

County of Benzie, Michigan

BASIC FINANCIAL STATEMENTS

September 30, 2011

BENZIE COUNTY, MICHIGAN

ORGANIZATION

MEMBERS OF THE COUNTY COMMISSION

CHAIR PERSON	DONALD R. TANNER
VICE CHAIR PERSON	FRANK WALTERHOUSE
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COMMISSIONER	MARCIA STOBIE
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APPOINTED/ELECTED OFFICIALS

COUNTY ADMINISTRATOR	CHRIS OLSON
COUNTY TREASURER	LINDA WILSON
COUNTY CLERK	DAWN OLNEY

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ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

Honorable Chairman and Members
Of the Board of Commissioners
County of Benzie, Michigan
P.O. Box 377
Beulah, Michigan 49617

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Benzie, Michigan, as of and for the year ended September 30, 2011, 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 of Benzie, Michigan'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 Transportation Authority, which represents 17 percent and 30 percent of the assets and revenues of the aggregate discretely presented component units. We also did not audit the financial statements of the County Medical Care Facility, which represents 61 percent and 77 percent of the assets and revenues of the business-type activities. Those statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the County, is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of the 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 the 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 report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Benzie, Michigan, as of September 30, 2011, and the respective changes in financial position, and cash flows, where applicable, thereof 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 February 27, 2012, on our consideration of the County of Benzie's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis, Employee Retirement and Benefit Systems and Budgetary Comparison Schedules as listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Benzie's basic financial statements as a whole. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The additional information regarding the Municipal Securities Disclosure Requirements of the Securities Exchange Commission (SEC) Rule 15c2-12 have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.



Anderson, Tackman & Company, PLC
Certified Public Accountants

February 27, 2012

Management's Discussion and Analysis

As managers of the County of Benzie, Michigan, we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended September 30, 2011. We encourage readers to consider the information presented here, in conjunction with additional information that is furnished in the financial statements and notes to the financial statements.

Financial Highlights

- Net assets for the County were reported at \$27,365,497 for 2011 and were \$25,510,035 for 2010, an increase of 7.3%. For 2011, net assets for our business-type activities were \$11,554,866 or 42.2% of total net assets, while net assets in or government activities were \$15,810,631 or 57.8% of total net assets.
- At September 30, 2011, Benzie County's governmental funds report a combined fund balance of \$5,120,454 compared to \$4,206,265 for 2010.
- At September 30, 2011, the fund balance for the general fund was \$1,229,463 with \$37,167 nonspendable for prepaid items and \$158,997 committed for vested employee benefits.

Overview of the Financial Statements

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

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

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

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

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

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

The government-wide financial statements can be found on pages 11-12 of this report.

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

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

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

The County maintains many individual funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the General, Jail Operations, Revenue Sharing Reserve, Medical Care Facility Renovation funds, each of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these Nonmajor governmental funds is provided in the form of combining statements elsewhere in this report

The County adopts an annual appropriated budget for its general and special revenue funds.

The governmental fund financial statements can be found on pages 13-14 of this report.

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

The proprietary fund financial statements can be found on pages 16-18 of this report.

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

The fiduciary fund financial statements can be found on page 19 of this report.

Notes to the financial statements. The notes provide additional information that is essential to full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 22-48 of this report.

Required Supplementary Information. Required supplementary information related to the County's pension plan can be found on pages 49-50 and budgetary comparison information related to the County's major governmental funds can be found on pages 51-54 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain other supplementary information. This includes the combining and individual fund financial statements and schedules. Combining and individual fund statements and schedules can be found on pages 55-67 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government’s financial position. In the case of Benzie County, assets exceeded liabilities by \$27,365,497 at the close of the most recent fiscal year.

**Benzie County
Net Assets**

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Current Assets	\$ 5,439,382	\$ 4,532,039	\$ 9,479,599	\$ 9,561,893	\$ 14,918,981	\$ 14,093,932
Capital Assets	<u>11,428,822</u>	<u>11,163,651</u>	<u>2,673,229</u>	<u>2,555,396</u>	<u>14,102,051</u>	<u>13,719,047</u>
Total Assets	<u>\$ 16,868,204</u>	<u>\$ 15,695,690</u>	<u>\$ 12,152,828</u>	<u>\$ 12,117,289</u>	<u>\$ 29,021,032</u>	<u>\$ 27,812,979</u>
Current Liabilities	\$ 422,328	\$ 460,123	\$ 372,624	\$ 665,650	\$ 794,952	\$ 1,125,773
Noncurrent Liabilities	<u>635,245</u>	<u>760,675</u>	<u>225,338</u>	<u>416,496</u>	<u>860,583</u>	<u>1,177,171</u>
Total Liabilities	<u>1,057,573</u>	<u>1,220,798</u>	<u>597,962</u>	<u>1,082,146</u>	<u>1,655,535</u>	<u>2,302,944</u>
Net Assets						
Invested in Capital Assets - Net of Debt	10,888,822	10,467,734	2,556,733	2,398,639	13,445,555	12,866,373
Restricted	3,354,891	3,188,465	-	-	3,354,891	3,188,465
Unrestricted	<u>1,566,918</u>	<u>818,693</u>	<u>8,998,133</u>	<u>8,636,504</u>	<u>10,565,051</u>	<u>9,455,197</u>
Total Net Assets	<u>\$ 15,810,631</u>	<u>\$ 14,474,892</u>	<u>\$ 11,554,866</u>	<u>\$ 11,035,143</u>	<u>\$ 27,365,497</u>	<u>\$ 25,510,035</u>

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

In addition to the net assets invested in capital assets, net of debt, certain other restrictions on use of net assets apply due primarily to legal guidelines. These restricted net assets total \$3,354,891. The remaining balance of unrestricted net assets \$10,565,051 may be used to meet the government’s ongoing obligations to citizens and creditors.

**Benzie County
Change in Net Assets**

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Program Revenues						
Charges for Services	\$ 2,316,171	\$ 2,527,323	\$ 7,657,778	\$ 7,212,286	\$ 9,973,949	\$ 9,739,609
Operating Grants and Contributions	1,117,845	547,298	-	-	1,117,845	547,298
Capital Grants and Contributions	252,996	577,585	-	-	252,996	577,585
General Revenues:						
Property Taxes	6,468,066	6,424,346	1,019,040	1,106,429	7,487,106	7,530,775
Grants and Contributions - Unrestricted	-	44,319	-	-	-	44,319
Investment Earnings - Unrestricted	28,421	45,376	18,488	42,765	46,909	88,141
Gain on Disposal	-	-	-	14,252	-	14,252
Other Revenue	105,711	254,181	-	-	105,711	254,181
Total Revenues	10,289,210	10,420,428	8,695,306	8,375,732	18,984,516	18,796,160
Program Expenses						
Legislative	88,209	94,840	-	-	88,209	94,840
Judicial	1,055,726	948,349	-	-	1,055,726	948,349
General Government	1,417,504	1,438,120	-	-	1,417,504	1,438,120
Public Safety	3,603,793	3,536,089	-	-	3,603,793	3,536,089
Public Works	240,192	263,708	-	-	240,192	263,708
Health and Welfare	1,459,714	1,739,317	-	-	1,459,714	1,739,317
Recreation and Culture	38,610	416,051	-	-	38,610	416,051
Interest Expense - Unallocated	29,485	39,420	-	-	29,485	39,420
Other	1,167,935	1,204,936	-	-	1,167,935	1,204,936
Medical Care Facility	-	-	6,507,686	6,331,605	6,507,686	6,331,605
Tax Collection	-	-	74,603	39,506	74,603	39,506
Emergency Medical Services	-	-	1,436,559	1,245,190	1,436,559	1,245,190
Sheriff Commissary	-	-	9,038	4,521	9,038	4,521
Total Expenses	9,101,168	9,680,830	8,027,886	7,620,822	17,129,054	17,301,652
Excess (Deficiency)						
Before Transfers	1,188,042	739,598	667,420	754,910	1,855,462	1,494,508
Transfers	147,697	(332,224)	(147,697)	332,224	-	-
Changes in Net Assets	1,335,739	407,374	519,723	1,087,134	1,855,462	1,494,508
Beginning Net Assets	14,474,892	14,067,518	11,035,143	9,948,009	25,510,035	24,015,527
Ending Net Assets	\$ 15,810,631	\$ 14,474,892	\$ 11,554,866	\$ 11,035,143	\$ 27,365,497	\$ 25,510,035

Financial Analysis of the Government Funds

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

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

The County’s general fund is the chief operating fund of the County. The County’s ending fund balance for the general fund was \$1,229,463.

General Fund Budgetary Highlights

The General Fund realized \$31,528 less in revenues than anticipated for the fiscal year. The General Fund operations also expended \$326,301 less than appropriated. Operating Transfers Out were less than budgeted and resulted in a positive net budget variance of \$324,342.

All of the General Fund services departments expended less than the budgeted amount for departmental operations in 2011. Elected Officials and Department Heads continue to exhibit diligence across the board of keeping within budget parameters or identifying problems before they occur.

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

Capital Assets and Debt Administration

Capital Assets:

At September 30, 2011 the County had \$14,102,051 net invest in a range of assets. This includes a net increase of \$383,004 from last year as additions exceeded depreciation and deletions.

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

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Land	\$ 5,921,633	\$ 5,921,633	\$ 47,424	\$ 47,424	\$ 5,969,057	\$ 5,969,057
Construction in progress	216,210	405,352	530,469	212,396	746,679	617,748
Buildings and improvements	4,737,276	4,381,182	1,770,623	1,884,278	6,507,899	6,265,460
Land improvements	-	-	10,910	13,064	10,910	13,064
Machinery and equipment	553,703	455,484	313,803	398,234	867,506	853,718
Total	\$ 11,428,822	\$ 11,163,651	\$ 2,673,229	\$ 2,555,396	\$ 14,102,051	\$ 13,719,047

Additional information on the County’s capital assets can be found in Note 4 on pages 33-34 of this report.

Debt Administration

At the end of fiscal year 2011, the County had one outstanding bond in the amount of \$540,000. This was the thirteenth year of a twenty year bond for capital improvements. All bonds are backed by the County’s full faith and credit of the government. The remainder of the County’s debt is comprised of notes, compensated absences and OPEB.

The County reduced its bond debt by \$375,000 in principal payments.

Debt Administration

	Governmental		Business-Type		Total	
	Activities		Activities			
	2011	2010	2011	2010	2011	2010
Bonds	\$ 540,000	\$ 615,000	\$ -	\$ 300,000	\$ 540,000	\$ 915,000
Installment payables	37,474	80,917	116,496	156,757	153,970	237,674
Compensated absences	158,997	196,651	-	-	158,997	196,651
Total	\$ 736,471	\$ 892,568	\$ 116,496	\$ 456,757	\$ 852,967	\$ 1,349,325

Additional information on the County’s long-term debt can be found in Note 6 on pages 38-39 of this report.

Economic Factors and Budget Consideration for Fiscal Year 2012

The decrease in property values and the rise in foreclosures continue to have a dramatic effect on the property tax levies and the revenues generated by them for 2012. State Funding still seems to be limited due to the deterioration of the State’s economy. However, State Revenue Sharing projects a 2% increase and Drug Court, Marine and Snowmobile programs are still being funded with State grants. District Court revenues and interest on deposits remain low. Real estate transfer tax and record copying revenues are projected to be level with 2011. Overall, revenues for 2012 are estimated to be decreased only 2%, as compared to 6% in 2011.

COAM, POAM and POLC union contracts were renegotiated for one year instead of three, with no pay increases and substantial changes to medical benefits. As a result, there will be no reduction in the workforce for 2012. The Sheriff’s department budget received a 2.3% decrease. The purchase of new patrol vehicles was eliminated in order to maintain the same number of employees. There were no pay increases budgeted for Elected Officials, non-union and court employees again this year, however, a pay incentive for these employees may be considered later in the year. Some of these employees have not received pay increases for three years. MSU Extension remains funded. The Commission on Aging, which is the Board of Commissioners, continues to contract with the Council on Aging, a non-profit organization, for senior services using funds received through a millage which is up for renewal in 2012.

Even though expenses continue to rise at a faster rate than revenues, the Board of Commissioners and individual departments continue to look for creative ways to reduce costs while maintaining the outstanding level of service that our citizens are accustomed to.

Requests for Information

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

Basic Financial Statements

County of Benzie, Michigan

Statement of Net Assets September 30, 2011

	Primary Government		Totals	Component Units
	Governmental Activities	Business-type Activities		
ASSETS:				
Current Assets:				
Cash & Equivalents - Unrestricted	\$ 7,945,570	\$ 3,004,708	\$ 10,950,278	\$ 1,929,257
Investments	-	186,580	186,580	-
Receivables:				
Accounts	78,005	1,040,738	1,118,743	642,321
Taxes	498,228	1,498,767	1,996,995	-
Interest	-	164,420	164,420	-
Notes	-	-	-	253,846
Internal Loans	(3,491,003)	3,491,003	-	-
Prepaid Expenses	67,260	7,471	74,731	66,564
Due from State	-	-	-	207,173
Due from Governmental Units	341,322	-	341,322	8,767
Other Assets	-	85,912	85,912	-
Inventories	-	-	-	515,724
Total Current Assets	<u>5,439,382</u>	<u>9,479,599</u>	<u>14,918,981</u>	<u>3,623,652</u>
Noncurrent Assets:				
Deferred OPEB	-	-	-	28,731
Capital Assets (Not Depreciated)	6,137,843	577,893	6,715,736	1,559,544
Capital Assets (Net of Accumulated Depreciation)	5,290,979	2,095,336	7,386,315	9,345,105
Total Noncurrent Assets	<u>11,428,822</u>	<u>2,673,229</u>	<u>14,102,051</u>	<u>10,933,380</u>
TOTAL ASSETS	<u>\$ 16,868,204</u>	<u>\$ 12,152,828</u>	<u>\$ 29,021,032</u>	<u>\$ 14,557,032</u>
LIABILITIES:				
Current Liabilities:				
Accounts Payable	\$ 182,342	\$ 101,048	\$ 283,390	\$ 68,345
Accrued Liabilities	136,586	118,625	255,211	119,593
Accrued Interest Payable	2,174	-	2,174	-
Contractor Payable	-	-	-	2,255
Advances from State	-	-	-	219,162
Due to Governmental Units	-	125,886	125,886	10,669
Deferred Revenue	-	-	-	41,530
Installment Loans	26,226	27,065	53,291	-
Bonds Payable	75,000	-	75,000	-
Notes Payable	-	-	-	97,790
Total Current Liabilities	<u>422,328</u>	<u>372,624</u>	<u>794,952</u>	<u>559,344</u>
Noncurrent Liabilities:				
Vested Employee Benefits	158,997	135,907	294,904	130,144
Installment Loans	11,248	89,431	100,679	-
Bonds Payable	465,000	-	465,000	-
Total Noncurrent Liabilities	<u>635,245</u>	<u>225,338</u>	<u>860,583</u>	<u>130,144</u>
TOTAL LIABILITIES	<u>1,057,573</u>	<u>597,962</u>	<u>1,655,535</u>	<u>689,488</u>
NET ASSETS:				
Invested in Capital Assets (Net of Related Debt)	10,888,822	2,556,733	13,445,555	10,874,859
Restricted	3,354,891	-	3,354,891	1,847,091
Unrestricted	1,566,918	8,998,133	10,565,051	1,145,594
TOTAL NET ASSETS	<u>\$ 15,810,631</u>	<u>\$ 11,554,866</u>	<u>\$ 27,365,497</u>	<u>\$ 13,867,544</u>

See accompanying notes to financial statements.

County of Benzie, Michigan

Statement of Activities Year Ended September 30, 2011

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Component Units
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-Type Activities	Total	
Primary Government:								
Governmental Activities:								
Legislative	\$ 88,209	\$ -	\$ -	\$ -	\$ (88,209)	\$ -	\$ (88,209)	\$ -
Judicial	1,055,726	254,564	252,593	-	(548,569)	-	(548,569)	-
General Government	1,417,504	431,903	275,546	42,084	(667,971)	-	(667,971)	-
Public Safety	3,603,793	1,284,351	145,187	111,775	(2,062,480)	-	(2,062,480)	-
Public Works	240,192	250,835	4,560	-	15,203	-	15,203	-
Health & Welfare	1,459,714	90,113	439,959	-	(929,642)	-	(929,642)	-
Recreation & Culture	38,610	4,405	-	99,137	64,932	-	64,932	-
Interest Expense - Unallocated	29,485	-	-	-	(29,485)	-	(29,485)	-
Other Expenses	1,167,935	-	-	-	(1,167,935)	-	(1,167,935)	-
Total Governmental Activities	9,101,168	2,316,171	1,117,845	252,996	(5,414,156)	-	(5,414,156)	-
Business-type Activities:								
Tax Collection	74,603	531,982	-	-	-	457,379	457,379	-
Emergency Medical Services	1,436,559	820,378	-	-	-	(616,181)	(616,181)	-
Sheriff Commissary	9,038	6,265	-	-	-	(2,773)	(2,773)	-
Medical Care Facility	6,507,686	6,299,153	-	-	-	(208,533)	(208,533)	-
Total Business-type Activities	8,027,886	7,657,778	-	-	-	(370,108)	(370,108)	-
Total Primary Government	\$ 17,129,054	\$ 9,973,949	\$ 1,117,845	\$ 252,996	(5,414,156)	(370,108)	(5,784,264)	-
Component Units:								
Road Commission	\$ 3,696,583	\$ 924,403	\$ 2,251,828	\$ 620,958	-	-	-	100,606
Benzie/Leelanau Health Dept.	2,364,734	389,677	1,160,995	-	-	-	-	(814,062)
Benzie Transportation Authority	1,842,730	168,456	848,331	1,074,905	-	-	-	248,962
Economic Development Corporation	16,317	9,186	-	-	-	-	-	(7,131)
Total Component Units	7,920,364	1,491,722	4,261,154	1,695,863	-	-	-	(471,625)
Total	\$ 25,049,418	\$ 11,465,671	\$ 5,378,999	\$ 1,948,859	-	-	-	-
General Revenues:								
Taxes	-	-	-	-	6,468,066	1,019,040	7,487,106	536,297
Appropriations	-	-	-	-	-	-	-	450,714
Investment Earnings (Loss)	-	-	-	-	28,421	18,488	46,909	4,081
Rent	-	-	-	-	105,711	-	105,711	325,845
Gain (Loss) on Disposal	-	-	-	-	-	-	-	(106,690)
Transfers	-	-	-	-	147,697	(147,697)	-	-
Total General Revenues and Transfers	-	-	-	-	6,749,895	889,831	7,639,726	1,210,247
Changes in Net Assets	-	-	-	-	1,335,739	519,723	1,855,462	738,622
Net Assets - Beginning	-	-	-	-	14,474,892	11,035,143	25,510,035	13,128,922
Net Assets - Ending	-	-	-	-	\$ 15,810,631	\$ 11,554,866	\$ 27,365,497	\$ 13,867,544

County of Benzie, Michigan

**Balance Sheet
Governmental Funds
September 30, 2011**

	General	Jail Operations	Revenue Sharing Reserve	Medical Care Facility Renovation	Nonmajor Governmental Funds	Total
ASSETS:						
Cash & Equivalents - Unrestricted	\$ 1,289,749	\$ 240,918	\$ 530,738	\$ 3,402,303	\$ 2,481,862	\$ 7,945,570
Receivables:						
Accounts	-	12,957	-	-	65,048	78,005
Taxes	498,228	-	-	-	-	498,228
Prepaid Expenses	37,167	18,045	-	-	12,048	67,260
Due From Other Funds	-	-	470,826	-	-	470,826
Due from Governmental Units	93,903	-	-	-	247,419	341,322
	<u>\$ 1,919,047</u>	<u>\$ 271,920</u>	<u>\$ 1,001,564</u>	<u>\$ 3,402,303</u>	<u>\$ 2,806,377</u>	<u>\$ 9,401,211</u>
LIABILITIES:						
Due to Other Funds	\$ 470,826	\$ -	\$ -	\$ 3,402,303	\$ 88,700	\$ 3,961,829
Accounts Payable	143,409	5,425	-	-	33,508	182,342
Accrued Liabilities	75,349	33,812	-	-	27,425	136,586
	<u>689,584</u>	<u>39,237</u>	<u>-</u>	<u>3,402,303</u>	<u>149,633</u>	<u>4,280,757</u>
FUND BALANCES:						
Nonspendable	37,167	18,045	-	-	12,048	67,260
Restricted	-	214,638	1,001,564	-	2,138,689	3,354,891
Committed	158,997	-	-	-	505,883	664,880
Unassigned	1,033,299	-	-	-	124	1,033,423
	<u>1,229,463</u>	<u>232,683</u>	<u>1,001,564</u>	<u>-</u>	<u>2,656,744</u>	<u>5,120,454</u>
TOTAL FUND BALANCES	<u>1,229,463</u>	<u>232,683</u>	<u>1,001,564</u>	<u>-</u>	<u>2,656,744</u>	<u>5,120,454</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,919,047</u>	<u>\$ 271,920</u>	<u>\$ 1,001,564</u>	<u>\$ 3,402,303</u>	<u>\$ 2,806,377</u>	
Reconciliation to amounts reported for governmental activities in the statement of net assets:						
Capital assets used by governmental activities						11,428,822
Long term notes & leases payable for governmental activities						(577,474)
Compensated absences liability						(158,997)
Accrued interest expense						(2,174)
Net assets of governmental activities						<u>\$ 15,810,631</u>

See accompanying notes to financial statements.

County of Benzie, Michigan

Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds Year Ended September 30, 2011

	General	Jail Operations	Revenue Sharing Reserve	Medical Care Facility Renovation	Nonmajor Governmental Funds	Total
REVENUES:						
Taxes	\$ 3,951,546	\$ 982,277	\$ -	\$ -	\$ 1,534,243	\$ 6,468,066
Licenses & Permits	29,958	-	-	-	-	29,958
Federal Sources	54,095	-	-	-	324,314	378,409
State Sources	494,637	-	-	-	147,167	641,804
Local Sources	-	-	-	-	97,939	97,939
Contributions	-	-	-	-	14,697	14,697
Charges for Services	561,045	196,178	-	-	1,268,219	2,025,442
Refunds & Reimbursements	131,363	6,375	-	37,500	71,691	246,929
Interest & Rentals	18,448	-	4,020	3,941	107,723	134,132
Other Revenue	8,364	-	-	-	243,470	251,834
TOTAL REVENUES	5,249,456	1,184,830	4,020	41,441	3,809,463	10,289,210
EXPENDITURES:						
Legislative	88,209	-	-	-	-	88,209
Judicial	1,036,070	-	-	-	19,656	1,055,726
General Government	1,252,938	-	-	-	43,376	1,296,314
Public Safety	832,465	1,572,398	-	-	1,031,996	3,436,859
Public Works	-	-	-	-	240,192	240,192
Health & Welfare	362,147	-	-	-	1,095,067	1,457,214
Recreation & Cultural	9,597	-	-	-	103,078	112,675
Capital Outlay	-	-	-	139,138	438,642	577,780
Debt Service	-	-	-	-	104,767	104,767
Other Expenditures	1,166,682	-	-	-	-	1,166,682
TOTAL EXPENDITURES	4,748,108	1,572,398	-	139,138	3,076,774	9,536,418
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	501,348	(387,568)	4,020	(97,697)	732,689	752,792
OTHER FINANCING SOURCES (USES):						
Lease Proceeds	-	-	-	-	13,700	13,700
Operating Transfers In	317,809	408,037	-	97,697	260,804	1,084,347
Operating Transfers Out	(608,665)	-	(317,809)	-	(10,176)	(936,650)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	210,492	20,469	(313,789)	-	997,017	914,189
FUND BALANCES, OCTOBER 1	1,018,971	212,214	1,315,353	-	1,659,727	4,206,265
FUND BALANCES, SEPTEMBER 30	\$ 1,229,463	\$ 232,683	\$ 1,001,564	\$ -	\$ 2,656,744	\$ 5,120,454

See accompanying notes to financial statements.

**Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended September 30, 2011**

Net Changes in fund balances - total governmental funds \$ 914,189

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

Governmental funds reported capital outlays as expenditures. However, in the statement of activities the cost of those assets is capitalized and the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay \$631,905 exceeded depreciation (\$366,734) in the current period.

265,171

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

Principal repayments:

Bonds Payable	75,000
Installments Payable	57,143

Proceeds of installment notes are an other financing source in the governmental funds, in the statement of net assets it increases liabilities.

Installment Proceeds	(13,700)
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Under the modified accrual basis of accounting used in governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. This adjustment combines the following net changes:

Accrued Interest on Bonds	282
Compensated Absences	37,654

Changes in net assets of governmental activities	<u>\$ 1,335,739</u>
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Statement of Net Assets
Proprietary Funds
September 30, 2011

	County Medical Care Facility	Delinquent Tax Revolving	Emergency Medical Services	Nonmajor Enterprise Funds	Totals
ASSETS:					
Current Assets:					
Cash & Equivalents - Unrestricted	\$ 660,919	\$ 1,899,632	\$ 1,105	\$ 443,052	\$ 3,004,708
- Restricted	-	-	-	-	-
Investments	186,580	-	-	-	186,580
Receivables:					
Accounts	805,691	55,335	179,712	-	1,040,738
Taxes	-	1,498,767	-	-	1,498,767
Interest	-	164,420	-	-	164,420
Due From Other Funds	3,402,303	118,700	-	-	3,521,003
Due From Others	-	-	-	-	-
Prepays	-	-	7,471	-	7,471
Other Assets	85,912	-	-	-	85,912
Total Current Assets	<u>5,141,405</u>	<u>3,736,854</u>	<u>188,288</u>	<u>443,052</u>	<u>9,509,599</u>
Noncurrent Assets:					
Capital Assets (Not Depreciated)	542,893	-	35,000	-	577,893
Capital Assets (Net of Accumulated Depreciation)	<u>1,692,152</u>	<u>-</u>	<u>403,184</u>	<u>-</u>	<u>2,095,336</u>
Total Noncurrent Assets	<u>2,235,045</u>	<u>-</u>	<u>438,184</u>	<u>-</u>	<u>2,673,229</u>
TOTAL ASSETS	<u>\$ 7,376,450</u>	<u>\$ 3,736,854</u>	<u>\$ 626,472</u>	<u>\$ 443,052</u>	<u>\$ 12,182,828</u>
LIABILITIES:					
Current Liabilities:					
Accounts Payable	\$ 80,511	\$ 4	\$ 20,533	\$ -	\$ 101,048
Accrued Liabilities	86,524	-	32,101	-	118,625
Due to Other Funds	-	-	30,000	-	30,000
Due to Other Governments	-	125,886	-	-	125,886
Notes Payable	-	-	27,065	-	27,065
Total Current Liabilities	<u>167,035</u>	<u>125,890</u>	<u>109,699</u>	<u>-</u>	<u>402,624</u>
Noncurrent Liabilities:					
Vested Employee Benefits	135,907	-	-	-	135,907
Notes Payable	<u>-</u>	<u>-</u>	<u>89,431</u>	<u>-</u>	<u>89,431</u>
Total Noncurrent Liabilities	<u>135,907</u>	<u>-</u>	<u>89,431</u>	<u>-</u>	<u>225,338</u>
TOTAL LIABILITIES	<u>302,942</u>	<u>125,890</u>	<u>199,130</u>	<u>-</u>	<u>627,962</u>
NET ASSETS:					
Invested in Capital Assets (Net of Related Debt)	2,235,045	-	321,688	-	2,556,733
Unrestricted	<u>4,838,463</u>	<u>3,610,964</u>	<u>105,654</u>	<u>443,052</u>	<u>8,998,133</u>
TOTAL NET ASSETS	<u>\$ 7,073,508</u>	<u>\$ 3,610,964</u>	<u>\$ 427,342</u>	<u>\$ 443,052</u>	<u>\$ 11,554,866</u>

**Statement of Revenues, Expenses, and
Changes in Net Assets - Proprietary Funds
Year Ended September 30, 2011**

	Enterprise Funds				Totals
	County Medical Care Facility	Delinquent Tax Revolving	Emergency Medical Services	Nonmajor Enterprise Funds	
OPERATING REVENUES:					
Taxes & Penalties	\$ 387,700	\$ -	\$ 631,340	\$ -	\$ 1,019,040
Charges for Services	6,105,555	100,100	808,355	112,205	7,126,215
Interest & Rentals	-	317,897	-	-	317,897
Contributions	-	-	-	-	-
Refunds & Reimbursements	-	8,045	12,023	-	20,068
Other Revenue	193,598	-	-	-	193,598
Total Operating Revenues	6,686,853	426,042	1,451,718	112,205	8,676,818
OPERATING EXPENSES:					
Personal Services	3,411,948	-	1,064,212	-	4,476,160
Contractual Services	-	-	48,515	-	48,515
Utilities	158,411	-	24,998	-	183,409
Repair & Maintenance	-	-	32,140	-	32,140
Insurance	-	-	49,600	-	49,600
Other Supplies and Expenses	2,782,118	11,197	126,982	66,470	2,986,767
Depreciation	155,209	-	83,033	-	238,242
Total Operating Expenses	6,507,686	11,197	1,429,480	66,470	8,014,833
OPERATING INCOME (LOSS)	179,167	414,845	22,238	45,735	661,985
NON-OPERATING REVENUES (EXPENSES):					
Interest on Deposits	11,943	6,544	1	-	18,488
Interest & Fiscal Charges	-	(5,974)	(7,079)	-	(13,053)
Total Non-Operating Revenues (Expenses)	11,943	570	(7,078)	-	5,435
INCOME (LOSS) BEFORE TRANSFERS	191,110	415,415	15,160	45,735	667,420
Operating Transfers In	-	-	-	14,469	14,469
Operating Transfers Out	(97,697)	(14,469)	(50,000)	-	(162,166)
CHANGES IN NET ASSETS	93,413	400,946	(34,840)	60,204	519,723
NET ASSETS, OCTOBER 1	6,980,095	3,210,018	462,182	382,848	11,035,143
NET ASSETS, SEPTEMBER 30	\$ 7,073,508	\$ 3,610,964	\$ 427,342	\$ 443,052	\$ 11,554,866

County of Benzie, Michigan

Statement of Cash Flows Proprietary Funds Year Ended September 30, 2011

	Enterprise Funds				Totals
	County Medical Care Facility	Delinquent Tax Revolving	Emergency Medical Services	Nonmajor Enterprise Funds	
CASH FLOWS FROM OPERATING ACTIVITIES:					
Receipts from Customers	\$ 3,353,208	\$ 1,036,205	\$ 1,420,439	\$ 112,205	\$ 5,922,057
Payments to Suppliers	(6,485,983)	(31,496)	(241,514)	(66,470)	(6,825,463)
Payments to Employees	-	-	(1,061,277)	-	(1,061,277)
Net Cash Provided (Used) by Operating Activities	<u>(3,132,775)</u>	<u>1,004,709</u>	<u>117,648</u>	<u>45,735</u>	<u>(1,964,683)</u>
CASH FLOWS FROM NON-CAPITAL AND RELATED FINANCING ACTIVITIES:					
Operating Transfers In	-	-	-	14,469	14,469
Operating Transfers Out	(97,697)	(14,469)	(50,000)	-	(162,166)
Cash Provided (Used) by Non-Capital and Related Financing Activities	<u>(97,697)</u>	<u>(14,469)</u>	<u>(50,000)</u>	<u>14,469</u>	<u>(147,697)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Acquisition of Capital Assets	(320,016)	-	(36,059)	-	(356,075)
Notes Payable Proceeds	-	1,000,000	-	-	1,000,000
Principal Payments	-	(1,300,000)	(40,261)	-	(1,340,261)
Interest Payments	-	(5,974)	(7,079)	-	(13,053)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(320,016)</u>	<u>(305,974)</u>	<u>(83,399)</u>	<u>-</u>	<u>(709,389)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:					
Purchase of Investments	(186,580)	-	-	-	(186,580)
Interest Income	11,943	6,544	1	-	18,488
Net Cash Provided (Used) by Investing Activities	<u>(174,637)</u>	<u>6,544</u>	<u>1</u>	<u>-</u>	<u>(168,092)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(3,725,125)	690,810	(15,750)	60,204	(2,989,861)
Balances - Beginning of the Year	4,386,044	1,208,822	16,855	382,848	5,994,569
Balances - End of the Year	<u>\$ 660,919</u>	<u>\$ 1,899,632</u>	<u>\$ 1,105</u>	<u>\$ 443,052</u>	<u>\$ 3,004,708</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Operating Income (Loss)	\$ 179,167	\$ 414,845	\$ 22,238	\$ 45,735	\$ 661,985
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Depreciation	155,209	-	83,033	-	238,242
Change in Assets and Liabilities:					
(Increase) Decrease in Assets:					
Accounts Receivable	74,793	(55,335)	(31,279)	-	(11,821)
Taxes Receivable	-	423,698	-	-	423,698
Due from Other Funds	(3,402,303)	241,800	30,000	-	(3,130,503)
Other Assets	(6,135)	-	-	-	(6,135)
Prepaid Expenses	-	-	3,774	-	3,774
Increase (Decrease) in Liabilities:					
Accounts Payable	13,939	(33)	6,947	-	20,853
Accrued Liabilities	(147,445)	-	2,935	-	(144,510)
Due to Other Governments	-	(20,266)	-	-	(20,266)
Net Cash Provided (Used) by Operating Activities	<u>\$ (3,132,775)</u>	<u>\$ 1,004,709</u>	<u>\$ 117,648</u>	<u>\$ 45,735</u>	<u>\$ (1,964,683)</u>

See accompanying notes to financial statements.

**Statement of Fiduciary Net Assets
Fiduciary Funds
September 30, 2011**

	<u>Agency Funds</u>
ASSETS:	
Cash & Cash Equivalents:	
Unrestricted	<u>\$ 581,808</u>
 TOTAL ASSETS	 <u><u>\$ 581,808</u></u>
 LIABILITIES:	
Due to Others	<u>\$ 581,808</u>
 TOTAL LIABILITIES	 <u><u>\$ 581,808</u></u>

Component Units

Statement of Net Assets
Component Units
September 30, 2011

	Road Commission	Benzie/ Leelanau District Health Dept.	Benzie Transportation Authority	Economic Development Corporation	Totals
ASSETS:					
Current Assets:					
Cash & Equivalents - Unrestricted	\$ 1,027,159	\$ 94,548	\$ 47,577	\$ 759,973	\$ 1,929,257
Accounts Receivable	620,449	15,983	5,889	-	642,321
Notes Receivable	-	-	-	253,846	253,846
Due from Governmental Units	-	8,767	-	-	8,767
Due from State	-	207,173	-	-	207,173
Inventories	506,121	-	9,603	-	515,724
Prepaid Expenses	-	47,254	19,310	-	66,564
Total Current Assets	2,153,729	373,725	82,379	1,013,819	3,623,652
Noncurrent Assets:					
Deferred OPEB	28,731	-	-	-	28,731
Capital Assets (Not Depreciated)	1,559,544	-	-	-	1,559,544
Capital Assets (Net of Accumulated Depreciation)	6,903,479	13,636	2,427,990	-	9,345,105
Total Noncurrent Assets	8,491,754	13,636	2,427,990	-	10,933,380
TOTAL ASSETS	\$ 10,645,483	\$ 387,361	\$ 2,510,369	\$ 1,013,819	\$ 14,557,032
LIABILITIES:					
Current Liabilities:					
Accounts Payable	\$ 21,285	\$ 15,101	\$ 31,959	\$ -	\$ 68,345
Accrued Liabilities	18,105	60,147	41,341	-	119,593
Contractor Payable	2,255	-	-	-	2,255
Advances from State	219,162	-	-	-	219,162
Deferred Revenue	-	41,530	-	-	41,530
Due to State	-	-	10,669	-	10,669
Notes Payable	29,790	-	68,000	-	97,790
Total Current Liabilities	290,597	116,778	151,969	-	559,344
Noncurrent Liabilities:					
Contingent Loan Commitment	-	-	-	-	-
Vested Employee Benefits	74,562	55,582	-	-	130,144
Installment Loans	-	-	-	-	-
Total Noncurrent Liabilities	74,562	55,582	-	-	130,144
TOTAL LIABILITIES	365,159	172,360	151,969	-	689,488
NET ASSETS:					
Invested in Capital Assets, net of related debt	8,433,233	13,636	2,427,990	-	10,874,859
Restricted for County Road	1,847,091	-	-	-	1,847,091
Unrestricted	-	201,365	(69,590)	1,013,819	1,145,594
TOTAL NET ASSETS	\$ 10,280,324	\$ 215,001	\$ 2,358,400	\$ 1,013,819	\$ 13,867,544

**Statement of Activities
Component Units
Year Ended September 30, 2011**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets				
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Road Commission	Benzie/ Leelanau District Health Dept.	Benzie Transportation Authority	EDC	Total
Road Commission									
Public Works	\$ 3,696,583	\$ 924,403	\$ 2,251,828	\$ 620,958	\$ 100,606	\$ -	\$ -	\$ -	\$ 100,606
Benzie/Leelanau District Health Dept.									
Health & Welfare	2,364,734	389,677	1,160,995	-	-	(814,062)	-	-	(814,062)
Benzie Transportation Authority									
Transportation	1,842,730	168,456	848,331	1,074,905	-	-	248,962	-	248,962
Economic Development Corporation									
Public Works	16,317	9,186	-	-	-	-	-	(7,131)	(7,131)
Total Component Units	<u>\$ 7,920,364</u>	<u>\$ 1,491,722</u>	<u>\$ 4,261,154</u>	<u>\$ 1,695,863</u>	<u>100,606</u>	<u>(814,062)</u>	<u>248,962</u>	<u>(7,131)</u>	<u>(471,625)</u>
General Revenues:									
County Appropriations					-	450,714	-	-	450,714
Taxes					-	3,996	532,301	-	536,297
Investment Earnings					-	983	12	3,086	4,081
Gain (Loss) on Disposal					2,381	-	(109,071)	-	(106,690)
Rent					-	325,845	-	-	325,845
Total General Revenues					<u>2,381</u>	<u>781,538</u>	<u>423,242</u>	<u>3,086</u>	<u>1,210,247</u>
Change in Net Assets					102,987	(32,524)	672,204	(4,045)	738,622
Net Assets - Beginning					10,177,337	247,525	1,686,196	1,017,864	13,128,922
Net Assets - Ending					<u>\$ 10,280,324</u>	<u>\$ 215,001</u>	<u>\$ 2,358,400</u>	<u>\$ 1,013,819</u>	<u>\$ 13,867,544</u>

Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A – Reporting Entity:

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

Component Units:

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

Blended Component Units

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

Discretely Presented Component Units

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

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.

Benzie County Economic Development Corporation
P.O. Box 377
Beulah, Michigan 49617

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 the following:

Benzie County Road Commission
11318 Main Street
Honor, Michigan 49640

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

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

Benzie Transportation Authority – The members of the governing board of the Bus System are appointed by the County Board. The county exercises oversight responsibility and has accountability of fiscal matters. The Bus System is a September 30, 2011 year end. Complete financial statements of the individual component unit can be obtained from the following:

Benzie Transportation Authority
14150 Honor Highway
Beulah, Michigan 49619

Jointly Governed Organization

City – County Airport – The City-County Airport Authority, 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 30 year end.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**Related Organization**

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

B – Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net 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, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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

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

C – Measurement Focus, Basis of Accounting and Financial Statement Presentation:

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Taxes Receivable – Current or Property Taxes

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

Although the County of Benzie 2010 ad valorem tax is levied and collectible on December 1, 2010, and 2011 ad valorem tax is levied and collectible on July 1, 2011, it is the County of Benzie's policy to recognize revenue from the current tax levy in the current year when the proceeds of this levy are budgeted and made "available" for the financing of operations. "Available" means collected within the current period or expected to be paid from the delinquent tax revolving funds within one year.

The 2010 taxable valuation of the County of Benzie totaled \$1,082,492,562, (not including renaissance zone) on which ad valorem taxes levied consisted of .9904 mills for Medical Care Facility Debt and Operations, .6536 mills for Commission on Aging, .9000 mills for Jail Debt and Operations, .0982 mills for Animal Control, .5795 mills for Ambulance Millage, .0250 mills for Soldier Relief, and .4912 mills for Benzie Transportation Authority. These amounts are recognized in the respective General, Special Revenue, and Debt Service Fund financial statements as tax revenue.

The July 1, 2011 taxable valuation of County of Benzie totaled \$1,075,381,686, (not including renaissance zone) on which ad valorem taxes levied consisted of 3.5144 mills for the General Fund, this amount is recognized in the General Fund financial statements as revenue.

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

The County reports the following major governmental funds:

General Fund

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Jail Operations Fund

This fund accounts for the operation of the jail.

Revenue Sharing Reserve Fund

This fund accounts for tax monies set aside to replace the revenue sharing monies from the State of Michigan.

Medical Care Facility Renovation Fund

This fund accounts for a major capital renovations project at the Medical Care Facility.

The County reports the following major proprietary funds:

Medical Care Facility

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

Delinquent Tax Fund

This fund accounts for the collection of delinquent taxes.

Emergency Medical Services (EMS) Fund

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

Additionally, the County reports the following fund types:

Special Revenue Funds

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

Debt Service Funds

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

Capital Project Fund

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**Enterprise Funds**

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

Agency Funds

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

Private-sector standards of accounting issued prior to December 1, 1989 are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The government has elected not to follow private-sector standards issued after November 30, 1989 for its business-type activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's tax collection function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

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

D - Assets, Liabilities, and Net Assets or Equity

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

- Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The County has classified Inventories and Prepaid Items as being Nonspendable as these items are not expected to be converted to cash or are not expected to be converted to cash within the next year. The County has \$67,260 in Nonspendable fund balance.
- Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The County has restricted \$3,354,891 for fund and/or debt specific purposes.
- Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the County. These amounts cannot be used for any other purpose unless the County removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The County has committed \$158,997 for vested employee benefits and \$505,883 for special fund purposes.
- Assigned: This classification includes amounts that are constrained by the County's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the County through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund.
- Unassigned: This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

Subsequent Events – Management evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through the date of the accompanying independent auditor’s report, which is the date the financial statements were available to be issued.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

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

- a. Each September, after receiving input from the individual departments, the Board of Commissioners prepares a proposed operating budget for the fiscal period commencing October 1 and lapses on September 30. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted to obtain taxpayer comments.
- c. Prior to October 1, the budget is legally enacted through a resolution passed by the Board of Commissioners.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

- d. Budgetary control is exercised at the departmental level of the General Fund. Any revisions that alter the total expenditures of any department or fund (i.e., budget amendments) require approval by the Board of Commissioners. Such amendments are made in accordance with the procedures prescribed under Public Act 621 of 1978.
- e. The budget and approved appropriations lapse at the end of the fiscal year.
- f. The County does not record encumbrances in the accounting records during the year as normal practice and, therefore, no outstanding encumbrances exist at year end.

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

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

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

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

NOTE 3 - DEPOSITS AND INVESTMENTS

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

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Primary Government</u>	<u>Fiduciary Funds</u>	<u>Component Units</u>
Cash and Cash Equivalents - Unrestricted	\$ 7,945,570	\$ 3,004,708	\$ 10,950,278	\$ 581,808	\$ 1,929,257
Total	<u>\$ 7,945,570</u>	<u>\$ 3,004,708</u>	<u>\$ 10,950,278</u>	<u>\$ 581,808</u>	<u>\$ 1,929,257</u>

The breakdown between deposits and investments is as follows:

	<u>Primary Government</u>	<u>Fiduciary Funds</u>	<u>Component Units</u>
Bank Deposits (checking and savings accounts, certificates of deposit, and money markets)	\$ 10,947,778	\$ 581,808	\$ 1,928,192
Petty Cash and Cash on Hand	<u>2,500</u>	<u>-</u>	<u>1,065</u>
Total	<u>\$ 10,950,278</u>	<u>\$ 581,808</u>	<u>\$ 1,929,257</u>

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

Cash has been restricted in the Benzie MCF for equipment replacement and building improvements.

	<u>Fair Value</u>	<u>Less Than 1</u>	<u>1 – 5</u>	<u>6 – 10</u>	<u>More Than 10</u>
Investments:					
Money Market					
Funds	\$ 186,580	\$ 186,580	\$ -	\$ -	\$ -
Total Investments	<u>\$ 186,580</u>	<u>\$ 186,580</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

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

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

Custodial deposit credit risk. Custodial deposit credit risk is the risk that in the event of a bank failure, the County’s deposits may not be returned. State law does not require and the County does not have a policy for deposit custodial credit risk. As of year end, \$9,044,934 of the County’s bank balance of \$16,035,819 was exposed to credit risk because it was uninsured and uncollateralized. \$0 was uninsured and collateralized by the pledging financial institution.

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

Statutory Authority:

Michigan Law (Public Act 20 of 1943 as amended) authorizes the County to deposit and invest in one or more of the following:

- a. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution that is eligible to be a depository of funds belonging to the State under a law or rule of this State or the United States.
- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and matures not more than 270 days after the date of purchase.
- d. Repurchase agreements consisting of instruments listed in a.
- e. Banker’s acceptance of United States banks.

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

- f. Obligations of this State or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
- g. Mutual funds registered under the investment company act of 1940, Title I of Chapter 686, 54 Stat. 789, 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64, with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- h. Obligation described in a. through g. if purchased through an interlocal agreement under the urban cooperations act of 1967, 1967 (Ex Sess) PA 7, MCL 124.501 to 124.512.
- i. Investment pools organized under the surplus funds investment pool act, 1982 PA 367, 129.111 to 129.118.
- j. The investment pools organized under the local government investment pool act, 1985 PA 121, MCL 129.141 to 129.150.

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

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

NOTE 4 - CAPITAL ASSETS

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

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Transfers</u>	<u>Disposals</u>	<u>Ending Balances</u>
Governmental Activities:					
<i>Capital assets not being depreciated:</i>					
Land	\$ 5,921,633	\$ -	\$ -	\$ -	\$ 5,921,633
Construction in progress	<u>405,352</u>	<u>216,210</u>	<u>(405,352)</u>	<u>-</u>	<u>216,210</u>
Subtotal	<u>6,326,985</u>	<u>216,210</u>	<u>(405,352)</u>	<u>-</u>	<u>6,137,843</u>
<i>Capital assets being depreciated:</i>					
Buildings and improvements	6,983,289	143,944	405,352	-	7,532,585
Machinery and equipment	<u>1,573,212</u>	<u>271,751</u>	<u>-</u>	<u>(35,973)</u>	<u>1,808,990</u>
Subtotal	<u>8,556,501</u>	<u>415,695</u>	<u>405,352</u>	<u>(35,973)</u>	<u>9,341,575</u>
<i>Less accumulated depreciation for:</i>					
Buildings and improvements	(2,602,107)	(193,202)	-	-	(2,795,309)
Machinery and equipment	<u>(1,117,728)</u>	<u>(173,532)</u>	<u>-</u>	<u>35,973</u>	<u>(1,255,287)</u>
Subtotal	<u>(3,719,835)</u>	<u>(366,734)</u>	<u>-</u>	<u>35,973</u>	<u>(4,050,596)</u>
Net Capital Assets Being Depreciated	<u>4,836,666</u>	<u>48,961</u>	<u>405,352</u>	<u>-</u>	<u>5,290,979</u>
Governmental Activities Capital Assets – Net of Depreciation	<u>\$ 11,163,651</u>	<u>\$ 265,171</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,428,822</u>

NOTE 4 - CAPITAL ASSETS (Continued)

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

Governmental Activities:		
General Government		\$ 121,190
Public Safety		224,077
Health and Welfare		2,500
Recreation and Culture		<u>18,967</u>
 Total Governmental Activities		 <u>\$ 366,734</u>

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Business-type activities:				
<i>Capital assets not being depreciated:</i>				
Land	\$ 47,424	\$ -	\$ -	\$ 47,424
Construction in progress	<u>212,396</u>	<u>318,073</u>	<u>-</u>	<u>530,469</u>
Subtotal	<u>259,820</u>	<u>318,073</u>	<u>-</u>	<u>577,893</u>
<i>Capital assets being depreciated:</i>				
Land and improvements	97,488	-	-	97,488
Buildings and improvements	3,904,076	-	-	3,904,076
Machinery and equipment	<u>1,678,217</u>	<u>38,002</u>	<u>(21,913)</u>	<u>1,694,306</u>
Subtotal	<u>5,679,781</u>	<u>38,002</u>	<u>(21,913)</u>	<u>5,695,870</u>
<i>Less accumulated depreciation for:</i>				
Land and improvements	(84,423)	(2,155)	-	(86,578)
Buildings and improvements	(2,019,798)	(113,655)	-	(2,133,453)
Machinery and equipment	<u>(1,279,984)</u>	<u>(122,432)</u>	<u>21,913</u>	<u>(1,380,503)</u>
Subtotal	<u>(3,384,205)</u>	<u>(238,242)</u>	<u>21,913</u>	<u>(3,600,534)</u>
Net Capital Assets Being Depreciated	<u>2,295,576</u>	<u>(200,240)</u>	<u>-</u>	<u>2,095,336</u>
Business-type Activities Capital Assets - Net of Depreciation	<u>\$ 2,555,396</u>	<u>\$ 117,833</u>	<u>\$ -</u>	<u>\$ 2,673,229</u>

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

Governmental Activities:		
Medical Care Facility		\$ 155,209
Emergency Medical Services		<u>83,033</u>
 Total Business-Type Activities		 <u>\$ 238,242</u>

NOTE 4 - CAPITAL ASSETS (Continued)

BENZIE COUNTY ROAD COMMISSION

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

	Beginning Balances 10/01/10	Additions	Adjustments/ Deductions	Ending Balances 09/30/11
<i>Capital assets not being depreciated:</i>				
Land	\$ 12,708	\$ -	\$ -	\$ 12,708
Land Improvements	<u>1,546,836</u>	<u>-</u>	<u>-</u>	<u>1,546,836</u>
Subtotal	<u>1,559,544</u>	<u>-</u>	<u>-</u>	<u>1,559,544</u>
<i>Capital assets being depreciated:</i>				
Buildings	1,084,506	-	-	1,084,506
Road Equipment	4,438,349	24,244	33,221	4,429,372
Shop Equipment	139,996	-	-	139,996
Office Equipment	59,831	-	-	59,831
Engineer's Equipment	49,040	-	-	49,040
Yard and Storage	284,312	43,195	-	327,507
Infrastructure	<u>8,120,040</u>	<u>620,958</u>	<u>-</u>	<u>8,740,998</u>
Subtotal	<u>14,176,074</u>	<u>688,397</u>	<u>33,221</u>	<u>14,831,250</u>
<i>Less accumulated depreciation:</i>				
Buildings	\$ 819,266	\$ 64,078	\$ -	\$ 883,344
Road Equipment	4,080,893	151,081	(32,966)	4,199,008
Shop Equipment	70,581	10,549	-	81,130
Office Equipment	51,891	3,426	-	55,317
Engineer's Equipment	42,266	2,072	-	44,338
Yard and Storage	171,868	21,313	151	193,332
Infrastructure	<u>1,771,140</u>	<u>700,162</u>	<u>-</u>	<u>2,471,302</u>
Subtotal	<u>7,007,905</u>	<u>952,681</u>	<u>(32,815)</u>	<u>7,927,771</u>
Net Capital Assets Being Depreciated	<u>7,168,169</u>	<u>(264,284)</u>	<u>(406)</u>	<u>6,903,479</u>
Total Net Capital Assets	<u>\$ 8,727,713</u>	<u>\$ (264,284)</u>	<u>\$ (406)</u>	<u>\$ 8,463,023</u>

Depreciation expense was charged to operations as follows:

Unallocated	\$ 700,162
Equipment	151,081
Administration	4,383
Other	<u>97,055</u>
Total	<u>\$ 952,681</u>

NOTE 4 - CAPITAL ASSETS (Continued)

BENZIE/LEELANAU DISTRICT HEALTH DEPARTMENT

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

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<i>Assets being depreciated:</i>				
Other capital assets:				
Equipment & furniture	\$ 38,684	\$ -	\$ -	\$ 38,684
Subtotal	<u>38,684</u>	<u>-</u>	<u>-</u>	<u>38,684</u>
<i>Accumulated depreciation:</i>				
Equipment & furniture	(21,605)	(3,443)	-	(25,048)
Subtotal	<u>(21,605)</u>	<u>(3,443)</u>	<u>-</u>	<u>(25,048)</u>
Net Capital Assets	<u>\$ 17,079</u>	<u>\$ (3,443)</u>	<u>\$ -</u>	<u>\$ 13,636</u>

Depreciation expense was charged to:

Health and Welfare \$ 3,443

BENZIE TRANSPORTATION AUTHORITY

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

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<i>Assets being depreciated:</i>				
Building and improvements	\$ 1,040,886	\$ 789,684	\$ (197,500)	\$ 1,633,070
Vehicles	1,232,840	247,082	(10,672)	1,469,250
Shop equipment	48,421	16,060	-	64,481
Office equipment	<u>34,171</u>	<u>23,434</u>	<u>(2,200)</u>	<u>55,405</u>
Subtotal	<u>2,356,318</u>	<u>1,076,260</u>	<u>(210,372)</u>	<u>3,222,206</u>
<i>Accumulated depreciation</i>	<u>(507,482)</u>	<u>(320,358)</u>	<u>33,624</u>	<u>(794,216)</u>
Net Capital Assets	<u>\$ 1,848,836</u>	<u>\$ 755,902</u>	<u>\$ (176,748)</u>	<u>\$ 2,427,990</u>

Depreciation expense was charged to:

Transportation \$ 320,358

NOTE 5 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

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

		DUE FROM OTHER FUNDS			
DUE TO OTHER FUNDS		Revenue Sharing Reserve	Medical Care Facility	Delinquent Tax	Total
	General Fund	\$ 470,826	\$ -	\$ -	\$ -
Medical Care Facility Renovation	-	3,402,303	-	-	3,402,303
Nonmajor Governmental	-	-	88,700	-	88,700
Emergency Medical Services	-	-	30,000	-	30,000
Total	<u>\$ 470,826</u>	<u>\$ 3,402,303</u>	<u>\$ 118,700</u>	<u>\$ -</u>	<u>\$ 3,991,829</u>

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

		TRANSFERS OUT						
TRANSFERS IN		General Fund	Revenue Sharing Reserve	Nonmajor Governmental	Medical Care Facility	Delinquent Tax Revolving	Emergency Medical Services	Total
	General Fund	\$ -	\$ 317,809	\$ -	\$ -	\$ -	\$ -	\$ -
Jail Operations	408,037	-	-	-	-	-	-	408,037
Medical Care Facility Renovation	-	-	-	97,697	-	-	-	97,697
Nonmajor Government	200,628	-	10,176	-	-	50,000	-	260,804
Nonmajor Enterprise	-	-	-	-	14,469	-	-	14,469
Total	<u>\$ 608,665</u>	<u>\$ 317,809</u>	<u>\$ 10,176</u>	<u>\$ 97,697</u>	<u>\$ 14,469</u>	<u>\$ 50,000</u>	<u>\$ -</u>	<u>\$ 1,098,816</u>

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

NOTE 6 - LONG-TERM DEBT

General Obligation Debt

Governmental activities general obligation debt consists of general obligation bonds of the Building Authority. Business-type activities general obligation debt consists of general obligation limited tax anticipation notes, which are obtained on an annual basis to purchase delinquent taxes from local municipalities.

Installments Payables

The County has purchased vehicles and equipment used for governmental activities using commercial notes payable with annual principal payments ranging from \$10,385 to \$19,643, plus interest charges at 3.30% to 8.89%. The business-type activities have purchased two ambulances using commercial notes payable with annual principal payments ranging from \$14,222 to \$31,250, plus interest charged at 4.68% to 4.8%.

General obligation and installment payables debt outstanding is as follows:

	<u>Interest Rate</u>	<u>Principal Matures</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:							
General Obligation Bonds							
1998 Building Authority Bonds	3.60-4.95%	2018	\$ 615,000	\$ -	\$ 75,000	\$ 540,000	\$ 75,000
Installment Payables			80,917	13,700	57,143	37,474	26,226
Total Governmental Activities			<u>\$ 695,917</u>	<u>\$ 13,700</u>	<u>\$ 132,143</u>	<u>\$ 577,474</u>	<u>\$ 101,226</u>
Business-Type Activities:							
General Obligation Bonds							
Tax Notes Series 2010	1.75%	2012	\$ 300,000	\$ -	\$ 300,000	\$ -	\$ -
Installment Payables			156,757	-	40,261	116,496	27,065
Total Business-Type Activities			<u>\$ 456,757</u>	<u>\$ -</u>	<u>\$ 340,261</u>	<u>\$ 116,496</u>	<u>\$ 27,065</u>

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

	<u>Governmental Activities Bonds Payable</u>		<u>Governmental Activities Installment Note Payable</u>		<u>Business –type Activities Installment Note Payable</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
Fiscal:						
2012	\$ 75,000	\$ 26,093	\$ 26,226	\$ 1,837	\$ 27,065	\$ 5,719
2013	75,000	22,643	2,569	897	28,394	4,390
2014	75,000	19,118	2,807	659	29,788	2,997
2015	75,000	15,518	3,067	399	31,249	1,534
2016	75,000	11,843	2,805	115	-	-
2017-2018	<u>165,000</u>	<u>12,622</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTALS	<u>\$ 540,000</u>	<u>\$ 107,837</u>	<u>\$ 37,474</u>	<u>\$ 3,907</u>	<u>\$ 116,496</u>	<u>\$ 14,640</u>

NOTE 6 - LONG-TERM DEBT (Continued)

Compensated Absences

A summary of vested benefits payable at September 30, 2011 is as follows:

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balances</u>
Vested Employee Benefits	\$ 196,651	\$ -	\$ 37,654	\$ 158,997

BENZIE COUNTY ROAD COMMISSION

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Installment payable to Bank, 4.0% interest rate, payable in monthly installments of \$6,022, secured by equipment.	\$ 99,308	\$ -	\$ 69,518	\$ 29,790	\$ 29,790
Compensated Absences - Net	<u>71,786</u>	<u>2,776</u>	<u>-</u>	<u>74,562</u>	
TOTAL	<u>\$ 171,094</u>	<u>\$ 2,776</u>	<u>\$ 69,518</u>	<u>\$ 104,352</u>	

Maturities on long-term obligations are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 29,790	\$ 277	\$ 30,067
Total	<u>\$ 29,790</u>	<u>\$ 277</u>	<u>\$ 30,067</u>

NOTE 7 - SHORT-TERM DEBT

The following is a summary of short-term debt issued to purchase the 2010 Delinquent Taxes:

	<u>Interest Rate</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
May need to reformat table					

Business-type Activities:

General Obligation Limited 2011 Tax Notes Series	1.95%	\$ -	\$ 1,000,000	\$ 1,000,000	\$ -
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NOTE 8 - RISK MANAGEMENT

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

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

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

At September 30, 2011, the County has funds on deposit of \$243,756 with the Authority and reserves for reported claims of \$81,878. Management has not recorded the net of these amounts in the financial statements, as the amount has been deemed immaterial.

NOTE 9 - CONTINGENT LIABILITIES

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

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

NOTE 10 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS

PRIMARY GOVERNMENT

Plan Description. 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 MERS at 1134 Municipal Way, 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 10.99% to 12.41% 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, 2011, the County’s annual pension cost of \$484,887 for MERS was equal to the County’s required and actual contributions. The required contribution was determined as part of the December 31, 2010 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 liability is amortized as a level percentage of projected payroll on an open basis. The remaining amortization period December 31, 2010, the date of the latest actuarial valuation, was 28 years.

Year Ended Dec 31	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2009	\$ 472,778	100%	0
2010	456,891	100%	0
2011	484,887	100%	0

Funded Status and Funding Progress. As of December 31, 2010, the most recent actuarial valuation date, the plan was 74.3 percent funded. The actuarial accrued liability for benefits was \$12,148,043 and the actuarial value of assets was \$9,023,218, resulting in an unfunded actuarial accrued liability (UAAL) of \$3,124,825. The covered payroll (annual payroll of active employees covered by the plan) was \$473,594, and the ratio of the UAAL to the covered payroll was 100 percent. The schedule of funding progress, presented as RSI following the noted to the financial statements, present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

NOTE 10 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

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 County Road Commission only. The Commission contributes 27.53% of wages for general employees, 27.96% for administrative officials, and 15.17% for Commissioners.

Annual Pension Costs. For year ended 2011, the Benzie County Road Commission’s pension cost of \$266,596 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, 2009, using the age normal cost method. Significant actuarial assumptions used include: (i) an 8% investment rate of return; (ii) projected salary increases of 4.5 percent per year. Both determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is being amortized as a level percent of payroll on a closed basis. The remaining amortization period is 28 years.

<u>Year Ended Dec 31</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2008	\$ 243,685	100%	0
2009	270,995	100%	0
2010	264,836	100%	0

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 required 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.

NOTE 10 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

Annual Pension Costs – For year ended 2011, the Health Department’s annual pension cost of \$49,252 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, 2010, 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>
2008	\$ 26,868	100%	0
2009	29,085	100%	0
2010	21,140	100%	0

BENZIE TRANSPORTATION AUTHORITY

The Authority employees participate in the Benzie County Transportation Authority retirement plan. A description of that plan follows:

Description of Plan and Plan Assets – The Benzie County Transportation Authority is in an agent multiple-employer defined benefit pension plan with the Municipal Employee’s Retirement Systems (MERS). The system provides the following provisions: normal retirement, deferred retirement, service retirement allowance, disability retirement allowance, nonduty-connected death and post-retirement adjustments to plan members their beneficiaries. The service requirements are computed suing credited service at the time of termination of membership multiplied by the sum of 2.25 percent times the final average compensation (FAC) with a maximum benefit of 80 percent of FAC. The most recent period for which actuarial data was available was for the fiscal year ended December 31, 2010.

MERS was organized pursuant to Section 12a of Act #156, Public Act of 1851 MSA 5.333(a): MCLA 46.12 (a), as amended, State of Michigan. MERS is regulated under Act No. 427 of the Public Acts of 1984, sections of which have been approved by the State Pension Commission. 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 MERS at 1134 Municipal Way, Lansing, Michigan 48917.

NOTE 10 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

Annual Pension Cost – During the fiscal year ended September 30, 2011, the Authority’s contributions totaling \$42,737 were made in accordance with contribution requirements determined by an actuarial valuation of the plan. The employer contribution rate has been determined based on the entry age normal funding method. Under the entry age normal cost funding method, the total employer contribution is comprised of the normal cost plus the level annual percentage of payroll payment required to amortize the unfunded actuarial accrued liability over 30 years. The employer normal cost is, for each employee, the level percentage of payroll contribution (from entry age to retirement) required to accumulate sufficient assets at the member’s retirement to pay for his project benefit. Significant actuarial assumptions used include a long-term investment yield rate of 8 percent and annual salary increases of 4.5 percent based on an age-related scale to reflect merit, longevity, and promotional salary increases.

Year Ended <u>Dec 31</u>	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2008	\$ 30,576	100%	0
2009	37,524	100%	0
2010	30,432	100%	0

BENZIE MCF (MAPLES)

Plan Description. The Facility participates in the Municipal Employees’ Retirement System of Michigan (MERS), an agent multiple-employer defined benefit pension plan that covers all employees of the Benzie County Medical Care Facility. The system provides retirement, disability, and death benefits to plan members and their beneficiaries. 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 MERS at 1134 Municipal Way, Lansing, Michigan 48917.

Funding Policy. Benefit provisions of MERS, 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 required employee contribution is 2.00% using the 2010 and 2009 valuation.

In the December 31, 2010 actuarial valuation, the most recent valuation, the entry age actuarial cost method was used. Significant actuarial assumptions used include (a) an 8.0% 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 assumptions did not include postretirement benefit increases. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility over a four year period. The unfunded actuarial liability is amortized as a level percentage of payroll. The remaining amortization period is 27 years. The market value of assets held is \$5,115,518 and \$4,527,153 as of the 2010 and 2009 valuations, respectively.

NOTE 10 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

Annual Pension Cost. For the year ended September 30, 2011, the Facility’s pension cost of \$187,699 for the plan was equal to the required and actual contribution. The annual required contribution was determined as part of the December 31, 2008 actuarial valuation using the age normal cost method. Significant actuarial assumptions used include: (i) an 8.0% investment rate of return, and (ii) projected salary increases of 4.5% per year, both determined using techniques that smooth the effect of short-term volatility over a four year period. The unfunded actuarial liability is amortized as a level percent of payroll on a closed basis. The remaining amortization period is 30 years.

Year Ended <u>Dec 31</u>	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2009	\$ 156,886	100%	0
2010	175,658	100%	0
2011	187,699	100%	0

NOTE 11 - OTHER POSTEMPLOYMENT BENEFITS PLAN

BENZIE COUNTY ROAD COMMISSION

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

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

Plan Description. The Commission administers a single-employer defined benefit healthcare plan. The Plan provides healthcare insurance for eligible employees and their spouses through the Commission’s group insurance plan which covers both active and retired members. Benefit provisions are established and may be amended by the Board of County Road Commissioners. The Plan provides for the Commission to contribute various percentages of the cost of health insurance premiums for retirees and their spouses. The Plan does issue a publicly available report.

Annual OPEB Cost and Net OPEB Obligations. The Commission’s annual other post employment benefit (OPEB) cost is calculated based on the annual required contribution (ARC). The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the Commission’s annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the Commission’s net OPEB obligation to the Plan for Plan year ended September 30, 2011.

NOTE 11 - OTHER POSTEMPLOYMENT BENEFITS PLAN (Continued)

Annual required contribution	\$ 47,254
Adjustments - OPEB obligation	<u>(30,662)</u>
Annual OPEB cost	16,592
Contributions made	<u>(45,323)</u>
Decrease in net OPEB obligation	(28,731)
Net OPEB obligation, beginning of year	<u>-</u>
Net OPEB obligation, end of year	<u>\$ (28,731)</u>

The Commission’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the years ending September 30, 2009, 2010, and 2011 were as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage Contributed</u>	<u>Net OPEB Obligation</u>
09/30/09	\$ 147,731	100.0 %	\$ -
09/30/10	47,824	100.0 %	-
09/30/11	16,592	100.0 %	(28,731)

As of September 30, 2010, the actuarial accrued liability for benefits was \$471,514. The covered payroll (annual payroll of active employees covered by the Plan) was \$1,074,578 and the ratio of the unfunded actuarial accrued liability (UAAL) to the covered payroll was 29%.

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

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

NOTE 11 - OTHER POSTEMPLOYMENT BENEFITS PLAN (Continued)

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 2011 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 4.6%, with an increase to the ultimate rate of 7.0% after six 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 7.0%. The value of Plan assets was set at market value. A simplified version of the entry age actuarial cost method was used in the actuarial valuation. The UAAL is amortized over a thirty-year period as a level percent of projected payroll on an open basis. Payroll was assumed to grow over the long-term at the same rate as inflation.

NOTE 12 - DEFINED CONTRIBUTION (MONEY PURCHASE) PENSION PLAN

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

The Department contributed \$21,685 and employees contributed \$4,337 to the Plan during the year ended September 30, 2011 equal to 10% and 2% respectively of covered payroll.

NOTE 13 - PROPORTIONATE SHARE REIMBURSEMENT REVENUE

The Michigan Department of Human Services, in order to provide continuing access to long-term care services for Medicaid recipients, modified its reimbursement system to participate in a "proportionate share" pool to qualified long-term care providers.

Under such a plan, the system maximizes the federal Medicaid matching revenues through the intergovernmental transfer program. The Benzie County Medical Care Facility participates in this program to the extent of its share of Medicaid utilization in relation to the total for Class III facilities that are governmentally owned.

NOTE 12 - LEASES

Building Lease

The County entered into a 20 year lease agreement with the Department of Human Services on November 1, 1999 for the lease of office space within the County complex. The portion of the building covered by this lease has a historic cost of \$299,230 and related carrying value of \$199,699. Future minimum lease payments to be received from the Department of Human Services under the agreement are as follows:

2012	\$	105,711
2013		105,711
2014		105,711
2015		108,902
2016		108,902
2017-2019		<u>326,706</u>
Total	\$	<u>861,643</u>

NOTE 13 - NET ASSET – RESTRICTIONS:

Net asset restrictions can be described as follows:

\$ 214,638	Restricted for jail operations
\$ 1,001,564	Restricted for the revenue sharing reserve
\$ 1,209,604	Restricted for debt service
\$ 5,092	Restricted for capital projects
\$ 923,993	Restricted for fund or grant purposes
\$ 1,847,091	Restricted for roads

Required Supplementary Information

Pension:

Three year trend information as of December 31 follows:

PRIMARY GOVERNMENT

	<u>2008</u>	<u>2009</u>	<u>2010</u>
Actuarial Value of Assets	\$ 7,813,108	\$ 8,417,707	\$ 9,023,218
Actuarial Accrued Liability	10,625,475	11,337,965	12,148,043
Unfunded AAL	(2,812,367)	(2,920,258)	(3,124,825)
Funded Ratio	74%	74%	74%
Covered Payroll	3,120,238	3,451,421	3,125,738
UAAL as a Percentage of Covered Payroll	90%	85%	100%

BENZIE COUNTY ROAD COMMISSION

	<u>2008</u>	<u>2009</u>	<u>2010</u>
Actuarial Value of Assets	\$ 3,084,730	\$ 3,081,854	\$ 3,067,334
Actuarial Accrued Liability	6,540,206	6,634,473	6,640,819
Unfunded AAL	3,455,476	3,552,619	3,573,485
Funded Ratio	47%	46%	46%
Covered Payroll	1,040,580	1,074,578	983,622
UAAL as a Percentage of Covered Payroll	332%	331%	363%

BENZIE/LEELANAU DISTRICT HEALTH DEPARTMENT

	<u>2008</u>	<u>2009</u>	<u>2010</u>
Actuarial Value of Assets	\$ 409,367	\$ 457,675	\$ 510,328
Actuarial Accrued Liability	484,829	463,696	520,517
Unfunded AAL	75,462	6,021	10,189
Funded Ratio	84%	99%	98%
Covered Payroll	201,298	185,612	201,355
UAAL as a Percentage of Covered Payroll	37%	4%	5%

Pension: (Continued)

BENZIE TRANSPORTATION AUTHORITY

	<u>2008</u>	<u>2009</u>	<u>2010</u>
Actuarial Value of Assets	\$ 41,502	\$ 132,878	\$ 304,033
Actuarial Accrued Liability	54,204	181,270	224,105
Unfunded AAL	12,702	(48,392)	(79,928)
Funded Ratio	131%	136%	136%
Covered Payroll	628,956	664,232	642,044
UAAL as a Percentage of Covered Payroll	0%	0%	0%

BENZIE MCF (MAPLES)

	<u>2008</u>	<u>2009</u>	<u>2010</u>
Actuarial Value of Assets	\$ 5,446,830	\$ 5,666,492	\$ 5,948,944
Actuarial Accrued Liability	5,858,154	5,944,488	6,372,325
Unfunded AAL	(411,324)	(277,996)	(423,381)
Funded Ratio	93%	95%	93%
Covered Payroll	3,045,529	3,172,143	3,385,700
UAAL as a Percentage of Covered Payroll	14%	9%	13%

Health Benefits:

BENZIE COUNTY ROAD COMMISSION

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

**Required Supplementary Information
Budgetary Comparison Schedule
General Fund
Year Ended September 30, 2011**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 3,841,236	\$ 3,924,468	\$ 3,951,546	\$ 27,078
Licenses & Permits	29,880	32,120	29,958	(2,162)
Federal Sources	56,968	56,968	54,095	(2,873)
State Sources	477,475	520,268	494,637	(25,631)
Charges for Services	540,427	564,718	561,045	(3,673)
Refunds & Reimbursements	144,184	145,579	131,363	(14,216)
Interest & Rentals	30,000	30,000	18,448	(11,552)
Other	-	6,863	8,364	1,501
TOTAL REVENUES	5,120,170	5,280,984	5,249,456	(31,528)
EXPENDITURES:				
Legislative:				
Board of Commissioners	97,848	98,848	88,209	10,639
Judicial:				
Circuit Court	363,496	363,496	333,072	30,424
District Court	269,299	302,728	280,269	22,459
Friend of the Court	124,367	124,367	94,300	30,067
Juvenile Division	103,414	123,414	115,877	7,537
Law Library	1,500	1,500	1,500	-
Probate Court	213,352	214,421	211,052	3,369
Total Judicial	1,075,428	1,129,926	1,036,070	93,856
General Government:				
County Administrator	-	8,616	2,120	6,496
Elections	33,060	35,292	28,467	6,825
County Clerk	201,831	203,831	185,749	18,082
Equalization	111,935	111,935	103,684	8,251
Prosecuting Attorney	195,699	195,699	186,869	8,830
Register of Deeds	129,522	131,022	125,193	5,829
Treasurer	145,466	144,466	134,263	10,203
Cooperative Extension	35,240	35,240	27,668	7,572
Legal & Contracted Services	103,000	147,353	145,750	1,603
Central Services	63,000	63,000	51,644	11,356
Buildings & Grounds	223,469	226,802	210,681	16,121
Drain Commission	10,000	12,500	10,696	1,804
Technology Support	43,254	43,254	38,900	4,354
Plat Board	250	250	-	250
Surveyor	1,371	1,371	1,254	117
Total General Government	1,297,097	1,360,631	1,252,938	107,693

**Required Supplementary Information
Budgetary Comparison Schedule
General Fund
Year Ended September 30, 2011**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Public Safety:				
Sheriff	678,422	700,832	687,801	13,031
Sheriff Secondary Road Patrol	75,317	75,520	69,137	6,383
Zero Tolerance	43,775	43,775	43,073	702
Planning Department	4,600	4,600	237	4,363
Civil Preparedness	30,745	36,739	32,217	4,522
Total Public Safety	<u>832,859</u>	<u>861,466</u>	<u>832,465</u>	<u>29,001</u>
Health & Welfare:				
Health Department	197,105	197,105	194,594	2,511
Medical Examiner	19,400	22,074	21,232	842
Mental Health Board	138,321	138,321	138,321	-
Department of Human Services	8,000	8,000	8,000	-
Total Health & Welfare	<u>362,826</u>	<u>365,500</u>	<u>362,147</u>	<u>3,353</u>
Recreation and Culture				
Parks & Recreation	6,900	11,263	9,597	1,666
Total Recreation and Culture	<u>6,900</u>	<u>11,263</u>	<u>9,597</u>	<u>1,666</u>
Other Expenditures:				
Medical Insurance	528,273	617,137	532,589	84,548
Unemployment Insurance	30,000	10,403	10,403	-
Worker's Comp Insurance	22,452	20,121	20,121	-
Insurance & Bonds	150,439	152,840	151,969	871
Social Security	122,363	125,421	123,548	1,873
Retirement Benefits	238,837	247,475	247,475	-
Economic Development	58,370	63,416	63,417	(1)
Other Miscellaneous	2,500	9,962	17,160	(7,198)
Total Other Expenditures	<u>1,153,234</u>	<u>1,246,775</u>	<u>1,166,682</u>	<u>80,093</u>
TOTAL EXPENDITURES	<u>4,826,192</u>	<u>5,074,409</u>	<u>4,748,108</u>	<u>326,301</u>
EXCESS OF REVENUES OVER EXPENDITURES	293,978	206,575	501,348	294,773
OTHER FINANCING SOURCES (USES):				
Operating Transfers In	319,059	319,059	317,809	(1,250)
Operating Transfers Out	(613,037)	(639,484)	(608,665)	30,819
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	<u>\$ -</u>	<u>\$ (113,850)</u>	210,492	<u>\$ 324,342</u>
FUND BALANCE, OCTOBER 1			<u>1,018,971</u>	
FUND BALANCE, SEPTEMBER 30			<u>\$ 1,229,463</u>	

**Required Supplementary Information
Budgetary Comparison Schedule
Jail Operations Fund
Year Ended September 30, 2011**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 982,822	\$ 987,292	\$ 982,277	\$ (5,015)
Charges for Services	198,475	198,475	196,178	(2,297)
Refunds & Reimbursements	8,000	10,085	6,375	(3,710)
TOTAL REVENUES	<u>1,189,297</u>	<u>1,195,852</u>	<u>1,184,830</u>	<u>(11,022)</u>
EXPENDITURES:				
Public Safety	<u>1,585,308</u>	<u>1,631,715</u>	<u>1,572,398</u>	<u>59,317</u>
TOTAL EXPENDITURES	<u>1,585,308</u>	<u>1,631,715</u>	<u>1,572,398</u>	<u>59,317</u>
EXCESS OF REVENUES (EXPENDITURES)	(396,011)	(435,863)	(387,568)	48,295
OTHER FINANCING SOURCES (USES):				
Operating Transfers In	408,037	408,037	408,037	-
Operating Transfers Out	<u>(12,026)</u>	<u>(2,174)</u>	<u>-</u>	<u>2,174</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	<u>\$ -</u>	<u>\$ (30,000)</u>	20,469	<u>\$ 50,469</u>
FUND BALANCE, OCTOBER 1			<u>212,214</u>	
FUND BALANCE, SEPTEMBER 30			<u>\$ 232,683</u>	

**Required Supplementary Information
Budgetary Comparison Schedule
Revenue Sharing Reserve Fund
Year Ended September 30, 2011**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Interest & Rentals	\$ 5,000	\$ 5,000	\$ 4,020	\$ (980)
TOTAL REVENUES	<u>5,000</u>	<u>5,000</u>	<u>4,020</u>	<u>(980)</u>
EXPENDITURES:				
Other Expenditures	-	-	-	-
TOTAL EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS OF REVENUES OVER EXPENDITURES	5,000	5,000	4,020	(980)
OTHER FINANCING SOURCES (USES):				
Operating Transfers Out	<u>(319,059)</u>	<u>(319,059)</u>	<u>(317,809)</u>	<u>1,250</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	<u>\$ (314,059)</u>	<u>\$ (314,059)</u>	(313,789)	<u>\$ 270</u>
FUND BALANCE, OCTOBER 1			<u>1,315,353</u>	
FUND BALANCE, SEPTEMBER 30			<u>\$ 1,001,564</u>	

Other Supplementary Information

Special Revenue Funds

	Sheriff's K-9	Benzie Co. Sheriff Reserve's	Benzie Co. Dive Team	Benzie Co. DARE	Benzie Co. Kids	Friend of the Court	Seasonal Road Patrol	Marine Patrol
ASSETS:								
Cash & Equivalents - Unrestricted	\$ 1,861	\$ 1,541	\$ 1,108	\$ 2,306	\$ 7,985	\$ 43,036	\$ 60,650	\$ 38,032
Receivables:								
Accounts	-	-	-	-	-	-	-	-
Prepaid Expenses	-	-	-	-	-	-	-	-
Due from Governmental Units	-	-	-	-	-	-	8,700	9,926
TOTAL ASSETS	<u>\$ 1,861</u>	<u>\$ 1,541</u>	<u>\$ 1,108</u>	<u>\$ 2,306</u>	<u>\$ 7,985</u>	<u>\$ 43,036</u>	<u>\$ 69,350</u>	<u>\$ 47,958</u>
LIABILITIES:								
Due to Other Funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 45,000
Accounts Payable	30	-	199	-	40	-	-	215
Accrued Liabilities	-	-	-	-	-	-	-	142
TOTAL LIABILITIES	<u>30</u>	<u>-</u>	<u>199</u>	<u>-</u>	<u>40</u>	<u>-</u>	<u>-</u>	<u>45,357</u>
FUND BALANCES:								
Nonspendable	-	-	-	-	-	-	-	-
Restricted	-	-	-	2,306	-	43,036	69,350	2,601
Committed	1,831	1,541	909	-	7,945	-	-	-
Unassigned	-	-	-	-	-	-	-	-
TOTAL FUND BALANCES	<u>1,831</u>	<u>1,541</u>	<u>909</u>	<u>2,306</u>	<u>7,945</u>	<u>43,036</u>	<u>69,350</u>	<u>2,601</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,861</u>	<u>\$ 1,541</u>	<u>\$ 1,108</u>	<u>\$ 2,306</u>	<u>\$ 7,985</u>	<u>\$ 43,036</u>	<u>\$ 69,350</u>	<u>\$ 47,958</u>

Special Revenue Funds

	Solid Waste/ Recycling	Betsie Valley Training Management	Soil Erosion	Land Reutilization Fund	Remonument- ation Survey Grant	Animal Control	Building Department	Register of Deeds Automation
ASSETS:								
Cash & Equivalents - Unrestricted	\$ 69,494	\$ 87	\$ 9,902	\$ 50,278	\$ 30,300	\$ 90,657	\$ 46,877	\$ 137,919
Receivables:	-	-	-	-	-	-	-	-
Accounts	-	10,000	-	-	-	-	-	-
Prepaid Expenses	702	-	-	-	-	1,001	2,486	-
Due from Governmental Units	-	-	-	-	-	-	-	-
TOTAL ASSETS	<u>\$ 70,196</u>	<u>\$ 10,087</u>	<u>\$ 9,902</u>	<u>\$ 50,278</u>	<u>\$ 30,300</u>	<u>\$ 91,658</u>	<u>\$ 49,363</u>	<u>\$ 137,919</u>
LIABILITIES:								
Due to Other Funds	\$ -	\$ 8,700	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts Payable	105	765	334	-	-	567	3,914	-
Accrued Liabilities	1,639	-	-	-	-	2,842	4,942	-
TOTAL LIABILITIES	<u>1,744</u>	<u>9,465</u>	<u>334</u>	<u>-</u>	<u>-</u>	<u>3,409</u>	<u>8,856</u>	<u>-</u>
FUND BALANCES:								
Nonspendable	702	-	-	-	-	1,001	2,486	-
Restricted	-	622	-	-	30,300	87,248	38,021	-
Committed	67,750	-	9,568	50,278	-	-	-	137,919
Unassigned	-	-	-	-	-	-	-	-
TOTAL FUND BALANCES	<u>68,452</u>	<u>622</u>	<u>9,568</u>	<u>50,278</u>	<u>30,300</u>	<u>88,249</u>	<u>40,507</u>	<u>137,919</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 70,196</u>	<u>\$ 10,087</u>	<u>\$ 9,902</u>	<u>\$ 50,278</u>	<u>\$ 30,300</u>	<u>\$ 91,658</u>	<u>\$ 49,363</u>	<u>\$ 137,919</u>

	Special Revenue Funds							
	Homeland Security Grant	911 Emergency Service	Dispatcher Training Grant	Local Corrections Officer Training	Sheriff Forfeiture	Benzie Criminal Justice Training	Law Library	Commission on Aging
ASSETS:								
Cash & Equivalents - Unrestricted	\$ 2,115	\$ 75,901	\$ 5,226	\$ 25,697	\$ 14,196	\$ 6,053	\$ 6,577	\$ 249,308
Receivables:								
Accounts	-	-	-	-	-	-	-	-
Prepaid Expenses	-	7,859	-	-	-	-	-	-
Due from Governmental Units	-	173,870	-	491	-	1,136	-	-
TOTAL ASSETS	<u>\$ 2,115</u>	<u>\$ 257,630</u>	<u>\$ 5,226</u>	<u>\$ 26,188</u>	<u>\$ 14,196</u>	<u>\$ 7,189</u>	<u>\$ 6,577</u>	<u>\$ 249,308</u>
LIABILITIES:								
Due to Other Funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts Payable	-	4,900	1,589	-	-	-	-	-
Accrued Liabilities	-	17,860	-	-	-	-	-	-
TOTAL LIABILITIES	<u>-</u>	<u>22,760</u>	<u>1,589</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES:								
Nonspendable	-	7,859	-	-	-	-	-	-
Restricted	2,115	227,011	3,637	26,188	-	7,189	-	249,308
Committed	-	-	-	-	14,196	-	6,577	-
Unassigned	-	-	-	-	-	-	-	-
TOTAL FUND BALANCES	<u>2,115</u>	<u>234,870</u>	<u>3,637</u>	<u>26,188</u>	<u>14,196</u>	<u>7,189</u>	<u>6,577</u>	<u>249,308</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 2,115</u>	<u>\$ 257,630</u>	<u>\$ 5,226</u>	<u>\$ 26,188</u>	<u>\$ 14,196</u>	<u>\$ 7,189</u>	<u>\$ 6,577</u>	<u>\$ 249,308</u>

County of Benzie, Michigan

Combining Balance Sheet Nonmajor Governmental Funds September 30, 2011

	Special Revenue Funds					Debt Service Funds		
	Child Care	Soldier's Relief	Veteran's Trust	CDBG Housing Grant	Light House	Government Center Addition	Maples Debt Millage	Jail Bond Payments
ASSETS:								
Cash & Equivalents - Unrestricted	\$ 60,213	\$ 23,632	\$ 564	\$ 40,270	\$ 11,859	\$ 32,600	\$ 688,441	\$ 448,713
Receivables:								
Accounts	-	-	-	-	-	-	-	40,000
Prepaid Expenses	-	-	-	-	-	-	-	-
Due from Governmental Units	22,646	-	-	-	30,650	-	-	-
TOTAL ASSETS	\$ 82,859	\$ 23,632	\$ 564	\$ 40,270	\$ 42,509	\$ 32,600	\$ 688,441	\$ 488,713
LIABILITIES:								
Due to Other Funds	\$ -	\$ -	\$ -	\$ -	\$ 35,000	\$ -	\$ -	\$ -
Accounts Payable	12,264	-	-	-	7,385	150	-	-
Accrued Liabilities	-	-	-	-	-	-	-	-
TOTAL LIABILITIES	12,264	-	-	-	42,385	150	-	-
FUND BALANCES:								
Nonspendable	-	-	-	-	-	-	-	-
Restricted	70,595	23,632	564	40,270	-	32,450	688,441	488,713
Committed	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	124	-	-	-
TOTAL FUND BALANCES	70,595	23,632	564	40,270	124	32,450	688,441	488,713
TOTAL LIABILITIES AND FUND BALANCES	\$ 82,859	\$ 23,632	\$ 564	\$ 40,270	\$ 42,509	\$ 32,600	\$ 688,441	\$ 488,713

	Capital Projects Funds				
	Capital Improvements	Railroad Point	Equipment Replacement	Building Authority	Totals
ASSETS:					
Cash & Equivalents - Unrestricted	\$ 22,840	\$ 1,225	\$ 170,532	\$ 3,867	\$ 2,481,862
Receivables:					
Accounts	-	-	15,048	-	65,048
Prepaid Expenses	-	-	-	-	12,048
Due from Governmental Units	-	-	-	-	247,419
TOTAL ASSETS	\$ 22,840	\$ 1,225	\$ 185,580	\$ 3,867	\$ 2,806,377
LIABILITIES:					
Due to Other Funds	\$ -	\$ -	\$ -	\$ -	\$ 88,700
Accounts Payable	-	-	1,051	-	33,508
Accrued Liabilities	-	-	-	-	27,425
TOTAL LIABILITIES	-	-	1,051	-	149,633
FUND BALANCES:					
Nonspendable	-	-	-	-	12,048
Restricted	-	1,225	-	3,867	2,138,689
Committed	22,840	-	184,529	-	505,883
Unassigned	-	-	-	-	124
TOTAL FUND BALANCES	22,840	1,225	184,529	3,867	2,656,744
TOTAL LIABILITIES AND FUND BALANCES	\$ 22,840	\$ 1,225	\$ 185,580	\$ 3,867	\$ 2,806,377

**Combining Statement of Revenues, Expenditures,
and Changes in Fund Balance
Nonmajor Governmental Funds
Year Ended September 30, 2011**

	Special Revenue Funds							
	Sheriff's K-9	Benzie Co. Sheriff Reserve's	Benzie Co. Dive Team	Benzie Co. DARE	Benzie Co. Kids	Friend of the Court	Seasonal Road Patrol	Marine Patrol
REVENUES:								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Federal Sources	-	-	-	-	-	-	-	9,926
State Sources	-	-	-	-	-	-	-	8,621
Local Sources	-	-	-	-	-	-	14,193	2,000
Charges for Services	-	-	-	-	-	3,890	-	1,144
Refunds & Reimbursements	-	-	-	-	-	-	-	200
Interest & Rentals	-	-	-	-	-	78	-	-
Contributions	-	-	-	-	-	-	-	-
Other Revenue	125	-	-	-	-	-	-	5,353
TOTAL REVENUES	125	-	-	-	-	3,968	14,193	27,244
EXPENDITURES:								
Judicial	-	-	-	-	-	-	-	-
General Government	-	-	-	-	-	-	-	-
Public Safety	1,528	105	199	-	3,507	-	11,831	24,651
Public Works	-	-	-	-	-	-	-	-
Health & Welfare	-	-	-	-	-	-	-	-
Recreation & Cultural	-	-	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-	-	-
Debt Service	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	1,528	105	199	-	3,507	-	11,831	24,651
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,403)	(105)	(199)	-	(3,507)	3,968	2,362	2,593
OTHER FINANCING SOURCES (USES):								
Installment Proceeds	-	-	-	-	-	-	-	-
Operating Transfers In	-	-	-	-	-	-	-	-
Operating Transfers Out	-	-	-	-	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	(1,403)	(105)	(199)	-	(3,507)	3,968	2,362	2,593
FUND BALANCES, OCTOBER 1	3,234	1,646	1,108	2,306	11,452	39,068	66,988	8
FUND BALANCES, SEPTEMBER 30	\$ 1,831	\$ 1,541	\$ 909	\$ 2,306	\$ 7,945	\$ 43,036	\$ 69,350	\$ 2,601

**Combining Statement of Revenues, Expenditures,
and Changes in Fund Balance
Nonmajor Governmental Funds
Year Ended September 30, 2011**

	Special Revenue Funds							
	Solid Waste/ Recycling	Betsie Valley Training Management	Soil Erosion	Land Reutilization Fund	Remonument- ation Survey Grant	Animal Control	Building Department	Register of Deeds Automation
REVENUES:								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 106,867	\$ -	\$ -
Federal Sources	-	10,000	-	-	-	-	-	-
State Sources	-	-	-	-	30,715	-	-	-
Local Sources	3,750	-	-	-	-	-	-	-
Charges for Services	227,717	-	22,465	-	-	16,331	293,473	28,115
Refunds & Reimbursements	653	-	-	-	-	348	1,935	-
Interest & Rentals	-	-	-	-	-	-	-	430
Contributions	810	341	-	-	-	-	-	-
Other Revenue	-	-	-	-	-	-	-	-
TOTAL REVENUES	232,930	10,341	22,465	-	30,715	123,546	295,408	28,545
EXPENDITURES:								
Judicial	-	-	-	-	-	-	-	-
General Government	-	-	-	-	32,789	-	-	10,587
Public Safety	-	-	-	-	-	114,208	288,813	-
Public Works	225,295	-	14,897	-	-	-	-	-
Health & Welfare	-	-	-	-	-	-	-	-
Recreation & Cultural	-	10,000	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-	-	-
Debt Service	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	225,295	10,000	14,897	-	32,789	114,208	288,813	10,587
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	7,635	341	7,568	-	(2,074)	9,338	6,595	17,958
OTHER FINANCING SOURCES (USES):								
Installment Proceeds	-	-	-	-	-	-	-	-
Operating Transfers In	-	-	2,000	-	7,500	20,000	-	-
Operating Transfers Out	-	-	-	-	-	(8,000)	-	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	7,635	341	9,568	-	5,426	21,338	6,595	17,958
FUND BALANCES, OCTOBER 1	60,817	281	-	50,278	24,874	66,911	33,912	119,961
FUND BALANCES, SEPTEMBER 30	\$ 68,452	\$ 622	\$ 9,568	\$ 50,278	\$ 30,300	\$ 88,249	\$ 40,507	\$ 137,919

**Combining Statement of Revenues, Expenditures,
and Changes in Fund Balance
Nonmajor Governmental Funds
Year Ended September 30, 2011**

	Special Revenue Funds							
	Homeland Security Grant	911 Emergency Service	Dispatcher Training Grant	Local Corrections Officer Training	Sheriff Forfeiture	Benzie Criminal Justice Training	Law Library	Commission on Aging
REVENUES:								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 711,778
Federal Sources	79,400	-	-	-	-	-	-	-
State Sources	-	-	8,429	-	-	3,565	-	-
Local Sources	-	-	-	-	-	-	-	-
Charges for Services	-	612,991	-	4,996	1,921	-	5,000	-
Refunds & Reimbursements	-	560	-	-	-	-	8	-
Interest & Rentals	-	-	-	-	-	-	-	-
Contributions	-	-	-	-	-	-	-	-
Other Revenue	-	-	-	-	-	-	-	237,992
TOTAL REVENUES	79,400	613,551	8,429	4,996	1,921	3,565	5,008	949,770
EXPENDITURES:								
Judicial	-	-	-	-	-	-	19,656	-
General Government	-	-	-	-	-	-	-	-
Public Safety	-	578,287	7,506	-	-	1,361	-	-
Public Works	-	-	-	-	-	-	-	-
Health & Welfare	-	-	-	-	-	-	-	710,352
Recreation & Cultural	-	-	-	-	-	-	-	-
Capital Outlay	79,400	-	-	-	-	-	-	-
Debt Service	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	79,400	578,287	7,506	-	-	1,361	19,656	710,352
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	35,264	923	4,996	1,921	2,204	(14,648)	239,418
OTHER FINANCING SOURCES (USES):								
Installment Proceeds	-	-	-	-	-	-	-	-
Operating Transfers In	-	-	-	-	-	-	15,000	-
Operating Transfers Out	-	-	-	-	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	-	35,264	923	4,996	1,921	2,204	352	239,418
FUND BALANCES, OCTOBER 1	2,115	199,606	2,714	21,192	12,275	4,985	6,225	9,890
FUND BALANCES, SEPTEMBER 30	\$ 2,115	\$ 234,870	\$ 3,637	\$ 26,188	\$ 14,196	\$ 7,189	\$ 6,577	\$ 249,308

**Combining Statement of Revenues, Expenditures,
and Changes in Fund Balance
Nonmajor Governmental Funds
Year Ended September 30, 2011**

	Special Revenue Funds					Debt Service Funds		
	Child Care	Soldier's Relief	Veteran's Trust	CDBG Housing Grant	Light House	Government Center Addition	Maples Debt Millage	Jail Bond Payments
REVENUES:								
Taxes	\$ -	\$ 27,157	\$ -	\$ -	\$ -	\$ -	\$ 688,441	\$ -
Federal Sources	-	-	-	106,130	44,399	-	-	-
State Sources	94,439	-	1,398	-	-	-	-	-
Local Sources	-	-	-	-	44,397	-	-	-
Charges for Services	-	-	-	40,157	-	-	-	-
Refunds & Reimbursements	12,456	-	-	-	4,405	-	-	40,000
Interest & Rentals	-	-	-	29	-	105,711	-	1,475
Contributions	-	-	-	-	-	-	-	-
Other Revenue	-	-	-	-	-	-	-	-
TOTAL REVENUES	106,895	27,157	1,398	146,316	93,201	105,711	688,441	41,475
EXPENDITURES:								
Judicial	-	-	-	-	-	-	-	-
General Government	-	-	-	-	-	-	-	-
Public Safety	-	-	-	-	-	-	-	-
Public Works	-	-	-	-	-	-	-	-
Health & Welfare	228,597	48,488	1,500	106,130	-	-	-	-
Recreation & Cultural	-	-	-	-	93,078	-	-	-
Capital Outlay	-	-	-	-	-	-	-	81,377
Debt Service	-	-	-	-	-	104,767	-	-
TOTAL EXPENDITURES	228,597	48,488	1,500	106,130	93,078	104,767	-	81,377
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(121,702)	(21,331)	(102)	40,186	123	944	688,441	(39,902)
OTHER FINANCING SOURCES (USES):								
Installment Proceeds	-	-	-	-	-	-	-	-
Operating Transfers In	150,000	-	-	-	3,628	-	-	-
Operating Transfers Out	-	-	-	-	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	28,298	(21,331)	(102)	40,186	3,751	944	688,441	(39,902)
FUND BALANCES, OCTOBER 1	42,297	44,963	666	84	(3,627)	31,506	-	528,615
FUND BALANCES, SEPTEMBER 30	\$ 70,595	\$ 23,632	\$ 564	\$ 40,270	\$ 124	\$ 32,450	\$ 688,441	\$ 488,713

**Combining Statement of Revenues, Expenditures,
and Changes in Fund Balance
Nonmajor Governmental Funds
Year Ended September 30, 2011**

Capital Project Funds

	Capital Improvements	Railroad Point	Equipment Replacement	Building Authority	Totals
REVENUES:					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 1,534,243
Federal Sources	-	-	74,459	-	324,314
State Sources	-	-	-	-	147,167
Local Sources	-	-	33,599	-	97,939
Charges for Services	-	-	10,019	-	1,268,219
Refunds & Reimbursements	9,528	-	1,598	-	71,691
Interest & Rentals	-	-	-	-	107,723
Contributions	-	-	13,546	-	14,697
Other Revenue	-	-	-	-	243,470
TOTAL REVENUES	9,528	-	133,221	-	3,809,463
EXPENDITURES:					
Judicial	-	-	-	-	19,656
General Government	-	-	-	-	43,376
Public Safety	-	-	-	-	1,031,996
Public Works	-	-	-	-	240,192
Health & Welfare	-	-	-	-	1,095,067
Recreation & Cultural	-	-	-	-	103,078
Capital Outlay	11,827	-	148,639	117,399	438,642
Debt Service	-	-	-	-	104,767
TOTAL EXPENDITURES	11,827	-	148,639	117,399	3,076,774
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(2,299)	-	(15,418)	(117,399)	732,689
OTHER FINANCING SOURCES (USES):					
Installment Proceeds	-	-	13,700	-	13,700
Operating Transfers In	2,176	-	58,000	2,500	260,804
Operating Transfers Out	-	-	-	(2,176)	(10,176)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	(123)	-	56,282	(117,075)	997,017
FUND BALANCES, OCTOBER 1	22,963	1,225	128,247	120,942	1,659,727
FUND BALANCES, SEPTEMBER 30	\$ 22,840	\$ 1,225	\$ 184,529	\$ 3,867	\$ 2,656,744

**Combining Statement of Net Assets
Nonmajor Enterprise Funds
September 30, 2011**

	<u>Tax Admin.</u>	<u>Tax Foreclosure</u>	<u>Sheriff Commissary</u>	<u>Totals</u>
ASSETS:				
Cash & Equivalents -Unrestricted	<u>\$ 70,314</u>	<u>\$ 369,591</u>	<u>\$ 3,147</u>	<u>\$ 443,052</u>
TOTAL ASSETS	<u><u>\$ 70,314</u></u>	<u><u>\$ 369,591</u></u>	<u><u>\$ 3,147</u></u>	<u><u>\$ 443,052</u></u>
NET ASSETS:				
Unrestricted	<u>\$ 70,314</u>	<u>\$ 369,591</u>	<u>\$ 3,147</u>	<u>\$ 443,052</u>
TOTAL NET ASSETS	<u><u>\$ 70,314</u></u>	<u><u>\$ 369,591</u></u>	<u><u>\$ 3,147</u></u>	<u><u>\$ 443,052</u></u>

County of Benzie, Michigan

Combining Statement of Revenues, Expenses, and Changes in Net Assets - Nonmajor Enterprise Funds Year Ended September 30, 2011

	Tax Admin.	Tax Foreclosure	Sheriff Commissary	Totals
OPERATING REVENUES:				
Charges for Services	\$ -	\$ 105,940	\$ 6,265	\$ 112,205
TOTAL OPERATING REVENUES	<u>-</u>	<u>105,940</u>	<u>6,265</u>	<u>112,205</u>
OPERATING EXPENSES:				
Other Supplies and Expenses	2,424	55,008	9,038	66,470
Total Operating Expenses	<u>2,424</u>	<u>55,008</u>	<u>9,038</u>	<u>66,470</u>
OPERATING INCOME (LOSS)	(2,424)	50,932	(2,773)	45,735
Non operating Revenues (Expenses)				
Interest on Deposits	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
OPERATING INCOME (LOSS) BEFORE TRANSFERS	<u>(2,424)</u>	<u>50,932</u>	<u>(2,773)</u>	<u>45,735</u>
Operating Transfers In	<u>14,469</u>	<u>-</u>	<u>-</u>	<u>14,469</u>
CHANGES IN NET ASSETS	12,045	50,932	(2,773)	60,204
NET ASSETS, OCTOBER 1	<u>58,269</u>	<u>318,659</u>	<u>5,920</u>	<u>382,848</u>
NET ASSETS, SEPTEMBER 30	<u>\$ 70,314</u>	<u>\$ 369,591</u>	<u>\$ 3,147</u>	<u>\$ 443,052</u>

Combining Statement of Cash Flows
Nonmajor Enterprise Funds
Year Ended September 30, 2011

	Tax Admin	Tax Foreclosure	Sheriff Commissary	Totals
Cash Flows From Operating Activities:				
Cash Received From Customers or Users	\$ -	\$ 105,940	\$ 6,265	\$ 112,205
Cash Payments to Suppliers	(2,424)	(55,008)	(9,038)	(66,470)
Net Cash Provided (Used) by Operating Activities	(2,424)	50,932	(2,773)	45,735
Cash Flows From Noncapital and Related Financing Activities:				
Operating Transfers In	14,469	-	-	14,469
Cash Flows Provided (Used) by Noncapital and Related Financing Activities	14,469	-	-	14,469
Net Increase (Decrease) in Cash	12,045	50,932	(2,773)	60,204
Cash and Cash Equivalents at Beginning of Year	58,269	318,659	5,920	382,848
Cash and Cash Equivalents at End of Year	\$ 70,314	\$ 369,591	\$ 3,147	\$ 443,052
 RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
Operating Income (Loss)	\$ (2,424)	\$ 50,932	\$ (2,773)	\$ 45,735
Net Cash Provided (Used) by Operating Activities	\$ (2,424)	\$ 50,932	\$ (2,773)	\$ 45,735

Reports on Compliance



ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

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OFFICES IN
MICHIGAN & WISCONSIN

**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**

Honorable Chairman and Members of
The Board of Commissioners
County of Benzie, Michigan
P.O. Box 377
Beulah, Michigan 49617

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Benzie, Michigan, as of and for the year ended September 30, 2011, which collectively comprise the County of Benzie, Michigan's basic financial statements and have issued our report thereon, dated February 27, 2012. Our report includes a reference to 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. Other auditors audited the financial statements of the Benzie Transportation Authority, a discretely presented component unit, and the Medical Care Facility, a business-type activity, as described in our report on the County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the Medical Care Facility were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County of Benzie, Michigan'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.

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings and responses that we consider to be a significant deficiency in internal control over financial reporting as finding 11-1. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.


Compliance and Other Matters

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

We noted certain matters that we reported to management of the County of Benzie, Michigan in a separate letter dated February 27, 2012.

The County's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the County's response and, accordingly, we express no opinion on it.

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


Anderson, Tackman & Company, PLC
Certified Public Accountants

February 27, 2012

SIGNIFICANT DEFICIENCIES

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

Finding 11-1

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

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

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

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

Cause: Unknown.

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

Planned Corrective Action: As a result of the limited funding, the County does not have resources to fund this process. We intend to re-evaluate once funding becomes available for the additional reporting and monitoring.

- Contact Person(s) Responsible for Correction:
Linda Wilson, Treasurer

Additional Information

COUNTY OF BENZIE, MICHIGAN

ADDITIONAL INFORMATION

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INDEPENDENT AUDITOR'S REPORT ON ADDITIONAL INFORMATION

Honorable Chairman & Members
of the Board of Commissioners
County of Benzie, Michigan
P.O. Box 377
Beulah, MI 49617

Our report on our audit of the basic financial statements of the County of Benzie, Michigan, as of and for the year ended September 30, 2011, appears on page 1. That audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The additional information listed on the following pages regarding the Municipal securities disclosure requirements of the Securities Exchange Commission (SEC) Rule 15c2-12 is presented for purposes of additional analysis and is not a required part of the basic financial statements, and accordingly, we express no opinion on it.

Anderson, Tackman & Company, PLC
Certified Public Accountants

February 27, 2012

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

Debt issues of \$1,000,000 or more sold on or after July 3, 1995 are applicable to SEC rule 15c2-12 disclosure requirements. As of September 30, 2011, the County has the following debt issues which apply to SEC Rule 15c2-12:

- 1. \$1,265,000 1998 Building Authority Bonds, Series 1998.

NOTE 2 - TABLES:

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

A. State Equalized Valuation:

	50% of True Value	
2011	\$	1,488,154,893
2010		1,570,440,129
2009		1,771,098,199
2008		1,761,437,891
2007		1,731,154,154
2006		1,630,247,547
2005		1,487,297,079
2004		1,301,441,654
2003		1,204,165,487
2002		1,113,871,689

Source: Benzie County

B. Taxable Valuation:

2011	\$	1,088,756,179
2010		1,097,564,619
2009		1,066,749,869
2008		1,063,669,558
2007		1,009,191,871
2006		943,504,468
2005		871,219,780
2004		805,938,284
2003		743,112,961
2002		691,905,133

Source: Benzie County

NOTE 2 - TABLES: (Continued)

<u>2011 Breakdown by Use</u>	
Residential	88.97%
Commercial	6.05%
Industrial	.35%
Personal Property	2.78%
Agricultural	1.77%
Timber-Cutover	<u>.08%</u>
 TOTAL	 100.00%
<u>2011 Breakdown by Class</u>	
Real	97.00%
Personal	<u>3.00%</u>
 TOTAL	 100.00%

Source: Benzie County

C. County Tax Rates & Levies:

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
County Operating	3.5144	3.5144	3.5144	3.5144	3.5485
County Operating*	2.4617	2.9379	2.7472	2.8630	2.8685
Voted County (Jail)	<u>0.9000</u>	<u>0.9000</u>	<u>0.8535</u>	<u>1.2430</u>	<u>1.2551</u>
TOTAL COUNTY	6.8761	7.3523	7.1151	7.6204	7.6721
Traverse Bay Area I/S/D	<u>2.9312</u>	<u>2.9312</u>	<u>2.9312</u>	<u>2.9312</u>	<u>2.9334</u>
TOTAL ALL JURISDICTIONS	9.8073	10.2835	10.0463	10.5516	10.6055

*Extra Voted.

The County's authorized operating tax rate is 5.29 mills.

Source: Benzie County

NOTE 2 - TABLES: (Continued)

D. Tax Collection Record:

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

<u>Year</u>	<u>Tax Levy</u>	<u>Amount*</u>	<u>%</u>	<u>%</u>
2011	\$ 34,539,806	\$ -*	-%*	-%
2010	33,628,263	31,209,130	92.80	100
2009	33,698,452	31,360,953	93.10	100
2008	33,743,134	31,405,879	93.10	100
2007	32,640,547	30,340,896	93.00	100
2006	30,499,318	28,265,988	92.68	100
2005	27,799,725	26,107,645	93.91	100
2004	25,534,307	23,596,461	92.41	100
2003	22,530,566	20,849,584	92.54	100
2002	21,210,530	19,290,703	90.95	100

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

*Not available until after settlement on March 1st.

Source: Benzie County

E. General Fund Revenues and Expenditures:

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Revenues & Transfers In	\$ 5,567,265	\$ 5,673,729	\$ 5,791,566	\$ 5,659,574
Expenditures & Transfers Out	<u>5,356,773</u>	<u>5,652,566</u>	<u>5,991,843</u>	<u>5,576,777</u>
Revenues over(under) expenditures	210,492	21,163	(200,277)	82,797
Beginning Fund Balance	<u>1,018,971</u>	<u>997,808</u>	<u>1,198,085</u>	<u>1,115,288</u>
ENDING FUND BALANCE	<u><u>\$ 1,229,463</u></u>	<u><u>\$ 1,018,971</u></u>	<u><u>\$ 997,808</u></u>	<u><u>\$ 1,198,085</u></u>

Source: Benzie County

NOTE 2 - TABLES: (Continued)

F. Debt Statement:

	<u>Gross</u>	<u>Net</u>
Direct Debt of County:		
Building Authority	\$ <u>540,000</u>	\$ <u>540,000</u>

In addition to the above, the County issues self-supporting Limited Tax Delinquent Fund Tax Notes each year which mature in 1 to 3 years.

Per Capita County Net Direct Debt	\$ 30.81
Percent County Net Direct Debt to 2011 TV	0.05%

OVERLAPPING DEBT OF COUNTY:

School Districts	\$ 13,982,049
Cities	1,195,000
Townships	-
Villages	981,000
Intermediate School Districts	<u>-</u>
 Net Overlapping Debt	 \$ <u>16,158,049</u>
 Net County and Overlapping Debt	 \$ <u>16,698,049</u>
 Per Capita County Net Direct and Overlapping Debt	 \$ 952.81
Percent Net Direct and Overlapping Debt to 2011 TV	1.53%

Source: County of Benzie and Municipal Advisory Council of Michigan

Note: Estimated population for 2011 is 17,525

Source: U.S. Census Bureau



ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

KINROSS OFFICE

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MEMBER AICPA
DIVISION FOR CPA FIRMS

MEMBER MACPA

OFFICES IN
MICHIGAN & WISCONSIN

COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

Honorable Chairman and Members
of the Board of Commissioners
County of Benzie, Michigan
P.O. Box 398
Beulah, MI 49617

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Benzie, Michigan for the year ended September 30, 2011, and have issued our report thereon dated February 27, 2012. Professional standards require that we provide you with the following information related to our audit.

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

As stated in our engagement letter dated October 10, 2011, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

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

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

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our correspondence about planning matters dated October 10, 2011.

Significant Accounting Policies

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the County of Benzie, Michigan are described in Note 1 to the financial statements. 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 depreciation expense is based on estimated lives. We evaluated the key factors and assumptions used to develop the estimate in determining that it is reasonable in relation to the financial statements taken as a whole.
- Management's estimate of the accrued compensated absences is based on current hourly rates and policies regarding payment of sick and vacation banks.
- Management's estimate of the allowance for uncollectible accounts receivable is based on past experience and future expectations for collection of various account balances and has been determined to be \$11,471.

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, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreement with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated February 27, 2012.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Comments and Recommendations

Journal Entries

It was noted during the tests of controls over journal entries that one entry was not posted to the general ledger. We recommend that each approved entry be posted to the general ledger to ensure completeness of financial records.

Lease Agreements

It was noted during the testing of debt that there was a vehicle for which the county had no lease agreement on file. We recommend that the county keep detailed records including any agreements with third parties concerning leases or loans.

Credit Card Testing

During the testing of the Credit Card Disbursements System, it was noted that one Check Voucher was not authorized by signature of the Finance Committee and one Check Voucher did not have the receipts attached as support for the purchases on the card. It is recommended that all Vouchers be reviewed and authorized by the Finance Committee prior to payment and proper support be retained and reviewed before approval of payment.

Medical Care Facility

The County is in the process of taking out bonds to construct an addition to its Medical Care Facility. There appears to be a difference of opinion as to where the new asset, when completed, should be recorded, with the general governmental capital assets or the Medical Care Facility fund. The County Board and Medical Care Facility Board and their advisors need to discuss this matter and come to a consensus.

Conclusion

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

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



Anderson, Tackman & Company, PLC
Certified Public Accountants

February 27, 2012