, 2015, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	40
Inactive employees entitled to but not yet receiving benefits	9
Active employees	<u>28</u>
	77

Funding Policy

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

The contribution rate as a fixed dollar amount of payroll at September 30, 2016 is as follows:

General	\$ 20,704
Management	6,268
Commissioners	75
New Hires	<u>1,743</u>
Total	<u>\$ 28,790</u>

Net Pension Liability

The Road Commission’s net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

NOTE 9 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

Actuarial Assumptions. The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	3.75% in the long term
Investment rate of return	7.75%, net of interest and administrative expense including inflation

Mortality rates used were based on the RP-2014 Group Annuity Mortality Table of a 50% Male and 50% Female blend. For disabled retirees, the RP-2014 mortality table is used with a 10-year set forward in ages to reflect the higher expected mortality rates of disabled members.

The actuarial assumptions used in valuation were based on the results of the most recent actuarial experience study of January 1, 2009 through December 31, 2013.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	57.5%	5.02%
Global Fixed Income	20.0%	2.18%
Real Assets	12.5%	4.23%
Diversifying Strategies	10.0%	6.56%

Discount Rate. The discount rate used to measure the total pension liability is 8.00% for 2015. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NOTE 9 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

Changes in the Net Pension Liability:

	Increases (Decreases)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at December 31, 2014	\$ 7,151,645	\$ 2,758,455	\$ 4,393,190
Service cost	65,231	-	65,231
Interest on total pension liability	568,313	-	568,313
Changes in benefits	-	-	-
Difference between expected and actual experience	(83,145)	-	(83,145)
Changes in assumptions	349,601	-	349,601
Employer contributions	-	475,529	(475,529)
Employee contributions	-	289	(289)
Net investment income	-	(38,482)	38,482
Benefit payments, including employee refunds	(591,233)	(591,233)	-
Administrative expense	-	(5,803)	5,803
Net changes	308,767	(159,700)	468,467
Balances as of December 31, 2015	\$ 7,460,412	\$ 2,598,755	\$ 4,861,657

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability of the Road Commission, calculated using the discount rate of 8.00%, as well as what the Road Commission’s net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.00%) or 1-percentage-point higher (9.00%) than the current rate:

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
Road Commission’s net pension liability	\$5,558,261	\$4,861,657	\$4,261,600

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

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

For the year ended September 30, 2016, the Road Commission recognized pension expense of \$567,653. At September 30, 2016, the Road Commission reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

NOTE 9 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 55,430
Changes in assumptions	233,068	-
Net difference between projected and actual earnings on pension plan investments	239,255	-
Contributions subsequent to the measurement date	340,056	-
 Total	 <u>\$ 812,379</u>	 <u>\$ 55,430</u>

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

Year Ended September 30:

2017	\$	151,167
2018		151,167
2019		62,348
2020		52,211

Annual Pension Costs – For fiscal year ended 2016, the Benzie County Road Commission’s annual pension cost of \$340,746 for the plan was equal to the required contribution. The annual required contribution was determined as part of an actuarial valuation as December 31, 2014, using the entry age normal cost method. Significant actuarial assumptions used include: (i) an 8% investment rate of return; (ii) projected salary increases of 4.5 percent per year. Both determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is being amortized as a level percent of payroll on a closed basis. The remaining amortization period is 24 years.

BENZIE/LEELANAU DISTRICT HEALTH DEPARTMENT

General Information about the Pension Plan

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

NOTE 9 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

01 – Gnrl Empl: Closed to new hires	
	<u>2015 Valuation</u>
Benefit Multiplier:	2.25% Multiplier (80 % max)
Normal Retirement Age:	60
Vesting:	10 Years
Early Retirement (Unreduced):	55/25
Early Retirement (Reduced):	50/25
	55/15
Final Average Compensation:	5 years
Employee Contributions	0%
Act 88:	Yes (Adopted 3/28/2002)

Employees Covered by Benefit Terms

At December 31, 2015, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	2
Inactive employees entitled to but not yet receiving benefits	-
Active employees	<u>3</u>
	5

Funding Policy

The obligation to contribute and maintain the system for these employees was established by the personnel policy; currently no employee contribution is required.

Net Pension Liability

The Health Department’s net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions. The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	3.75% in the long term
Investment rate of return	7.75%, net of investment and administrative expenses including inflation

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

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

The actuarial assumptions used in valuation were based on the results of the most recent actuarial experience study of 2009 – 2013.

NOTE 9 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	57.5%	5.02%
Global Fixed Income	20.0%	2.18%
Real Assets	12.5%	4.23%
Diversifying Strategies	10.0%	6.56%

Discount Rate. The discount rate used to measure the total pension liability is 8.25% for 2015. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the Net Pension Liability:

	Increases (Decreases)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at December 31, 2014	\$ 820,443	\$ 650,819	\$ 169,624
Service cost	20,713	-	20,713
Interest on total pension liability	67,438	-	67,438
Changes in benefits	-	-	-
Difference between expected and actual experience	(7,886)	-	(7,886)
Changes in assumptions	38,967	-	38,967
Employer contributions	-	25,494	(25,494)
Employee contributions	-	-	-
Net investment income	-	(9,925)	9,925
Benefit payments, including employee refunds	(26,751)	(26,751)	-
Administrative expense	-	(1,438)	1,438
Other changes	(1)	-	(1)
Net changes	92,480	(12,620)	105,100
Balances as of December 31, 2015	\$ 912,923	\$ 638,199	\$ 274,724

NOTE 9 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability of the Health Department, calculated using the discount rate of 8.25% , as well as what the Health Department’s net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.25%) or 1-percentage-point higher (9.25%) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
	(7.25%)	(8.25%)	(9.25%)
Health Department’s net pension liability	\$383,480	\$274,724	\$165,970

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

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

For the year ended September 30, 2016, the Health Department recognized pension expense of \$58,788. At September 30, 2016, the Health Department reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 29,225	\$ -
Changes in assumptions	-	5,915
Net difference between projected and actual earnings on pension plan investments	57,730	-
Contributions subsequent to the measurement date	21,969	-
Total	\$ 108,924	\$ 5,915

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

<u>Year Ended</u> <u>September 30:</u>	
2017	\$ 22,780
2018	22,780
2019	22,779
2020	12,701

NOTE 9 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

BENZIE TRANSPORTATION AUTHORITY

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

	<u>2015 Valuation</u>
Benefit Multiplier:	2.0% Multiplier (no max)
Normal Retirement Age:	60
Vesting:	10 Years
Early Retirement (Unreduced):	55/25
Early Retirement (Reduced):	50/25
	55/15
Final Average Compensation:	5 years
Employee Contributions	7.27%%

Employees Covered by Benefit Terms

At December 31, 2015, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	3
Inactive employees entitled to but not yet receiving benefits	-
Active employees	<u>18</u>
	21

Funding Policy

The Authority is required to contribute at an actuarially determined rate, which for the current year was 2.76% of annual covered payroll depending on position and classification. The contribution requirements of the Authority are established and may be amended by the MERS Retirement Board. The contribution requirements of employees are established and may be amended by labor agreements.

Net Pension Liability

The Authority’s net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

NOTE 9 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

Actuarial Assumptions. The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	3.75% in the long term
Investment rate of return	7.75%, net of investment expense and administrative expense including inflation

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

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

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	57.5%	5.02%
Global Fixed Income	20.0%	2.18%
Real Assets	12.5%	4.23%
Diversifying Strategies	10.0%	6.56%

Discount Rate. The discount rate used to measure the total pension liability is 8.25%. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions well be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NOTE 9 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

Changes in the Net Pension Liability:

	Increases (Decreases)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at December 31, 2014	\$ 486,877	\$ 648,482	\$ (161,605)
Service cost	84,094	-	84,094
Interest on total pension liability	42,658	-	42,658
Changes in benefits	-	-	-
Difference between expected and actual experience	(3,444)	-	(3,444)
Changes in assumptions	34,670	-	34,670
Employer contributions	-	21,843	(21,843)
Employee contributions	-	46,715	(46,715)
Net investment income	-	(10,550)	10,550
Benefit payments, including employee refunds	(23,734)	(23,734)	-
Administrative expense	-	(1,471)	1,471
Net changes	134,244	32,803	101,441
Balances as of December 31, 2015	\$ 621,121	\$ 681,285	\$ (60,164)

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability of the Authority, calculated using the discount rate of 8.25%, as well as what the Authority’s net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.25%) or 1-percentage-point higher (9.25%) than the current rate:

	1% Decrease (7.25%)	Current Discount Rate (8.25%)	1% Increase (9.25%)
Authority’s net pension liability	\$29,054	\$(60,164)	\$(133,917)

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

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

For the year ended September 30, 2016, the Authority recognized pension expense of \$46,177. At September 30, 2016, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

NOTE 9 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ 2,952
Changes in assumptions	29,717	-
Net difference between projected and actual earnings on pension plan investments	59,656	-
Contributions subsequent to the measurement date	13,964	-
 Total	 <u>\$ 103,337</u>	 <u>\$ 2,952</u>

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

<u>Year Ended September 30:</u>	
2017	\$ 19,958
2018	19,958
2019	19,957
2020	17,627
2021	4,461
2022	4,460

THE MAPLES, BENZIE COUNTY MEDICAL CARE FACILITY

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

	<u>2015 Valuation</u>
Benefit Multiplier:	1.5 % to 2.5% Multiplier (no max)
Normal Retirement Age:	60
Vesting:	6 - 8 Years
Early Retirement:	55/25 50/15
Final Average Compensation:	5 years
Employee Contributions	2.0%

NOTE 9 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

Employees Covered by Benefit Terms

At December 31, 2015, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	54
Inactive employees entitled to but not yet receiving benefits	27
Active employees	90
	171

Funding Policy

The Medical Care Facility is required to contribute amounts at least equal to the actuarially determined rate, as established by MERS retirement board, which the Medical Care Facility’s average contribution rate was 10.5% of annual covered payroll.

Net Pension Liability

The Medical Care Facility’s net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions. The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	3.75% in the long term
Investment rate of return	7.75%, net of investment expense and administrative expense including inflation

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

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

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

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:

NOTE 9 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	57.5%	5.02%
Global Fixed Income	20.0%	2.18%
Real Assets	12.5%	4.23%
Diversifying Strategies	10.0%	6.56%

Discount Rate. The discount rate used to measure the total pension liability is 8.25%. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the Net Pension Liability:

	Increases (Decreases)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at December 31, 2014	\$ 7,602,148	\$ 6,366,442	\$ 1,235,706
Service cost	217,130	-	217,130
Interest on total pension liability	615,483	-	615,483
Changes in benefits	-	-	-
Difference between expected and actual experience	55,172	-	55,172
Changes in assumptions	411,292	-	411,292
Employer contributions	-	221,197	(221,197)
Employee contributions	-	59,684	(59,684)
Net investment income	-	(94,301)	94,301
Benefit payments, including employee refunds	(500,627)	(500,627)	-
Administrative expense	-	(13,810)	13,810
Net changes	798,450	(327,857)	1,126,307
Balances as of December 31, 2015	\$ 8,400,598	\$ 6,038,585	\$ 2,362,013

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability of the Medical Care Facility, calculated using the discount rate of 8.00% , as well as what the Medical Care Facility’s net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.00%) or 1-percentage-point higher (9.00%) than the current rate:

NOTE 9 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
MCF's net pension liability	\$3,245,600	\$2,362,013	\$1,610,728

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

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

For the year ended September 30, 2016, the Medical Care Facility recognized pension expense of \$504,436. At September 30, 2016, the Medical Care Facility reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 44,137	\$ -
Changes in assumptions	329,034	-
Net difference between projected and actual earnings on pension plan investments	555,653	-
Contributions subsequent to the measurement date	268,692	-
Total	\$ 1,197,516	\$ -

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

Year Ended September 30:	
2017	\$ 237,850
2018	237,850
2019	237,850
2020	215,274

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS PLAN

BENZIE COUNTY ROAD COMMISSION

The employer provides health insurance for retirees who retire under the Employer’s MERS plan. Coverage is for a period of five years or until the retiree reaches age 65, whichever event occurs first. The retiree is then responsible for the cost of health insurance for his/her spouse and/or children. After the retiree’s eligibility for Employer-paid benefits expires, he/she shall be responsible for the total cost of health insurance.

For any employee who hired prior to June 30, 1993, he/she will, after reaching age 65, receive a 50% contribution for the Commission toward the cost of health insurance, supplemental to Medicare for the retiree and his/her spouse and/or dependent children.

Plan Description. The Commission administers a single-employer defined benefit healthcare plan. The Plan provides healthcare insurance for eligible employees and their spouses through the Commission’s group insurance plan which covers both active and retired members. Benefit provisions are established and may be amended by the Board of County Road Commissioners. The Plan provides for the Commission to contribute various percentages of the cost of health insurance premiums for retirees and their spouses. The Plan does not issue a publicly available report.

Annual OPEB Cost and Net OPEB Obligations. The Commission’s annual other post employment benefit (OPEB) cost is calculated based on the annual required contribution (ARC). The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the Commission’s annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the Commission’s net OPEB obligation to the Plan for Plan year ended September 30, 2016.

Annual required contribution	\$ 32,396
Interest on Net OPEB	868
Adjustments - OPEB obligation	<u>(797)</u>
Annual OPEB cost	32,467
Contributions made	<u>38,223</u>
Increase (decrease) in net OPEB obligation	(5,756)
Net OPEB obligation (deferred), beginning of year	<u>12,396</u>
Net OPEB obligation (deferred), end of year	<u>\$ 6,640</u>

The Commission’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the years ending September 30, 2014, 2015, and 2016 were as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage Contributed</u>	<u>Net OPEB Obligation</u>
09/30/13	\$ 68,934	100.0 %	\$ (60,355)
09/30/14	64,764	100.0 %	(52,891)
09/30/15	65,287	100.0 %	12,396

As of September 30, 2014, the actuarial accrued liability for benefits was \$663,980. The covered payroll (annual payroll of active employees covered by the Plan) was \$769,929 and the ratio of the unfunded actuarial accrued liability (UAAL) to the covered payroll was 86%.

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS PLAN (Continued)

The projection of future benefits for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of future events far into the future. Amounts determined regarding the funded status of a plan and the employer's annual required contributions are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress presented as required supplementary information following the notes to the financial statements, presents multi-year trend information indicating whether the actuarial value of plan assets is increasing over time relative to the actuarial accrued liabilities for benefits.

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

Assumptions About Employees and Members: Based on the historical average retirement age of the covered group, active plan members were assumed to retire at various ages between 50 and 60 or the first year thereafter in which the member would qualify for benefits. Marital status as of the calculation date was assumed to continue throughout retirement. Life expectancy was based on mortality tables published in the 2010 United States Life Table. The probability of remaining employed until the assumed retirement age and employees' expected future working lifetimes were developed using specific age-based turnover data.

Assumptions About Healthcare Costs: The 2014 health insurance premiums for retirees were used to calculate the present value of total benefits to be paid. The expected rate of increase in health insurance premiums used the National Health Expenditures – Table 3, with an increase to the ultimate rate of 7.0%.

Other Assumptions and Methods: The inflation rate was assumed to be 1.5%. Based on the historical and expected returns of the Commission's investments, the investment rate of return was assumed to be 7.0%. The value of Plan assets was set at market value. A simplified version of the entry age actuarial cost method was used in the actuarial valuation. The UAAL is amortized over a thirty-year period as a level percent of projected payroll on an open basis. Payroll was assumed to grow over the long-term at the same rate as inflation.

NOTE 11 - DEFINED CONTRIBUTION (MONEY PURCHASE) PENSION PLAN

The Benzie/Leelanau District Health Department contributes to a defined contribution retirement plan administered by the Board of Health with the International City Management Association Retirement Corporation (ICMA), acting as an investment fiduciary.

The Department contributed \$25,494 and employees contributed \$0 to the Plan during the year ended September 30, 2016 equal to 14% and 0% respectively of covered payroll.

NOTE 12 - LEASES

Building Lease

The County entered into a 20 year lease agreement with the Department of Human Services on November 1, 1999 for the lease of office space within the County complex. The portion of the building covered by this lease has a historic cost of \$299,230 and related carrying value of \$172,053. Future minimum lease payments to be received from the Department of Human Services under the agreement are as follows:

2017	\$	108,902
2018		108,902
2019		108,902
2020		<u>9,075</u>
Total	\$	<u>335,781</u>

NOTE 13 - NET POSITION – RESTRICTIONS

Net position restrictions can be described as follows:

\$ 482,978	Restricted for debt service
\$ 151,913	Restricted for capital projects
\$ 1,942,132	Restricted for fund or grant purposes

NOTE 14 - RESTATEMENT

	<u>Business-Type Activities</u>
Beginning net position as previously reported at October 1, 2015	\$ 11,236,170
Restatement of beginning net position – recording of payments on installment loans expensed last fiscal year	<u>21,339</u>
Net position as restated, October 1, 2015	<u>\$ 11,257,509</u>

Required Supplementary Information

Employee Retirement and Benefit Systems
Schedule of Changes in Pension Liability
Year Ended September 30, 2016

	2016	2015
Total pension liability		
Service cost	\$ 372,988	\$ 363,227
Interest	1,215,689	1,151,131
Difference between expected and actual experience	469,454	-
Changes in assumptions	826,589	-
Benefit payments, including refund of member contributions	(816,063)	(657,350)
Other changes	2	-
	2,068,659	857,008
Net change in total pension liability		
	2,068,659	857,008
Total pension liability - beginning	14,957,192	14,100,184
Total pension liability - ending	\$ 17,025,851	\$ 14,957,192
Plan fiduciary net position		
Contributions - employer	\$ 643,589	\$ 670,851
Contributions - employee	86,789	75,158
Net investment income	(160,875)	621,978
Benefit payments, including refunds of member contributions	(816,063)	(657,350)
Administrative expense	(23,326)	(28,289)
	(269,886)	682,348
Net change in plan fiduciary net position		
	(269,886)	682,348
Plan fiduciary net position - beginning	10,598,955	9,904,015
Plan fiduciary net position - ending	\$ 10,329,069	\$ 10,586,363
County's net pension liability - ending	\$ 6,696,782	\$ 4,370,829
 Plan fiduciary net position as a percentage of the total pension liability	 61%	 71%
Covered - employee payroll	\$ 3,667,165	\$ 3,514,717
County's net pension liability as a percentage of covered-employee payroll	183%	124%
 Annual money-weighted rate of return, net of investment expense	 7.75%	 6%

**Employee Retirement and Benefit Systems
Schedule of Employer Contributions
For the Year Ended September 30, 2016**

	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 706,800	\$ 675,986
Contributions in relation to the actuarially determined contribution	<u>(730,378)</u>	<u>(675,986)</u>
Contribution deficiency (excess)	<u>\$ (23,578)</u>	<u>\$ -</u>
Covered - employee payroll	\$ 3,667,165	\$ 3,514,717
Contributions as a percentage of covered-employee payroll	20%	19%

Notes to Schedule:

Actuarially determined contribution rates are calculated as of December 31st, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	24 years
Asset valuation method	5-years smoothed market
Inflation	2.50%
Salary increases	3.75% in the long-term
Investment rate of return	7.75%, net of investment and administrative expense including inflation
Retirement age	60 years
Mortality	Assumptions were based on the RP-2014 Group Annuity Mortality Table - Blended 50% Male / 50% Female

Health Benefits:

BENZIE COUNTY ROAD COMMISSION

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percent of Covered Payroll ((b - a) / c)
2006	Not Available	\$ 2,557,488	\$ 2,557,488	0%	Not Available	-
2010	\$ 157,389	\$ 471,514	\$ 314,125	33%	\$ 1,074,578	29%
2014	\$ 219,239	\$ 663,980	\$ 444,741	33%	\$ 674,651	66%

Required Supplementary Information
Budgetary Comparison Schedule
General Fund
Year Ended September 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 4,308,761	\$ 4,308,761	\$ 4,351,819	\$ 43,058
Licenses and Permits	39,470	39,470	34,552	(4,918)
Federal Sources	60,000	95,956	85,350	(10,606)
State Sources	904,869	904,869	769,328	(135,541)
Charges for Services	513,495	471,845	478,292	6,447
Refunds and Reimbursements	134,000	187,436	200,143	12,707
Interest and Rentals	30,400	30,400	27,606	(2,794)
TOTAL REVENUES	5,990,995	6,038,737	5,947,090	(91,647)
EXPENDITURES:				
Legislative:				
Board of Commissioners	99,300	99,300	92,518	6,782
Judicial:				
Circuit Court	372,486	372,486	346,640	25,846
District Court	315,111	318,721	298,221	20,500
Friend of the Court	128,151	179,157	179,157	-
Juvenile Division	60,428	60,428	47,206	13,222
Probate Court	234,285	236,082	232,585	3,497
Total Judicial	1,110,461	1,166,874	1,103,809	63,065
General Government:				
County Administrator	117,431	133,931	131,956	1,975
Elections	73,535	73,535	67,654	5,881
County Clerk	176,420	176,420	161,139	15,281
Equalization	141,001	142,031	134,010	8,021
Prosecuting Attorney	238,552	238,552	231,150	7,402
Register of Deeds	139,793	139,793	138,428	1,365
Treasurer	133,309	133,309	128,948	4,361
Cooperative Extension	51,640	46,715	46,264	451
Legal and Contracted Services	121,000	103,100	102,886	214
Central Services	54,400	48,007	46,710	1,297
Buildings and Grounds	241,996	258,029	254,524	3,505
Drain Commission	12,600	12,628	7,391	5,237
Technology Support	74,000	74,000	43,158	30,842
Plat Board	250	250	-	250
Surveyor	1,600	1,600	1,335	265
Total General Government	1,577,527	1,581,900	1,495,553	86,347

Required Supplementary Information
Budgetary Comparison Schedule
General Fund
Year Ended September 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Public Safety:				
Sheriff	840,373	878,744	878,742	2
Sheriff Secondary Road Patrol	67,100	65,611	65,611	-
Zero Tolerance	42,289	39,615	39,615	-
Planning Department	11,624	11,624	10,092	1,532
Community Corrections	5,000	5,000	4,000	1,000
Emergency Management	70,234	107,247	91,225	16,022
Total Public Safety	<u>1,036,620</u>	<u>1,107,841</u>	<u>1,089,285</u>	<u>18,556</u>
Health and Welfare:				
Health Department	219,653	219,653	214,194	5,459
Medical Examiner	51,800	59,384	59,382	2
Mental Health Board	148,447	148,447	148,447	-
Department of Human Services	4,000	4,696	4,694	2
Total Health and Welfare	<u>423,900</u>	<u>432,180</u>	<u>426,717</u>	<u>5,463</u>
Recreation and Culture:				
Parks and Recreation	5,800	5,800	4,545	1,255
Total Recreation and Culture	<u>5,800</u>	<u>5,800</u>	<u>4,545</u>	<u>1,255</u>
Other Expenditures:				
Medical Insurance	615,390	655,473	655,225	248
Unemployment Insurance	5,000	5,412	5,412	-
Worker's Comp Insurance	46,000	33,047	33,047	-
Insurance and Bonds	96,200	126,557	126,235	322
Social Security	149,000	149,723	149,348	375
Retirement Benefits	357,000	292,207	290,211	1,996
Intergovernmental Cooperation	98,617	84,671	58,494	26,177
Other Miscellaneous	52,000	2,683	2,683	-
Total Other Expenditures	<u>1,419,207</u>	<u>1,349,773</u>	<u>1,320,655</u>	<u>29,118</u>
TOTAL EXPENDITURES	<u>5,672,815</u>	<u>5,743,668</u>	<u>5,533,082</u>	<u>210,586</u>
EXCESS OF REVENUES OVER EXPENDITURES	318,180	295,069	414,008	118,939
OTHER FINANCING SOURCES (USES):				
Installment Loan Proceeds	-	23,956	23,956	-
Operating Transfers In	58,800	64,600	55,800	(8,800)
Operating Transfers Out	(521,180)	(537,825)	(523,959)	13,866
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	<u>\$ (144,200)</u>	<u>\$ (154,200)</u>	<u>(30,195)</u>	<u>\$ 124,005</u>
FUND BALANCE, OCTOBER 1			<u>1,674,860</u>	
FUND BALANCE, SEPTEMBER 30			<u>\$ 1,644,665</u>	

**Required Supplementary Information
Budgetary Comparison Schedule
Jail Operations Fund
Year Ended September 30, 2016**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 1,013,842	\$ 1,013,842	\$ 1,039,186	\$ 25,344
Charges for Services	368,691	166,191	166,013	(178)
Refunds and Reimbursements	98,999	301,499	189,742	(111,757)
TOTAL REVENUES	<u>1,481,532</u>	<u>1,481,532</u>	<u>1,394,941</u>	<u>(86,591)</u>
EXPENDITURES:				
Public Safety	<u>1,804,152</u>	<u>1,804,152</u>	<u>1,675,162</u>	<u>128,990</u>
TOTAL EXPENDITURES	<u>1,804,152</u>	<u>1,804,152</u>	<u>1,675,162</u>	<u>128,990</u>
EXCESS OF REVENUES (EXPENDITURES)	(322,620)	(322,620)	(280,221)	42,399
OTHER FINANCING SOURCES (USES):				
Operating Transfers In	<u>322,620</u>	<u>322,620</u>	<u>329,265</u>	<u>6,645</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	<u>\$ -</u>	<u>\$ -</u>	49,044	<u>\$ 49,044</u>
FUND BALANCE, OCTOBER 1			<u>2,028</u>	
FUND BALANCE, SEPTEMBER 30			<u>\$ 51,072</u>	

Other Information

County of Benzie, Michigan

Combining Balance Sheet Nonmajor Governmental Funds September 30, 2016

	Special Revenue Funds							
	Sheriff's K-9	TNT Officer	Benzie Co. Sheriff Reserve's	Benzie Co. Dive Team	Benzie Co. DARE	Benzie Co. Kids	Friend of the Court	Seasonal Road Patrol
ASSETS:								
Cash and Equivalents - Unrestricted	\$ 10,936	\$ 71,251	\$ 12	\$ 1,807	\$ 1,736	\$ 1,269	\$ 66,631	\$ 8,594
Receivables:								
Accounts	-	-	-	-	-	-	-	21,915
Prepaid Items	-	-	-	-	-	-	-	-
Due from Other Funds	-	-	-	-	-	-	-	9,000
TOTAL ASSETS	<u>\$ 10,936</u>	<u>\$ 71,251</u>	<u>\$ 12</u>	<u>\$ 1,807</u>	<u>\$ 1,736</u>	<u>\$ 1,269</u>	<u>\$ 66,631</u>	<u>\$ 39,509</u>
LIABILITIES:								
Accounts Payable	\$ -	\$ 819	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 189
Accrued Liabilities	281	978	-	-	-	-	-	-
Due to Other Funds	-	-	-	-	-	-	-	-
TOTAL LIABILITIES	<u>281</u>	<u>1,797</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>189</u>
FUND BALANCES:								
Nonspendable	-	-	-	-	-	-	-	-
Restricted	-	-	-	-	1,736	-	66,631	39,320
Committed	-	69,454	-	-	-	-	-	-
Assigned	10,655	-	12	1,807	-	1,269	-	-
TOTAL FUND BALANCES	<u>10,655</u>	<u>69,454</u>	<u>12</u>	<u>1,807</u>	<u>1,736</u>	<u>1,269</u>	<u>66,631</u>	<u>39,320</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 10,936</u>	<u>\$ 71,251</u>	<u>\$ 12</u>	<u>\$ 1,807</u>	<u>\$ 1,736</u>	<u>\$ 1,269</u>	<u>\$ 66,631</u>	<u>\$ 39,509</u>

	Special Revenue Funds							
	Marine Patrol	Parks and Rec. Ice Rink	Solid Waste/ Recycling	Betsie Valley Trail Management	Soil Erosion	Land Reutilization Fund	Remonument- ation Survey Grant	GIS Information System
ASSETS:								
Cash and Equivalents - Unrestricted	\$ 10,262	\$ 17	\$ 86,404	\$ 7,083	\$ 29,813	\$ 39,287	\$ 25,564	\$ 5,993
Receivables:								
Accounts	-	-	2,080	10,000	-	-	-	-
Prepaid Items	-	-	338	-	-	-	-	-
Due from Other Funds	-	-	-	-	-	-	-	-
TOTAL ASSETS	<u>\$ 10,262</u>	<u>\$ 17</u>	<u>\$ 88,822</u>	<u>\$ 17,083</u>	<u>\$ 29,813</u>	<u>\$ 39,287</u>	<u>\$ 25,564</u>	<u>5,993</u>
LIABILITIES:								
Accounts Payable	\$ 384	\$ -	\$ 25,067	\$ -	\$ 4,133	\$ 933	\$ -	-
Accrued Liabilities	214	-	791	-	-	-	-	-
Due to Other Funds	9,000	-	-	-	-	-	-	-
TOTAL LIABILITIES	<u>9,598</u>	<u>-</u>	<u>25,858</u>	<u>-</u>	<u>4,133</u>	<u>933</u>	<u>-</u>	<u>-</u>
FUND BALANCES:								
Nonspendable	-	-	338	-	-	-	-	-
Restricted	664	-	-	17,083	-	-	25,564	-
Committed	-	-	-	-	-	-	-	-
Assigned	-	17	62,626	-	25,680	38,354	-	5,993
TOTAL FUND BALANCES	<u>664</u>	<u>17</u>	<u>62,964</u>	<u>17,083</u>	<u>25,680</u>	<u>38,354</u>	<u>25,564</u>	<u>5,993</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 10,262</u>	<u>\$ 17</u>	<u>\$ 88,822</u>	<u>\$ 17,083</u>	<u>\$ 29,813</u>	<u>\$ 39,287</u>	<u>\$ 25,564</u>	<u>\$ 5,993</u>

	Special Revenue Funds							
	Animal Control	Building Department	Register of Deeds Automation	Homeland Security	911 Emergency Service	Dispatcher Training Grant	Local Corrections Officer Training	Sheriff Forfeiture
ASSETS:								
Cash and Equivalents - Unrestricted	\$ 177,250	\$ 78,911	\$ 138,982	\$ 1,630	\$ 379,963	\$ 21,958	\$ 18,805	\$ 5,025
Receivables:								
Accounts	-	-	-	-	186,591	-	-	-
Prepaid Items	481	1,196	-	-	3,771	-	-	-
Due from Other Funds	-	-	-	-	-	-	-	-
TOTAL ASSETS	<u>\$ 177,731</u>	<u>\$ 80,107</u>	<u>\$ 138,982</u>	<u>\$ 1,630</u>	<u>\$ 570,325</u>	<u>\$ 21,958</u>	<u>\$ 18,805</u>	<u>\$ 5,025</u>
LIABILITIES:								
Accounts Payable	\$ 2,497	\$ 52,428	\$ -	\$ -	\$ 2,304	\$ -	\$ 224	\$ -
Accrued Liabilities	1,779	-	-	-	8,193	-	-	-
Due to Other Funds	-	-	-	-	-	-	-	-
TOTAL LIABILITIES	<u>4,276</u>	<u>52,428</u>	<u>-</u>	<u>-</u>	<u>10,497</u>	<u>-</u>	<u>224</u>	<u>-</u>
FUND BALANCES:								
Nonspendable	481	1,196	-	-	3,771	-	-	-
Restricted	172,974	26,483	-	1,630	556,057	21,958	18,581	5,025
Committed	-	-	-	-	-	-	-	-
Assigned	-	-	138,982	-	-	-	-	-
TOTAL FUND BALANCES	<u>173,455</u>	<u>27,679</u>	<u>138,982</u>	<u>1,630</u>	<u>559,828</u>	<u>21,958</u>	<u>18,581</u>	<u>5,025</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 177,731</u>	<u>\$ 80,107</u>	<u>\$ 138,982</u>	<u>\$ 1,630</u>	<u>\$ 570,325</u>	<u>\$ 21,958</u>	<u>\$ 18,805</u>	<u>\$ 5,025</u>

County of Benzie, Michigan

Combining Balance Sheet Nonmajor Governmental Funds September 30, 2016

	Special Revenue Funds							
	Benzie Criminal Justice Training	Law Library	Commission on Aging	Child Care	Soldier's Relief	Veteran's Trust	CDBG Housing Grant	Light House
ASSETS:								
Cash and Equivalents - Unrestricted	\$ 7,714	\$ 2,320	\$ 329,841	\$ 18,848	\$ 74,331	\$ 4,311	\$ 84,443	\$ 3,246
Receivables:								
Accounts	1,534	-	-	15,070	-	-	-	-
Prepaid Items	-	-	-	-	-	-	-	-
Due from Other Funds	-	-	-	-	-	-	-	-
TOTAL ASSETS	<u>\$ 9,248</u>	<u>\$ 2,320</u>	<u>\$ 329,841</u>	<u>\$ 33,918</u>	<u>\$ 74,331</u>	<u>\$ 4,311</u>	<u>\$ 84,443</u>	<u>\$ 3,246</u>
LIABILITIES:								
Accounts Payable	\$ -	\$ 673	\$ -	\$ 17,241	\$ 340	\$ -	\$ -	\$ -
Accrued Liabilities	-	-	-	-	-	-	-	-
Due to Other Funds	-	-	-	-	-	-	-	-
TOTAL LIABILITIES	<u>-</u>	<u>673</u>	<u>-</u>	<u>17,241</u>	<u>340</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES:								
Nonspendable	-	-	-	-	-	-	-	-
Restricted	9,248	-	329,841	16,677	73,991	4,311	84,443	3,246
Committed	-	-	-	-	-	-	-	-
Assigned	-	1,647	-	-	-	-	-	-
TOTAL FUND BALANCES	<u>9,248</u>	<u>1,647</u>	<u>329,841</u>	<u>16,677</u>	<u>73,991</u>	<u>4,311</u>	<u>84,443</u>	<u>3,246</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 9,248</u>	<u>\$ 2,320</u>	<u>\$ 329,841</u>	<u>\$ 33,918</u>	<u>\$ 74,331</u>	<u>\$ 4,311</u>	<u>\$ 84,443</u>	<u>\$ 3,246</u>

County of Benzie, Michigan

Combining Balance Sheet Nonmajor Governmental Funds September 30, 2016

	Special Revenue Funds		Debt Service Funds		Capital Project Funds			
	Brownfield Redevelopment Authority	Clerk Tech. Fund	Government Center Addition	Maples Debt Millage	Jail Reserve	Capital Improvements	Railroad Point	Equipment Replacement
ASSETS:								
Cash and Equivalents - Unrestricted	\$ 21,128	\$ 10,749	\$ 38,744	\$ 482,978	\$ 355,371	\$ 6,745	\$ 9,793	\$ 99,058
Receivables:								
Accounts	-	-	-	-	-	-	80,233	5,526
Prepaid Items	-	-	-	-	-	-	-	-
Due from Other Funds	-	-	-	-	-	-	-	-
TOTAL ASSETS	<u>\$ 21,128</u>	<u>\$ 10,749</u>	<u>\$ 38,744</u>	<u>\$ 482,978</u>	<u>\$ 355,371</u>	<u>\$ 6,745</u>	<u>\$ 90,026</u>	<u>\$ 104,584</u>
LIABILITIES:								
Accounts Payable	\$ 95	\$ -	\$ 175	\$ -	\$ 1,436	\$ -	\$ 80,000	\$ 46,512
Accrued Liabilities	-	-	-	-	-	-	-	-
Due to Other Funds	20,000	-	-	-	-	-	-	-
TOTAL LIABILITIES	<u>20,095</u>	<u>-</u>	<u>175</u>	<u>-</u>	<u>1,436</u>	<u>-</u>	<u>80,000</u>	<u>46,512</u>
FUND BALANCES:								
Nonspendable	-	-	-	-	-	-	-	-
Restricted	1,033	10,749	38,569	482,978	353,935	-	10,026	-
Committed	-	-	-	-	-	6,745	-	58,072
Assigned	-	-	-	-	-	-	-	-
TOTAL FUND BALANCES	<u>1,033</u>	<u>10,749</u>	<u>38,569</u>	<u>482,978</u>	<u>353,935</u>	<u>6,745</u>	<u>10,026</u>	<u>58,072</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 21,128</u>	<u>\$ 10,749</u>	<u>\$ 38,744</u>	<u>\$ 482,978</u>	<u>\$ 355,371</u>	<u>\$ 6,745</u>	<u>\$ 90,026</u>	<u>\$ 104,584</u>

	<u>Capital Project Funds</u>		
	<u>Medical Care Facility Renovation</u>	<u>Building Authority</u>	<u>Totals</u>
ASSETS:			
Cash and Equivalents - Unrestricted	\$ 205,131	\$ 10,938	\$ 2,954,872
Receivables:			
Accounts	-	-	322,949
Prepaid Items	-	-	5,786
Due from Other Funds	-	-	9,000
TOTAL ASSETS	<u>\$ 205,131</u>	<u>\$ 10,938</u>	<u>\$ 3,292,607</u>
LIABILITIES:			
Accounts Payable	\$ 53,218	\$ 980	\$ 289,648
Accrued Liabilities	-	-	12,236
Due to Other Funds	-	-	29,000
TOTAL LIABILITIES	<u>53,218</u>	<u>980</u>	<u>330,884</u>
FUND BALANCES:			
Nonspendable	-	-	5,786
Restricted	151,913	9,958	2,534,624
Committed	-	-	134,271
Assigned	-	-	287,042
TOTAL FUND BALANCES	<u>151,913</u>	<u>9,958</u>	<u>2,961,723</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 205,131</u>	<u>\$ 10,938</u>	<u>\$ 3,292,607</u>

**Combining Statement of Revenues, Expenditures,
and Changes in Fund Balance
Nonmajor Governmental Funds
Year Ended September 30, 2016**

	Special Revenue Funds							
	Sheriff's K-9	TNT Officer	Benzie Co. Sheriff Reserve's	Benzie Co. Dive Team	Benzie Co. DARE	Benzie Co. Kids	Friend of the Court	Seasonal Road Patrol
REVENUES:								
Taxes	\$ -	\$ 115,187	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Federal Sources	-	-	-	-	-	-	3,754	-
State Sources	-	-	-	-	-	-	-	-
Local Sources	-	-	-	-	-	-	-	21,915
Charges for Services	-	-	-	-	-	-	7,350	-
Refunds and Reimbursements	-	-	-	-	-	-	-	-
Interest and Rentals	-	-	-	-	-	-	101	-
Contributions	8,095	-	-	1,400	-	2,513	-	-
Other Revenue	-	650	-	-	-	-	-	-
TOTAL REVENUES	8,095	115,837	-	1,400	-	2,513	11,205	21,915
EXPENDITURES:								
Judicial	-	-	-	-	-	-	-	-
General Government	-	-	-	-	-	-	-	-
Public Safety	5,333	85,857	-	-	-	1,591	-	37,379
Public Works	-	-	-	-	-	-	-	-
Health and Welfare	-	-	-	-	-	-	-	-
Recreation and Cultural	-	-	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-	-	-
Debt Service	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	5,333	85,857	-	-	-	1,591	-	37,379
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	2,762	29,980	-	1,400	-	922	11,205	(15,464)
OTHER FINANCING SOURCES (USES):								
Operating Transfers In	-	-	-	-	-	-	-	-
Operating Transfers Out	-	-	-	-	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	2,762	29,980	-	1,400	-	922	11,205	(15,464)
FUND BALANCES, OCTOBER 1	7,893	39,474	12	407	1,736	347	55,426	54,784
FUND BALANCES, SEPTEMBER 30	\$ 10,655	\$ 69,454	\$ 12	\$ 1,807	\$ 1,736	\$ 1,269	\$ 66,631	\$ 39,320

**Combining Statement of Revenues, Expenditures,
and Changes in Fund Balance
Nonmajor Governmental Funds
Year Ended September 30, 2016**

	Special Revenue Funds							
	Marine Patrol	Parks and Rec. Ice Rink	Solid Waste/ Recycling	Betsie Valley Trail Management	Soil Erosion	Land Reutilization Fund	Remonument- ation Survey Grant	
REVENUES:								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Federal Sources	-	-	-	-	-	-	-	-
State Sources	11,538	-	10,984	10,000	-	-	28,452	-
Local Sources	1,695	1,300	-	-	-	-	-	-
Charges for Services	26	-	269,234	-	18,220	129,626	-	-
Refunds and Reimbursements	-	-	2,014	-	-	-	258	-
Interest and Rentals	-	-	-	-	-	-	-	-
Contributions	-	3,420	5,765	-	-	400	-	-
Other Revenue	-	-	25	-	-	-	-	-
TOTAL REVENUES	<u>13,259</u>	<u>4,720</u>	<u>288,022</u>	<u>10,000</u>	<u>18,220</u>	<u>130,026</u>	<u>28,710</u>	<u>-</u>
EXPENDITURES:								
Judicial	-	-	-	-	-	-	-	-
General Government	-	-	-	-	-	20,470	32,420	-
Public Safety	17,387	-	-	-	-	-	-	-
Public Works	-	-	296,715	-	15,960	-	-	-
Health and Welfare	-	-	-	-	-	-	-	-
Recreation and Cultural	-	5,000	-	11,196	-	-	-	-
Capital Outlay	-	-	-	-	-	-	-	-
Debt Service	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	<u>17,387</u>	<u>5,000</u>	<u>296,715</u>	<u>11,196</u>	<u>15,960</u>	<u>20,470</u>	<u>32,420</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(4,128)	(280)	(8,693)	(1,196)	2,260	109,556	(3,710)	-
OTHER FINANCING SOURCES (USES):								
Operating Transfers In	2,650	-	-	-	-	10,000	-	-
Operating Transfers Out	-	-	-	-	-	(82,000)	-	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	(1,478)	(280)	(8,693)	(1,196)	2,260	37,556	(3,710)	-
FUND BALANCES, OCTOBER 1	<u>2,142</u>	<u>297</u>	<u>71,657</u>	<u>18,279</u>	<u>23,420</u>	<u>798</u>	<u>29,274</u>	<u>5,993</u>
FUND BALANCES, SEPTEMBER 30	<u>\$ 664</u>	<u>\$ 17</u>	<u>\$ 62,964</u>	<u>\$ 17,083</u>	<u>\$ 25,680</u>	<u>\$ 38,354</u>	<u>\$ 25,564</u>	<u>\$ 5,993</u>

**Combining Statement of Revenues, Expenditures,
and Changes in Fund Balance
Nonmajor Governmental Funds
Year Ended September 30, 2016**

	Special Revenue Funds							
	Animal Control	Building Department	Register of Deeds Automation	Homeland Security	911 Emergency Service	Dispatcher Training Grant	Local Corrections Officer Training	Sheriff Forfeiture
REVENUES:								
Taxes	\$ 113,299	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Federal Sources	-	-	-	-	-	-	-	-
State Sources	-	-	-	-	-	9,112	-	-
Local Sources	-	-	-	-	-	-	-	-
Charges for Services	14,681	295,607	27,650	-	748,346	-	2,722	-
Refunds and Reimbursements	4,266	2,437	-	-	5,096	-	-	-
Interest and Rentals	-	-	198	-	-	-	-	-
Contributions	11,454	-	-	-	-	-	-	-
Other Revenue	128	-	-	-	-	-	-	-
TOTAL REVENUES	<u>143,828</u>	<u>298,044</u>	<u>27,848</u>	<u>-</u>	<u>753,442</u>	<u>9,112</u>	<u>2,722</u>	<u>-</u>
EXPENDITURES:								
Judicial	-	-	-	-	-	-	-	-
General Government	-	-	13,909	-	-	-	-	-
Public Safety	153,825	283,315	-	-	627,273	6,115	8,844	730
Public Works	-	-	-	-	-	-	-	-
Health and Welfare	-	-	-	-	-	-	-	-
Recreation and Cultural	-	-	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-	-	-
Debt Service	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	<u>153,825</u>	<u>283,315</u>	<u>13,909</u>	<u>-</u>	<u>627,273</u>	<u>6,115</u>	<u>8,844</u>	<u>730</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(9,997)	14,729	13,939	-	126,169	2,997	(6,122)	(730)
OTHER FINANCING SOURCES (USES):								
Operating Transfers In	20,000	-	-	-	-	-	-	-
Operating Transfers Out	(8,000)	-	-	-	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	2,003	14,729	13,939	-	126,169	2,997	(6,122)	(730)
FUND BALANCES, OCTOBER 1	<u>171,452</u>	<u>12,950</u>	<u>125,043</u>	<u>1,630</u>	<u>433,659</u>	<u>18,961</u>	<u>24,703</u>	<u>5,755</u>
FUND BALANCES, SEPTEMBER 30	<u>\$ 173,455</u>	<u>\$ 27,679</u>	<u>\$ 138,982</u>	<u>\$ 1,630</u>	<u>\$ 559,828</u>	<u>\$ 21,958</u>	<u>\$ 18,581</u>	<u>\$ 5,025</u>

**Combining Statement of Revenues, Expenditures,
and Changes in Fund Balance
Nonmajor Governmental Funds
Year Ended September 30, 2016**

	Special Revenue Funds							
	Benzie Criminal Justice Training	Law Library	Commission on Aging	Child Care	Soldier's Relief	Veteran's Trust	CDBG Housing Grant	
REVENUES:								
Taxes	\$ -	\$ -	\$ 761,923	\$ -	\$ 69,192	\$ -	\$ -	\$ -
Federal Sources	-	-	-	-	-	-	-	-
State Sources	3,043	-	-	70,596	-	8,512	-	-
Local Sources	-	-	-	-	-	-	-	3,247
Charges for Services	-	-	-	-	-	-	-	-
Refunds and Reimbursements	-	-	-	16,639	-	-	20,509	-
Interest and Rentals	-	-	348	-	-	-	109	-
Contributions	-	-	-	-	-	-	-	124
Other Revenue	-	5,000	-	-	-	-	104	-
TOTAL REVENUES	<u>3,043</u>	<u>5,000</u>	<u>762,271</u>	<u>87,235</u>	<u>69,192</u>	<u>8,512</u>	<u>20,722</u>	<u>3,371</u>
EXPENDITURES:								
Judicial	-	23,944	-	-	-	-	-	-
General Government	-	-	-	-	-	-	-	-
Public Safety	3,455	-	-	-	-	-	-	-
Public Works	-	-	-	-	-	-	-	-
Health and Welfare	-	-	781,929	199,905	43,791	8,864	855	-
Recreation and Cultural	-	-	-	-	-	-	-	339
Capital Outlay	-	-	-	-	-	-	-	-
Debt Service	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	<u>3,455</u>	<u>23,944</u>	<u>781,929</u>	<u>199,905</u>	<u>43,791</u>	<u>8,864</u>	<u>855</u>	<u>339</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(412)	(18,944)	(19,658)	(112,670)	25,401	(352)	19,867	3,032
OTHER FINANCING SOURCES (USES):								
Operating Transfers In	-	15,000	-	120,000	-	-	-	-
Operating Transfers Out	-	-	-	-	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	(412)	(3,944)	(19,658)	7,330	25,401	(352)	19,867	3,032
FUND BALANCES, OCTOBER 1	<u>9,660</u>	<u>5,591</u>	<u>349,499</u>	<u>9,347</u>	<u>48,590</u>	<u>4,663</u>	<u>64,576</u>	<u>214</u>
FUND BALANCES, SEPTEMBER 30	<u>\$ 9,248</u>	<u>\$ 1,647</u>	<u>\$ 329,841</u>	<u>\$ 16,677</u>	<u>\$ 73,991</u>	<u>\$ 4,311</u>	<u>\$ 84,443</u>	<u>\$ 3,246</u>

**Combining Statement of Revenues, Expenditures,
and Changes in Fund Balance
Nonmajor Governmental Funds
Year Ended September 30, 2016**

	Special Revenue Funds		Debt Service Funds		Capital Project Funds			
	Brownfield Redevelopment Authority	Clerk Tech. Fund	Government Center Addition	Maples Debt Millage	Jail Reserve	Capital Improvements	Railroad Point	Equipment Replacement
REVENUES:								
Taxes	\$ -	\$ -	\$ -	\$ 742,453	\$ -	\$ -	\$ -	\$ -
Federal Sources	-	-	-	-	-	-	80,233	-
State Sources	-	-	-	-	-	-	-	-
Local Sources	-	-	-	-	-	-	-	42,159
Charges for Services	-	10,870	-	-	-	-	-	6,780
Refunds and Reimbursements	-	137	-	-	-	-	-	6,453
Interest and Rentals	-	-	108,902	989	601	-	-	-
Contributions	-	-	-	-	-	-	9,943	21,238
Other Revenue	-	-	-	-	-	-	-	-
TOTAL REVENUES	-	11,007	108,902	743,442	601	-	90,176	76,630
EXPENDITURES:								
Judicial	-	-	-	-	-	-	-	-
General Government	-	2,320	-	-	-	-	-	-
Public Safety	-	-	-	-	-	-	-	-
Public Works	3,330	-	-	-	-	-	-	-
Health and Welfare	-	-	18,868	-	-	-	-	-
Recreation and Cultural	-	-	-	-	-	-	-	-
Capital Outlay	-	-	-	-	45,962	-	93,733	116,057
Debt Service	-	-	86,843	525,174	-	-	-	-
TOTAL EXPENDITURES	3,330	2,320	105,711	525,174	45,962	-	93,733	116,057
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(3,330)	8,687	3,191	218,268	(45,361)	-	(3,557)	(39,427)
OTHER FINANCING SOURCES (USES):								
Operating Transfers In	3,600	-	-	-	-	-	-	19,841
Operating Transfers Out	-	-	-	(400,000)	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	270	8,687	3,191	(181,732)	(45,361)	-	(3,557)	(19,586)
FUND BALANCES, OCTOBER 1	763	2,062	35,378	664,710	399,296	6,745	13,583	77,658
FUND BALANCES, SEPTEMBER 30	\$ 1,033	\$ 10,749	\$ 38,569	\$ 482,978	\$ 353,935	\$ 6,745	\$ 10,026	\$ 58,072

	Capital Project Funds		
	Medical Care Facility Renovation	Building Authority	Totals
	REVENUES:		
Taxes	\$ -	\$ -	\$ 1,802,054
Federal Sources	-	-	83,987
State Sources	-	-	152,237
Local Sources	673,482	-	743,798
Charges for Services	-	-	1,531,112
Refunds and Reimbursements	630	-	58,439
Interest and Rentals	241	-	111,489
Contributions	-	-	64,352
Other Revenue	-	-	5,907
TOTAL REVENUES	<u>674,353</u>	<u>-</u>	<u>4,553,375</u>
EXPENDITURES:			
Judicial	-	-	23,944
General Government	-	980	70,099
Public Safety	-	-	1,231,104
Public Works	-	-	316,005
Health and Welfare	-	-	1,054,212
Recreation and Cultural	-	-	16,535
Capital Outlay	922,440	-	1,178,192
Debt Service	-	-	612,017
TOTAL EXPENDITURES	<u>922,440</u>	<u>980</u>	<u>4,502,108</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(248,087)	(980)	51,267
OTHER FINANCING SOURCES (USES):			
Operating Transfers In	400,000	3,600	594,691
Operating Transfers Out	-	-	(490,000)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	151,913	2,620	155,958
FUND BALANCES, OCTOBER 1	<u>-</u>	<u>7,338</u>	<u>2,805,765</u>
FUND BALANCES, SEPTEMBER 30	<u>\$ 151,913</u>	<u>\$ 9,958</u>	<u>\$ 2,961,723</u>

**Combining Statement of Net Position
Nonmajor Enterprise Funds
September 30, 2016**

	<u>Tax Admin</u>	<u>Tax Foreclosure</u>	<u>Sheriff Commissary</u>	<u>Totals</u>
ASSETS:				
Cash and Equivalents -Unrestricted	<u>\$ 55,460</u>	<u>\$ 688,322</u>	<u>\$ 3,442</u>	<u>\$ 747,224</u>
TOTAL ASSETS	<u><u>\$ 55,460</u></u>	<u><u>\$ 688,322</u></u>	<u><u>\$ 3,442</u></u>	<u><u>\$ 747,224</u></u>
NET POSITION:				
Unrestricted	<u>55,460</u>	<u>688,322</u>	<u>3,442</u>	<u>747,224</u>
TOTAL NET POSITION	<u><u>\$ 55,460</u></u>	<u><u>\$ 688,322</u></u>	<u><u>\$ 3,442</u></u>	<u><u>\$ 747,224</u></u>

County of Benzie, Michigan

Combining Statement of Revenues, Expenses, and Changes in Net Position - Nonmajor Enterprise Funds Year Ended September 30, 2016

	Tax Admin	Tax Foreclosure	Sheriff Commissary	Totals
OPERATING REVENUES:				
Charges for Services	\$ -	\$ 185,535	\$ 7,786	\$ 193,321
TOTAL OPERATING REVENUES	<u>-</u>	<u>185,535</u>	<u>7,786</u>	<u>193,321</u>
OPERATING EXPENSES:				
Personal Services	-	16,530	-	16,530
Other Supplies and Expenses	1,100	81,935	13,213	96,248
Total Operating Expenses	<u>1,100</u>	<u>98,465</u>	<u>13,213</u>	<u>112,778</u>
OPERATING INCOME (LOSS)	(1,100)	87,070	(5,427)	80,543
NON-OPERATING REVENUES (EXPENSES)				
Interest Income	-	549	-	549
INCOME (LOSS) BEFORE TRANSFERS	(1,100)	87,619	(5,427)	81,092
Transfer In	-	82,000	-	82,000
Transfer Out	-	(55,800)	-	(55,800)
CHANGES IN NET POSITION	(1,100)	113,819	(5,427)	107,292
NET POSITION, OCTOBER 1	<u>56,560</u>	<u>574,503</u>	<u>8,869</u>	<u>639,932</u>
NET POSITION, SEPTEMBER 30	<u>\$ 55,460</u>	<u>\$ 688,322</u>	<u>\$ 3,442</u>	<u>\$ 747,224</u>

**Combining Statement of Cash Flows
Nonmajor Enterprise Funds
Year Ended September 30, 2016**

	Tax Admin	Tax Foreclosure	Sheriff Commissary	Totals
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash Received From Customers or Users	\$ -	\$ 290,843	\$ 7,786	\$ 298,629
Cash Payments to Suppliers	(1,100)	(98,465)	(13,213)	(112,778)
Net Cash Provided (Used) by Operating Activities	(1,100)	192,378	(5,427)	185,851
CASH FLOWS FROM NON-CAPITAL AND RELATED FINANCING ACTIVITIES:				
Operating Transfers In	-	82,000	-	82,000
Operating Transfers Out	-	(55,800)	-	(55,800)
Net Cash Provided (Used) by Non-Capital and Related Financing Activities	-	26,200	-	26,200
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest Income	-	549	-	549
Net Cash Provided (Used) by Investing Activities	-	549	-	549
Net Increase (Decrease) in Cash	(1,100)	219,127	(5,427)	212,600
Cash and Equivalents at Beginning of Year	56,560	469,195	8,869	534,624
Cash and Equivalents at End of Year	\$ 55,460	\$ 688,322	\$ 3,442	\$ 747,224
Reconciliation of Operating Income (Loss) to				
Net Cash Provided (Used) by Operating Activities:				
Operating Income (Loss)	\$ (1,100)	\$ 87,070	\$ (5,427)	\$ 80,543
Changes in Assets and Liabilities:				
Decrease (Increase) in Assets:				
Due From Other Funds	-	105,308	-	105,308
Net Cash Provided (Used) by Operating Activities	\$ (1,100)	\$ 192,378	\$ (5,427)	\$ 185,851

Report on Compliance



ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

KINROSS OFFICE

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MICHIGAN & WISCONSIN**

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

Members of the Board of Commissioners
County of Benzie, Michigan
448 Court Place
Beulah, Michigan 49617

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Benzie, Michigan as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the County of Benzie, Michigan's basic financial statements and have issued our report thereon dated March 10, 2017. Our report includes a reference to other auditors who audited the financial statements of the Benzie Transportation Authority, a discretely presented component unit, and the Medical Care Facility, a business-type activity, as described in our report on the County of Benzie, Michigan's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the Medical Care Facility were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses 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 that we consider to be a significant deficiency listed as 2016-001.

Compliance and Other Matters

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

County of Benzie, Michigan's Response to Findings

The County of Benzie, Michigan's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The County of Benzie, Michigan'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 result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



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

March 10, 2017

Internal Control Over Financial Reporting

Significant Deficiencies

Inability of Management to Prepare the Financial Statements in Accordance with Generally Accepted Accounting Principles

Finding 2016-001

Specific Requirement: Establishment and maintenance of internal control over the financial reporting process as defined by Statement on Auditing Standards Number 115.

Criteria: Internal controls should be in place to provide reasonable assurance to the County that management reports financial statements necessary to monitor and report annual and interim financial activity without auditor intervention.

Condition: Personnel responsible for financial reporting are not monitoring and reporting interim or annual financial activity without auditor intervention.

Effect: The effect of this condition places a reliance on the independent auditor as part of the County's internal controls over financial reporting.

Cause: Unknown.

Recommendation: The County should review and implement the necessary education and procedural activities to monitor and report annual financial activity.

Corrective Action Planned: The Administrator's office intends to work through the Board's Finance Committee to identify and lay out requirements for regular financial reporting.

- Contact Person(s) Responsible for Correction:
Mitch Deisch, County Administrator

Additional Information

COUNTY OF BENZIE, MICHIGAN

ADDITIONAL INFORMATION

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR’S REPORT ON ADDITIONAL INFORMATION	87
Note 1 - Debt Issues Applicable to SEC Rule 15c2-12	
Disclosure Requirements	88
Note 2 - Tables:	
A - State Equalized Valuation.....	88
B - Taxable Valuation	88
C - County Tax Rates and Levies	89
D - Tax Collection Record	90
E - General Fund Revenues and Expenditures	90
F - Debt Statement (Direct and Overlapping Debt).....	91



ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT ON ADDITIONAL INFORMATION

Members of the Board of Commissioners
County of Benzie, Michigan
448 Court Place
Beulah, Michigan 49617

Our report on our audit of the basic financial statements of the County of Benzie, Michigan, as of and for the year ended September 30, 2016, appears on page 1. That audit was conducted for the purpose of forming opinions on the basic financial statements taken as a whole. The additional information listed on the following pages regarding the Municipal securities disclosure requirements of the Securities Exchange Commission (SEC) Rule 15c2-12 is presented for purposes of additional analysis and is not a required part of the basic financial statements, and accordingly, we express no opinion on it.

Anderson Tackman & Co. PLLC

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

March 10, 2017

NOTE 1 - DEBT ISSUES APPLICABLE TO SEC RULE 15c2-12 DISCLOSURE REQUIREMENTS:

Debt issues of \$1,000,000 or more sold on or after July 3, 1995 are applicable to SEC rule 15c2-12 disclosure requirements. As of September 30, 2016, the County has the following debt issues which apply to SEC Rule 15c2-12:

1. \$1,265,000 1998 Building Authority Bonds.
2. \$6,760,000 2014 Building Authority Bonds

NOTE 2 - TABLES:

The following tables are included in the debt issues and are required to be updated annually to comply with the Municipal Securities disclosure requirements of the SEC Rule 15c2-12:

A. State Equalized Valuation:

	50% of True Value	
2016	\$	1,602,436,793
2015		1,595,021,895
2014		1,516,760,157
2013		1,455,041,795
2012		1,446,019,671
2011		1,488,154,893
2010		1,570,440,129
2009		1,771,098,199
2008		1,761,437,891
2007		1,731,154,154
2006		1,630,247,547

Source: Benzie County

B. Taxable Valuation:

2016	\$	1,160,540,117
2015		1,158,546,881
2014		1,131,377,921
2013		1,110,839,737
2012		1,099,298,583
2011		1,088,756,179
2010		1,097,564,619
2009		1,066,749,869
2008		1,063,669,558
2007		1,009,191,871
2006		943,504,468

Source: Benzie County

NOTE 2 - TABLES: (Continued)

<u>2016 Breakdown by Use</u>	
Residential	89.58%
Commercial	6.38%
Industrial	.42%
Utility	1.39%
Agricultural	2.12%
Timber-Cutover	<u>.11%</u>
 TOTAL	 100.00%

<u>2016 Breakdown by Class</u>	
Real	97.36%
Personal	<u>2.64%</u>
 TOTAL	 100.00%

Source: Benzie County

C. County Tax Rates & Levies:

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
County Operating	3.4919	3.5144	3.5144	3.5144	3.5144
MCF Debt & Operations	0.9976	1.0000	1.0000	1.0000	0.9350
Commission on Aging	0.6557	0.6600	0.6600	0.6600	0.6600
Animal Control	0.0975	0.0982	0.0982	0.0982	0.0982
Ambulance	0.8000	0.5795	0.5795	0.5795	0.5795
Soldier Relief	0.0400	0.0600	0.0600	0.0600	0.0400
Conservation District	0.0993	0.1000	0.1000	0.1000	0.1000
TNT Operations	0.0993	0.1000	.1000	-	-
Voted County (Jail)	<u>0.8942</u>	<u>0.9000</u>	<u>0.9000</u>	<u>0.9000</u>	<u>0.9000</u>
 TOTAL COUNTY	 7.1755	 7.0121	 7.0121	 6.9121	 6.8471
Road Commission	0.9936	1.0000	1.0000	-	-
Traverse Bay Area I/S/D	<u>2.9299</u>	<u>2.9312</u>	<u>2.9312</u>	<u>2.9312</u>	<u>2.9312</u>
 TOTAL ALL JURISDICTIONS	 11.0990	 10.9433	 10.9433	 9.8433	 9.7783

The County's authorized operating tax rate is 5.2900 mills.

Source: Benzie County

NOTE 2 - TABLES: (Continued)

D. Tax Collection Record:

County of Benzie pays from a 100% Tax Payment Fund delinquent real property taxes of all municipalities in the County, including the County. Delinquent personal property taxes are negligible. The County's fiscal year begins October 1. County taxes are due July 1 and December 1 and become delinquent the following March 1.

<u>Year</u>	<u>Tax Levy</u>	<u>Amount</u>	<u>%</u>	<u>%</u>
2016	\$ 39,193,822	\$ 37,176,154	94.85%	100%
2015	39,084,549	37,092,170	94.90%	100%
2014	37,168,620	35,224,059	94.76%	100%
2013	36,683,813	34,538,205	94.15%	100%
2012	35,114,232	33,018,137	94.03%	100%
2011	34,501,022	32,246,500	93.46%	100%
2010	33,628,263	31,209,130	92.80%	100%
2009	33,698,452	31,360,953	93.10%	100%
2008	33,743,134	31,405,879	93.10%	100%
2007	32,640,547	30,340,896	93.00%	100%
2006	30,499,318	28,265,988	92.68%	100%

**Reflects only real property delinquencies and assumes 100% collection of personal property taxes.

Source: Benzie County

E. General Fund Revenues and Expenditures:

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Revenues & Transfers In	\$ 6,026,846	\$ 6,373,098	\$ 5,888,982	\$ 5,823,279
Expenditures & Transfers Out	<u>6,057,041</u>	<u>6,382,133</u>	<u>5,961,998</u>	<u>5,534,186</u>
Revenues over(under) expenditures	(30,195)	(9,035)	(73,016)	289,093
Beginning Fund Balance	<u>1,674,860</u>	<u>1,683,895</u>	<u>1,756,911</u>	<u>1,467,818</u>
ENDING FUND BALANCE	<u>\$ 1,644,665</u>	<u>\$ 1,674,860</u>	<u>\$ 1,683,895</u>	<u>\$ 1,756,911</u>

Source: Benzie County

NOTE 2 - TABLES: (Continued)

F. Debt Statement:

	<u>Gross</u>	<u>Net</u>
Direct Debt of County:		
Building Authority	<u>\$ 6,005,000</u>	<u>\$ 6,005,000</u>
Per Capita County Net Direct Debt		\$ 343.65
Percent County Net Direct Debt to 2016 TV		.51 %
 OVERLAPPING DEBT OF COUNTY:		
School Districts		\$ 8,780,582
Cities		680,000
Townships		-
Villages		734,127
Intermediate School Districts		<u>-</u>
Net Overlapping Debt		<u>\$ 10,194,709</u>
Net County and Overlapping Debt		<u>\$ 16,199,709</u>
Per Capita County Net Direct and Overlapping Debt		\$ 927.08
Percent Net Direct and Overlapping Debt to 2016 TV		1.38%

Source: County of Benzie and Municipal Advisory Council of Michigan

Note: Estimated population for 2015 is 17,457. Estimated population for 2016 is not available for Benzie County.

Source: Benzie County and Municipal Advisory Council of Michigan



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COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

Members of the Board of Commissioners
County of Benzie, Michigan
448 Court Place
Beulah, MI 49617

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 the County of Benzie, Michigan for the year ended September 30, 2016, and have issued our report thereon dated March 10, 2017. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards and *Government Auditing Standards*

As stated in our engagement letter dated January 30, 2017, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we considered the internal control of County of Benzie, Michigan. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the County of Benzie, Michigan's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

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

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

We have not been engaged to report on the Securities Exchange Commission (SEC) section, which accompany the financial statements but are not RSI. Our responsibility with respect to this other information in documents containing the audited financial statements and auditor's report does not extend beyond the financial information identified in the report. We have no responsibility for determining whether this other information is properly stated. This other information will not be audited and we will not express an opinion or provide any assurance on it.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our correspondence about planning matters dated January 30, 2017.

Significant Accounting Policies

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the County of Benzie, Michigan are described in Note 1 to the financial statements. One new accounting policy was adopted during the year, GASB 72 Fair Value Measurement and Application. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- Management's estimate of the depreciation expense is based on estimated lives. We evaluated the key factors and assumptions used to develop the estimate in determining that it is reasonable in relation to the financial statements taken as a whole.
- 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 allowance for uncollectible accounts receivable is based on past experience and future expectations for collection of various account balances and has been determined to be \$15,551.
- Management's estimate of the Annual Required Contribution for OPEB Obligations and pension liabilities were based on various assumptions regarding life expectancies, inflation, premium increases, and investment rates.

The financial statement disclosures are neutral, consistent and clear.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. The attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreement with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated March 10, 2017.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Comments and Recommendations

Brownfield (Prior Year)

During testing, it was noted that the Brownfield Redevelopment Authority fund was recorded as fund 690 by the county when it is supposed to be fund 243 per the State of Michigan's chart of accounts. We recommend that the Brownfield be changed from fund 690 to fund 243 to help ensure proper accounting methods.

Status: Corrected.

State Chart of Accounts

It was noted during our review of financial statements that one fund and multiple expense accounts were recorded under different coding than that required by the state chart of accounts. We recommend that the County review their fund and account coding for compliance with the state chart of accounts.

Year End Accruals

It was noted during our review of year end cut off that the County had not recorded all year end accounts receivable and payable. We recommend that all disbursements and receipts be reviewed and booked to the proper recording period.

Other Matters

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

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

We were not engaged to report on the Securities Exchange Commission (SEC) section, which accompany the financial statements but are not RSI. We did not audit or perform other procedures on this other information and we do not express an opinion or provide any assurance on it.

Conclusion

We would like to express our appreciation, as well as that of our staff, for the excellent cooperation we received while performing the audit. If we can be of assistance in implementing the above recommendation, please contact us.

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



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

March 10, 2017