

Benzie County, Michigan

Financial Statements

**For the Fiscal Year Ended
September 30, 2009**



REHMANN ROBSON

Certified Public Accountants

Benzie County, Michigan

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INDEPENDENT AUDITORS' REPORT

March 29, 2010

Board of Commissioners
Benzie County
Beulah, Michigan

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 **Benzie County, Michigan** (the "County") as of and for the year ended September 30, 2009, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Benzie County Road Commission, the Benzie/Leelanau District Health Department and the Benzie Transportation Authority, which represents 91% of the assets and 99% of the revenues of the aggregate discretely presented component units. We also did not audit the financial statements of the County Medical Care Facility, which represents 63% of the assets and 85% of the revenues of the County's proprietary funds. Those statements were audited by other auditors whose reports have been furnished to us, and our opinions, insofar, as they relate to the amounts included for the Benzie County Road Commission, the Benzie/Leelanau District Health Department, the Benzie Transportation Authority and the County Medical Care Facility, are based on the reports 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, based on our audit and the reports 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 discretely presented component units, each major fund, and the aggregate remaining fund information of *Benzie County, Michigan*, as of September 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the General Fund and major special revenue funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2010, on our consideration of County's internal controls 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* and should be considered in assessing the results of our audit.

The Schedule of Funding Progress for Municipal Employees Retirement System of Michigan on page 47 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

The County has not presented Management's Discussion and Analysis as required supplementary information. The GASB has determined that such information is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purposes of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The combining and individual fund financial statements and schedules are presented for the purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, based upon our audit, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The SEC disclosures on pages 68-72 have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

A handwritten signature in cursive script that reads "Lehmann Johnson".

Benzie County, Michigan

Statement of Net Assets

September 30, 2009

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 3,916,990	\$ 3,614,521	\$ 7,531,511
Restricted cash and cash equivalents	-	871,178	871,178
Investments	-	-	-
Receivables, net	551,419	3,264,496	3,815,915
Due from other governments	208,446	-	208,446
Prepaid items and other assets	49,671	93,607	143,278
Inventory	-	-	-
Internal balances	(170,182)	170,182	-
Land and land improvements	5,921,633	47,424	5,969,057
Construction in progress	-	57,470	57,470
Depreciable capital assets, net	5,062,680	2,407,669	7,470,349
Total assets	15,540,657	10,526,547	26,067,204
Liabilities			
Accounts payable	112,037	62,474	174,511
Accrued liabilities	113,806	334,193	447,999
Accrued interest payable	4,134	-	4,134
Due to other governments	112,968	154,744	267,712
Unearned revenue	-	-	-
Long-term liabilities:			
Due within one year	292,258	13,243	305,501
Due in more than one year	837,936	13,884	851,820
Total liabilities	1,473,139	578,538	2,051,677
Net assets			
Invested in capital assets, net of related debt	10,010,182	2,485,436	12,495,618
Restricted for:			
Revenue sharing reserve	1,619,714	-	1,619,714
Debt service	567,229	-	567,229
Capital projects	116,973	-	116,973
Unrestricted (deficit)	1,753,420	7,462,573	9,215,993
Total net assets	\$ 14,067,518	\$ 9,948,009	\$ 24,015,527

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

**Component
Units**

Road Commission	Benzie / Leelanau District Health Dept.	Benzie Transportation Authority	Economic Development Corporation
\$ 316,074	\$ 123,801	\$ 98,992	\$ 8,666
-	-	-	-
-	-	-	701,504
158,672	19,294	4,448	314,118
488,847	149,341	-	-
-	41,362	12,070	-
422,962	-	9,121	-
-	-	-	-
1,559,956	-	-	-
-	-	-	-
6,874,484	20,522	620,923	-
9,820,995	354,320	745,554	1,024,288
161,050	19,938	116,082	-
34,216	11,014	35,331	-
-	-	-	-
218,624	-	-	-
-	5,817	-	-
66,838	-	120,000	-
178,791	57,527	-	-
659,519	94,296	271,413	-
8,434,440	20,522	584,820	-
-	-	-	-
-	-	-	-
-	-	-	-
727,036	239,502	(110,679)	1,024,288
\$ 9,161,476	\$ 260,024	\$ 474,141	\$ 1,024,288

Benzie County, Michigan

Statement of Activities

For the Year Ended September 30, 2009

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges For Services	Operating Grants And Contributions	Capital Grants And Contributions	
Primary government					
Governmental activities:					
Legislative	\$ 113,312	\$ -	\$ -	\$ -	\$ (113,312)
Judicial	926,398	478,557	68,765	-	(379,076)
General government	1,601,750	762,349	21,788	16,461	(801,152)
Public safety	3,890,535	1,150,188	102,461	15,874	(2,622,012)
Public works	222,791	224,871	1,250	-	3,330
Health and welfare	1,606,159	-	187,176	-	(1,418,983)
Recreation and cultural	507,695	-	51,000	229,424	(227,271)
Other	1,229,891	-	-	-	(1,229,891)
Interest on long-term debt	59,633	-	-	-	(59,633)
Total governmental activities	10,158,164	2,615,965	432,440	261,759	(6,848,000)
Business-type activities:					
Medical care facility	6,194,126	6,301,470	-	-	107,344
Tax collection	49,665	460,378	-	-	410,713
Emergency medical services	1,210,552	821,090	-	-	(389,462)
Sherriff commissary	6,199	6,891	-	-	692
Total business-type activities	7,460,542	7,589,829	-	-	129,287
Total primary government	\$ 17,618,706	\$ 10,205,794	\$ 432,440	\$ 261,759	\$ (6,718,713)
Component units					
Road Commission	\$ 3,486,553	\$ 917,298	\$ 1,479,095	\$ 1,636,889	\$ 546,729
Benzie/Leelanau Health Dept.	2,234,201	345,225	1,073,047	-	(815,929)
Benzie Transportation Authority	1,720,982	134,106	821,440	-	(765,436)
Economic Development Corporation	13,644	9,668	-	-	(3,976)
Total component units	\$ 7,455,380	\$ 1,406,297	\$ 3,373,582	\$ 1,636,889	\$ (1,038,612)

Continued...

Benzie County, Michigan

Statement of Activities

For the Year Ended September 30, 2009

<u>Functions/Programs</u>	Primary Government		
	Governmental Activities	Business-type Activities	Total
Changes in net assets			
Net (expense) revenue	\$ (6,848,000)	\$ 129,287	\$ (6,718,713)
General revenues:			
Property taxes	6,783,290	1,050,875	7,834,165
Grants and contributions not restricted to specific programs	31,433	50	31,483
Unrestricted investment earnings	97,313	75,372	172,685
(Loss) gain on disposal of capital assets	-	-	-
Other revenue	198,901	5,059	203,960
Internal transfers	(333,444)	333,444	-
Total general revenues	6,777,493	1,464,800	8,242,293
Change in net assets	(70,507)	1,594,087	1,523,580
Net assets, beginning of year	14,138,025	8,353,922	22,491,947
Net assets, end of year	\$ 14,067,518	\$ 9,948,009	\$ 24,015,527

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

**Component
Units**

Road Commission	Benzie / Leelanau District Health Dept.	Benzie Transportation Authority	Economic Development Corporation
\$ 546,729	\$ (815,929)	\$ (765,436)	\$ (3,976)
-	-	519,674	-
-	-	366	-
20,759	2,218	1,010	6,481
38,233	-	-	-
-	764,334	-	-
-	-	-	-
<u>58,992</u>	<u>766,552</u>	<u>521,050</u>	<u>6,481</u>
605,721	(49,377)	(244,386)	2,505
<u>8,555,755</u>	<u>309,401</u>	<u>718,527</u>	<u>1,021,783</u>
<u>\$ 9,161,476</u>	<u>\$ 260,024</u>	<u>\$ 474,141</u>	<u>\$ 1,024,288</u>

Benzie County, Michigan

Balance Sheet Governmental Funds

September 30, 2009

	General	Jail Operations	Revenue Sharing Reserve	Light House
Assets				
Cash and cash equivalents	\$ 1,506,453	\$ 262,249	\$ 799,761	\$ 100,669
Receivables:				
Accounts	1,732	-	-	-
Taxes	420,091	-	-	-
Due from other governments	49,304	17,600	-	25,253
Due from other funds	31,318	-	819,953	-
Prepaid items and other assets	29,258	11,696	-	-
Total assets	\$ 2,038,156	\$ 291,545	\$ 1,619,714	\$ 125,922
 Liabilities and fund balances				
Liabilities				
Accounts payable	\$ 43,958	\$ 3,265	\$ -	\$ 24,894
Due to other governments	106,844	-	-	-
Accrued liabilities	69,593	24,365	-	-
Due to other funds	819,953	-	-	120,000
Total liabilities	1,040,348	27,630	-	144,894
Fund balances				
Reserved:				
Prepaid items	29,258	11,696	-	-
Revenue sharing reserve	-	-	1,619,714	-
Unreserved:				
Designated for capital improvements	30,000	-	-	-
Undesignated (deficit)	938,550	252,219	-	(18,972)
Undesignated, reported in nonmajor:				
Special revenue funds	-	-	-	-
Debt service funds	-	-	-	-
Capital projects funds	-	-	-	-
Total fund balances (deficit)	997,808	263,915	1,619,714	(18,972)
Total liabilities and fund balances	\$ 2,038,156	\$ 291,545	\$ 1,619,714	\$ 125,922

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

<u>Jail Millage</u>	<u>Other Governmental Funds</u>	<u>Total</u>
\$ -	\$ 1,247,858	\$ 3,916,990
-	129,596	131,328
-	-	420,091
-	116,289	208,446
-	-	851,271
-	8,717	49,671
<u>\$ -</u>	<u>\$ 1,502,460</u>	<u>\$ 5,577,797</u>
\$ -	\$ 39,920	\$ 112,037
-	6,124	112,968
-	19,848	113,806
-	81,500	1,021,453
<u>-</u>	<u>147,392</u>	<u>1,360,264</u>
-	8,717	49,671
-	-	1,619,714
-	-	30,000
-	-	1,171,797
-	662,149	662,149
-	567,229	567,229
-	116,973	116,973
<u>-</u>	<u>1,355,068</u>	<u>4,217,533</u>
<u>\$ -</u>	<u>\$ 1,502,460</u>	<u>\$ 5,577,797</u>

Benzie County, Michigan

Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds to Net Assets of Governmental Activities on the Statement of Net Assets

September 30, 2009

Fund balances - total governmental funds	\$ 4,217,533
Amounts reported for <i>governmental activities</i> in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources, and therefore not reported in	
Add: capital assets - net of accumulated depreciation	10,984,313
Certain liabilities are not due and payable in the current period, and therefore are not reported in the funds.	
Subtract: bonds payable	(810,000)
Subtract: capital leases payable	(164,131)
Subtract: compensated absences	(156,063)
Subtract: accrued interest on long-term liabilities	<u>(4,134)</u>
Net assets of governmental activities	<u>\$ 14,067,518</u>

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

Benzie County, Michigan

Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds

For the Year Ended September 30, 2009

	General	Jail Operations	Revenue Sharing Reserve	Light House
Revenues				
Property taxes	\$ 3,998,172	\$ -	\$ -	\$ -
Licenses and permits	46,377	-	-	-
Intergovernmental revenue:				
Federal	51,675	-	-	-
State	58,409	-	-	25,253
Local	1,521	-	-	-
Contributions	150	-	-	-
Charges for services	1,125,373	162,275	-	-
Refunds and reimbursements	100,355	40,554	-	-
Interest and rentals	66,630	-	15,282	-
Other revenue	8,967	12	-	-
Total revenues	5,457,629	202,841	15,282	25,253
Expenditures				
Current expenditures:				
Legislative	113,312	-	-	-
Judicial	912,194	-	-	-
General government	1,603,376	-	-	-
Public safety	1,094,315	1,559,839	-	-
Public works	-	-	-	-
Health and welfare	479,925	-	-	-
Recreation and cultural	10,283	-	-	44,745
Other	1,229,891	-	-	-
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	5,443,296	1,559,839	-	44,745
Revenues over (under) expenditures	14,333	(1,356,998)	15,282	(19,492)
Other financing sources (uses)				
Sale of capital assets	20,500	-	-	-
Issuance of long-term debt	71,191	-	-	-
Transfers in	313,437	1,362,460	-	-
Transfers out	(619,738)	-	(313,437)	-
Total other financing sources (uses)	(214,610)	1,362,460	(313,437)	-
Net change in fund balances	(200,277)	5,462	(298,155)	(19,492)
Fund balances, beginning of year	1,198,085	258,453	1,917,869	520
Fund balances (deficit), end of year	\$ 997,808	\$ 263,915	\$ 1,619,714	\$ (18,972)

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

Jail Millage	Other Governmental Funds	Total
\$ 1,319,523	\$ 1,465,595	\$ 6,783,290
-	-	46,377
-	204,171	255,846
-	276,916	360,578
-	56,042	57,563
-	31,283	31,433
-	1,156,808	2,444,456
-	25,610	166,519
3,634	11,767	97,313
-	148,247	157,226
<u>1,323,157</u>	<u>3,376,439</u>	<u>10,400,601</u>
-	-	113,312
-	13,368	925,562
-	60,936	1,664,312
-	1,070,432	3,724,586
-	210,982	210,982
-	1,127,715	1,607,640
-	440,321	495,349
390	8,931	1,239,212
-	515,000	515,000
-	62,598	62,598
-	145,718	145,718
<u>390</u>	<u>3,656,001</u>	<u>10,704,271</u>
<u>1,322,767</u>	<u>(279,562)</u>	<u>(303,670)</u>
-	-	20,500
-	-	71,191
-	784,957	2,460,854
<u>(1,361,598)</u>	<u>(499,525)</u>	<u>(2,794,298)</u>
<u>(1,361,598)</u>	<u>285,432</u>	<u>(241,753)</u>
(38,831)	5,870	(545,423)
<u>38,831</u>	<u>1,349,198</u>	<u>4,762,956</u>
<u>\$ -</u>	<u>\$ 1,355,068</u>	<u>\$ 4,217,533</u>

Benzie County, Michigan

Reconciliation of the Statement of Revenue, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities

For the Year Ended September 30, 2009

Net change in fund balances - total governmental funds \$ (545,423)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Similarly, governmental funds do not report non-cash donations of capital assets. However, in the statement of activities, such donations are recognized as capital grants and contributions and the estimated fair value of those assets are capitalized and depreciated over their estimated useful lives.

Add: expenditures capitalized during the year	265,861
Subtract: depreciation expense	(351,731)
Subtract: loss on disposal of capital assets	(4,301)

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

Add: principal payments on long-term debt	597,407
Subtract: issuance of long-term debt	(71,191)

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

Add: change in accrued interest on bonds payable	2,965
Add: change in accrued compensated absences	35,906

Change in net assets of governmental activities \$ (70,507)

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

Benzie County, Michigan
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual

For the Year Ended September 30, 2009

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Actual</u>
	<u>Original</u>	<u>Final</u>		<u>Over (Under)</u> <u>Final Budget</u>
Revenues				
Taxes	\$ 3,914,194	\$ 3,998,699	\$ 3,998,172	\$ (527)
Licenses and permits	53,266	56,163	46,377	(9,786)
Intergovernmental revenue:				
Federal	69,203	69,203	51,675	(17,528)
State	56,850	106,850	58,409	(48,441)
Local	-	-	1,521	1,521
Contributions	-	150	150	-
Charges for services	1,193,601	1,195,083	1,125,373	(69,710)
Refunds and reimbursements	88,330	113,080	100,355	(12,725)
Interest	35,000	60,119	66,630	6,511
Other revenue	8,932	-	8,967	8,967
Total revenues	<u>5,419,376</u>	<u>5,599,347</u>	<u>5,457,629</u>	<u>(141,718)</u>
Expenditures				
Legislative				
Board of Commissioners	94,841	116,120	113,312	(2,808)
Judicial				
Circuit court	309,298	303,866	278,166	(25,700)
District court	182,601	210,458	206,388	(4,070)
Friend of the court	122,946	124,325	124,324	(1)
Friend of the court - juvenile division	80,209	94,184	89,067	(5,117)
Law library	1,500	1,500	1,500	-
Probate court	212,241	216,241	212,749	(3,492)
Total judicial	<u>908,795</u>	<u>950,574</u>	<u>912,194</u>	<u>(38,380)</u>
General government				
County administrator	122,446	133,748	133,072	(676)
County clerk	163,129	162,666	158,244	(4,422)
Treasurer	147,168	157,784	150,564	(7,220)
Equalization	137,021	137,021	128,679	(8,342)
Cooperative extension	67,846	69,380	69,136	(244)
Elections	55,300	26,800	26,487	(313)
Building and grounds	221,935	307,120	336,816	29,696
Legal and contracted services	96,000	164,561	162,020	(2,541)
Prosecuting Attorney	148,925	171,137	165,661	(5,476)
Register of deeds	129,220	129,220	126,375	(2,845)
Drain commission	9,875	10,350	9,624	(726)
Surveyor	775	775	775	-
Plat board	250	250	-	(250)
Central services	59,000	74,778	74,776	(2)
Technology support	36,780	61,344	61,147	(197)
Total general government	<u>1,395,670</u>	<u>1,606,934</u>	<u>1,603,376</u>	<u>(3,558)</u>

Continued...

Benzie County, Michigan

General Fund Statement of Revenues, Expenditures and Changes in Fund Balance Budget and Actual

For the Year Ended September 30, 2009

	Budgeted Amounts		Actual	Actual
	Original	Final		Over (Under) Final Budget
Public safety				
Sheriff	\$ 722,395	\$ 795,242	\$ 828,445	\$ 33,203
Sheriff secondary road patrol	72,763	62,825	61,249	(1,576)
Zero Tolerance	46,580	50,410	49,025	(1,385)
Civil defense	22,256	24,659	22,143	(2,516)
Planning department	22,800	63,950	63,128	(822)
Zoning department	124,888	72,670	70,325	(2,345)
Total public safety	<u>1,011,682</u>	<u>1,069,756</u>	<u>1,094,315</u>	<u>24,559</u>
Health and welfare				
Benzie/Leelanau Health Department	192,316	192,316	191,172	(1,144)
Medical examiner	15,950	21,251	20,648	(603)
Mental Health Board	150,978	150,978	184,380	33,402
Department of human services	12,000	12,000	12,000	-
County EDC	63,087	73,587	71,725	(1,862)
Total health and welfare	<u>434,331</u>	<u>450,132</u>	<u>479,925</u>	<u>29,793</u>
Recreation & cultural				
Parks & recreation	10,511	11,552	10,283	(1,269)
Other expenditures				
Insurance & bonds	127,107	108,810	107,499	(1,311)
Medical insurance	598,784	617,334	616,517	(817)
Retirement	256,812	290,017	297,266	7,249
Social security	151,743	168,878	172,955	4,077
Unemployment insurance	3,000	3,000	2,989	(11)
Workers compensation insurance	25,930	30,966	30,803	(163)
Other	5,000	1,702	1,862	160
Total other expenditures	<u>1,168,376</u>	<u>1,220,707</u>	<u>1,229,891</u>	<u>9,184</u>
Total expenditures	<u>5,024,206</u>	<u>5,425,775</u>	<u>5,443,296</u>	<u>17,521</u>
Revenues over expenditures	<u>395,170</u>	<u>173,572</u>	<u>14,333</u>	<u>(159,239)</u>

Continued...

Benzie County, Michigan

General Fund Statement of Revenues, Expenditures and Changes in Fund Balance Budget and Actual

For the Year Ended September 30, 2009

	Budgeted Amounts		Actual	Actual
	Original	Final		Over (Under) Final Budget
Other financing sources (uses)				
Sale of capital assets	\$ -	\$ 20,500	\$ 20,500	\$ -
Issuance of long-term debt	-	-	71,191	71,191
Transfers in	305,199	313,437	313,437	-
Transfers out	<u>(705,350)</u>	<u>(597,738)</u>	<u>(619,738)</u>	<u>(22,000)</u>
Total other financing (uses)	<u>(400,151)</u>	<u>(263,801)</u>	<u>(214,610)</u>	<u>49,191</u>
Net change in fund balance	(4,981)	(90,229)	(200,277)	(110,048)
Fund balance, beginning of year	<u>1,198,085</u>	<u>1,198,085</u>	<u>1,198,085</u>	<u>-</u>
Fund balance, end of year	<u>\$ 1,193,104</u>	<u>\$ 1,107,856</u>	<u>\$ 997,808</u>	<u>\$ (110,048)</u>

Concluded

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

Benzie County, Michigan

Jail Operations Special Revenue Fund Statement of Revenues, Expenditures and Changes in Fund Balance Budget and Actual

For the Year Ended September 30, 2009

	Budgeted Amounts		Actual	Actual
	Original	Final		Over (Under) Final Budget
Revenues				
Charges for services	\$ 163,450	\$ 163,450	\$ 162,275	\$ (1,175)
Refunds and reimbursements	40,500	40,500	40,554	54
Other revenue	-	-	12	12
Total revenues	<u>203,950</u>	<u>203,950</u>	<u>202,841</u>	<u>(1,109)</u>
Expenditures				
Public safety	<u>1,560,680</u>	<u>1,577,884</u>	<u>1,559,839</u>	<u>(18,045)</u>
Revenues under expenditures	(1,356,730)	(1,373,934)	(1,356,998)	16,936
Other financing sources				
Transfers in	<u>1,356,730</u>	<u>1,365,032</u>	<u>1,362,460</u>	<u>(2,572)</u>
Net change in fund balance	-	(8,902)	5,462	14,364
Fund balance, beginning of year	<u>258,453</u>	<u>258,453</u>	<u>258,453</u>	<u>-</u>
Fund balance, end of year	<u>\$ 258,453</u>	<u>\$ 249,551</u>	<u>\$ 263,915</u>	<u>\$ 14,364</u>

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

Benzie County, Michigan

Revenue Sharing Reserve Special Revenue Fund Statement of Revenues, Expenditures and Changes in Fund Balance Budget and Actual

For the Year Ended September 30, 2009

	Budgeted Amounts		Actual	Actual
	Original	Final		Over (Under) Final Budget
Revenues				
Interest	\$ 15,000	\$ 15,000	\$ 15,282	\$ 282
Other financing uses				
Transfers out	350,000	350,000	313,437	(36,563)
Net change in fund balance	(335,000)	(335,000)	(298,155)	(36,281)
Fund balance, beginning of year	1,917,869	1,917,869	1,917,869	-
Fund balance, end of year	\$ 1,582,869	\$ 1,582,869	\$ 1,619,714	\$ (36,281)

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

Benzie County, Michigan

Lighthouse Special Revenue Fund Statement of Revenues, Expenditures and Changes in Fund Balance Budget and Actual

For the Year Ended September 30, 2009

	Budgeted Amounts		Actual	Actual
	Original	Final		Over (Under) Final Budget
Revenues				
State grants	\$ 96,367	\$ 96,367	\$ 25,253	\$ (71,114)
Expenditures				
Recreation and cultural	225,000	225,000	44,745	(180,255)
Net change in fund balance	(128,633)	(128,633)	(19,492)	109,141
Fund balance, beginning of year	520	520	520	-
Fund balance (deficit), end of year	\$ (128,113)	\$ (128,113)	\$ (18,972)	\$ 109,141

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

Benzie County, Michigan

Jail Millage Fund Statement of Revenues, Expenditures and Changes in Fund Balance Budget and Actual

For the Year Ended September 30, 2009

	Budgeted Amounts		Actual	Actual
	Original	Final		Over (Under) Final Budget
Revenues				
Taxes	\$ 1,315,885	\$ 1,319,522	\$ 1,319,523	\$ 1
Interest	3,000	3,635	3,634	(1)
Total revenues	1,318,885	1,323,158	1,323,157	(1)
Expenditures				
Other	6,902	390	390	-
Revenues over expenditures	1,311,983	1,322,767	1,322,767	-
Other financing sources (uses)				
Transfers out	(1,311,983)	(1,361,598)	(1,361,598)	-
Net change in fund balance	-	(38,830)	(38,831)	(1)
Fund balance, beginning of year	38,831	38,831	38,831	-
Fund balance, end of year	\$ 38,831	\$ 1	\$ -	\$ (1)

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

Benzie County, Michigan

Statement of Net Assets Proprietary Funds

September 30, 2009

	County Medical Care Facility	Unpledged Delinquent Tax Revolving	Emergency Medical Services	Other Enterprise Funds	Total
Assets					
Current assets					
Cash and cash equivalents	\$ 2,581,527	\$ 661,306	\$ 86,609	\$ 285,079	\$ 3,614,521
Restricted cash and cash equivalents	871,178	-	-	-	871,178
Receivables:					
Accounts	1,013,063	-	139,676	-	1,152,739
Taxes	-	1,947,337	-	-	1,947,337
Interest	-	164,420	-	-	164,420
Due from other funds	-	251,500	-	-	251,500
Prepaid items and other assets	85,740	-	7,867	-	93,607
Total current assets	4,551,508	3,024,563	234,152	285,079	8,095,302
Noncurrent assets					
Capital assets, net	2,116,171	-	396,392	-	2,512,563
Total assets	6,667,679	3,024,563	630,544	285,079	10,607,865
Liabilities					
Current liabilities					
Accounts payable	56,939	-	5,535	-	62,474
Accrued liabilities	311,947	-	22,246	-	334,193
Due to other governments	-	154,744	-	-	154,744
Due to other funds	-	-	81,318	-	81,318
Notes payable	-	-	27,127	-	27,127
Total liabilities (all current)	368,886	154,744	136,226	-	659,856
Net assets					
Invested in capital assets	2,116,171	-	369,265	-	2,485,436
Unrestricted	4,182,622	2,869,819	125,053	285,079	7,462,573
Total net assets	\$ 6,298,793	\$ 2,869,819	\$ 494,318	\$ 285,079	\$ 9,948,009

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

Benzie County, Michigan

Statement of Revenues, Expenses and Changes in Fund Net Assets Proprietary Funds

For the Year Ended September 30, 2009

	County Medical Care Facility	Unpledged Delinquent Tax Revolving	Emergency Medical Services	Other Enterprise Funds	Total
Operating revenues					
Charges for services	\$ 6,252,107	\$ 92,446	\$ 821,090	\$ 98,982	\$ 7,264,625
Interest and penalties on delinquent taxes	-	275,841	-	-	275,841
Operating grants	-	-	-	-	-
Contributions	-	-	50	-	50
Other revenue	49,363	-	5,059	478	54,900
Total operating revenues	6,301,470	368,287	826,199	99,460	7,595,416
Operating expenses					
Salaries and fringes	3,215,915	-	880,279	-	4,096,194
Contractual services	-	-	211,647	-	211,647
Other expenses	2,978,211	8,181	116,169	42,268	3,144,829
Total operating expenses	6,194,126	8,181	1,208,095	42,268	7,452,670
Operating (loss) income	107,344	360,106	(381,896)	57,192	142,746
Nonoperating revenue					
Taxes and penalties	1,050,875	-	-	-	1,050,875
Interest on deposits	44,539	30,355	-	-	74,894
Interest and fiscal charges	-	(5,415)	(2,457)	-	(7,872)
Total nonoperating revenue	1,095,414	24,940	(2,457)	-	1,117,897
Income (loss) before transfers	1,202,758	385,046	(384,353)	57,192	1,260,643
Transfers					
Transfers in	-	-	494,525	-	494,525
Transfers out	-	-	(50,000)	(111,081)	(161,081)
Total transfers	-	-	444,525	(111,081)	333,444
Change in net assets	1,202,758	385,046	60,172	(53,889)	1,594,087
Net assets, beginning of year	5,096,035	2,484,773	434,146	338,968	8,353,922
Net assets, end of year	\$ 6,298,793	\$ 2,869,819	\$ 494,318	\$ 285,079	\$ 9,948,009

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

Benzie County, Michigan

Statement of Cash Flows Proprietary Funds

For the Year Ended September 30, 2009

	County Medical Care Facility	Unpledged Delinquent Tax Revolving	Emergency Medical Services	Other Enterprise Funds	Total
Cash flows from operating activities					
Cash received from customers	\$ 6,137,792	\$ 2,227,431	\$ 694,398	\$ 99,460	\$ 9,159,081
Cash payments for delinquent taxes	-	(2,281,684)	-	-	(2,281,684)
Cash payments to suppliers for goods and services	(2,876,726)	(8,181)	(227,520)	(42,268)	(3,154,695)
Cash payments to employees for services	(3,186,084)	-	(874,656)	-	(4,060,740)
Net cash (used in) provided by operating activities	74,982	(62,434)	(407,778)	57,192	(338,038)
Cash flows from non-capital financing activities					
Property taxes	1,050,875	-	494,525	-	1,545,400
Interfund balances	-	19,500	(50,000)	(111,081)	(141,581)
Net cash provided by (used in) non-capital financing activities	1,050,875	19,500	444,525	(111,081)	1,403,819
Cash flows from capital and related financing activities					
Purchases of capital assets	(86,590)	-	(10,650)	-	(97,240)
Repayments of notes payable	-	(600,000)	(12,673)	-	(612,673)
Interest and fiscal charges	-	(5,415)	(2,457)	-	(7,872)
Net cash used in capital and related financing activities	(86,590)	(605,415)	(25,780)	-	(717,785)
Cash flows from investing activities					
Interest received	44,539	30,355	-	-	74,894
Net (decrease) increase in cash and cash equivalents	1,083,806	(617,994)	10,967	(53,889)	422,890
Cash and cash equivalents, beginning of year	2,368,899	1,279,300	75,642	338,968	4,062,809
Cash and cash equivalents, end of year	\$ 3,452,705	\$ 661,306	\$ 86,609	\$ 285,079	\$ 4,485,699
Statement of net assets classification of cash and cash equivalents					
Cash and cash equivalents	\$ 2,581,527	\$ 661,306	\$ 86,609	\$ 285,079	\$ 3,614,521
Restricted cash and cash equivalents	871,178	-	-	-	871,178
	\$ 3,452,705	\$ 661,306	\$ 86,609	\$ 285,079	\$ 4,485,699

Continued

Benzie County, Michigan

Statement of Cash Flows Proprietary Funds

For the Year Ended September 30, 2009

	County Medical Care Facility	Unpledged Delinquent Tax Revolving	Emergency Medical Services	Other Enterprise Funds	Total
Cash flows from operating activities					
Reconciliation of operating (loss) income to net cash provided by (used in) operating activities					
Operating (loss) income	\$ 107,344	\$ 360,106	\$ (381,896)	\$ 57,192	\$ 142,746
Adjustments to reconcile operating (loss) income to net cash (used in) provided by operating activities					
Depreciation and amortization	200,810	-	97,688	-	298,498
Loss on disposal of capital assets	416	-	-	-	416
Changes in assets and liabilities which provided (used) cash					
Accounts receivable	(163,678)	-	10,553	-	(153,125)
Taxes receivable	-	(407,066)	-	-	(407,066)
Interest receivable	-	(39,888)	-	-	(39,888)
Prepaid items and other assets	(30,338)	-	(193)	-	(30,531)
Accounts payable	(69,403)	-	(2,451)	-	(71,854)
Accrued liabilities	29,831	-	(131,479)	-	(101,648)
Due to other governments	-	24,414	-	-	24,414
Net cash (used in) provided by operating activities	\$ 74,982	\$ (62,434)	\$ (407,778)	\$ 57,192	\$ (338,038)

Concluded

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

Benzie County, Michigan
Statement of Fiduciary Net Assets
Fiduciary Funds

September 30, 2009

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents	\$ 3,515,922
Due from other governments	<u>85,694</u>
Total assets	<u><u>\$ 3,601,616</u></u>
Liabilities	
Due to other governments	\$ 3,485,662
Other current liabilities	<u>115,954</u>
Total liabilities	<u><u>\$ 3,601,616</u></u>

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

Benzie County, Michigan

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Notes to the Financial Statements

September 30, 2009

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Benzie County, Michigan

Notes To The Financial Statements

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Benzie County, Michigan (the “County”) 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 members and provides services, assistance and care to its residents, primarily from the operations of its general and special revenue funds. The County’s services, assistance and care include the (1) general county departments, boards and commissions; (2) court system administration; (3) law enforcement and corrections; (4) assistance and/or institutional care to the aged, needy, wards of the court, neglected children and public and mental health recipients; and (5) recreation.

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

A. Reporting entity

As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the County and its component units. The component units discussed below are included in the County’s reporting entity because of the significance of its operational and financial relationship with the County.

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.

County of Benzie Medical Care Facility – The Medical Care Facility is governed by a board appointed entirely by the County Board of Commissioners. The facility provides long-term care services primarily to the residents of Benzie County.

Discretely Presented Component Units

The amounts reported as “component units” in the basic financial statements include the financial data of the County’s discretely presented component units. The following is a summary of the component units:

County of Benzie Road Commission – The members of the governing board of the Road Commission are appointed by the County Commission. 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:

Benzie County Road Commission
11318 Main Street
Honor, MI. 49640

Benzie County, Michigan

Notes To The Financial Statements

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 modifications 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:

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

Benzie Transportation Authority – The members of the governing board of the Bus System are appointed by the County Board. The County exercises oversight responsibility and has accountability of fiscal matters. Complete financial statements of the individual component unit can be obtained from:

Benzie Transportation Authority
12762 Honor Highway
Honor, MI 49640

County of Benzie 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.

Regional Joint Operations

City – County Airport – The City-County Airport, 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 six members of the County, City, and Township.

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 30th 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.

Benzie County, Michigan

Notes To The Financial Statements

B. Government-wide and fund financial statements

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

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

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 and enterprise funds are reported as separate columns in the respective fund financial statements.

The government reports the following major governmental funds:

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

The *Jail Operations Fund* accounts for the operations of the County jail.

The *Revenue Sharing Reserve Fund* accounts for the funding mechanism that substitutes for state revenue sharing payments, which resulted from the acceleration of the County property tax levy.

The *Lighthouse Fund* accounts for the renovation project for the Point Betsie Lighthouse

The *Jail Millage Fund* accounts for the collection of the jail millage.

The government reports the following major proprietary funds:

The *County Medical Care Facility Fund* accounts for the long-term care services provided to the residents of Benzie County at the Maples, the County's Medical Care Facility.

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

The *Emergency Medical Services (EMS) Fund* accounts for ambulance services provided to the citizens of Benzie County.

Benzie County, Michigan

Notes To The Financial Statements

Additionally, the government reports the following fund types:

Special revenue funds. These funds account for revenue sources that are legally restricted to expenditures for specific purposes not including major capital projects.

Debt service funds. These funds account for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

Capital projects funds. These funds account for the acquisition of capital assets or construction of major capital projects not being financed by proprietary funds.

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

The *agency funds* account for assets held for other governments in an agency capacity.

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 and fiduciary fund financial statements, except for agency funds, which do not have a measurement focus. Revenues are recorded when earned and expenses are recorded when liabilities are incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, or within one year for reimbursement based grants. Expenditures generally are recorded when liabilities are incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

Benzie County, Michigan

Notes To The Financial Statements

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to residents and businesses for building permits and inspection fees, and fees charged on the collection of delinquent property taxes. Operating expenses for enterprise funds include personnel and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, liabilities and net assets or equity

1. Deposits and investments

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

State statutes authorize the County to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations, and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, bankers acceptances, and mutual funds composed of otherwise legal investments (except those with a fluctuating per share value).

Investments are reported at fair value.

2. Receivables and payables

All receivables are reported at their gross value.

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

Benzie County, Michigan

Notes To The Financial Statements

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

3. *Prepaid items*

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

4. *Capital assets*

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

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

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

	<u>Years</u>
Buildings and improvements	15-40
Vehicles	3-5
Equipment	3-7
Infrastructure – roads	8-30
Infrastructure – bridges	12-30

5. *Compensated absences – General County Employees*

The County's employment policies provide for vacation benefits to be earned in varying amounts depending on the employee's year 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 department head, some carry-over may be authorized.

Benzie County, Michigan

Notes To The Financial Statements

The County's employment polices 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 employees. The nonunion personnel are paid half of their accumulated sick tick upon separation of employment.

6. Long-term obligations

In the government-wide financial statements and proprietary fund type fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

7. Fund equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

E. Subsequent events

In preparing these financial statements, management has evaluated, for potential recognition or disclosure, significant events or transactions that occurred during the period subsequent to September 30, 2009, the most recent statement of net assets presented herein, through the auditors' report date, the date these financial statements were available to be issued. No significant such events or transactions were identified.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the general and special revenue funds. All annual appropriations lapse at fiscal year end. Prior to October 1st of each year, the Board of Commissioners adopts, by resolution, the budget for the next fiscal year.

Benzie County, Michigan

Notes To The Financial Statements

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

B. Expenditures in excess of appropriations

P.A. 621 of 1978 as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. In the body of the financial statements, the County's actual expenditures and budgeted expenditures for the budgetary funds have been shown on the activity basis. The approved budgets of the County for the budgetary funds were adopted at the activity level for the general fund and at the functional level for the special revenue funds.

The following funds had expenditures in excess of appropriations:

Fund	Activity/function	Final Budget	Actual	Variance with Final Budget
General Fund	Building and grounds	\$ 307,120	\$ 336,816	\$ 29,696
General Fund	Sheriff	795,242	828,445	33,203
General Fund	Mental health board	150,978	184,380	33,402
General Fund	Retirement	290,017	297,266	7,249
General Fund	Social security	168,878	172,955	4,077
General Fund	Other	1,702	1,862	160
General Fund	Transfer out	597,738	619,738	22,000
Betsie Valley Trail Management Fund	Recreation and culture	10,000	21,925	11,925
Marine Patrol Fund	Public safety	30,269	38,849	8,580

C. Deficit fund balances

The Lighthouse Fund and the Marine Patrol Fund ended the year with fund deficit of \$18,972 and \$15,242, respectively.

Benzie County, Michigan

Notes To The Financial Statements

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and investments

Following is a reconciliation of deposit and investment balances (including both pooled cash and investments) for the primary government and the County's component units as September 30, 2009:

Statement of Net Assets	
Cash and cash equivalents	\$ 8,079,044
Restricted cash and cash equivalents	871,178
Investments	701,504
Statement of Fiduciary Net Assets	
Cash and cash equivalents	3,515,922
Total	<u>\$ 13,167,648</u>
Deposits and Investments:	
Bank deposits	\$ 12,462,579
Investments	701,504
Cash on hand	3,565
Total	<u>\$ 13,167,648</u>

As of year end, the County had the following investments:

	Carrying Amount (Fair Value)	<u>Credit Rating</u>
MBIA Money Market Account	\$ 701,504	Aaa (Moody's)

Interest Rate Risk. State law limits the allowable investments and the maturities of some of the allowable investments as identified in the summary of significant accounting policies. The County's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

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

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the County's deposits may not be returned. State law does not require and the County does not have a policy for deposit custodial credit risk. As of year end, \$8,413,672 of the combined bank balance of \$12,410,217 (total book balance was \$11,767,126) was exposed to custodial credit risk because it was uninsured and

Benzie County, Michigan

Notes To The Financial Statements

uncollateralized. The County believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the County evaluates each financial institution with which it deposits County funds and assesses the level of risk of each institution; only those institutions with an acceptable level are used as depositories.

Custodial Credit Risk – Investments. For an 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 collateral securities that are in the possession of an outside party. State law does not require and the County does not have a policy for investment custodial credit risk. On the investments listed above, there is no custodial credit risk, as these investments are uncategorized as to custodial credit risk.

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

B. Receivables

Receivables are comprised of the following:

	<u>Governmental Activities</u>	<u>Business- type Activities</u>
Accounts receivable	\$ 131,328	\$ 1,152,739
Taxes receivable	420,091	1,947,337
Interest receivable	<u>-</u>	<u>164,420</u>
Total receivables	<u>\$ 551,419</u>	<u>\$ 3,264,496</u>

Benzie County, Michigan

Notes To The Financial Statements

C. Capital assets

Capital asset activity was as follows for the year ended September 30, 2009:

Primary Government

	Beginning Balance	Increases	Decreases / Transfers	Ending Balance
Governmental activities				
Capital assets, not being depreciated:				
Land and land improvements	\$ 5,921,633	\$ -	\$ -	\$ 5,921,633
Capital assets, being depreciated:				
Buildings and improvements	6,912,460	70,829	(64,925)	6,918,364
Machinery and equipment	1,366,331	195,032	-	1,561,363
Total capital assets, being depreciated	8,278,791	265,861	(64,925)	8,479,727
Less accumulated depreciation for:				
Buildings and improvements	(2,247,481)	(175,227)	40,124	(2,382,584)
Machinery and equipment	(857,959)	(176,504)	-	(1,034,463)
Total accumulated depreciation	(3,105,440)	(351,731)	40,124	(3,417,047)
Total capital assets, being depreciated, net	5,173,351	(85,870)	(24,801)	5,062,680
Governmental activities capital assets, net	\$ 11,094,984	\$ (85,870)	\$ (24,801)	\$ 10,984,313
Business-type activities				
Capital assets, not being depreciated:				
Land	\$ 47,424	\$ -	\$ -	\$ 47,424
Construction in progress	-	57,470	-	57,470
Total capital assets, not being depreciated	47,424	57,470	-	104,894
Capital assets, being depreciated:				
Buildings and improvements	3,900,237	19,305	(15,129)	3,904,413
Land improvements	100,653	-	(1,862)	98,791
Equipment	1,971,591	20,465	(177,392)	1,814,664
Total capital assets, being depreciated	5,972,481	39,770	(194,383)	5,817,868
Less accumulated depreciation for:				
Buildings and improvements	(1,784,011)	(127,780)	14,765	(1,897,026)
Land improvements	(82,584)	(2,840)	1,862	(83,562)
Equipment	(1,439,073)	(167,878)	177,340	(1,429,611)
Total accumulated depreciation	(3,305,668)	(298,498)	193,967	(3,410,199)
Total capital assets, being depreciated, net	2,666,813	(258,728)	(416)	2,407,669
Business-type activities capital assets, net	\$ 2,714,237	\$ (201,258)	\$ (416)	\$ 2,512,563

Benzie County, Michigan

Notes To The Financial Statements

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

Governmental activities	
Judicial	\$ 836
General government	105,192
Public safety	219,048
Public works	11,809
Health and welfare	2,500
Recreation and cultural	<u>12,346</u>
Total depreciation expense - governmental activities	<u><u>\$ 351,731</u></u>
Business-type activities	
Emergency services	\$ 97,688
Medical care facility	<u>200,810</u>
	<u><u>\$ 298,498</u></u>

	Beginning Balance	Increases	Decreases	Ending Balance
Road Commission Component Unit				
Capital assets not being depreciated:				
Land and land improvements	\$ 12,708	\$ -	\$ -	\$ 12,708
Infrastructure - roads	<u>1,351,321</u>	<u>195,927</u>	<u>-</u>	<u>1,547,248</u>
Total capital assets not being depreciated	<u>1,364,029</u>	<u>195,927</u>	<u>-</u>	<u>1,559,956</u>
Capital assets being depreciated:				
Buildings and improvements	1,036,686	47,820	-	1,084,506
Equipment	4,634,790	433,653	(302,372)	4,766,071
Yard and storage	261,691	-	-	261,691
Infrastructure	<u>5,539,825</u>	<u>1,440,962</u>	<u>-</u>	<u>6,980,787</u>
Total capital assets being depreciated	<u>11,472,992</u>	<u>1,922,435</u>	<u>(302,372)</u>	<u>13,093,055</u>
Less accumulated depreciation for:				
Buildings and improvements	(684,131)	(67,697)	-	(751,828)
Equipment	(4,092,094)	(319,134)	302,372	(4,108,856)
Yard and storage	(138,933)	(15,431)	-	(154,364)
Infrastructure	<u>(773,264)</u>	<u>(430,259)</u>	<u>-</u>	<u>(1,203,523)</u>
Total accumulated depreciation	<u>(5,688,422)</u>	<u>(832,521)</u>	<u>302,372</u>	<u>(6,218,571)</u>
Capital assets being depreciated, net	<u>5,784,570</u>	<u>1,089,914</u>	<u>-</u>	<u>6,874,484</u>
Road Commission Capital Assets, Net	<u><u>\$ 7,148,599</u></u>	<u><u>\$ 1,285,841</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 8,434,440</u></u>

Benzie County, Michigan

Notes To The Financial Statements

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Benzie/Leelanau District Health Department Component Unit				
Capital assets being depreciated				
Equipment and furniture	\$ 38,684	\$ -	\$ -	\$ 38,684
Less accumulated depreciation for				
Equipment and furniture	(14,719)	(3,443)	-	(18,162)
Benzie/Leelanau District Health Department capital assets, net	<u>\$ 23,965</u>	<u>\$ (3,443)</u>	<u>\$ -</u>	<u>\$ 20,522</u>
Benzie Transportation Authority Component Unit				
Capital assets being depreciated				
Buildings and improvements	\$ 197,500	\$ -	\$ -	\$ 197,500
Vehicles	657,515	-	-	657,515
Equipment	59,230	7,500	-	66,730
Total capital assets being depreciated	914,245	7,500	-	921,745
Less accumulated depreciation	(159,615)	(141,207)	-	(300,822)
Benzie Transportation Authority capital assets, net	<u>\$ 754,630</u>	<u>\$ 133,707</u>	<u>\$ -</u>	<u>\$ 620,923</u>

D. Payables

Accounts payable in both the governmental and business-type activities consist entirely of amounts due to vendors.

Accrued liabilities are comprised of the following:

	<u>Governmental Activities</u>	<u>Business- type Activities</u>
Accrued payroll and withholdings	\$ 113,806	\$ 334,193
Accrued interest	4,134	-
	<u>\$ 117,940</u>	<u>\$ 334,193</u>

Benzie County, Michigan

Notes To The Financial Statements

E. Interfund receivables, payables and transfers

At September 30, 2009, amounts due from/due to other funds consisted of the following:

<u>Due from other funds</u>	<u>General fund</u>	<u>Light House fund</u>	<u>Nonmajor governmental funds</u>	<u>Emergency medical services fund</u>	<u>Total</u>
General fund	\$ -	\$ -	\$ -	\$ 31,318	\$ 31,318
Revenue sharing reserve fund	819,953	-	-	-	819,953
Unpledged delinquent tax revolving fund	-	120,000	81,500	50,000	251,500
	<u>\$ 819,953</u>	<u>\$ 120,000</u>	<u>\$ 81,500</u>	<u>\$ 81,318</u>	<u>\$ 1,102,771</u>

Amounts due from/due to other funds were established as short term advances to other funds or to cover any cash deficits in certain funds at year end.

For the year ended September 30, 2009, interfund transfers consisted of the following:

<u>Transfers from</u>	<u>Transfers to</u>				<u>Total</u>
	<u>General fund</u>	<u>Jail operations fund</u>	<u>Nonmajor governmental funds</u>	<u>Emergency medical services fund</u>	
General fund	\$ -	\$ 398,687	\$ 221,051	\$ -	\$ 619,738
Revenue sharing reserve fund	313,437	-	-	-	313,437
Jail millage fund	-	963,773	397,825	-	1,361,598
Nonmajor governmental funds	-	-	55,000	494,525	549,525
Nonmajor enterprise funds	-	-	111,081	-	111,081
	<u>\$ 313,437</u>	<u>\$ 1,362,460</u>	<u>\$ 784,957</u>	<u>\$ 494,525</u>	<u>\$ 2,955,379</u>

Interfund transfers are for: (1) use as unrestricted revenues in various funds to finance various programs accounted for in other funds in accordance with budgetary authorizations and (2) use amounts from the Revenue Sharing Reserve Fund to cover the elimination of state shared revenue in the General Fund, and (3) to transfer the property tax millage for the jail from the jail millage fund to the jail operations fund.

Benzie County, Michigan

Notes To The Financial Statements

F. Long-term debt

The following is a summary of debt and compensated absences transactions of the County for the year ended September 30, 2009:

Primary Government

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities					
General obligation bonds	\$ 1,325,000	\$ -	\$ 515,000	\$ 810,000	\$ 195,000
Capital leases	175,347	71,191	82,407	164,131	97,258
Compensated absences	<u>212,469</u>	<u>-</u>	<u>56,406</u>	<u>156,063</u>	<u>-</u>
	<u>\$ 1,712,816</u>	<u>\$ 71,191</u>	<u>\$ 653,813</u>	<u>\$ 1,130,194</u>	<u>\$ 292,258</u>
Business-type activities					
General obligation tax notes	\$ 600,000	\$ -	\$ 600,000	\$ -	\$ -
Capital lease	<u>39,800</u>	<u>-</u>	<u>12,673</u>	<u>27,127</u>	<u>13,243</u>
	<u>\$ 664,800</u>	<u>\$ -</u>	<u>\$ 612,673</u>	<u>\$ 27,127</u>	<u>\$ 13,243</u>

For the governmental activities, compensated absences are generally liquidated by the general fund.

Governmental activities general obligation debt consists of general obligation bonds of the Building Authority and a general obligation bond for the 2005 capital improvements. Business-type activities general obligation debt consists of general obligation limited tax notes, which are obtained on an annual basis to purchase delinquent taxes from local municipalities. General obligation debt currently outstanding is as follows:

<u>Description</u>	<u>Interest Rates</u>	<u>Maturing Year</u>	<u>Year End Balance</u>
<u>Governmental activities</u>			
1998 Building Authority Bonds	3.60-4.95%	2018	\$ 690,000
2005 Capital Improvement Bonds	2.50-3.50%	2010	<u>120,000</u>
			<u>\$ 810,000</u>

Benzie County, Michigan

Notes To The Financial Statements

Annual debt service requirements for governmental activities general obligation debt are as follows:

<u>Year ended September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 195,000	\$ 37,005	\$ 232,005
2010	75,000	29,468	104,468
2011	75,000	26,093	101,093
2012	75,000	22,643	97,643
2014	75,000	19,118	94,118
2015-2018	<u>315,000</u>	<u>39,983</u>	<u>354,983</u>
Total	<u>\$ 810,000</u>	<u>\$ 174,308</u>	<u>\$ 984,308</u>

Capital Leases

The County leases vehicles and equipment under capital leases with yearly lease payments ranging from \$2,135 to \$17,121, including interest charged at 3.30% to 10.55%. The leases qualify as capital leases for accounting purposes and therefore have been recorded at the present value of future minimum lease payments as of the inception dates. The following is a schedule by years of future minimum lease payments required under these capital leases as of September 30, 2009:

<u>Year ended September 30</u>	<u>Amount</u>
2010	\$ 104,897
2011	58,881
2012	<u>10,999</u>
Total minimum lease payments	174,777
Less amount representing interest imputed	<u>(10,646)</u>
Present value of minimum lease payments	164,131
Less current portion	<u>97,258</u>
Capital leases, net of current portion	<u>\$ 66,873</u>

Benzie County, Michigan

Notes To The Financial Statements

Benzie County Road Commission

The following is a summary of debt and compensated absences transactions of the Benzie County Road Commission for the year ended September 30, 2009:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities					
Installment payables	\$ -	\$ 203,802	\$ 37,735	\$ 166,067	\$ 66,838
Compensated absences	<u>73,596</u>	<u>5,966</u>	<u>-</u>	<u>79,562</u>	<u>-</u>
	<u>\$ 73,596</u>	<u>\$ 209,768</u>	<u>\$ 37,735</u>	<u>\$ 245,629</u>	<u>\$ 66,838</u>

Benzie/Leelanau District Health Department

The Health Department's long-term liabilities consist entirely of accrued compensated absences at September 30, 2009.

Benzie Transportation Authority

During the fiscal year, the Authority received a line of credit from State Savings Bank for \$200,000. The agreement has a rate of 5% and a maturity of December 1, 2009. As of September 30, 2009, the outstanding balance was \$120,000.

IV. OTHER INFORMATION

A. Risk management

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

The County was unable to obtain general liability insurance at a cost it considered to be economically justifiable. The County joined together with other governments and created a public entity risk pool currently operating as a common risk management and insurance program. The County pays an annual premium to the pool for its general insurance coverage. The agreement provides that the pool will be self-sustaining through member premiums and will reinsure through commercial insurance companies for claims in excess of \$75,000 for each insured event.

The County continues to carry commercial insurance for all other risk of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The pooling agreement allows for the pool to make additional assessments to make the pool self-sustaining. The County is unable to provide an estimate of the amounts of these potential additional assessments.

Benzie County, Michigan

Notes To The Financial Statements

B. Contingencies

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

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

C. Property taxes

Prior to 2005, the County property taxes were levied on December 1 of each year (the lien date) and were due in full by March 1 of the year following the levy, at which time uncollected taxes became delinquent. Pursuant to Public Act 357 of 2004, which provides a funding mechanism to replace state revenue sharing payments to counties, the County's levy date was shifted (or accelerated) from December 1 to July 1 of each year. As such, for the year ended September 30, 2009, the County recognized the full July 1, 2009 levy.

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

The assessed and taxable value of real and personal property for the December 1, 2008 levy, for which revenue was recognized in fiscal 2009, was \$1,055,045,531. The tax rate for this levy was a voter approved tax of 0.6536 mills for the Commission on Aging, 1.2430 mills for Jail debt and operations, .5796 mills for ambulance millage, .050 mills for soldier relief and .0982 mills for animal control.

The assessed and taxable value of real and personal property for the July 1, 2009 levy, for which revenue was recognized in fiscal 2008, was \$1,112,924,614. The general operating tax rate for this levy was at the maximum rate of 3.5144 mills, as adjusted by the Headlee Amendment to the State of Michigan Constitution.

By agreement with various taxing authorities, the County purchases at face value the real property taxes returned delinquent each March 1 and records a corresponding delinquent taxes receivable.

Benzie County, Michigan

Notes To The Financial Statements

D. Pension plans

Defined Benefit Plan

Plan Description. The County's defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. The County participates in the Municipal Employees Retirement System of Michigan (MERS), an agent multiple-employer plan administered by the MERS Retirement Board. Act No. 427 of the Public Acts of 1984, as amended, establishes and amends the benefit provisions of the participants in MERS. The Municipal Employees Retirement System of Michigan issues a publicly available financial report that includes financial statements and required supplementary information for MERS. That report may be obtained by writing to the Municipal Employees Retirement System of Michigan, 447 N. Canal Road, Lansing, Michigan 48917 or by calling (800) 767-6377.

Funding Policy. The County is required to contribute at an actuarially determined rate; the current rate ranges from 11.00% to 32.34% of annual covered payroll. County employees are required to contribute 0% to 2.30% of their pay to the Plan, depending on the bargaining unit the employee resides under. The contribution requirements of the County are established and may be amended by the Retirement Board of MERS. The contribution requirements of plan members are established and may be amended by the County, depending on the MERS contribution program adopted by the County.

Annual Pension Cost. For the year ended September 30, 2009, the County's annual pension cost of \$510,297 for MERS was equal to the County's required and actual contributions. The required contribution was determined as part of the December 31, 2006 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) a rate of return on the investment of present and future assets of 8.0%, (b) projected salary increases of 4.5% per year compounded annually, attributable to inflation and (c) additional projected salary increases of 0.0% to 8.40% per year, depending on age, attributable to seniority/merit. The actuarial value of MERS assets was determined on the basis of a valuation method that assumes the fund earns the expected rate of return and includes an adjustment to reflect fair value. The County's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2008, the date of the latest actuarial valuation, was 30 years.

Three-Year Trend Information

<u>Year Ended Dec 31</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2006	\$ 392,382	100 %	\$ -
2007	414,017	100	-
2008	418,180	100	-

Benzie County, Michigan

Notes To The Financial Statements

Schedule of Funding Progress

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 Percentage of Covered Payroll ((b-a)/c)
12/31/08	\$7,813,108	\$10,625,475	\$2,812,367	74%	\$3,120,238	90%

Benzie County Road Commission

Plan Description – The Benzie County Road Commission participates in the Michigan Municipal Employees’ Retirement System (MERS), an agent multiple-employer defined benefit pension plan that covers all employees of the Commission. The system provides retirement, disability and death benefits to plan members and their beneficiaries. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the System at: 1134 Municipal Way, Lansing, Michigan.

Funding Policy - The obligation to contribute and maintain the system for these employees was established by negotiation with the Benzie County Road Commission’s competitive bargaining units and requires a contribution based on gross wages by Country Road Commission only. The Commission contributes 24.41% of wages for general employees, 20% for administrative officials, and 18.22% for Commissioners.

Annual Pension Costs - For year ended September 30, 2009, the Benzie County Road Commission’s pension cost of \$245,816 for the plan was equal to the required and actual contribution. The annual required contribution was determined as part of an actuarial valuation as December 31, 2007, using the age normal cost method. Significant actuarial assumptions used include: (i) an 8% investment rate of return; and (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 30 years.

Three year trend information as of December 31 follows:

Year Ended <u>Dec 31</u>	Annual Pension Cost (APC) <u>Cost (APC)</u>	Percentage of APC Contributed <u>Contributed</u>	Net Pension Obligation <u>Obligation</u>
2006	\$ 217,681	100%	\$ -
2007	234,987	100%	-
2008	243,685	100%	-

Post Employment Benefits (Benzie County Road Commission)

The employer provides health insurance to 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

Benzie County, Michigan

Notes To The Financial Statements

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 an employee who hired prior to June 30, 1993, he/she will, after reaching age 65, receive a 50% contribution from 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 for the cost of health insurance premiums for retirees and their spouses. The Plan does 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 costs 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, 2009.

Annual required contribution	\$147,731
Interest on net OPEB obligation	<u>-</u>
Annual OPEB cost	147,731
Contributions made	<u>(147,731)</u>
Increase in net OPEB obligation	-
Net OPEB obligation, beginning of year	<u>-</u>
Net OPEB obligation, end of year	<u>\$ -</u>

The Commission's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ending September 30, 2009 were as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage Contributed</u>	<u>Net OPEB Obligation</u>
09/30/08	\$184,278	100.0%	-
09/30/09	147,731	100.0%	-

Benzie County, Michigan

Notes To The Financial Statements

As of September 30, 2009, the actuarial accrued liability for benefits was not calculated, but \$142,714 was funded. The covered payroll (annual payroll of active employees covered by the Plan) was \$1,175,041, and the ratio of the unfunded actuarial accrued liability (UAAL) to the covered payroll was not available.

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.

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 1994 Group Annuity Mortality 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 2006 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 initially used a select rate of 10%, with reduction to the ultimate rate of 4.5% after ten years.

Other Assumptions and Methods: the inflation rate was assumed to be 4.5%. Based on the historical and expected returns of the commission's investments, the investment rate of return was assumed to be 6%. 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.

Benzie County, Michigan

Notes To The Financial Statements

Benzie/Leelanau District Health Department

Plan Description – Benzie/Leelanau District Health Department of Benzie/Leelanau Counties, Michigan Participates in an agent multiple-employer public employee pension plan which covers four employees. Employees are covered under a B-3, F-55 plan. The system provides retirement, disability and death benefits to plan members and their beneficiaries. MERS issues a publicly available financial report that includes financial statements and requirement supplementary information for the system. That report may be obtained by writing to the System at: 1134 Municipal Way, Lansing, Michigan 48917-9755.

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.

Annual Pension Costs – For the year ended September 30, 2009, the Health Department’s annual pension cost of \$29,085 for the plan was equal to the required and actual contribution. The annual required contribution was determined as part of an actuarial valuation as of December 31, 2007, using the age normal cost method. Significant actuarial assumptions used include: (i) a 8% investment rate of return; (ii) projected salary increases of 4.5 percent per year. Additional projected salary increases of up to 2.5% per year annually after retirement for persons under certain benefit packages. The actuarial value of assets 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 30 years.

<u>Year Ended Dec 31</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2006	\$ 25,837	100%	\$-
2007	26,957	100%	-
2008	26,868	100%	-

Defined Contribution (Money Purchase) Pension Plan

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

The Department contributed \$70,644 and employees contributed \$14,129 to the Plan during the year ended September 30, 2009, equal to 10.2% and 2% respectively of the covered payroll.

The Maples, Benzie County Medical Care Facility

Plan Description – The Facility participates in the Michigan Municipal employees’ Retirement System (MMERS), an agent multiple-employer defined benefit pension plan that covers all employees of the Facility through the County of Benzie. The Facility provides retirement, disability and death benefits to plan members and their beneficiaries. MMERS issues a publicly available financial report that includes financial statements and required supplemental information for MMERS. That report may be obtained by writing to MMERS at 1134 Municipal Way, Lansing, Michigan 48917.

Benzie County, Michigan

Notes To The Financial Statements

Funding Policy – Benefit provisions of MMERS, as well as employer and employee obligations to contribute, are outlined in Act No. 427 of the Public Acts of 1984, as amended. Pension expense consists of normal costs of the plan and amortization of prior-service cost over a 40-year period, net of amortization of investment gains over a 10-year period. The amortization periods were updated in 2006.

The minimum required employer contributions, based on a percentage of payroll, are 5.08% to 15.09% using the 2007 valuation. The required employee contribution is 0.00% to 2.00% using the 2007 valuation.

Significant actuarial assumptions used include (a) an 8.0 percent investment rate of return, (b) projected salary increases of 4.5% per year, and (c) no cost of living adjustments. Both (a) and (b) include an inflation component of 4.5%. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a four-year period.

Annual Pension Cost – The Facility’s contributions to the plan amounted to \$138,664 in 2008. The actuarially determined contribution requirements have been met based on actuarial valuations performed at September 30, 2009.

To show the progress of the Facility’s status for each plan regarding certain key indicators, three-year trend information is presented below:

	2006	2007	2008
Actuarial Value of Assets	\$4,867,402	\$5,265,205	\$ 5,446,830
Actuarial Accrued Liability	4,727,854	5,532,546	5,858,154
Unfunded AAL	(139,548)	267,341	411,324
Funded Ratio	103.0%	95.0%	93.0%
Covered Payroll	2,978,922	2,979,994	3,045,529
UAAL as a Percentage of Covered Payroll	(5.0)%	9.0%	14.0%

<u>Year Ended Dec 31</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2006	\$ 142,956	100%	\$-
2007	133,794	100%	-
2008	138,664	100%	-

Benzie County, Michigan

Notes To The Financial Statements

E. 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 with the County complex. Future minimum lease payments to be received from the Department of Human Services under the agreement are as follows:

2010	\$ 123,947
2011	123,947
2012	123,947
2013	123,947
2014	123,947
2015-2019	<u>638,327</u>
Total	<u>\$ 1,258,062</u>

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BENZIE COUNTY, MICHIGAN

**REQUIRED SUPPLEMENTARY INFORMATION
MUNICIPAL EMPLOYEES RETIREMENT SYSTEM OF MICHIGAN
SCHEDULE OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS
HISTORICAL TREND INFORMATION - UNAUDITED**

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date December 31,	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
2003	\$ 5,128,385	\$ 6,211,553	\$ (1,083,168)	83%	\$ 2,527,455	43%
2004	5,622,450	7,346,552	(1,724,102)	77%	2,500,259	69%
2005	6,037,298	7,722,034	(1,684,736)	78%	2,543,286	66%
2006	6,628,113	8,836,410	(2,208,297)	75%	2,944,096	75%
2007	7,278,542	9,802,199	(2,523,657)	74%	3,231,917	78%
2008	7,813,108	10,625,475	(2,812,367)	74%	3,120,238	90%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year Ended September 30,	Annual Required Contribution	Percentage Contributed
2004	\$ 311,766	100%
2005	326,205	100%
2006	392,382	100%
2007	414,017	100%
2008	418,180	100%
2009	510,297	100%

Benzie County, Michigan

**Combining Balance Sheet
Nonmajor Governmental Funds**

September 30, 2009

	<u>Special Revenue Funds</u>	<u>Debt Service Funds</u>	<u>Capital Projects Funds</u>	<u>Total Nonmajor Governmental Funds</u>
Assets				
Cash and cash equivalents	\$ 563,457	\$ 567,379	\$ 117,022	\$ 1,247,858
Accounts receivable	129,596	-	-	129,596
Due from other governments	116,289	-	-	116,289
Prepaid items	8,717	-	-	8,717
Total assets	<u>\$ 818,059</u>	<u>\$ 567,379</u>	<u>\$ 117,022</u>	<u>\$ 1,502,460</u>
 Liabilities and fund balances				
Liabilities				
Accounts payable	\$ 39,721	\$ 150	\$ 49	\$ 39,920
Due to other governments	6,124	-	-	6,124
Accrued liabilities	19,848	-	-	19,848
Due to other funds	81,500	-	-	81,500
Total liabilities	<u>147,193</u>	<u>150</u>	<u>49</u>	<u>147,392</u>
 Fund balances				
Reserved	8,717	-	-	8,717
Unreserved	662,149	567,229	116,973	1,346,351
Total fund balances	<u>670,866</u>	<u>567,229</u>	<u>116,973</u>	<u>1,355,068</u>
Total liabilities and fund balances	<u>\$ 818,059</u>	<u>\$ 567,379</u>	<u>\$ 117,022</u>	<u>\$ 1,502,460</u>

Benzie County, Michigan

Combining Statement of Revenues, Expenditures and Changes in Fund Balances Nonmajor Governmental Funds

For the Year Ended September 30, 2009

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
Revenues				
Taxes	\$ 850,420	\$ 615,175	\$ -	\$ 1,465,595
Intergovernmental:				
Federal grants	204,171	-	-	204,171
State grants	276,916	-	-	276,916
Local sources	24,607	-	31,435	56,042
Contributions	32,232	-	(949)	31,283
Charges for services	1,156,808	-	-	1,156,808
Refunds and reimbursements	23,337	-	2,273	25,610
Interest	2,185	9,582	-	11,767
Other revenue	32,334	115,913	-	148,247
Total revenues	<u>2,603,010</u>	<u>740,670</u>	<u>32,759</u>	<u>3,376,439</u>
Expenditures				
Current expenditures:				
Judicial	13,368	-	-	13,368
General government	60,936	-	-	60,936
Public safety	1,070,432	-	-	1,070,432
Public works	210,982	-	-	210,982
Health and welfare	1,127,715	-	-	1,127,715
Recreation and cultural	440,321	-	-	440,321
Other	-	8,931	-	8,931
Debt service:				
Principal	-	515,000	-	515,000
Interest and fiscal charges	-	62,598	-	62,598
Capital outlay	-	56,830	88,888	145,718
Total expenditures	<u>2,923,754</u>	<u>643,359</u>	<u>88,888</u>	<u>3,656,001</u>
Revenues over (under) expenditures	<u>(320,744)</u>	<u>97,311</u>	<u>(56,129)</u>	<u>(279,562)</u>
Other financing sources (uses)				
Transfers in	288,532	397,825	98,600	784,957
Transfers out	(5,000)	(494,525)	-	(499,525)
Total other financing sources	<u>283,532</u>	<u>(96,700)</u>	<u>98,600</u>	<u>285,432</u>
Net change in fund balances	<u>(37,212)</u>	<u>611</u>	<u>42,471</u>	<u>5,870</u>
Fund balances, beginning of year	<u>708,078</u>	<u>566,618</u>	<u>74,502</u>	<u>1,349,198</u>
Fund balances, end of year	<u>\$ 670,866</u>	<u>\$ 567,229</u>	<u>\$ 116,973</u>	<u>\$ 1,355,068</u>

Benzie County, Michigan

Combining Balance Sheet Nonmajor Special Revenue Funds

September 30, 2009

	Sheriff's K-9	Benzie Co. Sheriff Reserves	Benzie Co. Dive Team	School Resource Officer	Benzie Co. DARE
Assets					
Cash and cash equivalents	\$ 3,544	\$ 1,889	\$ 1,143	\$ -	\$ 2,306
Accounts receivable	-	-	-	-	-
Due from other governmental units	-	-	-	-	-
Prepaid items	-	-	-	-	-
Total assets	\$ 3,544	\$ 1,889	\$ 1,143	\$ -	\$ 2,306
Liabilities and fund balances					
Liabilities					
Accounts payable	\$ 44	\$ -	\$ -	\$ -	\$ -
Due to other governmental units	-	-	-	-	-
Accrued liabilities	-	-	-	-	-
Due to other funds	-	-	-	-	-
Total liabilities	44	-	-	-	-
Fund balances					
Fund balance:					
Reserved	-	-	-	-	-
Unreserved - designated	-	-	-	-	-
Unreserved - undesignated	3,500	1,889	1,143	-	2,306
Total fund balances	3,500	1,889	1,143	-	2,306
Total liabilities and fund balances	\$ 3,544	\$ 1,889	\$ 1,143	\$ -	\$ 2,306

Benzie Co. Kids	Friend of the Court	Seasonal Road Patrol	Marine Patrol	Solid Waste/ Recycling	BVTMC
\$ 12,776	\$ 34,446	\$ 30,738	\$ 5,993	\$ 66,226	\$ 756
-	-	-	-	-	11,926
-	-	8,712	24,169	-	10,000
-	-	-	-	960	-
<u>\$ 12,776</u>	<u>\$ 34,446</u>	<u>\$ 39,450</u>	<u>\$ 30,162</u>	<u>\$ 67,186</u>	<u>\$ 22,682</u>
\$ 550	\$ -	\$ -	\$ 220	\$ 58	\$ 1,059
-	-	-	-	-	-
-	-	-	184	1,295	-
-	-	-	45,000	-	21,000
<u>550</u>	<u>-</u>	<u>-</u>	<u>45,404</u>	<u>1,353</u>	<u>22,059</u>
-	-	-	-	960	-
-	-	-	-	-	-
<u>12,226</u>	<u>34,446</u>	<u>39,450</u>	<u>(15,242)</u>	<u>64,873</u>	<u>623</u>
<u>12,226</u>	<u>34,446</u>	<u>39,450</u>	<u>(15,242)</u>	<u>65,833</u>	<u>623</u>
<u>\$ 12,776</u>	<u>\$ 34,446</u>	<u>\$ 39,450</u>	<u>\$ 30,162</u>	<u>\$ 67,186</u>	<u>\$ 22,682</u>

Continued...

Benzie County, Michigan

Combining Balance Sheet Nonmajor Special Revenue Funds

September 30, 2009

	CDBG Grants	Land Reutilization Fund	Remonument Survey Grant	Animal Control	Building Department
Assets					
Cash and cash equivalents	\$ -	\$ 55,001	\$ 6,719	\$ 52,162	\$ 17,935
Accounts receivable	-	-	-	-	-
Due from other governmental units	-	-	16,525	-	-
Prepaid items	-	-	-	975	2,133
Total assets	<u>\$ -</u>	<u>\$ 55,001</u>	<u>\$ 23,244</u>	<u>\$ 53,137</u>	<u>\$ 20,068</u>
Liabilities and fund balances					
Liabilities					
Accounts payable	\$ -	\$ 307	\$ -	\$ 82	\$ 4,569
Due to other governmental units	-	-	-	-	-
Accrued liabilities	-	-	-	2,796	3,531
Due to other funds	-	-	-	-	-
Total liabilities	<u>-</u>	<u>307</u>	<u>-</u>	<u>2,878</u>	<u>8,100</u>
Fund balances					
Fund balance:					
Reserved	-	-	-	975	2,133
Unreserved - designated	-	-	-	-	-
Unreserved - undesignated	-	54,694	23,244	49,284	9,835
Total fund balances	<u>-</u>	<u>54,694</u>	<u>23,244</u>	<u>50,259</u>	<u>11,968</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 55,001</u>	<u>\$ 23,244</u>	<u>\$ 53,137</u>	<u>\$ 20,068</u>

<u>Register of Deeds Automation</u>	<u>Homeland Security Grants</u>	<u>911 Emergency Service</u>	<u>Dispatcher Training Grant</u>	<u>Local Corrections Officer Training</u>	<u>Sheriff Forfeiture</u>
\$ 102,074	\$ 3,006	\$ 45,418	\$ -	\$ 16,171	\$ 7,306
-	-	117,670	-	-	-
-	-	32,612	-	-	-
-	-	4,649	-	-	-
<u>\$ 102,074</u>	<u>\$ 3,006</u>	<u>\$ 200,349</u>	<u>\$ -</u>	<u>\$ 16,171</u>	<u>\$ 7,306</u>
\$ -	\$ 369	\$ 422	\$ -	\$ (327)	\$ -
-	-	-	-	-	-
-	-	12,042	-	-	-
-	-	15,000	-	-	-
<u>-</u>	<u>369</u>	<u>27,464</u>	<u>-</u>	<u>(327)</u>	<u>-</u>
-	-	4,649	-	-	-
-	-	-	-	-	-
<u>102,074</u>	<u>2,637</u>	<u>168,236</u>	<u>-</u>	<u>16,498</u>	<u>7,306</u>
<u>102,074</u>	<u>2,637</u>	<u>172,885</u>	<u>-</u>	<u>16,498</u>	<u>7,306</u>
<u>\$ 102,074</u>	<u>\$ 3,006</u>	<u>\$ 200,349</u>	<u>\$ -</u>	<u>\$ 16,171</u>	<u>\$ 7,306</u>

Continued...

Benzie County, Michigan
Combining Balance Sheet
Nonmajor Special Revenue Funds

September 30, 2009

	Benzie Criminal Justice Training	Law Library	Commission on Aging	Child Care
Assets				
Cash and cash equivalents	\$ 3,405	\$ 7,258	\$ 8,134	\$ 22,423
Accounts receivable	-	-	-	-
Due from other governmental units	-	-	-	24,271
Prepaid items	-	-	-	-
Total assets	\$ 3,405	\$ 7,258	\$ 8,134	\$ 46,694
Liabilities and fund balances				
Liabilities				
Accounts payable	\$ -	\$ 302	\$ -	\$ 30,436
Due to other governmental units	-	-	-	6,124
Accrued liabilities	-	-	-	-
Due to other funds	-	-	-	500
Total liabilities	-	302	-	37,060
Fund balances				
Fund balance:				
Reserved	-	-	-	-
Unreserved - designated	-	-	-	-
Unreserved - undesignated	3,405	6,956	8,134	9,634
Total fund balances	3,405	6,956	8,134	9,634
Total liabilities and fund balances	\$ 3,405	\$ 7,258	\$ 8,134	\$ 46,694

Soldiers Relief	Veterans Trust	CDBG Housing Grant	Building Authority	Total
\$ 44,457	\$ 735	\$ 8,426	\$ 3,010	\$ 563,457
-	-	-	-	129,596
-	-	-	-	116,289
-	-	-	-	8,717
<u>\$ 44,457</u>	<u>\$ 735</u>	<u>\$ 8,426</u>	<u>\$ 3,010</u>	<u>\$ 818,059</u>

\$ 1,630	\$ -	\$ -	\$ -	\$ 39,721
-	-	-	-	6,124
-	-	-	-	19,848
-	-	-	-	81,500
<u>1,630</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>147,193</u>

-	-	-	-	8,717
-	-	-	-	-
<u>42,827</u>	<u>735</u>	<u>8,426</u>	<u>3,010</u>	<u>662,149</u>
<u>42,827</u>	<u>735</u>	<u>8,426</u>	<u>3,010</u>	<u>670,866</u>
<u>\$ 44,457</u>	<u>\$ 735</u>	<u>\$ 8,426</u>	<u>\$ 3,010</u>	<u>\$ 818,059</u>

Concluded

Benzie County, Michigan

Combining Statement of Revenues, Expenditures and Changes in Fund Balances Nonmajor Special Revenue Funds

For the Year Ended September 30, 2009

	Sheriff's K-9	Benzie Co. Sheriff Reserves	Benzie Co. Dive Team	School Resource Officer	Benzie Co. DARE
Revenues					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenue:					
Federal	-	-	-	-	-
State	-	-	-	-	-
Local	-	-	-	-	-
Contributions	2,662	-	-	-	-
Charges for services	-	-	-	-	-
Refunds and reimbursements	-	492	-	-	-
Interest	-	-	-	-	-
Other revenue	-	-	-	-	-
Total revenues	<u>2,662</u>	<u>492</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures					
Judicial	-	-	-	-	-
General government	-	-	-	-	-
Public safety	1,331	1,663	38	-	640
Public works	-	-	-	-	-
Health and welfare	-	-	-	-	-
Recreation and cultural	-	-	-	-	-
Capital outlay	-	-	-	-	-
Total expenditures	<u>1,331</u>	<u>1,663</u>	<u>38</u>	<u>-</u>	<u>640</u>
Revenues over (under) expenditures	<u>1,331</u>	<u>(1,171)</u>	<u>(38)</u>	<u>-</u>	<u>(640)</u>
Other financing sources (uses)					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>1,331</u>	<u>(1,171)</u>	<u>(38)</u>	<u>-</u>	<u>(640)</u>
Fund balances, beginning of year	2,169	3,060	1,181	-	2,946
Fund balances, end of year	<u>\$ 3,500</u>	<u>\$ 1,889</u>	<u>\$ 1,143</u>	<u>\$ -</u>	<u>\$ 2,306</u>

Benzie Co. Kids	Friend of the Court	Seasonal Road Patrol	Marine Patrol	Solid Waste/ Recycling	BVTMC
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	14,752	-	10,000
-	-	21,257	2,100	1,250	-
14,235	-	-	-	2,044	11,926
-	4,150	-	1,060	224,871	-
-	152	-	-	1,556	-
-	96	-	-	175	-
-	-	-	-	-	-
<u>14,235</u>	<u>4,398</u>	<u>21,257</u>	<u>17,912</u>	<u>229,896</u>	<u>21,926</u>
-	-	-	-	-	-
-	-	-	-	-	-
11,213	(1)	11,044	38,849	-	-
-	-	-	-	210,982	-
-	-	-	-	-	-
-	-	-	-	-	21,925
-	-	-	-	-	-
<u>11,213</u>	<u>(1)</u>	<u>11,044</u>	<u>38,849</u>	<u>210,982</u>	<u>21,925</u>
<u>3,022</u>	<u>4,399</u>	<u>10,213</u>	<u>(20,937)</u>	<u>18,914</u>	<u>1</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
3,022	4,399	10,213	(20,937)	18,914	1
<u>9,204</u>	<u>30,047</u>	<u>29,237</u>	<u>5,695</u>	<u>46,919</u>	<u>622</u>
<u>\$ 12,226</u>	<u>\$ 34,446</u>	<u>\$ 39,450</u>	<u>\$ (15,242)</u>	<u>\$ 65,833</u>	<u>\$ 623</u>

Continued...

Benzie County, Michigan

Combining Statement of Revenues, Expenditures and Changes in Fund Balances Nonmajor Special Revenue Funds

For the Year Ended September 30, 2009

	CDBG Grants	Land Reutilization Fund	Remonument Survey Grant	Animal Control	Building Department
Revenues					
Taxes	\$ -	\$ -	\$ -	\$ 104,110	\$ -
Intergovernmental revenue:					
Federal	204,171	-	-	-	-
State	-	41,000	21,788	-	-
Local	-	-	-	-	-
Contributions	-	-	-	-	-
Charges for services	-	-	-	14,832	276,954
Refunds and reimbursements	-	3,000	-	-	1,793
Interest	-	-	-	-	-
Other revenue	-	170	-	-	-
Total revenues	<u>204,171</u>	<u>44,170</u>	<u>21,788</u>	<u>118,942</u>	<u>278,747</u>
Expenditures					
Judicial	-	-	-	-	-
General government	-	-	39,108	-	-
Public safety	-	-	-	129,949	314,565
Public works	-	-	-	-	-
Health and welfare	-	-	-	-	-
Recreation and cultural	317,839	100,557	-	-	-
Capital outlay	-	-	-	-	-
Total expenditures	<u>317,839</u>	<u>100,557</u>	<u>39,108</u>	<u>129,949</u>	<u>314,565</u>
Revenues over (under) expenditures	<u>(113,668)</u>	<u>(56,387)</u>	<u>(17,320)</u>	<u>(11,007)</u>	<u>(35,818)</u>
Other financing sources (uses)					
Transfers in	-	111,081	7,500	20,000	-
Transfers out	-	-	-	(5,000)	-
Total other financing sources (uses)	<u>-</u>	<u>111,081</u>	<u>7,500</u>	<u>15,000</u>	<u>-</u>
Net change in fund balances	<u>(113,668)</u>	<u>54,694</u>	<u>(9,820)</u>	<u>3,993</u>	<u>(35,818)</u>
Fund balances, beginning of year	<u>113,668</u>	<u>-</u>	<u>33,064</u>	<u>46,266</u>	<u>47,786</u>
Fund balances, end of year	<u>\$ -</u>	<u>\$ 54,694</u>	<u>\$ 23,244</u>	<u>\$ 50,259</u>	<u>\$ 11,968</u>

<u>Register of Deeds Automation</u>	<u>Homeland Security Grants</u>	<u>911 Emergency Service</u>	<u>Dispatcher Training Grant</u>	<u>Local Corrections Officer Training</u>	<u>Sheriff Forfeiture</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	900	-	-	-	-
-	-	-	-	-	-
-	1,365	-	-	-	-
33,360	-	595,305	-	6,276	-
-	-	3,250	-	-	-
1,486	-	-	-	-	-
-	-	-	-	-	1,610
<u>34,846</u>	<u>2,265</u>	<u>598,555</u>	<u>-</u>	<u>6,276</u>	<u>1,610</u>
-	-	-	-	-	-
21,828	-	-	-	-	-
-	1,566	549,021	1,966	6,444	130
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>21,828</u>	<u>1,566</u>	<u>549,021</u>	<u>1,966</u>	<u>6,444</u>	<u>130</u>
<u>13,018</u>	<u>699</u>	<u>49,534</u>	<u>(1,966)</u>	<u>(168)</u>	<u>1,480</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
13,018	699	49,534	(1,966)	(168)	1,480
<u>89,056</u>	<u>1,938</u>	<u>123,351</u>	<u>1,966</u>	<u>16,666</u>	<u>5,826</u>
<u>\$ 102,074</u>	<u>\$ 2,637</u>	<u>\$ 172,885</u>	<u>\$ -</u>	<u>\$ 16,498</u>	<u>\$ 7,306</u>

Continued...

Benzie County, Michigan

Combining Statement of Revenues, Expenditures and Changes in Fund Balances Nonmajor Special Revenue Funds

For the Year Ended September 30, 2009

	Benzie Criminal Justice Training	Law Library	Commission on Aging	Child Care
Revenues				
Taxes	\$ -	\$ -	\$ 693,414	\$ -
Intergovernmental revenue:				
Federal	-	-	-	-
State	1,300	-	-	139,623
Local	-	-	-	-
Contributions	-	-	-	-
Charges for services	-	-	-	-
Refunds and reimbursements	-	196	-	12,898
Interest	-	-	-	-
Other revenue	-	5,000	-	-
Total revenues	1,300	5,196	693,414	152,521
Expenditures				
Judicial	-	13,368	-	-
General government	-	-	-	-
Public safety	2,014	-	-	-
Public works	-	-	-	-
Health and welfare	-	-	690,856	307,377
Recreation and cultural	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	2,014	13,368	690,856	307,377
Revenues over (under) expenditures	(714)	(8,172)	2,558	(154,856)
Other financing sources (uses)				
Transfers in	-	15,000	-	132,451
Transfers out	-	-	-	-
Total other financing sources (uses)	-	15,000	-	132,451
Net change in fund balances	(714)	6,828	2,558	(22,405)
Fund balances, beginning of year	4,119	128	5,576	32,039
Fund balances, end of year	\$ 3,405	\$ 6,956	\$ 8,134	\$ 9,634

Soldiers Relief	Veterans Trust	CDBG Housing Grant	Building Authority	Total
\$ 52,896	\$ -	\$ -	\$ -	\$ 850,420
-	-	-	-	204,171
-	-	47,553	-	276,916
-	-	-	-	24,607
-	-	-	-	32,232
-	-	-	-	1,156,808
-	-	-	-	23,337
-	-	428	-	2,185
-	-	25,554	-	32,334
<u>52,896</u>	<u>-</u>	<u>73,535</u>	<u>-</u>	<u>2,603,010</u>
-	-	-	-	13,368
-	-	-	-	60,936
-	-	-	-	1,070,432
-	-	-	-	210,982
23,488	-	105,994	-	1,127,715
-	-	-	-	440,321
-	-	-	-	-
<u>23,488</u>	<u>-</u>	<u>105,994</u>	<u>-</u>	<u>2,923,754</u>
<u>29,408</u>	<u>-</u>	<u>(32,459)</u>	<u>-</u>	<u>(320,744)</u>
-	-	-	2,500	288,532
-	-	-	-	(5,000)
-	-	-	2,500	283,532
29,408	-	(32,459)	2,500	(37,212)
<u>13,419</u>	<u>735</u>	<u>40,885</u>	<u>510</u>	<u>708,078</u>
<u>\$ 42,827</u>	<u>\$ 735</u>	<u>\$ 8,426</u>	<u>\$ 3,010</u>	<u>\$ 670,866</u>

Concluded

Benzie County, Michigan

Combining Balance Sheet Nonmajor Debt Service Funds

September 30, 2009

	<u>Government Center Addition</u>	<u>Ambulance Debt/Millage</u>	<u>Jail Bond Payments</u>	<u>Total</u>
Assets				
Cash and cash equivalents	\$ 34,306	\$ 5,580	\$ 527,493	\$ 567,379
Accounts receivable	-	-	-	-
Total assets	<u>\$ 34,306</u>	<u>\$ 5,580</u>	<u>\$ 527,493</u>	<u>\$ 567,379</u>
Liabilities and fund balances				
Liabilities				
Accounts payable	\$ 150	\$ -	\$ -	\$ 150
Fund balances				
Fund balances - unreserved, undesignated	<u>34,156</u>	<u>5,580</u>	<u>527,493</u>	<u>567,229</u>
Total liabilities and fund balances	<u>\$ 34,306</u>	<u>\$ 5,580</u>	<u>\$ 527,493</u>	<u>\$ 567,379</u>

Benzie County, Michigan

Combining Statement of Revenues, Expenditures And Changes in Fund Balance Nonmajor Debt Service Funds

For the Year Ended September 30, 2009

	Government Center Addition	Ambulance Debt/Millage	Jail Bond Payments	Total
Revenues				
Taxes	\$ -	\$ 615,175	\$ -	\$ 615,175
Interest	102	9	9,471	9,582
Other revenue	115,913	-	-	115,913
Total revenues	116,015	615,184	9,471	740,670
Expenditures				
Debt service				
Principal	75,000	110,000	330,000	515,000
Interest and fiscal charges	36,405	8,368	17,825	62,598
Capital outlay	-	-	56,830	56,830
Other	8,931	-	-	8,931
Total expenditures	120,336	118,368	404,655	643,359
Revenues over (under) expenditures	(4,321)	496,816	(395,184)	97,311
Other financing sources (uses)				
Transfer in	-	-	397,825	397,825
Transfers out	-	(494,525)	-	(494,525)
Total other financing sources (uses)	-	(494,525)	397,825	(96,700)
Net change in fund balances	(4,321)	2,291	2,641	611
Fund balances - beginning of year	38,477	3,289	524,852	566,618
Fund balances - end of year	\$ 34,156	\$ 5,580	\$ 527,493	\$ 567,229

Benzie County, Michigan

Combining Balance Sheet Nonmajor Capital Project Funds

September 30, 2009

	<u>Capital Improvements</u>	<u>Railroad Point</u>	<u>Equipment Replacement</u>	<u>Total</u>
Assets				
Cash and cash equivalents	<u>\$ 40,843</u>	<u>\$ 1,223</u>	<u>\$ 74,956</u>	<u>\$ 117,022</u>
Liabilities and fund balances				
Liabilities				
Accounts payable	\$ 49	\$ -	\$ -	\$ 49
Fund balances				
Fund balances - unreserved, undesignated	<u>40,794</u>	<u>1,223</u>	<u>74,956</u>	<u>116,973</u>
Total liabilities and fund balances	<u>\$ 40,843</u>	<u>\$ 1,223</u>	<u>\$ 74,956</u>	<u>\$ 117,022</u>

Benzie County, Michigan

Combining Statement of Revenues, Expenditures And Changes in Fund Balance Nonmajor Capital Project Funds

For the Year Ended September 30, 2009

	Capital Improvements	Railroad Point	Equipment Replacement	Total
Revenues				
Local sources	\$ -	\$ -	\$ 31,435	\$ 31,435
Refunds and reimbursements	-	-	2,273	2,273
Contributions	-	-	(949)	(949)
Total revenues	-	-	32,759	32,759
Expenditures				
Capital outlay	-	-	88,888	88,888
Revenues over (under) expenditures	-	-	(56,129)	(56,129)
Other financing sources (uses)				
Transfer in	34,100	-	64,500	98,600
Transfers out	-	-	-	-
Total other financing sources (uses)	34,100	-	64,500	98,600
Net change in fund balances	34,100	-	8,371	42,471
Fund balances - beginning of year	6,694	1,223	66,585	74,502
Fund balances - end of year	\$ 40,794	\$ 1,223	\$ 74,956	\$ 116,973

Benzie County, Michigan

**Combining Statement of Net Assets
Nonmajor Enterprise Funds**

September 30, 2009

	<u>Tax Administration</u>	<u>Tax Foreclosure</u>	<u>Sheriff Commissary</u>	<u>Total</u>
Assets				
Current assets				
Cash and cash equivalents	<u>\$ 44,665</u>	<u>\$ 237,451</u>	<u>\$ 2,963</u>	<u>\$ 285,079</u>
Net assets				
Unrestricted	<u>\$ 44,665</u>	<u>\$ 237,451</u>	<u>\$ 2,963</u>	<u>\$ 285,079</u>

Benzie County, Michigan

Combining Statement of Revenues, Expenses and Changes in Fund Net Assets Nonmajor Enterprise Funds

For the Year Ended September 30, 2009

	Tax Administration	Tax Foreclosure	Sheriff Commissary	Total
Operating revenue				
Charges for services	\$ -	\$ 92,091	\$ 6,891	\$ 98,982
Interest and rentals	-	478	-	478
Total operating revenue	-	92,569	6,891	99,460
Operating expenses				
Other expenses	-	36,069	6,199	42,268
Total operating expenses	-	36,069	6,199	42,268
Operating income before transfers	-	56,500	692	57,192
Transfers				
Transfers out	-	(111,081)	-	(111,081)
Change in net assets	-	(54,581)	692	168,273
Net assets, beginning of year	44,665	292,032	2,271	338,968
Net assets, end of year	\$ 44,665	\$ 237,451	\$ 2,963	\$ 507,241

Benzie County, Michigan

Combining Statement of Cash Flows Nonmajor Enterprise Funds

For the Year Ended September 30, 2009

	<u>Tax Administration</u>	<u>Tax Foreclosure</u>	<u>Sheriff Commissary</u>	<u>Total</u>
Cash flows from operating activities				
Cash receipts from customers	\$ -	\$ 92,569	\$ 6,891	\$ 99,460
Cash payments to suppliers for goods and services	-	(36,069)	(6,199)	(42,268)
Net cash provided by (used in) operating activities	-	56,500	692	57,192
Cash flows from noncapital financing activities				
Transfer out	-	(111,081)	-	(111,081)
Net increase (decrease) in cash and equivalents	-	(54,581)	692	(53,889)
 Cash and cash equivalents, beginning of year	 <u>44,665</u>	 <u>292,032</u>	 <u>2,271</u>	 <u>338,968</u>
Cash and cash equivalents, end of year	 <u>\$ 44,665</u>	 <u>\$ 237,451</u>	 <u>\$ 2,963</u>	 <u>\$ 285,079</u>
 Cash flows from operating activities				
Reconciliation of operating income to net cash provided by operating activities				
Operating income	<u>\$ -</u>	<u>\$ 56,500</u>	<u>\$ 692</u>	<u>\$ 57,192</u>

Benzie County, Michigan

Balance Sheet EDC of Benzie County Component Unit

September 30, 2009

Assets

Cash and cash equivalents	\$	8,666
Investments		701,504
Receivables:		
Interest		598
Notes		313,520
		<hr/>

Total assets

1,024,288

Fund balances

Fund balances - unreserved, undesignated	\$	1,024,288
		<hr/> <hr/>

Benzie County, Michigan

Statement of Revenues, Expenditures and Changes in Fund Balance EDC of Benzie County Component Unit

For the Year Ended September 30, 2009

Expenditures/expenses	
Public works	\$ 13,644
	<hr/>
Revenues	
Charges for services	9,668
Interest revenue	6,481
	<hr/>
Total revenues	16,149
	<hr/>
Net change in fund balance	2,505
	<hr/>
Fund balance, beginning of year	1,021,783
	<hr/>
Fund balance, end of year	\$ 1,024,288
	<hr/> <hr/>

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

March 29, 2010

Board of Commissioners
Benzie County
Beulah, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the discretely-presented component units, each major fund, and the aggregate remaining fund information of the ***Benzie County, Michigan*** (the "County"), as of and for the year ended September 30, 2009, which collectively comprise the County's basic financial statements and have issued our report thereon dated March 29, 2010. We did not audit the financial statements of the Benzie County Road Commission, the Benzie/Leelanau District Health Department and the Benzie Transportation Authority, which represents 91% of the assets and 99% of the revenues of the aggregate discretely presented component units. We also did not audit the financial statements of the County Medical Care Facility, which represents 63% of the assets and 85% of the revenues of the County's proprietary funds. Those statements were audited by other auditors whose reports have been furnished to us, and our opinions, insofar, as they relate to the amounts included for the Benzie County Road Commission, the Benzie/Leelanau District Health Department, the Benzie Transportation Authority and the County Medical Care Facility, are based on the reports 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*.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or

report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control over financial reporting. We consider the deficiency shown in the accompanying schedule to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We believe that the significant deficiency described in the accompanying schedule is a material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County'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*.

The County's responses to the findings identified in our audit are described in the accompanying schedule. We did not audit the County's responses and, accordingly, we express no opinion on them.

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

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

SCHEDULE OF FINANCIAL STATEMENT FINDINGS

Finding 2009-1 – General Accounting Issues and Preparation of Financial Statements in Accordance with Accounting Principles Generally Accepted in the United States of America.

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

Condition: In order to present the County's books in compliance with generally accepted accounting principles (GAAP), we were required to make a large number of adjustments to reasonably adjust the County's internal books. In addition, as is the case with many smaller and medium-sized entities, the County has historically relied on its independent external auditors to assist in the preparation of financial statements and footnotes as part of its external financial reporting process. Accordingly, the County's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its *external* auditors, who cannot by definition be considered a part of the County's *internal* controls.

Cause: This condition was caused by the County's decision that it is more cost effective to outsource the preparation of its annual financial statements to the auditors than to incur the time and expense of obtaining the necessary training and expertise required for the County to perform this task internally.

Effect: As a result of this condition, the County lacks internal controls over the preparation of financial statements in accordance with GAAP, and instead relies, in part, on its external auditors for assistance with this task. This condition adds both to the duration and complexity of the audit, as well as reduces the accuracy and usefulness of the County's interim financial data.

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

BENZIE COUNTY, MICHIGAN

SEC CONTINUING DISCLOSURES (UNAUDITED)

SEPTEMBER 30, 2009

PROPERTY SUBJECT TO TAXATION

The State Constitution limits the proportion of true cash value at which property can be uniformly assessed to 50 % or less. The state equalized and taxable values from 2001 to the present are as follows.

	State Equalized Value	Taxable Value
2001	\$ 898,302,049	\$ 639,478,120
2002	1,113,871,689	691,905,133
2003	1,204,165,487	743,112,961
2004	1,301,441,654	805,938,284
2005	1,487,297,079	871,219,780
2006	1,630,247,547	943,504,468
2007	1,731,154,154	1,009,191,871
2008	1,761,437,891	1,063,669,558
2009	1,771,098,199	1,066,749,869

BENZIE COUNTY, MICHIGAN

SEC CONTINUING DISCLOSURES (UNAUDITED)

SEPTEMBER 30, 2009

COUNTY TAX RATES AND LEVIES

The County tax rates and levies applicable to all County residents from 2005 to 2009 are as follows:

	2005	2006	2007	2008	2009
County operating	3.6629	3.5768	3.5485	3.5144	3.5144
County operating*	2.2768	2.7273	2.8685	2.8630	2.7472
County Jail - voted	1.2956	1.2651	1.2551	1.2430	0.8535
Traverse Bay Area ISD	2.9589	2.9421	2.9334	2.9312	2.9312
Total all jurisdictions	10.1942	10.5113	10.6055	10.5516	10.0463

*Extra Voted.

BENZIE COUNTY, MICHIGAN

SEC CONTINUING DISCLOSURES (UNAUDITED)

SEPTEMBER 30, 2009

TAX COLLECTION RECORD

The County's taxes are due July 1 of each year and are payable without penalty and interest until September 15th. All real property taxes remaining unpaid on September 16th are turned over by local units to the County Treasurer for collection. The County annually pays, from the tax revolving fund, delinquent taxes on real property to all taxing units within the County including the County itself. The payments from this fund have resulted in collections of real property taxes by local units approaching 100%. Delinquent personal property taxes are negligible.

The following table reports the County operating tax levy and collection record of real property taxes:

<u>Tax Year</u>	<u>Operating Tax Levy</u>	<u>Real Property Collections</u>	<u>Percent of Levy Initially Collected</u>	<u>Collections Plus Revolving Fund Reimbursement</u>
1999	\$ 16,950,575	\$ 15,190,124	89.6%	100%
2000	18,062,029	16,339,252	90.5%	100%
2001	20,683,870	18,832,814	91.1%	100%
2002	21,210,530	19,290,703	90.9%	100%
2003	22,530,566	20,849,584	92.5%	100%
2004	25,534,307	23,596,461	92.4%	100%
2005	27,799,725	26,107,645	93.9%	100%
2006	30,499,318	28,265,988	92.7%	100%
2007	32,640,547	30,340,896	93.0%	100%
2008	33,743,134	31,405,879	93.1%	100%
2009	33,698,452	31,360,953	93.1%	100%

BENZIE COUNTY, MICHIGAN

SEC CONTINUING DISCLOSURES (UNAUDITED)

SEPTEMBER 30, 2009

GENERAL FUND REVENUES AND EXPENDITURES

	2005	2006	2007	2008	2009
Revenues and transfers in	\$ 5,012,830	\$ 5,267,204	\$ 5,767,873	\$ 5,659,574	\$ 5,791,566
Expenditures and transfers out	5,043,577	5,940,888	5,368,887	5,576,777	5,991,843
Revenues and transfers in over (under) expenditures and transfers out	(30,747)	(673,684)	398,986	82,797	(200,277)
Fund balance - beginning of year	1,420,733	1,389,986	716,302	1,115,288	1,198,085
Fund balance - end of year	\$ 1,389,986	\$ 716,302	\$ 1,115,288	\$ 1,198,085	\$ 997,808

BENZIE COUNTY, MICHIGAN

SEC CONTINUING DISCLOSURES (UNAUDITED)

SEPTEMBER 30, 2009

DEBT STATEMENT: March 24, 2010

Direct Debt of County	<u>Gross</u>	<u>Net</u>
Building Authority bonds	\$ 690,000	\$ 690,000
Capital Improvement bonds	<u>120,000</u>	<u>120,000</u>
	<u>\$ 810,000</u>	<u>\$ 810,000</u>
Per Capita County Net Direct Debt		\$ 46.56
Percent County Net Direct Debt to 2008 Taxable Value		0.07%
Overlapping Debt of County		
Schools		\$ 16,349,108
Cities		1,370,000
Townships		-
Villages		1,137,000
Intermediate School Districts		<u>-</u>
Net overlapping debt		<u>18,856,108</u>
Net Direct and Overlapping debt		<u>\$ 19,666,108</u>
Per Capita County Direct and overlapping debt		\$ 1,130.50
Percent net Direct and Overlapping debt to 2009 Taxable Value		1.75%

Source: Benzie County and Municipal Advisory Council of Michigan

Debt statement is as of March 24,2010, the most recent date for which all information was available.

March 29, 2010

Board of Commissioners
Benzie County
Beulah, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the (the "County") for the year ended September 30, 2009, and have issued our report thereon dated March 29, 2010. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under Auditing Standards Generally Accepted in the United States of America and Government Auditing Standards

As stated in our engagement letter dated November 12, 2009, 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 accounting principles generally accepted in the United States of America. 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 the County. 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 County'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.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our engagement letter and our meeting about planning matters on October 14, 2009.

Significant Audit Findings

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 are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

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 useful lives of depreciable capital assets is based on the length of time it is believed that those assets will provide some economic benefit in the future.
- Management's estimate of the accrued compensated absences is based on current hourly rates and policies regarding payment of sick and vacation banks.
- Management's estimate of the allowance for uncollectible receivable balances is based on past experience and future expectation for collection of various account balances.

We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

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. Management has corrected all such misstatements. In addition, a number 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.

Disagreements 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 attached management representation letter dated March 29, 2010.

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 entity'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 to determine that 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.

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

Very truly yours,

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

Benzie County

Comments and Recommendations

For the Year Ended September 30, 2009

In planning and performing our audit of the financial statements of the (the “County”) as of and for the year ended September 30, 2009, in accordance with auditing standards generally accepted in the United States of America, we considered the County’s internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County’s internal control. Accordingly, we do not express an opinion on the effectiveness of the County’s internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.

A *control deficiency* 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 misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity’s ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity’s financial statements that is more than inconsequential will not be prevented or detected by the entity’s internal control. The deficiencies we noted that we consider to be significant deficiencies are described in our 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*.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity’s internal control. The deficiencies we noted that we consider to be material weaknesses are described in our 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*.

Other Matters

Review and Approval of Payroll Transactions

The County currently has procedures in place to ensure that employees are being paid at the correct rate and for the actual number of hours worked. Since the process of inputting timesheet data into the payroll system requires manual entry, we recommend that the County implement “end control” over payroll disbursements. This could be done by having an employee independent of payroll processing review a preliminary payroll register by employee, or by having the payroll system

Benzie County

Comments and Recommendations

For the Year Ended September 30, 2009

generate exception reports for data outside certain parameters. In all instances, any independent review and approval should be documented and retained as evidence of the control.

Passwords (Repeat Comment)

Limiting access to key financial data through strong password and access policies is a key IT control. We recommend that management oversee increasing password and other controls for both network and accounting system data to include, but not limited to, the following matters:

- Computer passwords are not currently required to be changed on a regular basis. In order to reduce the risk of access to computer files by unauthorized personnel, we recommend that the County institute a policy that requires passwords to be changed on a regular basis. For the size and complexity of Benzie County, once every six months would be recommended. The County may also wish to investigate building into its software automatic expiration of passwords to ensure that they are changed periodically.
- We noted through inquiry and observation that passwords are not being forced to be complex at either the “network” or “financial accounting” software level. Passwords should be forced by the system to be at least eight characters with a combination of letters, numbers and special characters. Currently, the County does not force this control at the network or financial application level. We recommend that the network and accounting system be set to force complex passwords.

New Standard Regarding Fund Balance

The Governmental Accounting Standards Board (GASB) has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement changes the classifications of fund balance in governmental funds, and somewhat modifies the definition of special revenue funds. The new Statement does not take effect until fiscal years ending on or after June 30, 2011. However, the provisions of the Statement may require the government’s Board to take formal action well before then in order to meet the revised guidelines. We have provided management with a separate letter that details the specific requirements of this new standard, and encourage the government to review it to determine what action, if any, may be required. As always, we are available to assist the government with any questions or issues relating to the implementation of this new standard.

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