

**County of Benzie, Michigan**

**BASIC FINANCIAL STATEMENTS**

**September 30, 2012**

**BENZIE COUNTY, MICHIGAN**

ORGANIZATION

**MEMBERS OF THE COUNTY COMMISSION**

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COUNTY ADMINISTRATOR	CHRIS OLSON
COUNTY TREASURER	MICHELLE L. THOMPSON
COUNTY CLERK	DAWN OLNEY

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**INDEPENDENT AUDITOR'S REPORT**

Honorable Chairman and Members  
Of the Board of Commissioners  
County of Benzie, Michigan  
448 Court Place  
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, 2012, 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, 17 percent, and 24 percent, respectively, of the assets, net 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 56 percent, 57 percent, and 77 percent, respectively, of the assets, net 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, 2012, 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 28, 2013, 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of funding progress and budgetary comparison information on pages 3 through 12, pages 51 through 52 and pages 53 through 56 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Benzie, Michigan's financial statements as a whole. The combining nonmajor fund financial statements and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The combining fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole. The statistical section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.



**Anderson, Tackman & Company, PLC**  
**Certified Public Accountants**

February 28, 2013

## **Management's Discussion and Analysis**

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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, 2012. 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 \$27,928,611 for 2012 and were \$27,365,497 for 2011, an increase of 2.06%. For 2012, net assets for our business-type activities were \$11,564,664 or 41% of total net assets, while net assets in or government activities were \$16,363,947 or 59% of total net assets.
- At September 30, 2012, Benzie County's governmental funds report a combined fund balance of \$5,742,678 compared to \$5,120,454 for 2011.
- At September 30, 2012, the fund balance for the general fund was \$1,467,818 with \$37,168 nonspendable for prepaid items and \$155,321 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 four components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements and 4) required supplementary information. 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 13-14 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 15-16 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 18-20 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 21 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 24-50 of this report.

**Required Supplementary Information.** Required supplementary information related to the County's pension plan can be found on pages 51-52 and budgetary comparison information related to the County's major governmental funds can be found on pages 53-56 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 57-69 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, net assets exceeded liabilities by \$27,928,611 at the close of the most recent fiscal year.

**Benzie County  
Net Assets**

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Current Assets	\$ 6,235,451	\$ 5,439,382	\$ 9,287,953	\$ 9,479,599	\$ 15,523,404	\$ 14,918,981
Capital Assets	11,309,645	11,428,822	2,863,028	2,673,229	14,172,673	14,102,051
<b>Total Assets</b>	<b>\$ 17,545,096</b>	<b>\$ 16,868,204</b>	<b>\$ 12,150,981</b>	<b>\$ 12,152,828</b>	<b>\$ 29,696,077</b>	<b>\$ 29,021,032</b>
Current Liabilities	\$ 589,714	\$ 422,328	\$ 418,543	\$ 372,624	\$ 1,008,257	\$ 794,952
Noncurrent Liabilities	591,435	635,245	167,774	225,338	759,209	860,583
<b>Total Liabilities</b>	<b>1,181,149</b>	<b>1,057,573</b>	<b>586,317</b>	<b>597,962</b>	<b>1,767,466</b>	<b>1,655,535</b>
<b>Net Assets</b>						
Invested in Capital Assets -						
Net of Related Debt	10,778,477	10,888,822	2,773,597	2,556,733	13,552,074	13,445,555
Restricted	3,795,408	3,354,891	-	-	3,795,408	3,354,891
Unrestricted	1,790,062	1,566,918	8,791,067	8,998,133	10,581,129	10,565,051
<b>Total Net Assets</b>	<b>\$ 16,363,947</b>	<b>\$ 15,810,631</b>	<b>\$ 11,564,664</b>	<b>\$ 11,554,866</b>	<b>\$ 27,928,611</b>	<b>\$ 27,365,497</b>

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 \$3,795,408. The remaining balance of unrestricted net assets \$10,581,129 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	
	2012	2011	2012	2011	2012	2011
Program Revenues						
Charges for Services	\$ 2,371,052	\$ 2,316,171	\$ 7,301,891	\$ 7,657,778	\$ 9,672,943	\$ 9,973,949
Operating Grants and Contributions	1,154,604	1,117,845	-	-	1,154,604	1,117,845
Capital Grants and Contributions	17,685	252,996	-	-	17,685	252,996
General Revenues						
Property Taxes	6,582,380	6,468,066	1,102,300	1,019,040	7,684,680	7,487,106
Investment Earnings - Unrestricted	41,563	28,421	6,980	18,488	48,543	46,909
Gain on Disposal	-	-	-	-	-	-
Other Revenue	94,991	105,711	-	-	94,991	105,711
<b>Total Revenues</b>	<b>10,262,275</b>	<b>10,289,210</b>	<b>8,411,171</b>	<b>8,695,306</b>	<b>18,673,446</b>	<b>18,984,516</b>
Program Expenses						
Legislative	102,952	88,209	-	-	102,952	88,209
Judicial	1,135,915	1,055,726	-	-	1,135,915	1,055,726
General Government	1,462,658	1,417,504	-	-	1,462,658	1,417,504
Public Safety	3,631,923	3,603,793	-	-	3,631,923	3,603,793
Public Works	280,484	240,192	-	-	280,484	240,192
Health and Welfare	1,623,356	1,459,714	-	-	1,623,356	1,459,714
Recreation and Culture	49,608	38,610	-	-	49,608	38,610
Interest Expense - Unallocated	26,093	29,485	-	-	26,093	29,485
Other Expenses	1,356,987	1,167,935	-	-	1,356,987	1,167,935
Medical Care Facility	-	-	6,969,033	6,507,686	6,969,033	6,507,686
Tax Collection	-	-	73,080	74,603	73,080	74,603
Emergency Medical Services	-	-	1,393,900	1,436,559	1,393,900	1,436,559
Sheriff Commissary	-	-	4,343	9,038	4,343	9,038
<b>Total Expenses</b>	<b>9,669,976</b>	<b>9,101,168</b>	<b>8,440,356</b>	<b>8,027,886</b>	<b>18,110,332</b>	<b>17,129,054</b>
Excess (Deficiency)						
Before Transfers	592,299	1,188,042	(29,185)	667,420	563,114	1,855,462
Transfers	(38,983)	147,697	38,983	(147,697)	-	-
<b>Changes in Net Assets</b>	<b>553,316</b>	<b>1,335,739</b>	<b>9,798</b>	<b>519,723</b>	<b>563,114</b>	<b>1,855,462</b>
Net Asstes - Beginning	15,810,631	14,474,892	11,554,866	11,035,143	27,365,497	25,510,035
<b>Net Assets - Ending</b>	<b>\$ 16,363,947</b>	<b>\$ 15,810,631</b>	<b>\$ 11,564,664</b>	<b>\$ 11,554,866</b>	<b>\$ 27,928,611</b>	<b>\$ 27,365,497</b>

**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 \$1,467,818.

**General Fund Budgetary Highlights**

The General Fund realized \$118 less in revenues than anticipated for the fiscal year. The General Fund operations also expended \$328,772 less than appropriated. Operating Transfers Out were less than budgeted and resulted in a positive net budget variance of \$238,826.

All of the General Fund services departments expended less than the budgeted amount for departmental operations in 2012. 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, 2012 the County had \$14,172,673 net invested in a range of assets. This includes a net increase of \$70,622 from last year as additions exceeded depreciation and deletions.

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

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2010
Land	\$ 5,931,926	\$ 5,921,633	\$ 47,424	\$ 47,424	\$ 5,979,350	\$ 5,969,057
Construction in progress	216,210	216,210	838,234	530,469	1,054,444	746,679
Buildings and improvements	4,574,906	4,737,276	1,689,800	1,770,623	6,264,706	6,507,899
Land improvements	-	-	8,845	10,910	8,845	10,910
Machinery and equipment	586,603	553,703	278,725	313,803	865,328	867,506
<b>Total</b>	<b>\$ 11,309,645</b>	<b>\$ 11,428,822</b>	<b>\$ 2,863,028</b>	<b>\$ 2,673,229</b>	<b>\$ 14,172,673</b>	<b>\$ 14,102,051</b>

Additional information on the County’s capital assets can be found in Note 4 on pages 35-36 of this report.

**Debt Administration**

At the end of fiscal year 2012, the County had one outstanding bond in the amount of \$465,000. 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 \$75,000 in principal payments.

**Debt Administration**

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Bonds	\$ 465,000	\$ 540,000	\$ -	\$ -	\$ 465,000	\$ 540,000
Installment payables	66,168	37,474	89,431	116,496	155,599	153,970
Compensated absences	<u>155,321</u>	<u>158,997</u>	<u>106,737</u>	<u>135,907</u>	<u>262,058</u>	<u>294,904</u>
Total	<u>\$ 686,489</u>	<u>\$ 736,471</u>	<u>\$ 196,168</u>	<u>\$ 252,403</u>	<u>\$ 882,657</u>	<u>\$ 988,874</u>

Additional information on the County’s long-term debt can be found in Note 6 on pages 40-41 of this report.

**Factors impacting the 2011-12 Fiscal Year; Budget Considerations for FY 2012-13 and Beyond:**

**GENERAL FUND**

**Property Values and Taxes:** State Equalized Valuation declines occurred at a rate of 11% from 2010 to 2011 and 5% from 2011 to 2012. However, Benzie County’s rate of valuation decline appears to have stabilized, with reductions in SEV slowing to about 3% from 2012 to 2013. Taxable Valuation has declined negligibly over that same time period. Commensurately, property tax revenues should also be stable.

The County’s general fund budget relies upon property taxes to provide 71% of its overall revenues, and various other funds’ millage levies provide varying degrees of support to those operations.

The State of Michigan has enacted a multi-year elimination of the personal property tax which will progressively eliminate just over 2% of Benzie County’s overall taxable value. Implementation of this 2012 legislation is still a work in progress by the State. Steps are being taken to estimate the amount of taxable valuation and revenue loss for future budgets.

**State Revenue Sharing:** It is anticipated that the statutory State Revenue Sharing will be eliminated before Benzie County returns to the recipient list. This was considered extensively in the FY 2012-13 budget deliberation process. If this occurs, the General Fund will see approximately \$320,000 less in annual revenues commencing with FY 2014-15.

**Other Revenues:** While overall revenues for FY 2011-12 were at just over \$5.7 million for the fiscal year, a 2.4% increase over fiscal year 2010-11, it is notable that the real estate transfer tax, refunds and reimbursements, state and federal sources comprised most of this increase, offsetting lower revenues in interest earnings and those from local sources. Additionally, use of accumulated fund balance for MSU Extension, and debt proceeds to finance a 2012 Tahoe for the K-9 officer in the Sheriff’s Department, were utilized to finance these operations and capital expense in FY 2011-12. These are not expected to recur as available revenues in subsequent years.

**General Fund – Overall Expenses:** Actual expenses increased about \$95,000 over the prior fiscal year, a growth rate of 1.8%. In the major functional areas of the general fund, the following fiscal and operational changes occurred:

Judicial departments and related costs and transfers increased by 6.5% over the prior year, comprising 23.7% of total general fund expenses. The Sheriff’s Department expenses, including the annual transfer to the jail operations fund, grew 1.7% over the prior year, but remained stable at 22.5% of the total general fund budget. Benefits and pension expenses declined approximately 12% overall, and comprised about 15.1% of overall general fund costs. The sum of all other departmental costs and transfers increased 5.3% over the prior year, and comprised 38.5% of the general fund.

When examined over time, costs as a percent of overall general fund expense show the following trends:

	<u>FY 2007</u>	<u>FY 2009</u>	<u>FY 2011</u>	<u>FY 2012</u>
Judicial	19.2%	20.5%	22.7%	23.7%
Sheriff’s Office	21.2%	21.7%	22.6%	22.5%
Benefits & Pension	17.5%	16.1%	17.5%	15.3%
All Other	42.1%	41.7%	37.2%	38.5%

**Wages and Benefits:** In FY 2011-12, Benzie County provided no raises for elected officials, non-union employees, court employees, and the Sheriff’s office unions. TPOAM (office staff and others not in the sheriff’s office) was in the last year of a 4-year contract, and nine employees received a 2% wage increase.

For FY 2012-13, union contracts with COAM, POAM, POLC, GELC and TPOAM were negotiated for one year with no pay increases. Additionally, there were no pay increases budgeted for Elected Officials and non-union employees (4<sup>th</sup> year of no increases) and court employees (2<sup>nd</sup> year of no increases). To save on premium expenses, the County also increased its medical insurance deductible to the maximum level allowed by BCBS for the year. While increasing the County’s potential for increased reimbursement expenses, this resulted in a 4.4% premium decrease. This affects all employees, general fund and otherwise. As a result, there will be no reduction in the workforce for FY 2012-13, and MSU Extension was funded with current revenues. Examination of operational outputs to measure productivity, efficiency and effectiveness began with the FY 2012-13 budget process and is expected to be a strong consideration for future operational budget and audit cycles.

The General Fund incurred a surplus of approximately \$250,000. Reduced expenses in employee benefits accounted for \$84,364 of this amount, along with savings in several departments and the increases in revenues (as described above). When added to the existing unrestricted fund balance, the County incurred a 27.1% fund balance to net operating expenses, exceeding its goal of 25%.

**OTHER MAJOR OPERATING FUNDS**

This is a synopsis of the financial status for several of the County's major operational funds.

**Jail Operating:** This fund incurred over a \$100,000 surplus in FY 2011-12, due to expenses that were lower than budgeted as well as receiving a full \$412,000 transfer at the end-of-year from the General Fund. This fund now has a 22.1% ratio of fund balance to net operating expenses. This fund is reliant upon a special millage as well as a general fund transfer for over 91% of its revenues. For FY 2012-13 and the next two years, a boarding contract to with Wexford County was made in order to increase occupancy and jail revenues.

**Central Dispatch:** This fund is solely funded by telephone surcharges. It incurred a \$32,108 surplus in FY 2011-12, increasing its fund balance to \$266,978, 39.8% of expenses.

**Animal Control Office:** This office incurred an \$88,249 surplus in FY 2011-12, and its fund balance is at \$104,387, about 79% of fund balance.

**Building Department:** This fund had a surplus of about \$10,000 for the fiscal year, increasing its fund balance to about \$51,000, a 16.7% ratio to its expenses. Due to concerns that fixed expenses were going to exceed revenues, this department's functions were put into a service contract at the end of the fiscal year. The contractor, AGS, is solely paid through permit revenues for new construction. Follow-up inspections for prior permits are paid to AGS on a fixed-fee basis.

**Child Care Fund:** This fund provides significant services to at-risk children and juveniles, and is essentially funded 50% locally and 50% by the State of Michigan for qualifying expenses. It incurred an operational loss of \$179,956 in FY 2011-12, leaving a fund balance of \$24,427, or 6.1% of expenses. It utilized about \$46,000 of fund balance as well as a transfer of \$133,788 from the General Fund.

**Commission on Aging:** This Fund relies upon a dedicated millage to provide a variety of services to the aging. Nutritional services (congregate meal site and home-delivered meals) constitute the majority of the expenses for the fund. Voters approved a five year renewal of .6667 mills to continue these services for 2013 to 2018. For FY 2012-13, The Commission contracted to the Council on Aging, a 501(c)3 organization. This organization then qualifies for additional state and federal funding specifically for services to Benzie seniors. The County is also in the process of contracting with another 501(c)3 organization for home health care services. Services to the aging were bid for the first time since 2003 and new contracts with accountability measures were put into place commencing with 2013.

**Emergency Medical Services (Ambulance):** After it repays an interfund loan, this fund will have incurred a \$31,134 surplus in FY 2011-12. In FY 2010-11, it had a \$1,105 fund balance. A concerted attempt to control overtime costs has been put into place commencing with FY 2012-13 and future years. This fund's revenues are comprised of a combination of service fees and dedicated tax millage.

**Final considerations:** Two large capital projects are expected to commence in FY 2012-13, notably construction with the County's Medical Care Facility (The Maples) and the Point Betsie Lighthouse. These projects will impact several operational departments, notably the Treasurer's office (who provides grant administration and support to the County Building Authority) and the Building Department (permits and inspections).

Benzie County's financial challenges are being addressed with multi-year budgeting and projections, the introduction of performance measurement and closely examining capital and operational expenses. While the fiscal performance in FY 2011-12 was significantly better than expected, the concerns with personal property tax reduction, court reform and state revenue sharing, along with containing operational costs will be diligently monitored.

**Requests for Information**

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

## **Basic Financial Statements**

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# County of Benzie, Michigan

## Statement of Net Assets September 30, 2012

	Primary Government		Totals	Component Units
	Governmental Activities	Business-type Activities		
<b>ASSETS:</b>				
Current Assets:				
Cash & Equivalents - Unrestricted	\$ 8,348,431	\$ 3,090,845	\$ 11,439,276	\$ 2,067,974
Investments	-	346,151	346,151	-
Receivables:				
Accounts	413,187	858,531	1,271,718	788,119
Taxes	612,551	1,459,158	2,071,709	-
Interest	-	164,420	164,420	-
Notes	-	-	-	260,365
Internal Loans	(3,205,977)	3,205,977	-	-
Prepaid Expenses	67,259	7,471	74,730	65,357
Due from State	-	-	-	152,058
Due from Governmental Units	-	74,318	74,318	32,574
Other Assets	-	81,082	81,082	-
Inventories	-	-	-	539,462
Total Current Assets	<u>6,235,451</u>	<u>9,287,953</u>	<u>15,523,404</u>	<u>3,905,909</u>
Noncurrent Assets:				
Deferred OPEB	-	-	-	30,274
Capital Assets (Not Depreciated)	6,148,136	885,658	7,033,794	1,654,405
Capital Assets (Net of Accumulated Depreciation)	5,161,509	1,977,370	7,138,879	9,567,184
Total Noncurrent Assets	<u>11,309,645</u>	<u>2,863,028</u>	<u>14,172,673</u>	<u>11,251,863</u>
<b>TOTAL ASSETS</b>	<u>\$ 17,545,096</u>	<u>\$ 12,150,981</u>	<u>\$ 29,696,077</u>	<u>\$ 15,157,772</u>
<b>LIABILITIES:</b>				
Current Liabilities:				
Accounts Payable	\$ 342,916	\$ 115,623	\$ 458,539	\$ 116,941
Accrued Liabilities	149,857	153,213	303,070	117,308
Accrued Interest Payable	1,887	-	1,887	-
Due to Others	-	6,993	6,993	-
Due to Governmental Units	-	114,320	114,320	638
Deferred Revenue	-	-	-	5,874
Installment Loans	20,054	28,394	48,448	-
Bonds Payable	75,000	-	75,000	-
Notes Payable	-	-	-	60,000
Total Current Liabilities	<u>589,714</u>	<u>418,543</u>	<u>1,008,257</u>	<u>300,761</u>
Noncurrent Liabilities:				
Vested Employee Benefits	155,321	106,737	262,058	126,149
Advances from State	-	-	-	161,884
Installment Loans	46,114	61,037	107,151	-
Bonds Payable	390,000	-	390,000	-
Total Noncurrent Liabilities	<u>591,435</u>	<u>167,774</u>	<u>759,209</u>	<u>288,033</u>
<b>TOTAL LIABILITIES</b>	<u>1,181,149</u>	<u>586,317</u>	<u>1,767,466</u>	<u>588,794</u>
<b>NET ASSETS:</b>				
Invested in Capital Assets (Net of Related Debt)	10,778,477	2,773,597	13,552,074	11,221,589
Restricted	3,795,408	-	3,795,408	2,122,101
Unrestricted	1,790,062	8,791,067	10,581,129	1,225,288
<b>TOTAL NET ASSETS</b>	<u>\$ 16,363,947</u>	<u>\$ 11,564,664</u>	<u>\$ 27,928,611</u>	<u>\$ 14,568,978</u>

# County of Benzie, Michigan

## Statement of Activities Year Ended September 30, 2012

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	
<b>Primary Government:</b>								
<b>Governmental Activities:</b>								
Legislative	\$ 102,952	\$ -	\$ -	\$ -	\$ (102,952)	\$ -	\$ (102,952)	\$ -
Judicial	1,135,915	265,987	275,662	-	(594,266)	-	(594,266)	-
General Government	1,462,658	488,848	\$ 230,669	-	(743,141)	-	(743,141)	-
Public Safety	3,631,923	1,308,329	167,450	-	(2,156,144)	-	(2,156,144)	-
Public Works	280,484	285,151	3,994	-	8,661	-	8,661	-
Health & Welfare	1,623,356	22,697	476,829	-	(1,123,830)	-	(1,123,830)	-
Recreation & Culture	49,608	40	-	17,685	(31,883)	-	(31,883)	-
Interest Expense - Unallocated	26,093	-	-	-	(26,093)	-	(26,093)	-
Other Expenses	1,356,987	-	-	-	(1,356,987)	-	(1,356,987)	-
<b>Total Governmental Activities</b>	<b>9,669,976</b>	<b>2,371,052</b>	<b>1,154,604</b>	<b>17,685</b>	<b>(6,126,635)</b>	<b>-</b>	<b>(6,126,635)</b>	<b>-</b>
<b>Business-type Activities:</b>								
Tax Collection	73,080	469,005	-	-	-	395,925	395,925	-
Emergency Medical Services	1,393,900	737,427	-	-	-	(656,473)	(656,473)	-
Sheriff Commissary	4,343	8,185	-	-	-	3,842	3,842	-
Medical Care Facility	6,969,033	6,087,274	-	-	-	(881,759)	(881,759)	-
<b>Total Business-type Activities</b>	<b>8,440,356</b>	<b>7,301,891</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,138,465)</b>	<b>(1,138,465)</b>	<b>-</b>
<b>Total Primary Government</b>	<b>\$ 18,110,332</b>	<b>\$ 9,672,943</b>	<b>\$ 1,154,604</b>	<b>\$ 17,685</b>	<b>(6,126,635)</b>	<b>(1,138,465)</b>	<b>(7,265,100)</b>	<b>-</b>
<b>Component Units:</b>								
Road Commission	\$ 3,629,246	\$ 907,112	\$ 2,110,355	\$ 1,088,687	-	-	-	476,908
Benzie/Leelanau Health Dept.	2,211,192	389,574	1,141,004	-	-	-	-	(680,614)
Benzie Transportation Authority	1,868,705	173,251	834,655	476,362	-	-	-	(384,437)
Economic Development Corporation	-	9,976	-	-	-	-	-	9,976
<b>Total Component Units</b>	<b>7,709,143</b>	<b>1,479,913</b>	<b>4,086,014</b>	<b>1,565,049</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(578,167)</b>
<b>Total</b>	<b>\$ 25,819,475</b>	<b>\$ 11,152,856</b>	<b>\$ 5,240,618</b>	<b>\$ 1,582,734</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>General Revenues:</b>								
Taxes	-	-	-	-	6,582,380	1,102,300	7,684,680	540,476
Appropriations	-	-	-	-	-	-	-	400,094
Investment Earnings (Loss)	-	-	-	-	41,563	6,980	48,543	7,511
Rent	-	-	-	-	94,991	-	94,991	326,406
Other	-	-	-	-	-	-	-	3,022
Gain (Loss) on Disposal	-	-	-	-	-	-	-	2,091
Transfers	-	-	-	-	(38,983)	38,983	-	-
<b>Total General Revenues and Transfers</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,679,951</b>	<b>1,148,263</b>	<b>7,828,214</b>	<b>1,279,600</b>
Changes in Net Assets	-	-	-	-	553,316	9,798	563,114	701,433
Net Assets - Beginning	-	-	-	-	15,810,631	11,554,866	27,365,497	13,867,545
<b>Net Assets - Ending</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>\$ 16,363,947</b>	<b>\$ 11,564,664</b>	<b>\$ 27,928,611</b>	<b>\$ 14,568,978</b>

# County of Benzie, Michigan

## Balance Sheet Governmental Funds September 30, 2012

	General	Jail Operations	Revenue Sharing Reserve	Medical Care Facility Renovation	Maples Debt Millage	Nonmajor Governmental Funds	Total
<b>ASSETS:</b>							
Cash & Equivalents - Unrestricted	\$ 940,576	\$ 315,231	\$ 677,880	\$ 3,190,014	\$ 1,373,175	\$ 1,851,555	\$ 8,348,431
Receivables:							
Accounts	119,015	13,533	-	-	-	280,639	413,187
Taxes	612,551	-	-	-	-	-	612,551
Prepaid Expenses	37,168	18,044	-	-	-	12,047	67,259
Due From Other Funds	-	-	-	-	-	9,000	9,000
<b>TOTAL ASSETS</b>	<b>\$ 1,709,310</b>	<b>\$ 346,808</b>	<b>\$ 677,880</b>	<b>\$ 3,190,014</b>	<b>\$ 1,373,175</b>	<b>\$ 2,153,241</b>	<b>\$ 9,450,428</b>
<b>LIABILITIES:</b>							
Due to Other Funds	\$ -	\$ -	\$ -	\$ 3,175,477	\$ -	\$ 39,500	\$ 3,214,977
Accrued Liabilities	84,612	30,629	-	-	-	34,616	149,857
Accounts Payable	156,880	11,382	-	14,537	-	160,117	342,916
<b>TOTAL LIABILITIES</b>	<b>241,492</b>	<b>42,011</b>	<b>-</b>	<b>3,190,014</b>	<b>-</b>	<b>234,233</b>	<b>3,707,750</b>
<b>FUND BALANCES:</b>							
Nonspendable	37,168	18,044	-	-	-	12,047	67,259
Restricted	-	286,753	677,880	-	1,373,175	1,457,600	3,795,408
Committed	155,321	-	-	-	-	159,620	314,941
Assigned	-	-	-	-	-	289,741	289,741
Unassigned	1,275,329	-	-	-	-	-	1,275,329
<b>TOTAL FUND BALANCES</b>	<b>1,467,818</b>	<b>304,797</b>	<b>677,880</b>	<b>-</b>	<b>1,373,175</b>	<b>1,919,008</b>	<b>5,742,678</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 1,709,310</b>	<b>\$ 346,808</b>	<b>\$ 677,880</b>	<b>\$ 3,190,014</b>	<b>\$ 1,373,175</b>	<b>\$ 2,153,241</b>	

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

Capital assets used by governmental activities	11,309,645
Long term notes & leases payable for governmental activities	(531,168)
Compensated absences liability	(155,321)
Accrued interest expense	(1,887)
<b>Net assets of governmental activities</b>	<b>\$ 16,363,947</b>

# County of Benzie, Michigan

## Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds Year Ended September 30, 2012

	General	Jail Operations	Revenue Sharing Reserve	Medical Care Facility Renovation	Maples Debt Millage	Nonmajor Governmental Funds	Total
<b>REVENUES:</b>							
Taxes	\$ 4,066,046	\$ 974,168	\$ -	\$ -	\$ 685,292	\$ 856,874	\$ 6,582,380
Licenses & Permits	40,146	-	-	-	-	-	40,146
Federal Sources	52,152	-	-	-	-	136,117	188,269
State Sources	434,303	-	-	-	-	288,930	723,233
Local Sources	-	-	-	-	-	37,999	37,999
Contributions	-	-	-	-	-	14,061	14,061
Charges for Services	564,971	140,759	-	-	-	1,380,489	2,086,219
Refunds & Reimbursements	170,892	53,366	-	-	-	20,194	244,452
Interest & Rentals	18,547	-	2,070	7,436	1,116	107,385	136,554
Other Revenue	195	-	-	208,727	-	40	208,962
<b>TOTAL REVENUES</b>	<b>5,347,252</b>	<b>1,168,293</b>	<b>2,070</b>	<b>216,163</b>	<b>686,408</b>	<b>2,842,089</b>	<b>10,262,275</b>
<b>EXPENDITURES:</b>							
Legislative	102,952	-	-	-	-	-	102,952
Judicial	1,121,019	-	-	-	-	14,896	1,135,915
General Government	1,343,555	-	-	-	-	67,219	1,410,774
Public Safety	859,136	1,548,263	-	-	-	1,213,106	3,620,505
Public Works	-	-	-	-	-	290,777	290,777
Health & Welfare	359,968	-	-	-	1,674	1,259,214	1,620,856
Recreation & Cultural	5,078	-	-	-	-	25,031	30,109
Capital Outlay	-	-	-	234,262	-	93,898	328,160
Debt Service	-	-	-	-	-	101,093	101,093
Other Expenditures	1,028,827	-	-	-	-	-	1,028,827
<b>TOTAL EXPENDITURES</b>	<b>4,820,535</b>	<b>1,548,263</b>	<b>-</b>	<b>234,262</b>	<b>1,674</b>	<b>3,065,234</b>	<b>9,669,968</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>526,717</b>	<b>(379,970)</b>	<b>2,070</b>	<b>(18,099)</b>	<b>684,734</b>	<b>(223,145)</b>	<b>592,307</b>
<b>OTHER FINANCING SOURCES (USES):</b>							
Installment Proceeds	28,816	40,084	-	-	-	-	68,900
Operating Transfers In	325,754	412,000	-	18,099	-	277,888	1,033,741
Operating Transfers Out	(642,932)	-	(325,754)	-	-	(104,038)	(1,072,724)
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES</b>	<b>238,355</b>	<b>72,114</b>	<b>(323,684)</b>	<b>-</b>	<b>684,734</b>	<b>(49,295)</b>	<b>622,224</b>
<b>FUND BALANCES, OCTOBER 1</b>	<b>1,229,463</b>	<b>232,683</b>	<b>1,001,564</b>	<b>-</b>	<b>688,441</b>	<b>1,968,303</b>	<b>5,120,454</b>
<b>FUND BALANCES, SEPTEMBER 30</b>	<b>\$ 1,467,818</b>	<b>\$ 304,797</b>	<b>\$ 677,880</b>	<b>\$ -</b>	<b>\$ 1,373,175</b>	<b>\$ 1,919,008</b>	<b>\$ 5,742,678</b>

See accompanying notes to financial statements.

Reconciliation of the Statement of Revenues, Expenditures,  
and Changes in Fund Balance of Governmental Funds  
to the Statement of Activities  
For the Year Ended September 30, 2012

Net changes in fund balance - total governmental funds \$ 622,224

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 depreciation (\$363,110) exceeded capital outlay \$229,410 and adjustments \$14,523 in the current period

(119,177)

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 40,206

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

Installment Proceeds (68,900)

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 287

Compensated Absences 3,676

Changes in net assets of governmental activities \$ 553,316

Statement of Net Assets  
 Proprietary Funds  
 September 30, 2012

	County Medical Care Facility	Delinquent Tax Revolving	Emergency Medical Services	Nonmajor Enterprise Funds	Totals
<b>ASSETS:</b>					
Current Assets:					
Cash & Equivalents - Unrestricted	\$ 130,932	\$ 2,383,049	\$ 49,455	\$ 527,409	\$ 3,090,845
Investments	346,151	-	-	-	346,151
Receivables:					
Accounts	685,957	-	172,574	-	858,531
Taxes	-	1,459,158	-	-	1,459,158
Interest	-	164,420	-	-	164,420
Due From Other Funds	3,175,477	130,500	-	-	3,305,977
Due from Governmental Units	65,800	-	-	8,518	74,318
Prepays	-	-	7,471	-	7,471
Other Assets	81,082	-	-	-	81,082
Total Current Assets	<u>4,485,399</u>	<u>4,137,127</u>	<u>229,500</u>	<u>535,927</u>	<u>9,387,953</u>
Noncurrent Assets:					
Capital Assets (Not Depreciated)	751,620	-	134,038	-	885,658
Capital Assets (Net of Accumulated Depreciation)	1,654,313	-	323,057	-	1,977,370
Total Noncurrent Assets	<u>2,405,933</u>	<u>-</u>	<u>457,095</u>	<u>-</u>	<u>2,863,028</u>
<b>TOTAL ASSETS</b>	<u>\$ 6,891,332</u>	<u>\$ 4,137,127</u>	<u>\$ 686,595</u>	<u>\$ 535,927</u>	<u>\$ 12,250,981</u>
<b>LIABILITIES:</b>					
Current Liabilities:					
Accounts Payable	\$ 97,647	\$ -	\$ 17,976	\$ -	\$ 115,623
Accrued Liabilities	120,644	-	32,569	-	153,213
Due to Others	6,993	-	-	-	6,993
Due to Other Funds	-	-	100,000	-	100,000
Due to Other Governments	-	114,320	-	-	114,320
Installment Payable	-	-	28,394	-	28,394
Total Current Liabilities	<u>225,284</u>	<u>114,320</u>	<u>178,939</u>	<u>-</u>	<u>518,543</u>
Noncurrent Liabilities:					
Vested Employee Benefits	106,737	-	-	-	106,737
Installment Payable	-	-	61,037	-	61,037
Total Noncurrent Liabilities	<u>106,737</u>	<u>-</u>	<u>61,037</u>	<u>-</u>	<u>167,774</u>
<b>TOTAL LIABILITIES</b>	<u>332,021</u>	<u>114,320</u>	<u>239,976</u>	<u>-</u>	<u>686,317</u>
<b>NET ASSETS:</b>					
Invested in Capital Assets (Net of Related Debt)	2,405,933	-	367,664	-	2,773,597
Unrestricted	4,153,378	4,022,807	78,955	535,927	8,791,067
<b>TOTAL NET ASSETS</b>	<u>\$ 6,559,311</u>	<u>\$ 4,022,807</u>	<u>\$ 446,619</u>	<u>\$ 535,927</u>	<u>\$ 11,564,664</u>

**Statement of Revenues, Expenses, and  
Changes in Net Assets - Proprietary Funds  
Year Ended September 30, 2012**

	Enterprise Funds				Totals
	County Medical Care Facility	Delinquent Tax Revolving	Emergency Medical Services	Nonmajor Enterprise Funds	
<b>OPERATING REVENUES:</b>					
Taxes & Penalties	\$ 383,840	\$ 91,748	\$ 626,712	\$ -	\$ 1,102,300
Charges for Services	5,949,473	-	729,617	163,359	6,842,449
Interest & Rentals	-	313,735	1	-	313,736
Contributions	-	-	230	-	230
Refunds & Reimbursements	-	-	7,579	-	7,579
Other Revenue	137,801	96	-	-	137,897
<b>Total Operating Revenues</b>	<b>6,471,114</b>	<b>405,579</b>	<b>1,364,139</b>	<b>163,359</b>	<b>8,404,191</b>
<b>OPERATING EXPENSES:</b>					
Personal Services	3,563,153	-	836,831	-	4,399,984
Contractual Services	-	-	52,669	-	52,669
Utilities	138,566	-	21,512	-	160,078
Repair & Maintenance	-	-	80,814	-	80,814
Insurance	-	-	241,674	-	241,674
Other Supplies and Expenses	3,136,987	-	74,551	77,423	3,288,961
Depreciation	130,327	-	80,130	-	210,457
<b>Total Operating Expenses</b>	<b>6,969,033</b>	<b>-</b>	<b>1,388,181</b>	<b>77,423</b>	<b>8,434,637</b>
<b>OPERATING INCOME (LOSS)</b>	<b>(497,919)</b>	<b>405,579</b>	<b>(24,042)</b>	<b>85,936</b>	<b>(30,446)</b>
<b>NON-OPERATING REVENUES (EXPENSES):</b>					
Interest on Deposits	1,821	4,916	-	243	6,980
Interest & Fiscal Charges	-	-	(5,719)	-	(5,719)
<b>Total Non-Operating Revenues (Expenses)</b>	<b>1,821</b>	<b>4,916</b>	<b>(5,719)</b>	<b>243</b>	<b>1,261</b>
<b>INCOME (LOSS) BEFORE TRANSFERS</b>	<b>(496,098)</b>	<b>410,495</b>	<b>(29,761)</b>	<b>86,179</b>	<b>(29,185)</b>
Operating Transfers In	-	8,044	99,038	6,696	113,778
Operating Transfers Out	(18,099)	(6,696)	(50,000)	-	(74,795)
<b>CHANGES IN NET ASSETS</b>	<b>(514,197)</b>	<b>411,843</b>	<b>19,277</b>	<b>92,875</b>	<b>9,798</b>
<b>NET ASSETS, OCTOBER 1</b>	<b>7,073,508</b>	<b>3,610,964</b>	<b>427,342</b>	<b>443,052</b>	<b>11,554,866</b>
<b>NET ASSETS, SEPTEMBER 30</b>	<b>\$ 6,559,311</b>	<b>\$ 4,022,807</b>	<b>\$ 446,619</b>	<b>\$ 535,927</b>	<b>\$ 11,564,664</b>

## Statement of Cash Flows Proprietary Funds Year Ended September 30, 2012

	Enterprise Funds				Totals
	County Medical Care Facility	Delinquent Tax Revolving	Emergency Medical Services	Nonmajor Enterprise Funds	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>					
Receipts from Customers	\$ 6,532,041	\$ 488,723	\$ 1,371,277	\$ 154,841	\$ 8,546,882
Payments to Suppliers	(3,245,719)	(11,570)	(473,780)	(77,423)	(3,808,492)
Payments to Employees	(3,563,153)	-	(836,363)	-	(4,399,516)
Internal Activity - Receipts(Payments) with Other Funds	226,826	-	70,000	-	296,826
Net Cash Provided (Used) by Operating Activities	<u>(50,005)</u>	<u>477,153</u>	<u>131,134</u>	<u>77,418</u>	<u>635,700</u>
<b>CASH FLOWS FROM NON-CAPITAL AND RELATED FINANCING ACTIVITIES:</b>					
Operating Transfers In	-	8,044	99,038	6,696	113,778
Operating Transfers Out	(18,099)	(6,696)	(50,000)	-	(74,795)
Cash Provided (Used) by Non-Capital and Related Financing Activities	<u>(18,099)</u>	<u>1,348</u>	<u>49,038</u>	<u>6,696</u>	<u>38,983</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>					
Acquisition of Capital Assets	(304,133)	-	(99,038)	-	(403,171)
Principal Payments	-	-	(27,065)	-	(27,065)
Interest Payments	-	-	(5,719)	-	(5,719)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(304,133)</u>	<u>-</u>	<u>(131,822)</u>	<u>-</u>	<u>(435,955)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>					
Purchase of Investments	(346,151)	-	-	-	(346,151)
Interest Income	1,821	4,916	-	243	6,980
Net Cash Provided (Used) by Investing Activities	<u>(344,330)</u>	<u>4,916</u>	<u>-</u>	<u>243</u>	<u>(339,171)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(716,567)	483,417	48,350	84,357	(100,443)
Balances - Beginning of the Year	847,499	1,899,632	1,105	443,052	3,191,288
Balances - End of the Year	<u>\$ 130,932</u>	<u>\$ 2,383,049</u>	<u>\$ 49,455</u>	<u>\$ 527,409</u>	<u>\$ 3,090,845</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>					
Operating Income (Loss)	\$ (497,919)	\$ 405,579	\$ (24,042)	\$ 85,936	\$ (30,446)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Depreciation	130,327	-	80,130	-	210,457
Change in Assets and Liabilities:					
(Increase) Decrease in Assets:					
Accounts Receivable	122,652	55,335	7,138	-	185,125
Taxes Receivable	-	39,609	-	-	39,609
Due from Other Funds	226,826	(11,800)	-	-	215,026
Other Assets	(53,977)	-	-	(8,518)	(62,495)
Increase (Decrease) in Liabilities:					
Accounts Payable	17,136	(4)	(2,560)	-	14,572
Accrued Liabilities	4,950	-	468	-	5,418
Due to Other Funds	-	-	70,000	-	70,000
Due to Other Governments	-	(11,566)	-	-	(11,566)
Net Cash Provided (Used) by Operating Activities	<u>\$ (50,005)</u>	<u>\$ 477,153</u>	<u>\$ 131,134</u>	<u>\$ 77,418</u>	<u>\$ 635,700</u>

**Statement of Fiduciary Net Assets  
Fiduciary Funds  
September 30, 2012**

	<u>Agency Funds</u>
<b>ASSETS:</b>	
Cash & Cash Equivalents:	
Unrestricted	<u>\$ 4,159,075</u>
 TOTAL ASSETS	 <u><u>\$ 4,159,075</u></u>
 <b>LIABILITIES:</b>	
Due to Others	<u>\$ 4,159,075</u>
 TOTAL LIABILITIES	 <u><u>\$ 4,159,075</u></u>

## **Component Units**

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**Statement of Net Assets**  
**Component Units**  
**September 30, 2012**

	Road Commission	Benzie/ Leelanau District Health Dept.	Benzie Transportation Authority	Economic Development Corporation	Totals
<b>ASSETS:</b>					
Current Assets:					
Cash & Equivalents - Unrestricted	\$ 1,101,530	\$ 174,716	\$ 26,690	\$ 765,038	\$ 2,067,974
Accounts Receivable	725,771	50,248	12,100	-	788,119
Notes Receivable	-	-	-	260,365	260,365
Due from Governmental Units	-	14,157	18,417	-	32,574
Due from State	-	152,058	-	-	152,058
Inventories	528,744	-	10,718	-	539,462
Prepaid Expenses	8,986	38,429	17,942	-	65,357
<b>Total Current Assets</b>	<b>2,365,031</b>	<b>429,608</b>	<b>85,867</b>	<b>1,025,403</b>	<b>3,905,909</b>
Noncurrent Assets:					
Deferred OPEB	30,274	-	-	-	30,274
Capital Assets (Not Depreciated)	1,654,405	-	-	-	1,654,405
Capital Assets (Net of Accumulated Depreciation)	6,987,539	16,232	2,563,413	-	9,567,184
<b>Total Noncurrent Assets</b>	<b>8,672,218</b>	<b>16,232</b>	<b>2,563,413</b>	<b>-</b>	<b>11,251,863</b>
<b>TOTAL ASSETS</b>	<b>\$ 11,037,249</b>	<b>\$ 445,840</b>	<b>\$ 2,649,280</b>	<b>\$ 1,025,403</b>	<b>\$ 15,157,772</b>
<b>LIABILITIES:</b>					
Current Liabilities:					
Accounts Payable	\$ 31,563	\$ 57,113	\$ 28,265	\$ -	\$ 116,941
Accrued Liabilities	21,391	51,095	44,822	-	117,308
Deferred Revenue	-	5,874	-	-	5,874
Due to State	638	-	-	-	638
Notes Payable	-	-	60,000	-	60,000
<b>Total Current Liabilities</b>	<b>53,592</b>	<b>114,082</b>	<b>133,087</b>	<b>-</b>	<b>300,761</b>
Noncurrent Liabilities:					
Advances from State	161,884	-	-	-	161,884
Vested Employee Benefits	57,728	68,421	-	-	126,149
<b>Total Noncurrent Liabilities</b>	<b>219,612</b>	<b>68,421</b>	<b>-</b>	<b>-</b>	<b>288,033</b>
<b>TOTAL LIABILITIES</b>	<b>273,204</b>	<b>182,503</b>	<b>133,087</b>	<b>-</b>	<b>588,794</b>
<b>NET ASSETS:</b>					
Invested in Capital Assets, Net of Related Debt	8,641,944	16,232	2,563,413	-	11,221,589
Restricted for County Road	2,122,101	-	-	-	2,122,101
Unrestricted	-	247,105	(47,220)	1,025,403	1,225,288
<b>TOTAL NET ASSETS</b>	<b>\$ 10,764,045</b>	<b>\$ 263,337</b>	<b>\$ 2,516,193</b>	<b>\$ 1,025,403</b>	<b>\$ 14,568,978</b>

**Statement of Activities  
Component Units  
Year Ended September 30, 2012**

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
<b>Road Commission</b>									
Public Works	\$ 3,629,246	\$ 907,112	\$ 2,110,355	\$ 1,088,687	\$ 476,908	\$ -	\$ -	\$ -	\$ 476,908
<b>Benzie/Leelanau District Health Dept.</b>									
Health & Welfare	2,211,192	389,574	1,141,004	-	-	(680,614)	-	-	(680,614)
<b>Benzie Transportation Authority</b>									
Transportation	1,868,705	173,251	834,655	476,362	-	-	(384,437)	-	(384,437)
<b>Economic Development Corporation</b>									
Public Works	-	9,976	-	-	-	-	-	9,976	9,976
<b>Total Component Units</b>	<u>\$ 7,709,143</u>	<u>\$ 1,479,913</u>	<u>\$ 4,086,014</u>	<u>\$ 1,565,049</u>	<u>476,908</u>	<u>(680,614)</u>	<u>(384,437)</u>	<u>9,976</u>	<u>(578,167)</u>
<b>General Revenues:</b>									
County Appropriations					-	400,094	-	-	400,094
Taxes					-	1,786	538,690	-	540,476
Investment Earnings					4,721	664	518	1,608	7,511
Gain (Loss) on Disposal					2,091	-	-	-	2,091
Rent					-	326,406	-	-	326,406
Other					-	-	3,022	-	3,022
<b>Total General Revenues</b>					<u>6,812</u>	<u>728,950</u>	<u>542,230</u>	<u>1,608</u>	<u>1,279,600</u>
Change in Net Assets					<u>483,720</u>	<u>48,336</u>	<u>157,793</u>	<u>11,584</u>	<u>701,433</u>
Net Assets - Beginning					<u>10,280,325</u>	<u>215,001</u>	<u>2,358,400</u>	<u>1,013,819</u>	<u>13,867,545</u>
<b>Net Assets - Ending</b>					<u>\$ 10,764,045</u>	<u>\$ 263,337</u>	<u>\$ 2,516,193</u>	<u>\$ 1,025,403</u>	<u>\$ 14,568,978</u>

## **Notes to Financial Statements**

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**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, 2012 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 1<sup>st</sup> and July 1<sup>st</sup> on the taxable valuation of property (as defined by State statutes) located in the County of Benzie as of the preceding December 31<sup>st</sup>.

Although the County of Benzie 2011 ad valorem tax is levied and collectible on December 1, 2011, and 2012 ad valorem tax is levied and collectible on July 1, 2012, 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 2011 taxable valuation of the County of Benzie totaled 1,075,381,686, (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, .0400 mills for Soldier Relief, and .1000 mills for the Conservation District. These amounts are recognized in the respective General, Special Revenue, Debt Service, and Enterprise Fund financial statements as tax revenue.

The July 1, 2012 taxable valuation of County of Benzie totaled \$1,086,800,562, (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 Fund Balance**

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 1<sup>st</sup> and July 1<sup>st</sup> on the taxable valuation of property as of the preceding December 31<sup>st</sup>. Taxes are considered delinquent on March 1<sup>st</sup> 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 \$67,259 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 \$3,795,408 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 \$155,321 for vested employee benefits and \$159,620 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 February 28, 2013, 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	\$ 8,348,431	\$ 3,090,845	\$ 11,439,276	\$ 4,159,075	\$ 2,067,974
Total	<u>\$ 8,348,431</u>	<u>\$ 3,090,845</u>	<u>\$ 11,439,276</u>	<u>\$ 4,159,075</u>	<u>\$ 2,067,974</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)	\$ 11,436,776	\$ 4,159,075	\$ 2,067,974
Petty Cash and Cash on Hand	<u>2,500</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 11,439,276</u>	<u>\$ 4,159,075</u>	<u>\$ 2,067,974</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	\$ 346,151	\$ 346,151	\$ -	\$ -	\$ -
Total Investments	<u>\$ 346,151</u>	<u>\$ 346,151</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, \$11,261,353 of the County’s bank balance of \$16,053,623 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>Adjustments</u>	<u>Disposals</u>	<u>Ending Balances</u>
<b>Governmental Activities:</b>					
<i>Capital assets not being depreciated:</i>					
Land	\$ 5,921,633	\$ 10,293	\$ -	\$ -	\$ 5,931,926
Construction in progress	<u>216,210</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>216,210</u>
Subtotal	<u>6,137,843</u>	<u>10,293</u>	<u>-</u>	<u>-</u>	<u>6,148,136</u>
<i>Capital assets being depreciated:</i>					
Buildings and improvements	7,532,585	33,252	-	-	7,565,837
Machinery and equipment	<u>1,808,990</u>	<u>185,865</u>	<u>14,895</u>	<u>-</u>	<u>2,009,750</u>
Subtotal	<u>9,341,575</u>	<u>219,117</u>	<u>14,895</u>	<u>-</u>	<u>9,575,587</u>
<i>Less accumulated depreciation for:</i>					
Buildings and improvements	(2,795,309)	(195,622)	-	-	(2,990,931)
Machinery and equipment	<u>(1,255,287)</u>	<u>(167,488)</u>	<u>(372)</u>	<u>-</u>	<u>(1,423,147)</u>
Subtotal	<u>(4,050,596)</u>	<u>(363,110)</u>	<u>(372)</u>	<u>-</u>	<u>(4,414,078)</u>
Net Capital Assets Being Depreciated	<u>5,290,979</u>	<u>(143,993)</u>	<u>14,523</u>	<u>-</u>	<u>5,161,509</u>
Governmental Activities Capital Assets – Net of Depreciation	<u>\$ 11,428,822</u>	<u>\$ (133,700)</u>	<u>\$ 14,523</u>	<u>\$ -</u>	<u>\$ 11,309,645</u>

**NOTE 4 - CAPITAL ASSETS (Continued)**

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

Governmental Activities:		
General Government		\$ 121,061
Public Safety		220,050
Health and Welfare		2,500
Recreation and Culture		<u>19,499</u>
 Total Governmental Activities		 <u>\$ 363,110</u>

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<b>Business-type activities:</b>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 47,424	\$ -	\$ -	\$ 47,424
Construction in progress	<u>530,469</u>	<u>307,765</u>	<u>-</u>	<u>838,234</u>
Subtotal	<u>577,893</u>	<u>307,765</u>	<u>-</u>	<u>885,658</u>
<i>Capital assets being depreciated:</i>				
Land and improvements	97,488	-	-	97,488
Buildings and improvements	3,904,076	23,570	-	3,927,646
Machinery and equipment	<u>1,694,307</u>	<u>71,836</u>	<u>(39,991)</u>	<u>1,726,152</u>
Subtotal	<u>5,695,871</u>	<u>95,406</u>	<u>(39,991)</u>	<u>5,751,286</u>
<i>Less accumulated depreciation for:</i>				
Land and improvements	(86,578)	(2,065)	-	(88,643)
Buildings and improvements	(2,133,452)	(104,394)	-	(2,237,846)
Machinery and equipment	<u>(1,380,502)</u>	<u>(103,998)</u>	<u>37,073</u>	<u>(1,447,427)</u>
Subtotal	<u>(3,600,532)</u>	<u>(210,457)</u>	<u>37,073</u>	<u>(3,773,916)</u>
Net Capital Assets Being Depreciated	<u>2,095,339</u>	<u>(115,051)</u>	<u>(2,918)</u>	<u>1,977,370</u>
Business-type Activities Capital Assets - Net of Depreciation	<u>\$ 2,673,232</u>	<u>\$ 192,714</u>	<u>\$ (2,918)</u>	<u>\$ 2,863,028</u>

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

Governmental Activities:		
Medical Care Facility		\$ 130,327
Emergency Medical Services		<u>80,130</u>
 Total Business-Type Activities		 <u>\$ 210,457</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:

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Adjustments/ Deductions</u>	<u>Ending Balances</u>
<i>Capital assets not being depreciated:</i>				
Land	\$ 12,708	\$ -	\$ -	\$ 12,708
Land Improvements	<u>1,546,836</u>	<u>94,861</u>	<u>-</u>	<u>1,641,697</u>
Subtotal	<u>1,559,544</u>	<u>94,861</u>	<u>-</u>	<u>1,654,405</u>
<i>Capital assets being depreciated:</i>				
Buildings	1,084,506	-	-	1,084,506
Road Equipment	4,429,372	34,996	(40,793)	4,423,575
Shop Equipment	139,996	-	-	139,996
Office Equipment	59,831	1,277	-	61,108
Engineer's Equipment	49,040	-	-	49,040
Yard and Storage	327,507	-	-	327,507
Infrastructure	<u>8,740,998</u>	<u>993,826</u>	<u>-</u>	<u>9,734,824</u>
Subtotal	<u>14,831,250</u>	<u>1,030,099</u>	<u>(40,793)</u>	<u>15,820,556</u>
<i>Less accumulated depreciation:</i>				
Buildings	\$ (883,344)	\$ (57,973)	\$ -	\$ (941,317)
Road Equipment	(4,199,008)	(107,438)	40,793	(4,265,653)
Shop Equipment	(81,130)	(9,750)	-	(90,880)
Office Equipment	(55,317)	(2,977)	-	(58,294)
Engineer's Equipment	(44,338)	(1,451)	-	(45,789)
Yard and Storage	(193,332)	(21,619)	-	(214,951)
Infrastructure	<u>(2,471,302)</u>	<u>(744,831)</u>	<u>-</u>	<u>(3,216,133)</u>
Subtotal	<u>(7,927,771)</u>	<u>(946,039)</u>	<u>40,793</u>	<u>(8,833,017)</u>
Net Capital Assets Being Depreciated	<u>6,903,479</u>	<u>84,060</u>	<u>-</u>	<u>6,987,539</u>
Total Net Capital Assets	<u>\$ 8,463,023</u>	<u>\$ 178,921</u>	<u>\$ -</u>	<u>\$ 8,641,944</u>

Depreciation expense was charged to operations as follows:

Unallocated	\$ 744,831
Equipment	107,438
Administration	3,314
Other	<u>90,456</u>
Total	<u>\$ 946,039</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>Adjustments/ 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	<u>(25,048)</u>	<u>(1,430)</u>	<u>4,026</u>	<u>(22,452)</u>
Subtotal	<u>(25,048)</u>	<u>(1,430)</u>	<u>4,026</u>	<u>(22,452)</u>
Net Capital Assets	<u>\$ 13,636</u>	<u>\$ (1,430)</u>	<u>\$ 4,026</u>	<u>\$ 16,232</u>

Depreciation expense was charged to:

Health and Welfare      \$ 1,430

***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	\$ 1,633,070	\$ 384,834	\$ -	\$ 2,017,904
Vehicles	1,469,250	55,685	-	1,524,935
Shop equipment	64,481	7,613	-	72,094
Office equipment	<u>55,405</u>	<u>32,263</u>	<u>-</u>	<u>87,668</u>
Subtotal	<u>3,222,206</u>	<u>480,395</u>	<u>-</u>	<u>3,702,601</u>
<i>Accumulated depreciation</i>	<u>(794,216)</u>	<u>(344,972)</u>	<u>-</u>	<u>(1,139,188)</u>
Net Capital Assets	<u>\$ 2,427,990</u>	<u>\$ 135,423</u>	<u>\$ -</u>	<u>\$ 2,563,413</u>

Depreciation expense was charged to:

Transportation      \$ 344,972

**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		Nonmajor Governmental	Medical Care Facility	Delinquent Tax Revolving	Total
		Medical Care Facility Renovation	\$ -	\$ 3,175,477	\$ -
	Nonmajor Governmental	9,000	-	30,500	39,500
	Emergency Medical Services	-	-	100,000	100,000
	<b>Total</b>	<u>\$ 9,000</u>	<u>\$ 3,175,477</u>	<u>\$ 130,500</u>	<u>\$ 3,314,977</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	\$ -	\$ 325,754	\$ -	\$ -	\$ -	\$ -
	Jail Operations	412,000	-	-	-	-	-	412,000
	Medical Care Facility Renovation	-	-	-	18,099	-	-	18,099
	Nonmajor Government	222,888	-	5,000	-	-	50,000	277,888
	Delinquent Tax Revolving	8,044	-	-	-	-	-	8,044
	Emergency Medical Services	-	-	99,038	-	-	-	99,038
	Nonmajor Enterprise	-	-	-	-	6,696	-	6,696
	<b>Total</b>	<u>\$ 642,932</u>	<u>\$ 325,754</u>	<u>\$ 104,038</u>	<u>\$ 18,099</u>	<u>\$ 6,696</u>	<u>\$ 50,000</u>	<u>\$ 1,147,519</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:

	Interest Rate	Principal Matures	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
<b>Governmental Activities:</b>							
General Obligation Bonds							
1998 Building Authority Bonds	3.60-4.95%	2018	\$ 540,000	\$ -	\$ (75,000)	\$ 465,000	\$ 75,000
Installment Payables			<u>37,474</u>	<u>68,900</u>	<u>(40,206)</u>	<u>66,168</u>	<u>20,054</u>
Total Governmental Activities			<u>\$ 577,474</u>	<u>\$ 68,900</u>	<u>\$ (115,206)</u>	<u>\$ 531,168</u>	<u>\$ 95,054</u>
<b>Business-Type Activities:</b>							
Installment Payables			<u>\$ 116,496</u>	<u>\$ -</u>	<u>\$ (27,065)</u>	<u>\$ 89,431</u>	<u>\$ 28,394</u>
Total Business-Type Activities			<u>\$ 116,496</u>	<u>\$ -</u>	<u>\$ (27,065)</u>	<u>\$ 89,431</u>	<u>\$ 28,394</u>

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

Fiscal:	Governmental Activities Bonds Payable		Governmental Activities Installment Note Payable		Business –type Activities Installment Note Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 75,000	\$ 22,642	\$ 20,054	\$ 2,327	\$ 28,394	\$ 4,390
2014	75,000	19,118	20,363	1,359	29,788	2,997
2015	75,000	15,517	10,721	762	31,249	1,534
2016	75,000	11,843	9,727	319	-	-
2017	75,000	8,167	5,303	42	-	-
2017-2018	<u>90,000</u>	<u>4,455</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTALS	<u>\$ 465,000</u>	<u>\$ 81,742</u>	<u>\$ 66,168</u>	<u>\$ 4,809</u>	<u>\$ 89,431</u>	<u>\$ 8,921</u>

**NOTE 6 - LONG-TERM DEBT (Continued)**

**Compensated Absences – Governmental Activities**

A summary of vested benefits payable at September 30, 2012 is as follows:

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balances</u>
Vested Employee Benefits	\$ 158,997	\$ -	\$ (3,676)	\$ 155,321

**Compensated Absences – Business-type Activities**

A summary of vested benefits payable at September 30, 2012 is as follows:

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balances</u>
Vested Employee Benefits	\$ 135,907	\$ -	\$ (29,170)	\$ 106,737

***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.	\$ 29,790	\$ -	\$ (29,790)	\$ -	\$ -
Compensated Absences - Net	74,562	-	(16,834)	57,728	
<b>TOTAL</b>	<u>\$ 104,352</u>	<u>\$ -</u>	<u>\$ (46,624)</u>	<u>\$ 57,728</u>	

***BENZIE/LEELANAU DISTRICT HEALTH DEPARTMENT***

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

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balances</u>
Compensated Absences - Net	\$ 55,582	\$ 12,839	\$ -	\$ 68,421

**NOTE 7 - RISK MANAGEMENT**

The County is a voluntary member of the Michigan Municipal Risk Management Authority (MMRMA) (the "Authority"). The County makes annual contributions to MMRMA based on actuarial studies using historical data and insurance industry statistics. Such contributions as received by MMRMA are allocated between its general and member retention funds. Economic resources in the MMRMA's general fund are expended 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, 2012, the County has funds on deposit of \$70,000 with the Authority and reserves for reported claims of \$246,038. Management has not recorded the net of these amounts in the financial statements, as the amount has been deemed immaterial.

**NOTE 8 - CONTINGENT LIABILITIES**

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

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

**NOTE 9 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS**

**PRIMARY GOVERNMENT**

*Plan Description.* The County participates in the Municipal Employees’ Retirement System of Michigan (MERS), an agent multiple-employer defined benefit pension 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 12.09% to 29.26% 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, 2012, the County’s annual pension cost of \$437,455 for MERS was equal to the County’s required and actual contributions. The required contribution was determined as part of the December 31, 2011 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, 2011, 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
2010	\$ 456,891	100%	0
2011	484,887	100%	0
2012	437,455	100%	0

*Funded Status and Funding Progress.* As of December 31, 2011, the most recent actuarial valuation date, the plan was 73 percent funded. The actuarial accrued liability for benefits was \$13,158,904 and the actuarial value of assets was \$9,542,326, resulting in an unfunded actuarial accrued liability (UAAL) of \$3,616,578. The covered payroll (annual payroll of active employees covered by the plan) was \$3,254,356, 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 9 - 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. For employees hired after July 2011, a contribution by employees of 1% to 10% in a hybrid plan and employer contribution of 5.07% of wages. The deferred contribution plan employer portion is 1%.

*Annual Pension Costs.* For year ended 2012, the Benzie County Road Commission’s pension cost of \$293,628 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, 2010, 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>
2009	\$ 270,995	100%	0
2010	264,836	100%	0
2011	266,596	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 9 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)**

*Annual Pension Costs* – For year ended 2012, the Health Department’s annual pension cost of \$20,964 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>
2010	\$ 21,140	100%	0
2011	49,252	100%	0
2012	20,964	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 9 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)**

*Annual Pension Cost* – During the fiscal year ended September 30, 2012, the Authority’s contributions totaling \$39,397 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 Dec 31	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2009	\$ 37,524	100%	0
2010	30,432	100%	0
2011	25,308	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 9 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)**

*Annual Pension Cost.* For the year ended September 30, 2012, the Facility’s pension cost of \$197,477 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
2010	\$ 175,658	100%	0
2011	187,699	100%	0
2012	197,477	100%	0

**NOTE 10 - 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, 2012.

**NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS PLAN (Continued)**

Annual required contribution	\$ 47,254
Adjustments - OPEB obligation	<u>-</u>
Annual OPEB cost	47,254
Contributions made	<u>(48,797)</u>
Decrease in net OPEB obligation	(1,543)
Net OPEB obligation, beginning of year	<u>(28,731)</u>
Net OPEB obligation, end of year	<u>\$ (30,274)</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, 2010, 2011, and 2012 were as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage Contributed</u>	<u>Net OPEB Obligation</u>
09/30/10	\$ 47,824	100.0 %	\$ -
09/30/11	16,592	100.0 %	(28,731)
09/30/12	47,254	100.0 %	(30,274)

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 10- 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 2012 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 11 - DEFINED CONTRIBUTION (MONEY PURCHASE) PENSION PLAN**

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

The Department contributed \$64,727 and employees contributed \$12,946 to the Plan during the year ended September 30, 2012 equal to 33% and 7% respectively of covered payroll.

**NOTE 12 - 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 13 - 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:

2013	\$	105,711
2014		105,711
2015		108,636
2016		108,902
2017		108,902
2018-2020		<u>226,879</u>
Total	\$	<u>764,741</u>

**NOTE 14 - NET ASSET – RESTRICTIONS:**

Net asset restrictions can be described as follows:

\$ 286,753	Restricted for jail operations
\$ 677,880	Restricted for the revenue sharing reserve
\$ 1,888,034	Restricted for debt service
\$ 9,976	Restricted for capital projects
\$ 932,765	Restricted for fund or grant purposes
\$ 2,122,101	Restricted for roads

## **Required Supplementary Information**

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**Pension:**

Three year trend information as of December 31 follows:

***PRIMARY GOVERNMENT***

	<u>2009</u>	<u>2010</u>	<u>2011</u>
Actuarial Value of Assets	\$ 8,417,707	\$ 9,023,218	\$ 9,542,326
Actuarial Accrued Liability	11,337,965	12,148,043	13,158,904
Unfunded AAL	(2,920,258)	(3,124,825)	(3,616,578)
Funded Ratio	74%	74%	73%
Covered Payroll	3,451,421	3,125,738	3,254,356
UAAL as a Percentage of Covered Payroll	85%	100%	111%

***BENZIE COUNTY ROAD COMMISSION***

	<u>2009</u>	<u>2010</u>	<u>2011</u>
Actuarial Value of Assets	\$ 3,081,854	\$ 3,067,334	\$ 3,048,795
Actuarial Accrued Liability	6,634,473	6,640,819	6,856,404
Unfunded AAL	(3,552,619)	(3,573,485)	(3,807,609)
Funded Ratio	46%	46%	45%
Covered Payroll	1,074,578	983,622	913,200
UAAL as a Percentage of Covered Payroll	331%	363%	417%

***BENZIE/LEELANAU DISTRICT HEALTH DEPARTMENT***

	<u>2009</u>	<u>2010</u>	<u>2011</u>
Actuarial Value of Assets	\$ 457,675	\$ 510,328	\$ 563,032
Actuarial Accrued Liability	463,696	520,517	551,626
(Unfunded)/Overfunded AAL	(6,021)	(10,189)	11,406
Funded Ratio	99%	98%	102%
Covered Payroll	185,612	201,355	193,649
UAAL as a Percentage of Covered Payroll	3%	5%	0%

**Pension: (Continued)**

***BENZIE TRANSPORTATION AUTHORITY***

	<u>2009</u>	<u>2010</u>	<u>2011</u>
Actuarial Value of Assets	\$ 132,878	\$ 304,033	\$ 412,782
Actuarial Accrued Liability	181,270	224,105	306,144
(Unfunded)/Overfunded AAL	(48,392)	79,928	106,638
Funded Ratio	136%	136%	135%
Covered Payroll	664,232	642,044	571,236
UAAL as a Percentage of Covered Payroll	7%	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, 2012**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Taxes	\$ 3,909,277	\$ 3,909,277	\$ 4,066,046	\$ 156,769
Licenses & Permits	39,940	39,940	40,146	206
Federal Sources	71,851	71,851	52,152	(19,699)
State Sources	388,897	463,027	434,303	(28,724)
Charges for Services	581,890	641,440	564,971	(76,469)
Refunds & Reimbursements	197,748	197,917	170,892	(27,025)
Interest & Rentals	19,718	19,718	18,547	(1,171)
Other	4,200	4,200	195	(4,005)
<b>TOTAL REVENUES</b>	5,213,521	5,347,370	5,347,252	(118)
<b>EXPENDITURES:</b>				
Legislative:				
Board of Commissioners	88,598	99,208	102,952	(3,744)
Judicial:				
Circuit Court	351,996	346,996	337,198	9,798
District Court	270,793	351,518	335,328	16,190
Friend of the Court	118,170	126,745	126,625	120
Juvenile Division	103,564	127,564	109,046	18,518
Law Library	1,500	1,500	1,500	-
Probate Court	215,982	215,982	211,322	4,660
<b>Total Judicial</b>	1,062,005	1,170,305	1,121,019	49,286
General Government:				
County Administrator	89,569	79,369	72,850	6,519
Elections	39,610	57,185	49,871	7,314
County Clerk	167,861	161,434	158,739	2,695
Equalization	99,928	105,428	103,411	2,017
Prosecuting Attorney	197,230	198,698	187,167	11,531
Register of Deeds	124,359	124,909	123,337	1,572
Treasurer	133,919	130,749	124,387	6,362
Cooperative Extension	43,998	44,167	43,966	201
Legal & Contracted Services	135,000	189,000	180,519	8,481
Central Services	63,500	50,899	48,132	2,767
Buildings & Grounds	208,557	204,655	193,477	11,178
Drain Commission	13,050	13,461	12,561	900
Technology Support	42,500	48,000	43,804	4,196
Plat Board	250	250	-	250
Surveyor	1,371	1,371	1,334	37
<b>Total General Government</b>	1,360,702	1,409,575	1,343,555	66,020

**Required Supplementary Information  
Budgetary Comparison Schedule  
General Fund  
Year Ended September 30, 2012**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Public Safety:				
Sheriff	684,818	694,537	718,352	(23,815)
Sheriff Secondary Road Patrol	71,017	69,373	57,884	11,489
Zero Tolerance	40,656	40,706	40,676	30
Planning Department	2,500	2,805	2,130	675
Emergency Management	41,861	41,994	40,094	1,900
Total Public Safety	<u>840,852</u>	<u>849,415</u>	<u>859,136</u>	<u>(9,721)</u>
Health & Welfare:				
Health Department	193,605	194,403	193,536	867
Medical Examiner	20,400	22,424	20,911	1,513
Mental Health Board	138,321	138,321	138,321	-
Department of Human Services	7,200	7,200	7,200	-
Total Health & Welfare	<u>359,526</u>	<u>362,348</u>	<u>359,968</u>	<u>2,380</u>
Recreation and Culture				
Parks & Recreation	6,800	7,400	5,078	2,322
Total Recreation and Culture	<u>6,800</u>	<u>7,400</u>	<u>5,078</u>	<u>2,322</u>
Other Expenditures:				
Medical Insurance	625,346	589,341	445,989	143,352
Unemployment Insurance	25,000	25,000	22,323	2,677
Worker's Comp Insurance	25,000	25,000	24,840	160
Insurance & Bonds	161,930	135,930	134,162	1,768
Social Security	127,859	128,959	123,695	5,264
Retirement Benefits	263,438	263,438	206,102	57,336
Intergovernmental Cooperation	70,388	70,388	59,741	10,647
Other Miscellaneous	5,000	13,000	11,975	1,025
Total Other Expenditures	<u>1,303,961</u>	<u>1,251,056</u>	<u>1,028,827</u>	<u>222,229</u>
TOTAL EXPENDITURES	<u>5,022,444</u>	<u>5,149,307</u>	<u>4,820,535</u>	<u>328,772</u>
EXCESS OF REVENUES OVER EXPENDITURES	191,077	198,063	526,717	328,654
OTHER FINANCING SOURCES (USES):				
Installment Proceeds	-	-	28,816	28,816
Operating Transfers In	475,754	475,754	325,754	(150,000)
Operating Transfers Out	(666,831)	(674,288)	(642,932)	31,356
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	<u>\$ -</u>	<u>\$ (471)</u>	238,355	<u>\$ 238,826</u>
FUND BALANCE, OCTOBER 1			<u>1,229,463</u>	
FUND BALANCE, SEPTEMBER 30			<u>\$ 1,467,818</u>	

**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**Jail Operations Fund**  
**Year Ended September 30, 2012**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 977,192	\$ 977,192	\$ 974,168	\$ (3,024)
Charges for Services	141,870	141,870	140,759	(1,111)
Refunds & Reimbursements	47,000	47,000	53,366	6,366
TOTAL REVENUES	<u>1,166,062</u>	<u>1,166,062</u>	<u>1,168,293</u>	<u>2,231</u>
EXPENDITURES:				
Public Safety	<u>1,560,156</u>	<u>1,560,156</u>	<u>1,548,263</u>	<u>11,893</u>
TOTAL EXPENDITURES	<u>1,560,156</u>	<u>1,560,156</u>	<u>1,548,263</u>	<u>11,893</u>
EXCESS OF REVENUES (EXPENDITURES)	(394,094)	(394,094)	(379,970)	14,124
OTHER FINANCING SOURCES (USES):				
Installment Proceeds	-	-	40,084	40,084
Operating Transfers In	412,000	412,000	412,000	-
Operating Transfers Out	<u>(17,906)</u>	<u>(17,906)</u>	<u>-</u>	<u>17,906</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	<u>\$ -</u>	<u>\$ -</u>	72,114	<u>\$ 72,114</u>
FUND BALANCE, OCTOBER 1			<u>232,683</u>	
FUND BALANCE, SEPTEMBER 30			<u>\$ 304,797</u>	

**Required Supplementary Information  
Budgetary Comparison Schedule  
Revenue Sharing Reserve Fund  
Year Ended September 30, 2012**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Interest & Rentals	\$ 2,000	\$ 2,000	\$ 2,070	\$ 70
TOTAL REVENUES	<u>2,000</u>	<u>2,000</u>	<u>2,070</u>	<u>70</u>
OTHER FINANCING SOURCES (USES):				
Operating Transfers Out	<u>(325,754)</u>	<u>(325,754)</u>	<u>(325,754)</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	<u>\$ (323,754)</u>	<u>\$ (323,754)</u>	(323,684)	<u>\$ 70</u>
FUND BALANCE, OCTOBER 1			<u>1,001,564</u>	
FUND BALANCE, SEPTEMBER 30			<u>\$ 677,880</u>	

## **Other Supplementary Information**

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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
<b>ASSETS:</b>								
Cash & Equivalents - Unrestricted	\$ 585	\$ 1,436	\$ 909	\$ 2,306	\$ 1,075	\$ 45,554	\$ 45,936	\$ 14,029
Receivables:								
Accounts	-	-	-	-	-	-	-	-
Prepaid Expenses	-	-	-	-	-	-	-	-
Due from Other Funds	-	-	-	-	-	-	9,000	-
<b>TOTAL ASSETS</b>	<u>\$ 585</u>	<u>\$ 1,436</u>	<u>\$ 909</u>	<u>\$ 2,306</u>	<u>\$ 1,075</u>	<u>\$ 45,554</u>	<u>\$ 54,936</u>	<u>\$ 14,029</u>
<b>LIABILITIES:</b>								
Due to Other Funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13,500
Accrued Liabilities	-	-	-	-	-	-	-	479
Accounts Payable	567	-	-	-	-	-	-	-
<b>TOTAL LIABILITIES</b>	<u>567</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,979</u>
<b>FUND BALANCES:</b>								
Nonspendable	-	-	-	-	-	-	-	-
Restricted	-	-	-	2,306	-	45,554	54,936	50
Committed	-	-	-	-	-	-	-	-
Assigned	18	1,436	909	-	1,075	-	-	-
<b>TOTAL FUND BALANCES</b>	<u>18</u>	<u>1,436</u>	<u>909</u>	<u>2,306</u>	<u>1,075</u>	<u>45,554</u>	<u>54,936</u>	<u>50</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 585</u>	<u>\$ 1,436</u>	<u>\$ 909</u>	<u>\$ 2,306</u>	<u>\$ 1,075</u>	<u>\$ 45,554</u>	<u>\$ 54,936</u>	<u>\$ 14,029</u>

	Special Revenue Funds							
	Parks & Rec Ice Rink	Solid Waste/ Recycling	Betsie Valley Trail Management	Soil Erosion	Land Reutilization Fund	Remonument- ation Survey Grant	GIS Information System	Animal Control
<b>ASSETS:</b>								
Cash & Equivalents - Unrestricted	\$ -	\$ 107,196	\$ 15,201	\$ 14,393	\$ 24,271	\$ 32,328	\$ 2,337	\$ 107,708
Receivables:	-	-	-	-	-	-	-	-
Accounts	-	2,000	-	-	-	-	-	-
Prepaid Expenses	-	702	-	-	-	-	-	1,001
Due from Other Funds	-	-	-	-	-	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ -</b>	<b>\$ 109,898</b>	<b>\$ 15,201</b>	<b>\$ 14,393</b>	<b>\$ 24,271</b>	<b>\$ 32,328</b>	<b>2,337</b>	<b>\$ 108,709</b>
<b>LIABILITIES:</b>								
Due to Other Funds	\$ -	\$ -	\$ 10,000	\$ -	\$ -	\$ -	-	\$ -
Accrued Liabilities	-	-	-	775	-	-	-	3,081
Accounts Payable	-	19,474	5,105	227	1,420	-	-	1,241
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>19,474</b>	<b>15,105</b>	<b>1,002</b>	<b>1,420</b>	<b>-</b>	<b>-</b>	<b>4,322</b>
<b>FUND BALANCES:</b>								
Nonspendable	-	702	-	-	-	-	-	1,001
Restricted	-	-	96	-	-	32,328	-	103,386
Committed	-	-	-	-	-	-	-	-
Assigned	-	89,722	-	13,391	22,851	-	2,337	-
<b>TOTAL FUND BALANCES</b>	<b>-</b>	<b>90,424</b>	<b>96</b>	<b>13,391</b>	<b>22,851</b>	<b>32,328</b>	<b>2,337</b>	<b>104,387</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ -</b>	<b>\$ 109,898</b>	<b>\$ 15,201</b>	<b>\$ 14,393</b>	<b>\$ 24,271</b>	<b>\$ 32,328</b>	<b>\$ 2,337</b>	<b>\$ 108,709</b>

	Special Revenue Funds							
	Building Department	Register of Deeds Automation	Homeland Security Grant	911 Emergency Service	Dispatcher Training Grant	Local Corrections Officer Training	Sheriff Forfeiture	Benzie Criminal Justice Training
<b>ASSETS:</b>								
Cash & Equivalents - Unrestricted	\$ 81,552	\$ 137,373	\$ 2,453	\$ 103,439	\$ 11,065	\$ 29,852	\$ 8,343	\$ 7,779
Receivables:								
Accounts	-	-	24,732	172,540	-	-	-	1,124
Prepaid Expenses	2,486	-	-	7,858	-	-	-	-
Due from Other Funds	-	-	-	-	-	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 84,038</b>	<b>\$ 137,373</b>	<b>\$ 27,185</b>	<b>\$ 283,837</b>	<b>\$ 11,065</b>	<b>\$ 29,852</b>	<b>\$ 8,343</b>	<b>\$ 8,903</b>
<b>LIABILITIES:</b>								
Due to Other Funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued Liabilities	14,493	-	-	15,788	-	-	-	-
Accounts Payable	18,725	-	-	1,071	-	-	-	-
<b>TOTAL LIABILITIES</b>	<b>33,218</b>	<b>-</b>	<b>-</b>	<b>16,859</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>FUND BALANCES:</b>								
Nonspendable	2,486	-	-	7,858	-	-	-	-
Restricted	48,334	-	27,185	259,120	11,065	29,852	-	8,903
Committed	-	-	-	-	-	-	-	-
Assigned	-	137,373	-	-	-	-	8,343	-
<b>TOTAL FUND BALANCES</b>	<b>50,820</b>	<b>137,373</b>	<b>27,185</b>	<b>266,978</b>	<b>11,065</b>	<b>29,852</b>	<b>8,343</b>	<b>8,903</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 84,038</b>	<b>\$ 137,373</b>	<b>\$ 27,185</b>	<b>\$ 283,837</b>	<b>\$ 11,065</b>	<b>\$ 29,852</b>	<b>\$ 8,343</b>	<b>\$ 8,903</b>

**Combining Balance Sheet  
Nonmajor Governmental Funds  
September 30, 2012**

	Special Revenue Funds							Debt Service Fund
	Law Library	Commission on Aging	Child Care	Soldier's Relief	Veteran's Trust	CDBG Housing Grant	Light House	Government Center Addition
<b>ASSETS:</b>								
Cash & Equivalents - Unrestricted	\$ 13,833	\$ 291,778	\$ 11,761	\$ 10,559	\$ 1,375	\$ 10,728	\$ 16,009	\$ 32,600
Receivables:								
Accounts	-	-	36,551	-	-	31,757	8,735	-
Prepaid Expenses	-	-	-	-	-	-	-	-
Due from Other Funds	-	-	-	-	-	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 13,833</b>	<b>\$ 291,778</b>	<b>\$ 48,312</b>	<b>\$ 10,559</b>	<b>\$ 1,375</b>	<b>\$ 42,485</b>	<b>\$ 24,744</b>	<b>\$ 32,600</b>
<b>LIABILITIES:</b>								
Due to Other Funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 16,000	\$ -
Accrued Liabilities	-	-	-	-	-	-	-	-
Accounts Payable	1,547	80,906	11,979	48	670	-	-	150
<b>TOTAL LIABILITIES</b>	<b>1,547</b>	<b>80,906</b>	<b>11,979</b>	<b>48</b>	<b>670</b>	<b>-</b>	<b>16,000</b>	<b>150</b>
<b>FUND BALANCES:</b>								
Nonspendable	-	-	-	-	-	-	-	-
Restricted	-	210,872	36,333	10,511	705	42,485	8,744	32,450
Committed	-	-	-	-	-	-	-	-
Assigned	12,286	-	-	-	-	-	-	-
<b>TOTAL FUND BALANCES</b>	<b>12,286</b>	<b>210,872</b>	<b>36,333</b>	<b>10,511</b>	<b>705</b>	<b>42,485</b>	<b>8,744</b>	<b>32,450</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 13,833</b>	<b>\$ 291,778</b>	<b>\$ 48,312</b>	<b>\$ 10,559</b>	<b>\$ 1,375</b>	<b>\$ 42,485</b>	<b>\$ 24,744</b>	<b>\$ 32,600</b>

	Debt	Capital Projects Funds				Totals
	Service					
	Fund					
	Jail	Capital	Railroad	Equipment	Building	
	Bond	Improvements	Point	Replacement	Authority	
	Payments					
<b>ASSETS:</b>						
Cash & Equivalents - Unrestricted	\$ 482,409	\$ 6,745	\$ 5,556	\$ 166,662	\$ 4,420	\$ 1,851,555
Receivables:						
Accounts	-	-	-	3,200	-	280,639
Prepaid Expenses	-	-	-	-	-	12,047
Due from Other Funds	-	-	-	-	-	9,000
<b>TOTAL ASSETS</b>	<u>\$ 482,409</u>	<u>\$ 6,745</u>	<u>\$ 5,556</u>	<u>\$ 169,862</u>	<u>\$ 4,420</u>	<u>\$ 2,153,241</u>
<b>LIABILITIES:</b>						
Due to Other Funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 39,500
Accrued Liabilities	-	-	-	-	-	34,616
Accounts Payable	-	-	-	16,987	-	160,117
<b>TOTAL LIABILITIES</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,987</u>	<u>-</u>	<u>234,233</u>
<b>FUND BALANCES:</b>						
Nonspendable	-	-	-	-	-	12,047
Restricted	482,409	-	5,556	-	4,420	1,457,600
Committed	-	6,745	-	152,875	-	159,620
Assigned	-	-	-	-	-	289,741
<b>TOTAL FUND BALANCES</b>	<u>482,409</u>	<u>6,745</u>	<u>5,556</u>	<u>152,875</u>	<u>4,420</u>	<u>1,919,008</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 482,409</u>	<u>\$ 6,745</u>	<u>\$ 5,556</u>	<u>\$ 169,862</u>	<u>\$ 4,420</u>	<u>\$ 2,153,241</u>

**Combining Statement of Revenues, Expenditures,  
and Changes in Fund Balance  
Nonmajor Governmental Funds  
Year Ended September 30, 2012**

	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
<b>REVENUES:</b>								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Federal Sources	-	-	-	-	-	-	-	-
State Sources	-	-	-	-	-	-	-	6,988
Local Sources	-	-	-	-	-	-	540	2,550
Charges for Services	-	-	-	-	-	2,440	-	1,207
Refunds & Reimbursements	-	-	-	-	-	-	-	-
Interest & Rentals	-	-	-	-	-	78	-	-
Contributions	-	-	-	-	-	-	-	-
Other Revenue	-	-	-	-	-	-	-	-
<b>TOTAL REVENUES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,518</b>	<b>540</b>	<b>10,745</b>
<b>EXPENDITURES:</b>								
Judicial	-	-	-	-	-	-	-	-
General Government	-	-	-	-	-	-	-	-
Public Safety	1,813	105	-	-	6,870	-	14,954	26,696
Public Works	-	-	-	-	-	-	-	-
Health & Welfare	-	-	-	-	-	-	-	-
Recreation & Cultural	-	-	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-	-	-
Debt Service	-	-	-	-	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>1,813</b>	<b>105</b>	<b>-</b>	<b>-</b>	<b>6,870</b>	<b>-</b>	<b>14,954</b>	<b>26,696</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(1,813)</b>	<b>(105)</b>	<b>-</b>	<b>-</b>	<b>(6,870)</b>	<b>2,518</b>	<b>(14,414)</b>	<b>(15,951)</b>
<b>OTHER FINANCING SOURCES (USES):</b>								
Operating Transfers In	-	-	-	-	-	-	-	13,400
Operating Transfers Out	-	-	-	-	-	-	-	-
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES</b>	<b>(1,813)</b>	<b>(105)</b>	<b>-</b>	<b>-</b>	<b>(6,870)</b>	<b>2,518</b>	<b>(14,414)</b>	<b>(2,551)</b>
<b>FUND BALANCES, OCTOBER 1</b>	<b>1,831</b>	<b>1,541</b>	<b>909</b>	<b>2,306</b>	<b>7,945</b>	<b>43,036</b>	<b>69,350</b>	<b>2,601</b>
<b>FUND BALANCES, SEPTEMBER 30</b>	<b>\$ 18</b>	<b>\$ 1,436</b>	<b>\$ 909</b>	<b>\$ 2,306</b>	<b>\$ 1,075</b>	<b>\$ 45,554</b>	<b>\$ 54,936</b>	<b>\$ 50</b>

**Combining Statement of Revenues, Expenditures,  
and Changes in Fund Balance  
Nonmajor Governmental Funds  
Year Ended September 30, 2012**

	Special Revenue Funds							
	Parks & Rec Ice Rink	Solid Waste/ Recycling	Betsie Valley Trail Management	Soil Erosion	Land Reutilization Fund	Remonument- ation Survey Grant	GIS Information System	
<b>REVENUES:</b>								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 106,102
Federal Sources	-	-	-	-	-	-	-	-
State Sources	-	3,000	-	-	-	25,422	-	-
Local Sources	6,820	994	20	-	-	-	-	14,895
Charges for Services	-	263,501	-	21,625	-	-	2,337	12,540
Refunds & Reimbursements	-	25	-	-	-	-	-	199
Interest & Rentals	-	-	-	-	-	-	-	-
Contributions	-	-	-	-	-	-	-	-
Other Revenue	-	-	-	-	-	-	-	40
<b>TOTAL REVENUES</b>	<b>6,820</b>	<b>267,520</b>	<b>20</b>	<b>21,625</b>	<b>-</b>	<b>25,422</b>	<b>2,337</b>	<b>133,776</b>
<b>EXPENDITURES:</b>								
Judicial	-	-	-	-	-	-	-	-
General Government	-	-	-	-	-	30,894	-	-
Public Safety	-	-	-	-	-	-	-	117,743
Public Works	-	245,548	-	17,802	27,427	-	-	-
Health & Welfare	-	-	-	-	-	-	-	-
Recreation & Cultural	6,820	-	7,646	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-	-	14,895
Debt Service	-	-	-	-	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>6,820</b>	<b>245,548</b>	<b>7,646</b>	<b>17,802</b>	<b>27,427</b>	<b>30,894</b>	<b>-</b>	<b>132,638</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>-</b>	<b>21,972</b>	<b>(7,626)</b>	<b>3,823</b>	<b>(27,427)</b>	<b>(5,472)</b>	<b>2,337</b>	<b>1,138</b>
<b>OTHER FINANCING SOURCES (USES):</b>								
Operating Transfers In	-	-	7,100	-	-	7,500	-	20,000
Operating Transfers Out	-	-	-	-	-	-	-	(5,000)
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES</b>	<b>-</b>	<b>21,972</b>	<b>(526)</b>	<b>3,823</b>	<b>(27,427)</b>	<b>2,028</b>	<b>2,337</b>	<b>16,138</b>
<b>FUND BALANCES, OCTOBER 1</b>	<b>-</b>	<b>68,452</b>	<b>622</b>	<b>9,568</b>	<b>50,278</b>	<b>30,300</b>	<b>-</b>	<b>88,249</b>
<b>FUND BALANCES, SEPTEMBER 30</b>	<b>\$ -</b>	<b>\$ 90,424</b>	<b>\$ 96</b>	<b>\$ 13,391</b>	<b>\$ 22,851</b>	<b>\$ 32,328</b>	<b>\$ 2,337</b>	<b>\$ 104,387</b>

**Combining Statement of Revenues, Expenditures,  
and Changes in Fund Balance  
Nonmajor Governmental Funds  
Year Ended September 30, 2012**

	Special Revenue Funds							
	Building Department	Register of Deeds Automation	Homeland Security Grant	911 Emergency Service	Dispatcher Training Grant	Local Corrections Officer Training	Sheriff Forfeiture	Benzie Criminal Justice Training
<b>REVENUES:</b>								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Federal Sources	-	-	86,867	-	-	-	-	-
State Sources	-	-	-	-	9,261	-	-	2,260
Local Sources	-	-	-	-	-	-	-	-
Charges for Services	313,787	30,735	-	702,181	-	3,664	-	-
Refunds & Reimbursements	731	-	-	618	-	-	-	-
Interest & Rentals	-	426	-	-	-	-	-	-
Contributions	-	-	-	-	-	-	-	-
Other Revenue	-	-	-	-	-	-	-	-
<b>TOTAL REVENUES</b>	<b>314,518</b>	<b>31,161</b>	<b>86,867</b>	<b>702,799</b>	<b>9,261</b>	<b>3,664</b>	<b>-</b>	<b>2,260</b>
<b>EXPENDITURES:</b>								
Judicial	-	-	-	-	-	-	-	-
General Government	-	31,707	-	-	-	-	-	-
Public Safety	304,205	-	61,797	670,691	1,833	-	5,853	546
Public Works	-	-	-	-	-	-	-	-
Health & Welfare	-	-	-	-	-	-	-	-
Recreation & Cultural	-	-	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-	-	-
Debt Service	-	-	-	-	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>304,205</b>	<b>31,707</b>	<b>61,797</b>	<b>670,691</b>	<b>1,833</b>	<b>-</b>	<b>5,853</b>	<b>546</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>10,313</b>	<b>(546)</b>	<b>25,070</b>	<b>32,108</b>	<b>7,428</b>	<b>3,664</b>	<b>(5,853)</b>	<b>1,714</b>
<b>OTHER FINANCING SOURCES (USES):</b>								
Operating Transfers In	-	-	-	-	-	-	-	-
Operating Transfers Out	-	-	-	-	-	-	-	-
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES</b>	<b>10,313</b>	<b>(546)</b>	<b>25,070</b>	<b>32,108</b>	<b>7,428</b>	<b>3,664</b>	<b>(5,853)</b>	<b>1,714</b>
<b>FUND BALANCES, OCTOBER 1</b>	<b>40,507</b>	<b>137,919</b>	<b>2,115</b>	<b>234,870</b>	<b>3,637</b>	<b>26,188</b>	<b>14,196</b>	<b>7,189</b>
<b>FUND BALANCES, SEPTEMBER 30</b>	<b>\$ 50,820</b>	<b>\$ 137,373</b>	<b>\$ 27,185</b>	<b>\$ 266,978</b>	<b>\$ 11,065</b>	<b>\$ 29,852</b>	<b>\$ 8,343</b>	<b>\$ 8,903</b>

**Combining Statement of Revenues, Expenditures,  
and Changes in Fund Balance  
Nonmajor Governmental Funds  
Year Ended September 30, 2012**

	Special Revenue Funds							Debt Service Fund
	Law Library	Commission on Aging	Child Care	Soldier's Relief	Veteran's Trust	CDBG Housing Grant	Light House	Government Center Addition
<b>REVENUES:</b>								
Taxes	\$ -	\$ 707,593	\$ -	\$ 43,179	\$ -	\$ -	\$ -	\$ -
Federal Sources	-	-	-	-	-	43,870	5,380	-
State Sources	-	-	219,336	-	3,296	-	-	-
Local Sources	-	-	-	-	-	-	5,465	-
Charges for Services	5,000	-	-	-	-	9,441	-	-
Refunds & Reimbursements	605	-	13,237	19	-	-	40	-
Interest & Rentals	-	-	-	-	-	45	-	105,711
Contributions	-	-	-	-	-	-	-	-
Other Revenue	-	-	-	-	-	-	-	-
<b>TOTAL REVENUES</b>	<b>5,605</b>	<b>707,593</b>	<b>232,573</b>	<b>43,198</b>	<b>3,296</b>	<b>53,356</b>	<b>10,885</b>	<b>105,711</b>
<b>EXPENDITURES:</b>								
Judicial	14,896	-	-	-	-	-	-	-
General Government	-	-	-	-	-	-	-	4,618
Public Safety	-	-	-	-	-	-	-	-
Public Works	-	-	-	-	-	-	-	-
Health & Welfare	-	746,029	400,623	56,319	3,155	51,141	-	-
Recreation & Cultural	-	-	-	-	-	-	10,565	-
Capital Outlay	-	-	-	-	-	-	-	-
Debt Service	-	-	-	-	-	-	-	101,093
<b>TOTAL EXPENDITURES</b>	<b>14,896</b>	<b>746,029</b>	<b>400,623</b>	<b>56,319</b>	<b>3,155</b>	<b>51,141</b>	<b>10,565</b>	<b>105,711</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(9,291)</b>	<b>(38,436)</b>	<b>(168,050)</b>	<b>(13,121)</b>	<b>141</b>	<b>2,215</b>	<b>320</b>	<b>-</b>
<b>OTHER FINANCING SOURCES (USES):</b>								
Operating Transfers In	15,000	-	133,788	-	-	-	8,300	-
Operating Transfers Out	-	-	-	-	-	-	-	-
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES</b>	<b>5,709</b>	<b>(38,436)</b>	<b>(34,262)</b>	<b>(13,121)</b>	<b>141</b>	<b>2,215</b>	<b>8,620</b>	<b>-</b>
<b>FUND BALANCES, OCTOBER 1</b>	<b>6,577</b>	<b>249,308</b>	<b>70,595</b>	<b>23,632</b>	<b>564</b>	<b>40,270</b>	<b>124</b>	<b>32,450</b>
<b>FUND BALANCES, SEPTEMBER 30</b>	<b>\$ 12,286</b>	<b>\$ 210,872</b>	<b>\$ 36,333</b>	<b>\$ 10,511</b>	<b>\$ 705</b>	<b>\$ 42,485</b>	<b>\$ 8,744</b>	<b>\$ 32,450</b>

**Combining Statement of Revenues, Expenditures,  
and Changes in Fund Balance  
Nonmajor Governmental Funds  
Year Ended September 30, 2012**

	Debt Service Fund	Capital Project Funds				Totals
	Jail Bond Payments	Capital Improvements	Railroad Point	Equipment Replacement	Building Authority	
<b>REVENUES:</b>						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 856,874
Federal Sources	-	-	-	-	-	136,117
State Sources	-	-	-	19,367	-	288,930
Local Sources	-	-	6,715	-	-	37,999
Charges for Services	-	-	-	12,031	-	1,380,489
Refunds & Reimbursements	-	4,720	-	-	-	20,194
Interest & Rentals	1,125	-	-	-	-	107,385
Contributions	-	-	4,331	9,730	-	14,061
Other Revenue	-	-	-	-	-	40
<b>TOTAL REVENUES</b>	<b>1,125</b>	<b>4,720</b>	<b>11,046</b>	<b>41,128</b>	<b>-</b>	<b>2,842,089</b>
<b>EXPENDITURES:</b>						
Judicial	-	-	-	-	-	14,896
General Government	-	-	-	-	-	67,219
Public Safety	-	-	-	-	-	1,213,106
Public Works	-	-	-	-	-	290,777
Health & Welfare	-	-	-	-	1,947	1,259,214
Recreation & Cultural	-	-	-	-	-	25,031
Capital Outlay	7,429	33,615	6,715	31,244	-	93,898
Debt Service	-	-	-	-	-	101,093
<b>TOTAL EXPENDITURES</b>	<b>7,429</b>	<b>33,615</b>	<b>6,715</b>	<b>31,244</b>	<b>1,947</b>	<b>3,065,234</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(6,304)</b>	<b>(28,895)</b>	<b>4,331</b>	<b>9,884</b>	<b>(1,947)</b>	<b>(223,145)</b>
<b>OTHER FINANCING SOURCES (USES):</b>						
Operating Transfers In	-	12,800	-	57,500	2,500	277,888
Operating Transfers Out	-	-	-	(99,038)	-	(104,038)
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES</b>	<b>(6,304)</b>	<b>(16,095)</b>	<b>4,331</b>	<b>(31,654)</b>	<b>553</b>	<b>(49,295)</b>
<b>FUND BALANCES, OCTOBER 1</b>	<b>488,713</b>	<b>22,840</b>	<b>1,225</b>	<b>184,529</b>	<b>3,867</b>	<b>1,968,303</b>
<b>FUND BALANCES, SEPTEMBER 30</b>	<b>\$ 482,409</b>	<b>\$ 6,745</b>	<b>\$ 5,556</b>	<b>\$ 152,875</b>	<b>\$ 4,420</b>	<b>\$ 1,919,008</b>

**Combining Statement of Net Assets  
Nonmajor Enterprise Funds  
September 30, 2012**

	Tax Admin.	Tax Foreclosure	Sheriff Commissary	Totals
<b>ASSETS:</b>				
Cash & Equivalents -Unrestricted	\$ 75,170	\$ 445,250	\$ 6,989	\$ 527,409
Due From Others	-	8,518		8,518
	<u>\$ 75,170</u>	<u>\$ 453,768</u>	<u>\$ 6,989</u>	<u>\$ 535,927</u>
<b>TOTAL ASSETS</b>	<u>\$ 75,170</u>	<u>\$ 453,768</u>	<u>\$ 6,989</u>	<u>\$ 535,927</u>
<b>NET ASSETS:</b>				
Unrestricted	\$ 75,170	\$ 453,768	\$ 6,989	\$ 535,927
	<u>\$ 75,170</u>	<u>\$ 453,768</u>	<u>\$ 6,989</u>	<u>\$ 535,927</u>
<b>TOTAL NET ASSETS</b>	<u>\$ 75,170</u>	<u>\$ 453,768</u>	<u>\$ 6,989</u>	<u>\$ 535,927</u>

# County of Benzie, Michigan

## Combining Statement of Revenues, Expenses, and Changes in Net Assets - Nonmajor Enterprise Funds Year Ended September 30, 2012

	Tax Admin.	Tax Foreclosure	Sheriff Commissary	Totals
<b>OPERATING REVENUES:</b>				
Charges for Services	\$ -	\$ 155,174	\$ 8,185	\$ 163,359
<b>TOTAL OPERATING REVENUES</b>	<u>-</u>	<u>155,174</u>	<u>8,185</u>	<u>163,359</u>
<b>OPERATING EXPENSES:</b>				
Other Supplies and Expenses	1,840	71,240	4,343	77,423
<b>Total Operating Expenses</b>	<u>1,840</u>	<u>71,240</u>	<u>4,343</u>	<u>77,423</u>
<b>OPERATING INCOME (LOSS)</b>	(1,840)	83,934	3,842	85,936
<b>Non operating Revenues (Expenses)</b>				
Interest on Deposits	-	243	-	243
<b>OPERATING INCOME (LOSS) BEFORE TRANSFERS</b>	<u>(1,840)</u>	<u>84,177</u>	<u>3,842</u>	<u>86,179</u>
Operating Transfers In	6,696	-	-	6,696
<b>CHANGES IN NET ASSETS</b>	4,856	84,177	3,842	92,875
<b>NET ASSETS, OCTOBER 1</b>	<u>70,314</u>	<u>369,591</u>	<u>3,147</u>	<u>443,052</u>
<b>NET ASSETS, SEPTEMBER 30</b>	<u>\$ 75,170</u>	<u>\$ 453,768</u>	<u>\$ 6,989</u>	<u>\$ 535,927</u>

**Combining Statement of Cash Flows**  
**Nonmajor Enterprise Funds**  
**Year Ended September 30, 2012**

	Tax Admin	Tax Foreclosure	Sheriff Commissary	Totals
<b>Cash Flows From Operating Activities:</b>				
Cash Received From Customers or Users	\$ -	\$ 146,656	\$ 8,185	\$ 154,841
Cash Payments to Suppliers	(1,840)	(71,240)	(4,343)	(77,423)
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>(1,840)</u>	<u>75,416</u>	<u>3,842</u>	<u>77,418</u>
<b>Cash Flows From Noncapital and Related Financing Activities:</b>				
Operating Transfers In	6,696	-	-	6,696
<b>Cash Flows Provided (Used) by Noncapital and Related Financing Activities</b>	<u>6,696</u>	<u>-</u>	<u>-</u>	<u>6,696</u>
<b>Cash Flows From Investing Activities</b>				
Interest Income	-	243	-	243
<b>Cash Flows From Investing Activities</b>	<u>-</u>	<u>243</u>	<u>-</u>	<u>243</u>
Net Increase (Decrease) in Cash	4,856	75,659	3,842	84,357
Cash and Cash Equivalents at Beginning of Year	70,314	369,591	3,147	443,052
<b>Cash and Cash Equivalents at End of Year</b>	<u>\$ 75,170</u>	<u>\$ 445,250</u>	<u>\$ 6,989</u>	<u>\$ 527,409</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>				
Operating Income (Loss)	\$ (1,840)	\$ 83,934	\$ 3,842	\$ 85,936
Changes in Assets and Liabilities:				
Decrease (Increase) in Assets:				
Due from Others	-	(8,518)		(8,518)
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>\$ (1,840)</u>	<u>\$ 75,416</u>	<u>\$ 3,842</u>	<u>\$ 77,418</u>

## **Report on Compliance**

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**ANDERSON, TACKMAN & COMPANY, PLC**  
**CERTIFIED PUBLIC ACCOUNTANTS**

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**MEMBER MACPA**

**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, 2012, which collectively comprise the County of Benzie, Michigan's basic financial statements and have issued our report thereon, dated February 28, 2013. 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**

Management of the County of Benzie, Michigan, is responsible for establishing and maintaining effective 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 12-1. 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 28, 2013.

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 28, 2013

SIGNIFICANT DEFICIENCIES

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

*Finding 12-1*

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:  
Michelle Thompson, Treasurer

## **Additional Information**

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COUNTY OF BENZIE, MICHIGAN

ADDITIONAL INFORMATION

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**MICHIGAN & WISCONSIN**

**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, 2012, 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 & Co. PLC*

**Anderson, Tackman & Company, PLC**  
**Certified Public Accountants**

February 28, 2013

**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	
2012	\$	1,446,019,671
2011		1,488,154,893
2010		1,570,440,129
2009		1,771,098,199
2008		1,761,437,891
2007		1,731,154,154
2006		1,630,247,547
2005		1,487,297,079
2004		1,301,441,654
2003		1,204,165,487

Source: Benzie County

**B. Taxable Valuation:**

2012	\$	1,099,298,583
2011		1,088,756,179
2010		1,097,564,619
2009		1,066,749,869
2008		1,063,669,558
2007		1,009,191,871
2006		943,504,468
2005		871,219,780
2004		805,938,284
2003		743,112,961

Source: Benzie County

**NOTE 2 - TABLES: (Continued)**

<u>2012 Breakdown by Use</u>	
Residential	88.57%
Commercial	5.96%
Industrial	.43%
Personal Property	3.89%
Agricultural	1.12%
Timber-Cutover	<u>.03%</u>
 TOTAL	 100.00%
<u>2012 Breakdown by Class</u>	
Real	96.11%
Personal	<u>3.89%</u>
 TOTAL	 100.00%

Source: Benzie County

**C. County Tax Rates & Levies:**

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
County Operating	3.5144	3.5144	3.5144	3.5144	3.5144
County Operating*	2.4977	2.4617	2.9379	2.7472	2.8630
Voted County (Jail)	<u>0.9000</u>	<u>0.9000</u>	<u>0.9000</u>	<u>0.8535</u>	<u>1.2430</u>
TOTAL COUNTY	6.9121	6.8761	7.3523	7.1151	7.6204
Traverse Bay Area I/S/D	<u>2.9312</u>	<u>2.9312</u>	<u>2.9312</u>	<u>2.9312</u>	<u>2.9312</u>
TOTAL ALL JURISDICTIONS	9.8433	9.8073	10.2835	10.0463	10.5516

\*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>
2012	\$ 35,114,232	\$ 33,018,137	94.03%	100%
2011	34,501,022	32,246,500	93.46	100
2010	33,628,263	31,209,130	92.80	100
2009	33,698,452	31,360,953	93.10	100
2008	33,743,134	31,405,879	93.10	100
2007	32,640,547	30,340,896	93.00	100
2006	30,499,318	28,265,988	92.68	100
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

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

Source: Benzie County

**E. General Fund Revenues and Expenditures:**

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Revenues & Transfers In	\$ 5,701,822	\$ 5,567,265	\$ 5,673,729	\$ 5,791,566
Expenditures & Transfers Out	<u>(5,463,467)</u>	<u>(5,356,773)</u>	<u>(5,652,566)</u>	<u>(5,991,843)</u>
Revenues over(under) expenditures	238,355	210,492	21,163	(200,277)
Beginning Fund Balance	<u>1,229,463</u>	<u>1,018,971</u>	<u>997,808</u>	<u>1,198,085</u>
<b>ENDING FUND BALANCE</b>	<u>\$ 1,467,818</u>	<u>\$ 1,229,463</u>	<u>\$ 1,018,971</u>	<u>\$ 997,808</u>

Source: Benzie County

**NOTE 2 - TABLES: (Continued)**

**F. Debt Statement:**

	<u>Gross</u>	<u>Net</u>
Direct Debt of County:		
Building Authority	\$ <u>465,000</u>	\$ <u>465,000</u>
Per Capita County Net Direct Debt		\$ 26.53
Percent County Net Direct Debt to 2012 TV		.04%
 OVERLAPPING DEBT OF COUNTY:		
School Districts		\$ 14,492,884
Cities		1,105,000
Townships		-
Villages		892,000
Intermediate School Districts		<u>-</u>
Net Overlapping Debt		\$ <u>16,489,884</u>
Net County and Overlapping Debt		\$ <u>16,954,884</u>
Per Capita County Net Direct and Overlapping Debt		\$ 967.47
Percent Net Direct and Overlapping Debt to 2012 TV		1.56%

Source: County of Benzie and Municipal Advisory Council of Michigan

Note: Estimated population for 2012 is 17,525

Source: U.S. Census Bureau



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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  
448 Court Place  
Beulah, MI 49617

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Benzie, Michigan for the year ended September 30, 2012, and have issued our report thereon dated February 28, 2013. 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 September 17, 2012, 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.

Our responsibility for the supplementary information accompanying the financial statements, as describe by professional standards, is to evaluate the presentation of the supplementary information in relation to the financial statements as a whole and to report on whether supplementary information is fairly stated, in all material respects, in relation to the financial statements as whole.

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 September 17, 2012.

### **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 \$11,875.

The financial statement disclosures are neutral, consistent and clear.

#### ***Difficulties Encountered in Performing the Audit***

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

#### ***Corrected and Uncorrected Misstatements***

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. 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 28, 2013.

***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.

***Other Matters***

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed for the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

***Comments and Recommendations***

**Journal Entries (Prior Year)**

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.

Status: Corrected.

**Lease Agreements (Prior Year)**

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.

Status: Corrected.

**Credit Card Testing (Prior Year)**

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.

Status: Corrected.

**Medical Care Facility (Prior Year)**

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.

Status: Corrected.

**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 28, 2013