

County of Benzie, Michigan

BASIC FINANCIAL STATEMENTS

September 30, 2019

BENZIE COUNTY, MICHIGAN

ORGANIZATION

MEMBERS OF THE COUNTY COMMISSION

CHAIR PERSON	GARY SAUER
VICE CHAIR PERSON	EVAN WARSECKE
COMMISSIONER	BOB ROELOFS
COMMISSIONER	RHONDA NYE
COMMISSIONER	LINDA FARRELL
COMMISSIONER	SHERRY TAYLOR
COMMISSIONER	ART JEANNOT

APPOINTED/ELECTED OFFICIALS

COUNTY ADMINISTRATOR	MITCH DEISCH
FINANCE DIRECTOR	SUSAN BOYD
COUNTY TREASURER	MICHELLE THOMPSON
COUNTY CLERK	DAWN OLNEY

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ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

KINROSS OFFICE

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information, of the County of Benzie, Michigan, as of and for the year ending September 30, 2019, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Benzie Transportation Authority, which represents 11 percent, 14 percent, and 16 percent, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units. We also did not audit the financial statements of the County Medical Care Facility, which represents 70 percent, 61 percent, and 82 percent, respectively, of the assets, net position, and revenues of the business-type activities. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Benzie Transportation Authority and the County Medical Care Facility are based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of the County Medical Care Facility were not audited in accordance with *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, based on our report and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Benzie, Michigan, as of September 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, employee retirement and benefits systems and budgetary comparison schedules on pages 4 through 9, pages 64 through 66, and pages 67 through 70 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 4, 2020 on our consideration of the County of Benzie, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the County of Benzie, Michigan's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County of Benzie, Michigan's internal control over financial reporting and compliance.



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

March 4, 2020

Management's Discussion and Analysis

As managers of the County of Benzie, Michigan, we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended September 30, 2019. We encourage readers to consider the information presented here, in conjunction with additional information that is furnished in the financial statements and notes to the financial statements.

Financial Highlights

- Net position for the County was reported at \$28,273,763 for 2018 and was \$29,412,538 for 2019, an increase of 4%. For 2019, net position for our business-type activities was \$18,081,533 or 61% of total net position, while net position in our governmental activities was \$11,331,005 or 39% of total net position.
- At September 30, 2019, Benzie County's governmental funds report a combined fund balance of \$4,699,204 compared to \$4,673,883 in 2018.
- At September 30, 2019, the fund balance for the general fund was \$2,139,938 with \$17,863 nonspendable for prepaid items.

Overview of the Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Notes to the financial statements. The notes provide additional information that is essential to fully understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 21-63 of this report.

Required Supplementary Information. Required supplementary information related to the County’s pension and health plans can be found on pages 64-66 and budgetary comparison information related to the County’s major governmental funds can be found on pages 67-70 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain other information. This includes the combining nonmajor fund financial statements. Combining nonmajor fund financial statements can be found on pages 71-87 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government’s financial position. In the case of Benzie County, net position exceeded liabilities by \$29,412,538 at the close of the most recent fiscal year.

**Benzie County
Net Position**

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current Assets	\$ 5,950,094	\$ 6,103,867	\$ 11,393,416	\$ 10,331,199	\$ 17,343,510	\$ 16,435,066
Capital Assets	10,946,529	11,041,656	14,658,017	14,228,296	25,604,546	25,269,952
Total Assets	16,896,623	17,145,523	26,051,433	24,559,495	42,948,056	41,705,018
Deferred Outflows of Resources	1,289,140	721,720	1,234,262	620,527	2,523,402	1,342,247
Current Liabilities	385,285	568,395	1,073,322	1,220,025	1,458,607	1,788,420
Noncurrent Liabilities	6,314,133	5,143,430	7,992,265	7,189,648	14,306,398	12,333,078
Total Liabilities	6,699,418	5,711,825	9,065,587	8,409,673	15,765,005	14,121,498
Deferred Inflows of Resources	155,340	304,741	138,575	347,263	293,915	652,004
Net Position						
Net Investment in Capital Assets	10,938,190	11,020,962	9,421,146	8,848,701	20,359,336	19,869,663
Restricted	1,934,935	2,154,645	121,730	49,740	2,056,665	2,204,385
Unrestricted	(1,542,120)	(1,324,930)	8,538,657	7,524,645	6,996,537	6,199,715
Total Net Position	\$ 11,331,005	\$ 11,850,677	\$ 18,081,533	\$ 16,423,086	\$ 29,412,538	\$ 28,273,763

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

In addition to the net position invested in capital assets, certain other restrictions on use of net position apply due primarily to legal guidelines. The restricted net position total was \$2,056,665. The remaining balance of unrestricted net position of \$6,996,537 may be used to meet the government’s ongoing obligations to citizens and creditors.

**Benzie County
Changes in Net Position**

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Program Revenues						
Charges for Services	\$ 2,911,886	\$ 3,026,900	\$ 11,256,495	\$ 10,679,164	\$ 14,168,381	\$ 13,706,064
Operating Grants and Contributions	900,485	771,927	-	-	900,485	771,927
Capital Grants and Contributions	23,105	63,481	-	-	23,105	63,481
General Revenues						
Property Taxes	8,056,519	7,651,364	2,260,617	2,180,337	10,317,136	9,831,701
State Revenue Sharing	348,152	346,531	-	-	348,152	346,531
Investment Earnings	230,333	24,366	137,629	49,817	367,962	74,183
Other Revenue	57,637	138,198	-	-	57,637	138,198
Total Revenues	12,528,117	12,022,767	13,654,741	12,909,318	26,182,858	24,932,085
Program Expenses						
Legislative	90,507	90,972	-	-	90,507	90,972
Judicial	1,262,541	1,040,511	-	-	1,262,541	1,040,511
General Government	2,394,080	2,726,142	-	-	2,394,080	2,726,142
Public Safety	4,705,086	4,544,935	-	-	4,705,086	4,544,935
Public Works	359,247	467,617	-	-	359,247	467,617
Health and Welfare	2,620,893	2,455,014	-	-	2,620,893	2,455,014
Community and Economic Development	146,386	-	-	-	146,386	-
Recreation and Culture	61,442	48,589	-	-	61,442	48,589
Interest Expense - Unallocated	5,442	6,710	-	-	5,442	6,710
Other Expenses	1,559,336	1,389,938	-	-	1,559,336	1,389,938
County Medical Care Facility	-	-	10,360,209	10,000,794	10,360,209	10,000,794
Tax Collection	-	-	203	2,079	203	2,079
Emergency Medical Services	-	-	1,808,674	1,618,751	1,808,674	1,618,751
Nonmajor	-	-	88,610	94,654	88,610	94,654
Total Expenses	13,204,960	12,770,428	12,257,696	11,716,278	25,462,656	24,486,706
Excess (Deficiency)						
Before Transfers	(676,843)	(747,661)	1,397,045	1,193,040	720,202	445,379
Extraordinary Item	-	-	418,573	-	418,573	-
Transfers	157,171	297,003	(157,171)	(297,003)	-	-
Changes in Net Position	(519,672)	(450,658)	1,658,447	896,037	720,202	445,379
Net Position - Beginning	11,850,677	12,301,335	16,423,086	15,527,049	28,273,763	27,828,384
Net Position - Ending	\$ 11,331,005	\$ 11,850,677	\$ 18,081,533	\$ 16,423,086	\$ 28,993,965	\$ 28,273,763

Financial Analysis of the Government Funds

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

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

The County’s general fund is the chief operating fund of the County. The County’s ending fund balance for the general fund was \$2,139,938.

General Fund Budgetary Highlights

The General Fund realized \$199,001 more in revenues than anticipated for the fiscal year. The General Fund operations also expended \$322,388 less than appropriated. Operating Transfers In/Out were less than budgeted and resulted in a net budget variance of \$501,044.

All of the General Fund services departments expended less than the budgeted amount for departmental operations in 2019. 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, 2019 the County had \$25,604,545 invested in a range of assets. This includes a net increase of \$334,593 from last year as additions exceed depreciation and deletions.

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

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$ 5,931,926	\$ 5,931,926	\$ 47,424	\$ 47,424	\$ 5,979,350	\$ 5,979,350
Construction in Progress	-	-	57,986	-	57,986	-
Buildings and Improvements	4,203,841	4,410,205	13,193,800	12,849,752	17,397,641	17,259,957
Land Improvements	128,010	45,148	85,716	62,088	213,726	107,236
Machinery and Equipment	682,752	654,377	1,273,091	1,269,032	1,955,843	1,923,409
Total	\$ 10,946,529	\$ 11,041,656	\$ 14,658,017	\$ 14,228,296	\$ 25,604,546	\$ 25,269,952

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

Debt Administration

At the end of fiscal year 2019, the County had outstanding bond debt in the amount of \$4,855,000. This was due to decreasing its bond debt in the amount of \$340,000. All bonds are backed by the County’s full faith and credit of the government. The remainder of the County’s debt is comprised of notes payable, vested employee benefits, and net pension liabilities.

Debt Administration

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Bonds	\$ -	\$ -	\$ 4,855,000	\$ 5,195,000	\$ 4,855,000	\$ 5,195,000
Notes Payable	8,339	20,694	184,877	184,595	193,216	205,289
Net Pension Liability	6,175,056	5,006,945	3,213,153	2,111,385	9,388,209	7,118,330
Vested Employee Benefits	139,077	128,146	150,329	141,704	289,406	269,850
Total	\$ 6,322,472	\$ 5,155,785	\$ 8,403,359	\$ 7,632,684	\$ 14,725,831	\$ 12,788,469

Additional information on the County’s long-term debt can be found in Note 6 on pages 35-38 of this report.

Economic Factors and Next Year’s Budgets and Rates

One large capital project is expected to continue in FY 2019-2020, notably construction with the Point Betsie Lighthouse. These projects will impact two operational departments, notably the Treasurer’s office (who provides grant administration and support to the County Building Authority) and the Building Department (permits and inspections).

Benzie County’s financial challenges are being addressed through a new strategic plan that will eventually provide multi-year budgeting and projections. The County will also establish processes to closely monitor capital and operational expenses. While the fiscal performance in FY 2018-2019 was significantly better than expected, the concerns with personal property tax reduction, court reform and state revenue sharing, along with containing operational costs will be diligently monitored.

Requests for Information

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

Basic Financial Statements

Statement of Net Position
September 30, 2019

	Primary Government		Totals	Component Units
	Governmental Activities	Business-type Activities		
ASSETS:				
Cash, Equivalents and Investments - Unrestricted	\$ 3,843,715	\$ 8,816,376	\$ 12,660,091	\$ 3,444,256
Cash and Equivalents - Restricted	-	221,745	221,745	-
Receivables:				
Accounts - Net	359,855	1,084,492	1,444,347	488,779
Taxes	950,258	913,812	1,864,070	-
Interest	-	82,228	82,228	-
Loans	873,944	-	873,944	-
Prepaid Items	32,322	3,591	35,913	92,540
Due from Governmental Units	-	-	-	842,008
Internal Balances	(110,000)	110,000	-	-
Other Assets	-	161,172	161,172	-
Inventories	-	-	-	384,845
Net Pension Asset	-	-	-	122,394
Capital Assets (Not Depreciated)	5,931,926	105,410	6,037,336	1,699,861
Capital Assets (Net of Accumulated Depreciation)	5,014,603	14,552,607	19,567,210	20,564,541
TOTAL ASSETS	16,896,623	26,051,433	42,948,056	27,639,224
DEFERRED OUTFLOWS OF RESOURCES:				
Pension Items	1,289,140	1,234,262	2,523,402	1,207,569
LIABILITIES:				
Accounts Payable	263,774	356,624	620,398	141,259
Accrued Liabilities	113,172	275,764	388,936	154,878
Accrued Interest Payable	-	1,027	1,027	-
Due to Others	-	28,813	28,813	-
Advances from State	-	-	-	319,300
Notes Payable - Due within one year	8,339	483,783	492,122	131,485
Notes Payable - Due in more than one year	-	4,556,094	4,556,094	267,871
Other Post Employment Benefits - Due in more than one year	-	-	-	416,296
Net Pension Liability - Due in more than one year	6,175,056	3,213,153	9,388,209	5,167,825
Vested Employee Benefits - Due in more than one year	139,077	150,329	289,406	151,045
TOTAL LIABILITIES	6,699,418	9,065,587	15,765,005	6,749,959
DEFERRED INFLOWS OF RESOURCES:				
Pension Items	155,340	138,575	293,915	106,494
NET POSITION:				
Net Investment in Capital Assets	10,938,190	9,421,146	20,359,336	21,865,046
Restricted	1,934,935	121,730	2,056,665	-
Unrestricted	(1,542,120)	8,538,657	6,996,537	125,294
TOTAL NET POSITION	\$ 11,331,005	\$ 18,081,533	\$ 29,412,538	\$ 21,990,340

County of Benzie, Michigan

Statement of Activities Year Ended September 30, 2019

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Units
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
Governmental Activities:								
Legislative	\$ 90,507	\$ -	\$ -	\$ -	\$ (90,507)	\$ -	\$ (90,507)	\$ -
Judicial	1,262,541	300,087	295,762	-	(666,692)	-	(666,692)	-
General Government	2,394,080	770,992	223,597	-	(1,399,491)	-	(1,399,491)	-
Public Safety	4,705,086	1,232,296	188,504	-	(3,284,286)	-	(3,284,286)	-
Public Works	359,247	368,589	13,458	-	22,800	-	22,800	-
Health and Welfare	2,620,893	53,518	179,164	-	(2,388,211)	-	(2,388,211)	-
Community & Economic Development	146,386	186,404	-	-	40,018	-	40,018	-
Recreation and Culture	61,442	-	-	23,105	(38,337)	-	(38,337)	-
Interest Expense - Unallocated	5,442	-	-	-	(5,442)	-	(5,442)	-
Other Expenses	1,559,336	-	-	-	(1,559,336)	-	(1,559,336)	-
Total Governmental Activities	<u>13,204,960</u>	<u>2,911,886</u>	<u>900,485</u>	<u>23,105</u>	<u>(9,369,484)</u>	<u>-</u>	<u>(9,369,484)</u>	<u>-</u>
Business-type Activities:								
Tax Collection	203	283,576	-	-	-	283,373	283,373	-
Emergency Medical Services	1,808,674	941,051	-	-	-	(867,623)	(867,623)	-
Nonmajor	88,610	128,330	-	-	-	39,720	39,720	-
County Medical Care Facility	10,360,209	9,903,538	-	-	-	(456,671)	(456,671)	-
Total Business-type Activities	<u>12,257,696</u>	<u>11,256,495</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,001,201)</u>	<u>(1,001,201)</u>	<u>-</u>
Total Primary Government	<u>\$ 25,462,656</u>	<u>\$ 14,168,381</u>	<u>\$ 900,485</u>	<u>\$ 23,105</u>	<u>(9,369,484)</u>	<u>(1,001,201)</u>	<u>(10,370,685)</u>	<u>-</u>
Component Units:								
Road Commission	\$ 5,875,733	\$ 1,328,542	\$ 3,346,642	\$ 2,208,161	-	-	-	1,007,612
Benzie/Leelanau Health Dept.	3,147,148	1,037,532	1,375,358	-	-	-	-	(734,258)
Benzie Transportation Authority	2,005,642	176,369	1,033,219	245,848	-	-	-	(550,206)
Economic Development Corporation	3,234	4,017	-	-	-	-	-	783
Total Component Units	<u>11,031,757</u>	<u>2,546,460</u>	<u>5,755,219</u>	<u>2,454,009</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(276,069)</u>
Total	<u>\$ 36,494,413</u>	<u>\$ 16,714,841</u>	<u>\$ 6,655,704</u>	<u>\$ 2,477,114</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
General Revenues and Transfers:								
Taxes - Real and Personal	-	-	-	-	8,056,519	2,260,617	10,317,136	1,712,915
Appropriations	-	-	-	-	-	-	-	549,745
State Revenue Sharing	-	-	-	-	348,152	-	348,152	-
Investment Earnings	-	-	-	-	230,333	137,629	367,962	43,676
Other	-	-	-	-	57,637	-	57,637	138,911
Gain (Loss) on Disposal	-	-	-	-	-	-	-	66,718
Extraordinary Item - Insurance Recoveries	-	-	-	-	-	418,573	418,573	-
Transfers	-	-	-	-	157,171	(157,171)	-	-
Total General Revenues and Transfers	-	-	-	-	<u>8,849,812</u>	<u>2,659,648</u>	<u>11,509,460</u>	<u>2,511,965</u>
Changes in Net Position	-	-	-	-	(519,672)	1,658,447	1,138,775	2,235,896
Net Position - Beginning	-	-	-	-	<u>11,850,677</u>	<u>16,423,086</u>	<u>28,273,763</u>	<u>19,754,444</u>
Net Position - Ending	-	-	-	-	<u>\$ 11,331,005</u>	<u>\$ 18,081,533</u>	<u>\$ 29,412,538</u>	<u>\$ 21,990,340</u>

County of Benzie, Michigan

Balance Sheet Governmental Funds September 30, 2019

	General	Jail Operations	Nonmajor Governmental Funds	Total
ASSETS:				
Cash, Equivalents and Investments - Unrestricted	\$ 1,284,525	\$ 93,715	\$ 2,465,475	\$ 3,843,715
Receivables:				
Accounts	74,675	17,589	267,591	359,855
Taxes	950,258	-	-	950,258
Loans	-	-	873,944	873,944
Prepaid Items	17,863	8,673	5,786	32,322
Due from Other Funds	35,016	-	-	35,016
TOTAL ASSETS	<u>\$ 2,362,337</u>	<u>\$ 119,977</u>	<u>\$ 3,612,796</u>	<u>\$ 6,095,110</u>
LIABILITIES:				
Accounts Payable	\$ 149,586	\$ 25,492	\$ 88,696	\$ 263,774
Accrued Liabilities	72,813	25,683	14,676	113,172
Due to Other Funds	-	-	145,016	145,016
TOTAL LIABILITIES	<u>222,399</u>	<u>51,175</u>	<u>248,388</u>	<u>521,962</u>
DEFERRED INFLOWS:				
Unavailable Revenue	-	-	873,944	873,944
FUND BALANCES:				
Nonspendable	17,863	8,673	5,786	32,322
Restricted	5,707	60,129	1,869,099	1,934,935
Committed	-	-	62,052	62,052
Assigned	179,536	-	553,527	733,063
Unassigned	1,936,832	-	-	1,936,832
TOTAL FUND BALANCES	<u>2,139,938</u>	<u>68,802</u>	<u>2,490,464</u>	<u>4,699,204</u>
TOTAL LIABILITIES , DEFERRED INFLOWS AND FUND BALANCES	<u>\$ 2,362,337</u>	<u>\$ 119,977</u>	<u>\$ 3,612,796</u>	

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

Capital Assets used by Governmental Activities	10,946,529
Long-term Debt Payable for Governmental Activities	(8,339)
Net Pension Liability and Deferred Outflows/Inflows	(5,041,256)
Vested Employee Benefits	(139,077)
Revenues Considered Available	873,944
Net position of governmental activities	<u>\$ 11,331,005</u>

County of Benzie, Michigan

Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds Year Ended September 30, 2019

	General	Jail Operations	Nonmajor Governmental Funds	Total
REVENUES:				
Taxes	\$ 4,657,293	\$ 1,115,194	\$ 2,284,032	\$ 8,056,519
Licenses and Permits	25,920	-	-	25,920
Federal Sources	4,550	-	35,590	40,140
State Sources	870,157	1,755	251,806	1,123,718
Local Sources	11,515	19,163	40,652	71,330
Contributions	-	-	36,554	36,554
Charges for Services	706,925	68,619	1,508,140	2,283,684
Refunds and Reimbursements	124,470	4,550	524,799	653,819
Interest and Rentals	113,614	-	116,719	230,333
Other Revenue	-	-	6,100	6,100
TOTAL REVENUES	6,514,444	1,209,281	4,804,392	12,528,117
EXPENDITURES:				
Legislative	90,507	-	-	90,507
Judicial	1,230,866	-	27,268	1,258,134
General Government	1,284,419	-	648,512	1,932,931
Public Safety	1,105,685	1,614,282	1,531,603	4,251,570
Public Works	19,295	-	324,276	343,571
Health and Welfare	489,061	-	2,127,965	2,617,026
Community and Economic Development	146,386	-	-	146,386
Recreation and Cultural	10,910	-	28,827	39,737
Capital Outlay	177,930	7,589	230,034	415,553
Debt Service	5,442	-	-	5,442
Other Expenditures	1,559,110	-	-	1,559,110
TOTAL EXPENDITURES	6,119,611	1,621,871	4,918,485	12,659,967
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)				
	394,833	(412,590)	(114,093)	(131,850)
OTHER FINANCING SOURCES (USES):				
Transfers In	519,421	379,492	806,224	1,705,137
Transfers Out	(721,942)	-	(826,024)	(1,547,966)
TOTAL OTHER FINANCING SOURCES (USES)	(202,521)	379,492	(19,800)	157,171
NET CHANGE IN FUND BALANCES	192,312	(33,098)	(133,893)	25,321
FUND BALANCE BEGINNING OF YEAR	1,947,626	101,900	2,624,357	4,673,883
FUND BALANCE AT END OF YEAR	\$ 2,139,938	\$ 68,802	\$ 2,490,464	\$ 4,699,204

Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balance of Governmental Funds
to the Statement of Activities
Year Ended September 30, 2019

Net changes in fund balance - total governmental funds	\$ 25,321
The change in net position reported for governmental activities in the statement is different because:	
Governmental funds reported capital outlays as expenditures. However, in the statement of activities the cost of those assets is capitalized and the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay and loss on disposal in the current period.	(95,127)
Repayment of principal is an expenditure in the governmental funds but it reduces the liability in the statement of net position.	
Principal repayments:	
Notes Payable	12,355
Under the modified accrual basis of accounting used in governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. This adjustment combines the following net changes:	
Pension Expense and Deferred Outflows/Inflows	(451,290)
Vested Employee Benefits	(10,931)
Changes in net position of governmental activities	<u>\$ (519,672)</u>

**Statement of Net Position
Proprietary Funds
September 30, 2019**

	Enterprise Funds				Totals
	County Medical Care Facility	Delinquent Tax Revolving	Emergency Medical Services	Nonmajor Enterprise Funds	
ASSETS:					
Cash, Equivalents and Investments - Unrestricted	\$ 2,887,469	\$ 4,544,635	\$ 649,006	\$ 735,266	\$ 8,816,376
Cash and Equivalents - Restricted	221,745	-	-	-	221,745
Receivables:					
Accounts - Net	800,460	634	283,398	-	1,084,492
Taxes	-	913,812	-	-	913,812
Interest	-	82,228	-	-	82,228
Prepaid Items	-	-	3,591	-	3,591
Due from Other Funds	-	110,000	-	-	110,000
Other Assets	161,172	-	-	-	161,172
Capital Assets (Not Depreciated)	70,410	-	35,000	-	105,410
Capital Assets (Net of Accumulated Depreciation)	14,049,705	-	502,902	-	14,552,607
TOTAL ASSETS	18,190,961	5,651,309	1,473,897	735,266	26,051,433
DEFERRED OUTFLOWS OF RESOURCES					
Pension Items	1,041,631	-	192,631	-	1,234,262
LIABILITIES:					
Accounts Payable	346,151	-	9,473	1,000	356,624
Accrued Liabilities	252,027	-	23,737	-	275,764
Accrued Interest Payable	-	-	1,027	-	1,027
Due to Others	28,813	-	-	-	28,813
Vested Employee Benefits - Due in more than one year	150,329	-	-	-	150,329
Net Pension Liability - Due in more than one year	2,433,280	-	779,873	-	3,213,153
Notes Payable - Due within one year	355,000	-	128,783	-	483,783
Notes Payable - Due in more than one year	4,500,000	-	56,094	-	4,556,094
TOTAL LIABILITIES	8,065,600	-	998,987	1,000	9,065,587
DEFERRED INFLOWS OF RESOURCES:					
Pension Items	115,362	-	23,213	-	138,575
NET POSITION:					
Net Investment in Capital Assets	9,068,121	-	353,025	-	9,421,146
Restricted for Debt Service	121,730	-	-	-	121,730
Unrestricted	1,861,779	5,651,309	291,303	734,266	8,538,657
TOTAL NET POSITION	\$ 11,051,630	\$ 5,651,309	\$ 644,328	\$ 734,266	\$ 18,081,533

**Statement of Revenues, Expenses, and
Changes in Net Position - Proprietary Funds
Year Ended September 30, 2019**

	Enterprise Funds				Totals
	County Medical Care Facility	Delinquent Tax Revolving	Emergency Medical Services	Nonmajor Enterprise Funds	
OPERATING REVENUES:					
Charges for Services	\$ 9,884,880	\$ 83,291	\$ 914,083	\$ 128,330	\$ 11,010,584
Interest and Rentals	-	200,285	-	-	200,285
Refunds and Reimbursements	-	-	25,943	-	25,943
Other Revenue	18,658	-	1,025	-	19,683
Total Operating Revenues	<u>9,903,538</u>	<u>283,576</u>	<u>941,051</u>	<u>128,330</u>	<u>11,256,495</u>
OPERATING EXPENSES:					
Personal Services	6,991,494	-	1,351,871	-	8,343,365
Contractual Services	611,065	-	51,313	-	662,378
Utilities	233,013	-	23,206	-	256,219
Repair and Maintenance	59,365	-	59,141	-	118,506
Insurance	-	-	44,157	-	44,157
Other Supplies and Expenses	1,626,195	203	91,192	88,610	1,806,200
Depreciation	658,427	-	183,769	-	842,196
Total Operating Expenses	<u>10,179,559</u>	<u>203</u>	<u>1,804,649</u>	<u>88,610</u>	<u>12,073,021</u>
OPERATING INCOME (LOSS)	<u>(276,021)</u>	<u>283,373</u>	<u>(863,598)</u>	<u>39,720</u>	<u>(816,526)</u>
NONOPERATING REVENUES (EXPENSES):					
Interest Income	20,519	117,110	-	-	137,629
Interest and Fiscal Charges	(180,650)	-	(4,025)	-	(184,675)
Taxes - Real Property	1,261,426	-	999,191	-	2,260,617
Total Nonoperating Revenues (Expenses)	<u>1,101,295</u>	<u>117,110</u>	<u>995,166</u>	<u>-</u>	<u>2,213,571</u>
INCOME (LOSS) BEFORE TRANSFERS	<u>825,274</u>	<u>400,483</u>	<u>131,568</u>	<u>39,720</u>	<u>1,397,045</u>
Extraordinary Item - Insurance Recoveries	418,573	-	-	-	418,573
Transfers In	413,958	14,020	-	-	427,978
Transfers Out	-	(357,794)	-	(227,355)	(585,149)
CHANGES IN NET POSITION	<u>1,657,805</u>	<u>56,709</u>	<u>131,568</u>	<u>(187,635)</u>	<u>1,658,447</u>
NET POSITION - BEGINNING	<u>9,393,825</u>	<u>5,594,600</u>	<u>512,760</u>	<u>921,901</u>	<u>16,423,086</u>
NET POSITION - ENDING	<u>\$ 11,051,630</u>	<u>\$ 5,651,309</u>	<u>\$ 644,328</u>	<u>\$ 734,266</u>	<u>\$ 18,081,533</u>

**Statement of Cash Flows
Proprietary Funds
Year Ended September 30, 2019**

	Enterprise Funds				Totals
	County Medical Care Facility	Delinquent Tax Revolving	Emergency Medical Services	Nonmajor Enterprise Funds	
CASH FLOWS FROM OPERATING ACTIVITIES:					
Receipts from Customers	\$ 10,137,320	\$ 387,565	\$ 961,317	\$ 129,330	\$ 11,615,532
Payments to Suppliers and Employees	(9,345,517)	(83,480)	(1,563,590)	(88,610)	(11,081,197)
Internal Activity - Receipts (Payments) with Other Funds	18,658	(110,000)	-	-	(91,342)
Net Cash Provided (Used) by Operating Activities	<u>810,461</u>	<u>194,085</u>	<u>(602,273)</u>	<u>40,720</u>	<u>442,993</u>
CASH FLOWS FROM NON-CAPITAL AND RELATED FINANCING ACTIVITIES:					
Taxes - Real Property	455,212	-	-	-	455,212
Other Income	418,573	-	-	-	418,573
Transfers In	413,958	14,020	-	-	427,978
Transfers Out	-	(357,794)	-	(227,355)	(585,149)
Net Cash Provided (Used) by Non-Capital and Related Financing Activities	<u>1,287,743</u>	<u>(343,774)</u>	<u>-</u>	<u>(227,355)</u>	<u>716,614</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Acquisition of Capital Assets	(1,127,539)	-	-	-	(1,127,539)
Taxes - Real Property	806,214	-	999,191	-	1,805,405
Principal Payments	(340,000)	-	(153,154)	-	(493,154)
Interest Payments	(180,650)	-	(4,025)	-	(184,675)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(841,975)</u>	<u>-</u>	<u>842,012</u>	<u>-</u>	<u>37</u>
CASH FLOWS FROM INVESTING ACTIVITIES:					
Interest Income	20,519	117,110	-	-	137,629
Net Cash Provided (Used) by Investing Activities	<u>20,519</u>	<u>117,110</u>	<u>-</u>	<u>-</u>	<u>137,629</u>
Net Increase (Decrease) in Cash and Equivalents	1,276,748	(32,579)	239,739	(186,635)	1,297,273
Balances - Beginning of the Year	1,832,466	4,577,214	409,267	921,901	7,740,848
Balances - End of the Year	<u>\$ 3,109,214</u>	<u>\$ 4,544,635</u>	<u>\$ 649,006</u>	<u>\$ 735,266</u>	<u>\$ 9,038,121</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Operating Income (Loss)	\$ (276,021)	\$ 283,373	\$ (863,598)	\$ 39,720	\$ (816,526)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Depreciation	658,427	-	183,769	-	842,196
Provision for Bad Debts	47,009	-	-	-	47,009
Amortization of Deferrals	326,552	-	-	-	326,552
Change in Assets and Liabilities:					
(Increase) Decrease in Assets and Deferred Outflows:					
Accounts Receivable	171,542	38,234	20,266	-	230,042
Taxes Receivable	-	58,903	-	-	58,903
Interest Receivable	-	6,852	-	-	6,852
Due from Other Funds	-	(110,000)	-	-	(110,000)
Prepaid Items	-	-	-	-	-
Pension Items	(1,041,865)	-	(107,110)	-	(1,148,975)
Increase (Decrease) in Liabilities:					
Accounts Payable	(44,939)	(83,200)	(13,981)	1,000	(141,120)
Accrued Liabilities	42,533	-	4,830	-	47,363
Accrued Interest Payable	-	-	(994)	-	(994)
Due to Others	-	(77)	-	-	(77)
Net Pension Liability	927,223	-	174,545	-	1,101,768
Net Cash Provided (Used) by Operating Activities	<u>\$ 810,461</u>	<u>\$ 194,085</u>	<u>\$ (602,273)</u>	<u>\$ 40,720</u>	<u>\$ 442,993</u>

**Statement of Fiduciary Net Position
Fiduciary Funds
September 30, 2019**

	<u>Agency Funds</u>
ASSETS:	
Cash and Equivalents:	
Unrestricted	\$ <u>4,557,272</u>
 TOTAL ASSETS	 <u>\$ 4,557,272</u>
 LIABILITIES:	
Due to Others	\$ <u>4,557,272</u>
 TOTAL LIABILITIES	 <u>\$ 4,557,272</u>

Component Units

Statement of Net Position
Component Units
September 30, 2019

	Road Commission	Benzie/ Leelanau District Health Dept.	Benzie Transportation Authority	Economic Development Corporation	Totals
ASSETS:					
Cash and Equivalents - Unrestricted	\$ 2,851,692	\$ 287,705	\$ 293,536	\$ 11,323	\$ 3,444,256
Accounts Receivable - net	351,076	101,370	11,778	24,555	488,779
Due from Governmental Units	478,974	193,017	170,017	-	842,008
Inventories	356,619	-	28,226	-	384,845
Prepaid Items	48,459	34,922	9,159	-	92,540
Net Pension Asset	-	-	122,394	-	122,394
Capital Assets (Not Depreciated)	1,699,861	-	-	-	1,699,861
Capital Assets (Net of Accumulated Depreciation)	18,244,806	10,242	2,309,493	-	20,564,541
TOTAL ASSETS	24,031,487	627,256	2,944,603	35,878	27,639,224
DEFERRED OUTFLOWS OF RESOURCES:					
Pension/OPEB Investment Earnings and Contributions	920,838	134,505	152,226	-	1,207,569
LIABILITIES:					
Accounts Payable	88,307	42,663	10,289	-	141,259
Accrued Liabilities	58,524	59,111	37,243	-	154,878
Advances	319,300	-	-	-	319,300
Notes Payable - Due within one year	131,485	-	-	-	131,485
Notes Payable - Due in more than one year	267,871	-	-	-	267,871
Other Post Employment Benefits - Due in more than one year	416,296	-	-	-	416,296
Net Pension Liability - Due in more than one year	4,764,876	402,949	-	-	5,167,825
Vested Employee Benefits - Due in more than one year	69,072	81,973	-	-	151,045
TOTAL LIABILITIES	6,115,731	586,696	47,532	-	6,749,959
DEFERRED INFLOWS OF RESOURCES:					
Pension Investment Experience & Assumptions	27,051	-	79,443	-	106,494
NET POSITION:					
Net Investment in Capital Assets	19,545,311	10,242	2,309,493	-	21,865,046
Unrestricted	(735,768)	164,823	660,361	35,878	125,294
TOTAL NET POSITION	\$ 18,809,543	\$ 175,065	\$ 2,969,854	\$ 35,878	\$ 21,990,340

County of Benzie, Michigan

Statement of Activities Component Units Year Ended September 30, 2019

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position				
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Road Commission	Benzie/ Leelanau District Health Dept.	Benzie Transportation Authority	Economic Development Corporation	Total
Road Commission									
Public Works	\$ 5,875,733	\$ 1,328,542	\$ 3,346,642	\$ 2,208,161	\$ 1,007,612	\$ -	\$ -	\$ -	\$ 1,007,612
Benzie/Leelanau District Health Dept.									
Health and Welfare	3,147,148	1,037,532	1,375,358	-	-	(734,258)	-	-	(734,258)
Benzie Transportation Authority									
Transportation	2,005,642	176,369	1,033,219	245,848	-	-	(550,206)	-	(550,206)
Economic Development Corporation									
Public Works	3,234	4,017	-	-	-	-	-	783	783
Total Component Units	<u>\$ 11,031,757</u>	<u>\$ 2,546,460</u>	<u>\$ 5,755,219</u>	<u>\$ 2,454,009</u>	<u>1,007,612</u>	<u>(734,258)</u>	<u>(550,206)</u>	<u>783</u>	<u>(276,069)</u>
General Revenues:									
County Appropriations					-	549,745	-	-	549,745
Taxes - Real Property					1,093,605	-	619,310	-	1,712,915
Investment Earnings					36,361	445	6,856	14	43,676
Gain (Loss) on Disposal					61,118	-	5,600	-	66,718
Rent					-	138,911	-	-	138,911
Total General Revenues					<u>1,191,084</u>	<u>689,101</u>	<u>631,766</u>	<u>14</u>	<u>2,511,965</u>
Changes in Net Position					2,198,696	(45,157)	81,560	797	2,235,896
Net Position - Beginning					16,610,847	220,222	2,888,294	35,081	19,754,444
Net Position - Ending					<u>\$ 18,809,543</u>	<u>\$ 175,065</u>	<u>\$ 2,969,854</u>	<u>\$ 35,878</u>	<u>\$ 21,990,340</u>

Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A – Reporting Entity:

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

Component Units:

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

Blended Component Units

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

Discretely Presented Component Units

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

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

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

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

Benzie County Road Commission
11318 Main Street
Honor, Michigan 49640

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

Benzie Transportation Authority
14150 Honor Highway
Beulah, Michigan 49619

Jointly Governed Organization

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

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

Related Organization

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

B – Government-Wide and Fund Financial Statements

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

Taxes Receivable – Current or Property Taxes

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

Although the County of Benzie 2018 ad valorem tax is levied and collectible on December 1, 2018, and 2019 ad valorem tax is levied and collectible on July 1, 2019, it is the County of Benzie’s policy to recognize revenue from the current tax levy in the current year when the proceeds of this levy are budgeted and made “available” for the financing of operations. “Available” means collected within the current period or expected to be paid from the delinquent tax revolving funds within one year.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The 2018 taxable valuation of the County of Benzie totaled \$1,258,482,126, (not including renaissance zone) on which ad valorem taxes levied consisted of 0.9958 mills for Medical Care Facility Debt and Operations, .8460 mills for Commission on Aging, .8841 mills for Jail Operations, .0977 mills for Animal Control, .7910 mills for Ambulance Millage, .0400 mills for Soldier Relief, .1250 mills for the Conservation District, 1.0000 mills for Roads, .1800 mills for Resource Officer and .0986 mills for TNT operations. These amounts are recognized in the respective General, Special Revenue, Debt Service, and Enterprise Fund financial statements as tax revenue.

The July 1, 2019 taxable valuation of County of Benzie totaled \$1,311,442,055, (not including renaissance zone) on which ad valorem taxes levied consisted of 3.4479 mills for the General Fund, this amount is recognized in the General Fund financial statements as revenue.

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

The County reports the following major governmental funds:

General Fund

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

Jail Operations Fund

This fund accounts for the operation of the jail.

The County reports the following major proprietary funds:

County Medical Care Facility

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

Delinquent Tax Revolving Fund

This fund accounts for the collection of delinquent taxes.

Emergency Medical Services Fund

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

Additionally, the County reports the following fund types:

Special Revenue Funds

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

Debt Service Funds

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Project Fund

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

Enterprise Funds

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

Agency Funds

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

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

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

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

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

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

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

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

- Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The County has classified Prepaid Items as being Nonspendable as these items are not expected to be converted to cash within the next year. The County has \$32,322 in Nonspendable fund balance.
- Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The County has restricted \$1,934,935 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 \$62,052 for special fund purposes.
- Assigned: This classification includes amounts that are constrained by the County's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the County through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund.
- Unassigned: This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

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

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

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

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

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

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

NOTE 3 - DEPOSITS AND INVESTMENTS

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

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total Primary Government</u>	<u>Fiduciary Funds</u>	<u>Component Units</u>
Cash Equivalents - Unrestricted	\$ 3,843,715	\$ 8,816,376	\$ 12,660,091	\$ 4,557,272	\$ 3,444,256
Restricted	-	221,745	221,745	-	-
Total	<u>\$ 3,843,715</u>	<u>\$ 9,038,121</u>	<u>\$ 12,881,836</u>	<u>\$ 4,557,272</u>	<u>\$ 3,444,256</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)	\$ 6,090,974	\$ 4,557,272	\$ 3,443,756
Investments	6,789,362	-	-
Petty Cash and Cash on Hand	1,500	-	500
Total	<u>\$ 12,881,836</u>	<u>\$ 4,557,272</u>	<u>\$ 3,444,256</u>

	<u>Fair Value</u>	<u>Maturities in Years</u>			
		<u>Less Than 1</u>	<u>1 – 5</u>	<u>6 – 10</u>	<u>More Than 10</u>
Investments:					
Michigan Class	\$ 3,790,182	\$ 3,790,182	\$ -	\$ -	\$ -
Municipal Bonds	500,320	500,320	-	-	-
Corporate Fixed Income	1,974,353	1,974,353	-	-	-
Government Securities	524,507	-	524,507	-	-
Total Investments	<u>\$ 6,789,362</u>	<u>\$ 6,264,855</u>	<u>\$ 524,507</u>	<u>\$ -</u>	<u>\$ -</u>

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

Credit risk. State law limits investments in commercial paper, corporate bonds, and mutual bond funds to the top two ratings issued by nationally recognized statistical rating organizations. The County has no investment policy that would further limit its investment choices. The County had investments in the following funds at September 30, 2019:

<u>Fund Name</u>	<u>Ticker/CUSIP</u>	<u>S&P Rating</u>
MI-010257-0001 DTRF	N/A	AAAm
MI-01-0257-0002 SWEEP	N/A	AAAm
Anchor Bay Mich Sch Dist	032879TC2	AA
Fed Home LN BK STEP	3130A9N23	AA+
Bayerische Landesbank Girozentrale C/P	07274MZ65	Moody P1
Toyota MTR CR C/P	89233GCJ3	A1+
MUFG Bank LTD C/P	62479LBM6	A1

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

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, \$5,629,864 of the County’s bank balance of \$6,956,068 was exposed to credit risk because it was uninsured and uncollateralized. Money market accounts are not rated investments and are not subject to custodial credit risk.

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

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

The County has the following fair value measurements as of September 30, 2019:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
*Michigan CLASS	\$ 3,790,182	\$ -	\$ -	\$ -
Government Securities	500,320	-	500,320	-
Corporate Fixed Income	1,974,353	-	1,974,353	-
Municipal Bonds	<u>524,507</u>	<u>-</u>	<u>524,507</u>	<u>-</u>
Total	<u>\$ 6,789,362</u>	<u>\$ -</u>	<u>\$ 2,999,180</u>	<u>\$ -</u>

* Michigan CLASS is not required to be categorized for purposes of GASB Statement Number 72.

Statutory Authority:

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

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

- a. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, or depository receipts of a financial institution, but only if the financial institution complies with subsection (2); certificates of deposit obtained through a financial institution as provided in subsection (5); or deposit accounts of a financial institution as provided in subsection (6).

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and matures not more than 270 days after the date of purchase.
- d. Repurchase agreements consisting of instruments listed in subdivision (a).
- e. Bankers' acceptances of United States banks.
- f. Obligations of this state or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
- g. Mutual funds registered under the investment company act of 1940, 15 USC 80a-1 to 80a-64, with authority to purchase only investment vehicles that are legal for direct investment by a public corporation. However, a mutual fund is not disqualified as a permissible investment solely by reason of any of the following:
 - (i) The purchase of securities on a when-issued or delayed delivery basis.
 - (ii) The ability to lend portfolio securities as long as the mutual fund receives collateral at all times equal to at least 100% of the value of the securities loaned.
 - (iii) The limited ability to borrow and pledge a like portion of the portfolio's assets for temporary or emergency purposes.
- h. Obligations described in subdivisions (a) through (g) if purchased through an interlocal agreement under the urban cooperation act of 1967, 1967 (Ex Sess) PA 7, MCL 124.501 to 124.512.
- i. Investment pools organized under the surplus funds investment pool act, 1982 PA 367, MCL 129.111 to 129.118.
- j. The investment pools organized under the local government investment pool act, 1985 PA 121, MCL 129.141 to 129.150.

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

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

NOTE 4 - CAPITAL ASSETS

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

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Adjustments/ Deductions</u>	<u>Ending Balances</u>
Governmental Activities:				
<i>Capital assets not being depreciated:</i>				
Land	\$ 5,931,926	\$ -	\$ -	\$ 5,931,926
<i>Capital assets being depreciated:</i>				
Buildings and improvements	8,695,903	22,912	-	8,718,815
Land improvements	74,865	94,422	-	169,287
Machinery and equipment	<u>3,073,725</u>	<u>298,219</u>	<u>(226)</u>	<u>3,371,718</u>
Subtotal	<u>11,844,493</u>	<u>415,553</u>	<u>(226)</u>	<u>12,259,820</u>

NOTE 4 - CAPITAL ASSETS (Continued)

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Adjustments/ Deductions</u>	<u>Ending Balances</u>
<i>Less accumulated depreciation for:</i>				
Buildings and improvements	(4,285,698)	(229,276)	-	(4,514,974)
Land improvements	(29,717)	(11,560)	-	(41,277)
Machinery and equipment	(2,419,348)	(269,618)	-	(2,688,966)
Subtotal	<u>(6,734,763)</u>	<u>(510,454)</u>	<u>-</u>	<u>(7,245,217)</u>
Net Capital Assets Being Depreciated	<u>5,109,730</u>	<u>(94,901)</u>	<u>(226)</u>	<u>5,014,603</u>
Capital Assets – Net	<u>\$ 11,041,656</u>	<u>\$ (94,901)</u>	<u>\$ (226)</u>	<u>\$ 10,946,529</u>

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

Governmental Activities:		
Judicial		\$ 4,407
General Government		143,311
Public Safety		322,606
Public Works		11,163
Health and Welfare		7,262
Recreation and Culture		<u>21,705</u>
Total Governmental Activities		<u>\$ 510,454</u>

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Adjustments/ Deductions</u>	<u>Ending Balances</u>
Business-type Activities:				
<i>Capital assets not being depreciated:</i>				
Land	\$ 47,424	\$ -	\$ -	\$ 47,424
Construction in Progress	<u>-</u>	<u>57,986</u>	<u>-</u>	<u>57,986</u>
Subtotal	<u>47,424</u>	<u>57,986</u>	<u>-</u>	<u>105,410</u>
<i>Capital assets being depreciated:</i>				
Land improvements	87,433	30,000	-	117,433
Buildings and improvements	14,873,251	909,013	(4,625)	15,777,639
Machinery and equipment	<u>2,635,920</u>	<u>274,919</u>	<u>(88,340)</u>	<u>2,822,499</u>
Subtotal	<u>17,596,604</u>	<u>1,213,932</u>	<u>(92,965)</u>	<u>18,717,571</u>
<i>Less accumulated depreciation for:</i>				
Land improvements	(25,345)	(6,372)	-	(31,717)
Buildings and improvements	(2,023,499)	(564,965)	4,625	(2,583,839)
Machinery and equipment	<u>(1,366,889)</u>	<u>(270,859)</u>	<u>88,340</u>	<u>(1,549,408)</u>
Subtotal	<u>(3,415,733)</u>	<u>(842,196)</u>	<u>92,965</u>	<u>(4,164,964)</u>
Net Capital Assets Being Depreciated	<u>14,180,871</u>	<u>371,736</u>	<u>-</u>	<u>14,552,607</u>
Capital Assets – Net	<u>\$ 14,228,295</u>	<u>\$ 429,722</u>	<u>\$ -</u>	<u>\$ 14,658,017</u>

NOTE 4 - CAPITAL ASSETS (Continued)

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

Business-type Activities:	
Medical Care Facility	\$ 658,427
Emergency Medical Services	<u>183,769</u>
Total Business-Type Activities	<u>\$ 842,196</u>

BENZIE COUNTY ROAD COMMISSION

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

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Adjustments/ Deductions</u>	<u>Ending Balances</u>
<i>Capital Assets Not Being Depreciated:</i>				
Land	\$ 12,708	\$ -	\$ -	\$ 12,708
Land Improvements	<u>1,687,153</u>	<u>-</u>	<u>-</u>	<u>1,687,153</u>
Subtotal	<u>1,699,861</u>	<u>-</u>	<u>-</u>	<u>1,699,861</u>
<i>Capital Assets Being Depreciated:</i>				
Buildings	1,162,076	8,732	-	1,170,808
Road Equipment	6,012,936	363,094	(157,446)	6,218,584
Shop Equipment	166,256	-	-	166,256
Office Equipment	59,283	16,302	-	75,585
Engineer's Equipment	39,345	-	-	39,345
Yard and Storage	443,174	-	-	443,174
Infrastructure	<u>20,935,273</u>	<u>2,208,161</u>	<u>(117,974)</u>	<u>23,025,460</u>
Subtotal	<u>28,818,343</u>	<u>2,596,289</u>	<u>(275,420)</u>	<u>31,139,212</u>
<i>Less Accumulated Depreciation:</i>				
Buildings	(1,073,600)	(12,858)	-	(1,086,458)
Road Equipment	(4,469,240)	(597,465)	157,446	(4,909,259)
Shop Equipment	(166,256)	(4,793)	22,920	(148,129)
Office Equipment	(46,474)	(2,885)	-	(49,359)
Engineer's Equipment	(38,816)	(529)	-	(39,345)
Yard and Storage	(222,298)	(19,894)	-	(242,192)
Infrastructure	<u>(5,447,956)</u>	<u>(1,089,682)</u>	<u>117,974</u>	<u>(6,419,664)</u>
Subtotal	<u>(11,464,640)</u>	<u>(1,728,106)</u>	<u>298,340</u>	<u>(12,894,406)</u>
Net Capital Assets Being Depreciated	<u>17,353,703</u>	<u>868,183</u>	<u>22,920</u>	<u>18,244,806</u>
Total Net Capital Assets	<u>\$ 19,053,564</u>	<u>\$ 868,183</u>	<u>\$ 22,920</u>	<u>\$ 19,944,667</u>

NOTE 4 - CAPITAL ASSETS (Continued)

Depreciation expense was charged to Public Works as follows:

Unallocated	\$ 1,089,682
Equipment	597,465
Administration	4,526
Other	<u>36,433</u>
Total	<u>\$ 1,728,106</u>

BENZIE/LEELANAU DISTRICT HEALTH DEPARTMENT

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

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Adjustments/ Deductions</u>	<u>Ending Balances</u>
<i>Capital assets being depreciated:</i>				
Other capital assets:				
Equipment & furniture	\$ 45,552	\$ -	\$ -	\$ 45,552
<i>Less accumulated depreciation for:</i>				
Equipment & furniture	(33,193)	(2,117)	-	(35,310)
Net Capital Assets	<u>\$ 12,359</u>	<u>\$ (2,117)</u>	<u>\$ -</u>	<u>\$ 10,242</u>

Depreciation expense was charged to:

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

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

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Adjustments/ Deductions</u>	<u>Ending Balances</u>
<i>Capital assets being depreciated:</i>				
Building and improvements	\$ 2,129,587	\$ 19,500	\$ -	\$ 2,149,087
Vehicles	1,879,759	223,657	(413,816)	1,689,600
Shop equipment	94,539	-	-	94,539
Office equipment	<u>133,148</u>	<u>7,685</u>	<u>-</u>	<u>140,833</u>
Subtotal	<u>4,237,033</u>	<u>250,842</u>	<u>(413,816)</u>	<u>4,074,059</u>
<i>Less accumulated depreciation</i>	<u>(1,945,753)</u>	<u>(232,629)</u>	<u>413,816</u>	<u>(1,764,566)</u>
Net Capital Assets	<u>\$ 2,291,280</u>	<u>\$ 18,213</u>	<u>\$ -</u>	<u>\$ 2,309,493</u>

Depreciation expense was charged to:

Transportation	<u>\$ 232,629</u>
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NOTE 5 - INTERFUND TRANSACTIONS

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

DUE FROM OTHER FUNDS	DUE TO OTHER FUNDS	
		Nonmajor Governmental
General Fund	\$	35,016
Delinquent Tax Revolving		<u>110,000</u>
Total	\$	<u>145,016</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 IN	TRANSFERS OUT				
	General	Nonmajor Governmental	DTRF	Nonmajor Enterprise	Total
General	\$ 5,000	\$ 32,066	\$ 265,000	\$ 217,355	\$ 519,421
Jail Operations	379,492	-	-	-	379,492
Nonmajor Governmental	323,430	380,000	92,794	10,000	806,224
Medical Care Facility	-	413,958	-	-	413,958
DTRF	<u>14,020</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,020</u>
Total	<u>\$ 721,942</u>	<u>\$ 826,024</u>	<u>\$ 357,794</u>	<u>\$ 227,355</u>	<u>\$ 2,133,115</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 and installment loans for equipment. Business-type activities general obligation debt consists of installment loans for equipment.

NOTE 6 - LONG-TERM DEBT (Continued)

Installment Loans

The County has purchased vehicles and equipment used for governmental activities using commercial notes payable with annual or monthly payments ranging from \$4,366 to \$15,496, and interest charges at 1.35% to 5.83%. The business-type activities have purchased an ambulance and equipment using commercial notes payable with annual or monthly payments ranging from \$3,480 to \$64,419, and interest charged at 2.79% to 3.55%.

General obligation and notes payable debt outstanding is as follows:

	<u>Interest Rate</u>	<u>Principal Matures</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:							
Installment loans payable to financial institutions, yearly installments of \$4,366 to \$15,498, secured by equipment.	1.35-5.83%	Various	\$ 20,694	\$ -	\$ (12,355)	\$ 8,339	\$ 5,186
Total Governmental Activities			\$ 20,694	\$ -	\$ (12,355)	\$ 8,339	\$ 5,186
Business-Type Activities:							
General Obligation Bonds							
2014 Building Authority Bonds	3.00-4.00%	2030	\$ 5,195,000	\$ -	\$ (340,000)	\$ 4,855,000	\$ 355,000
Ambulance - Installment loan payable to financial institution, monthly installments of \$3,946, secured by the vehicle.	2.79%	2020	-	153,436	(49,996)	103,440	47,346
Ambulance - Installment loan payable to financial institution, monthly installments of \$3,480, secured by the vehicle.	2.79%	2020	57,853	-	(40,782)	17,071	17,071
Ambulance - Installment loan payable to financial institution, yearly installments of \$66,419, secured by the vehicle	3.19%	2020	126,742	-	(62,376)	64,366	64,366
Total Business-Type Activities			\$ 5,379,595	\$ 153,436	\$ (493,154)	\$ 5,039,877	\$ 483,783

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

	<u>Governmental Activities Installment Note Payable</u>		<u>Business -type Activities Bonds Payable</u>		<u>Business -type Activities Installment Note Payable</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
Fiscal:						
2020	\$ 5,186	\$ 350	\$ 355,000	\$ 170,450	\$ 128,783	\$ 2,173
2021	3,153	61	370,000	159,800	47,346	-
2022	-	-	380,000	148,700	8,748	-
2023	-	-	395,000	137,300	-	-
2024	-	-	415,000	125,450	-	-
2025-2029	-	-	2,390,000	395,512	-	-
2030	-	-	550,000	22,000	-	-
TOTALS	\$ 8,339	\$ 411	\$ 4,855,000	\$ 1,159,212	\$ 184,877	\$ 2,173

NOTE 6 - LONG-TERM DEBT (Continued)

Vested Employee Benefits – Governmental Activities

A summary of vested benefits payable at September 30, 2019 is as follows:

	<u>Beginning Balances</u>	<u>Net Additions</u>	<u>Reductions</u>	<u>Ending Balances</u>
Vested Employee Benefits-net	\$ 128,146	\$ 10,931	\$ -	\$ 139,077

Vested Employee Benefits – Business-type Activities

A summary of vested benefits payable at September 30, 2019 is as follows:

	<u>Beginning Balances</u>	<u>Net Additions</u>	<u>Reductions</u>	<u>Ending Balances</u>
Vested Employee Benefits-net	\$ 141,704	\$ 8,625	\$ -	\$ 150,329

BENZIE COUNTY ROAD COMMISSION

The following is a summary of pertinent information concerning the 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 Finance Company, 3.49% interest rate, payable in monthly installments of \$2,875, secured by equipment.	\$ 262,962	\$ -	\$ 25,957	\$ 237,005	\$ 26,652
Installment payable to Finance Company, 2.69% interest rate, payable in monthly installments of \$848, secured by equipment.	103,978	-	7,457	96,521	96,521
Installment payable to Finance Company, 4.84% interest rate, payable in monthly installments of \$943, secured by equipment.	-	71,421	5,591	65,830	8,312
Vested Employee Benefits - net	<u>74,370</u>	<u>-</u>	<u>5,298</u>	<u>69,072</u>	<u>-</u>
TOTAL	<u>\$ 441,310</u>	<u>\$ 71,421</u>	<u>\$ 44,303</u>	<u>\$ 468,428</u>	<u>\$ 131,485</u>

NOTE 6 - LONG-TERM DEBT (Continued)

Maturities on long-term obligations are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 131,485	\$ 13,153	\$ 144,638
2021	36,320	9,495	45,815
2022	37,732	8,083	45,815
2023	163,788	5,487	169,275
2024	<u>30,031</u>	<u>572</u>	<u>30,603</u>
TOTAL	<u>\$ 399,356</u>	<u>\$ 36,790</u>	<u>\$ 436,146</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>Net Additions</u>	<u>Reductions</u>	<u>Ending Balances</u>
Vested Employee Benefits - net	\$ <u>81,706</u>	\$ <u>267</u>	\$ <u>-</u>	\$ <u>81,973</u>

NOTE 7 - RISK MANAGEMENT

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

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

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

NOTE 8 - CONTINGENT LIABILITIES

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

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

NOTE 9 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS

PRIMARY GOVERNMENT

General Information about the Pension Plan

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

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

	<u>2018 Valuation</u>
Benefit Multiplier:	2.50% Multiplier (80% max)
Normal Retirement Age:	60
Vesting:	8 Years
Early Retirement (Unreduced):	-
Early Retirement (Reduced):	50/25 55/15
Final Average Compensation:	5 years
Employee Contributions	6.00%
Act 88:	Yes (Adopted 4/18/2000)

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

	<u>2018 Valuation</u>
Benefit Multiplier:	2.50% Multiplier (80% max)
Normal Retirement Age:	60
Vesting:	8 Years
Early Retirement (Unreduced):	25 and Out
Early Retirement (Reduced):	55/15
Final Average Compensation:	5 years
Employee Contributions	6.00%
Act 88:	Yes (Adopted 4/18/2000)

NOTE 9 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

10 – Elctd Officials: Open Division	
	2018 Valuation
Benefit Multiplier:	2.50% Multiplier (80% max)
Normal Retirement Age:	60
Vesting:	8 Years
Early Retirement (Unreduced):	50/25
Early Retirement (Reduced):	50/25 55/15
Final Average Compensation:	5 years
Employee Contributions	6.00%
Act 88:	Yes (Adopted 4/18/2000)
11 – Commissioners: Open Division	
	2018 Valuation
Benefit Multiplier:	2.25% Multiplier (80% max)
Normal Retirement Age:	60
Vesting:	8 Years
Early Retirement (Unreduced):	-
Early Retirement (Reduced):	50/25 55/15
Final Average Compensation:	5 years
Employee Contributions	6.00%
Act 88:	Yes (Adopted 4/18/2000)
12 – NonUnion&NonElct: Open Division	
	2018 Valuation
Benefit Multiplier:	2.50% Multiplier (80% max)
Normal Retirement Age:	60
Vesting:	8 Years
Early Retirement (Unreduced):	-
Early Retirement (Reduced):	50/25 55/15
Final Average Compensation:	5 years
Employee Contributions	6.00%
Act 88:	Yes (Adopted 4/18/2000)
13 – Courthouse Employee’s after 10/01/12: Open Division, linked to Division 01	
	2018 Valuation
Benefit Multiplier:	2.00% Multiplier (no max)
Normal Retirement Age:	60
Vesting:	10 Years
Early Retirement (Unreduced):	55/25
Early Retirement (Reduced):	50/25 55/15
Final Average Compensation:	5 years
Employee Contributions	6.00%
Act 88:	Yes (Adopted 4/18/2000)

NOTE 9 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

20 – COAM: Closed to new hires, linked to Division 22

	<u>2018 Valuation</u>
Benefit Multiplier:	2.50% Multiplier (80% max)
Normal Retirement Age:	60
Vesting:	8 Years
Early Retirement (Unreduced):	25 and Out
Early Retirement (Reduced):	55/15
Final Average Compensation:	5 years
Employee Contributions	6.00%
Act 88:	Yes (Adopted 4/18/2000)

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

	<u>2018 Valuation</u>
Benefit Multiplier:	2.00% Multiplier (no max)
Normal Retirement Age:	60
Vesting:	10 Years
Early Retirement (Unreduced):	55/25
Early Retirement (Reduced):	50/25
	55/15
Final Average Compensation:	5 years
Employee Contributions	6.00%
Act 88:	Yes (Adopted 4/18/2000)

Employees Covered by Benefit Terms

At December 31, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	83
Inactive employees entitled to but not yet receiving benefits	35
Active employees	<u>92</u>
	210

Funding Policy

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

Courthouse Employees	\$2,127	Non Union & Non Elected	\$13,307
Sheriff Dept.	\$5,882	Courthouse Employees after 10/01/12	\$668
Elected Officials	\$9,042	COAM	\$13,904
Commissioners	\$1,145	Sheriff Department after 10/01/011	\$2,295

NOTE 9 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

Net Pension Liability

The County’s net pension liability was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions. The total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	55.5%	3.41%
Global Fixed Income	18.5%	0.23%
Real Assets	13.5%	0.97%
Diversifying Strategies	12.5%	0.63%

Discount Rate. The discount rate used to measure the total pension liability is 8.00% for 2018. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NOTE 9 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

Changes in the Net Pension Liability:

	Increases (Decreases)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at December 31, 2017	\$ 18,217,571	\$ 12,605,298	\$ 5,612,273
Service cost	457,679	-	457,679
Interest on total pension liability	1,435,346	-	1,435,346
Changes in benefits	-	-	-
Difference between expected and actual experience	(55,658)	-	(55,658)
Changes in assumptions	-	-	-
Employer contributions	-	774,966	(774,966)
Employee contributions	-	247,199	(247,199)
Net investment income	-	(502,865)	502,865
Benefit payments, including employee refunds	(1,009,175)	(1,009,175)	-
Other	(1)	-	(1)
Administrative expense	-	(24,590)	24,590
Net changes	828,191	(514,465)	1,342,656
Balances as of December 31, 2018	\$ 19,045,762	\$ 12,090,833	\$ 6,954,929

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

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
County's net pension liability	\$9,186,006	\$6,954,929	\$5,076,641

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

NOTE 9 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

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

For the year ended September 30, 2019, the County recognized pension expense of \$1,236,180. At September 30, 2019, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 178,553
Changes in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	916,367	-
Contributions subsequent to the measurement date	565,404	-
Total	\$ 1,481,771	\$ 178,553

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

Year Ended September 30:

2020	\$ 210,196
2021	42,317
2022	183,136
2023	302,165

BENZIE COUNTY ROAD COMMISSION

Description of Plan and Plan Assets

The Road Commission is in an agent multiple-employer defined benefit pension plan with the Municipal Employees' Retirement System (MERS). The system provides the following provisions: normal retirement, deferred retirement and service retirement to plan members and their beneficiaries. The service requirement is computed using credited service at the time of termination of membership multiplies by the sum of 2.0% or 1.0% times the final compensation (FAC). The most recent period of which actuarial data was available was for year ended December 31, 2018.

NOTE 9 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

General Information about the Pension Plan

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

01 – Gnrl Emp: Closed to new hires, linked to Division HA	
	2018 Valuation
Benefit Multiplier:	2.00% Multiplier (no max)
Normal Retirement Age:	60
Vesting:	10 Years
Early Retirement (Unreduced):	55/25
Early Retirement (Reduced):	50/25
	55/15
Final Average Compensation:	5 years
Employee Contributions:	0%
Act 88:	No
11 – Commissioners: Closed to new hires, linked to Division HA	
	2018 Valuation
Benefit Multiplier:	1.50% Multiplier (no max)
Normal Retirement Age:	60
Vesting:	10 Years
Early Retirement (Unreduced):	-
Early Retirement (Reduced):	50/25
	55/15
Final Average Compensation:	5 years
Employee Contributions	2.82%
Act 88:	No
12 – Admin: Closed to new hires, linked to Division HA	
	2018 Valuation
Benefit Multiplier:	2.00% Multiplier (no max)
Normal Retirement Age:	60
Vesting:	10 Years
Early Retirement (Unreduced):	55/25
Early Retirement (Reduced):	50/25
	55/15
Final Average Compensation:	3 years
Employee Contributions	0%
Act 88:	No

NOTE 9 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

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

	<u>2018 Valuation</u>
Benefit Multiplier:	Hybrid Plan - 1.00% Multiplier
Normal Retirement Age:	60
Vesting:	6 Years
Early Retirement (Unreduced):	-
Early Retirement (Reduced):	-
Final Average Compensation:	3 years
Employee Contributions	0%
Act 88:	No

Employees Covered by Benefit Terms

At December 31, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	47
Inactive employees entitled to but not yet receiving benefits	10
Active employees	<u>29</u>
	86

Funding Policy

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

The contribution rate as a fixed dollar amount of payroll at September 30, 2019 is as follows:

General	\$ 21,596
Management	6,760
Commissioners	93
New Hires	<u>4,191</u>
Total	<u>\$ 32,640</u>

Net Pension Liability

The Road Commission’s net pension liability was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions. The total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

NOTE 9 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

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

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	55.5%	3.42%
Global Fixed Income	18.5%	0.23%
Real Assets	13.5%	0.97%
Diversifying Strategies	12.5%	0.63%

Discount Rate. The discount rate used to measure the total pension liability is 8.00% for 2018. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NOTE 9 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

Changes in the Net Pension Liability:

	Increases (Decreases)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at December 31, 2017	\$ 7,588,427	\$ 3,129,696	\$ 4,458,731
Service cost	73,667	-	73,667
Interest on total pension liability	583,650	-	583,650
Changes in benefits	-	-	-
Difference between expected and actual experience	86,027	-	86,027
Changes in assumptions	-	-	-
Employer contributions	-	561,970	(561,970)
Employee contributions	-	152	(152)
Net investment income	-	(118,951)	118,951
Benefit payments, including employee refunds	(659,206)	(659,206)	-
Administrative expense	-	(5,972)	5,972
Net changes	84,138	(222,007)	306,145
Balances as of December 31, 2018	\$ 7,672,565	\$ 2,907,689	\$ 4,764,876

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

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
Road Commission's net pension liability	\$5,446,441	\$4,764,876	\$4,175,333

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

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

For the year ended September 30, 2019, the Road Commission recognized pension expense of \$550,169. At September 30, 2019, the Road Commission reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

NOTE 9 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 64,917	\$ -
Net difference between projected and actual earnings on pension plan investments	228,721	-
Contributions subsequent to the measurement date	603,344	-
 Total	 <u>\$ 896,982</u>	 <u>\$ -</u>

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

Year Ended September 30:

2020	\$	117,465
2021		57,687
2022		45,446
2023		73,040

Annual Pension Costs – For fiscal year ended 2018, the Benzie County Road Commission’s annual pension cost of \$391,680 for the plan was equal to the required contribution. The annual required contribution was determined as part of an actuarial valuation as December 31, 2017, using the entry age normal cost method. Significant actuarial assumptions used include: (i) an 8% investment rate of return; (ii) projected salary increases of 4.5 percent per year. Both determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is being amortized as a level percent of payroll on a closed basis. The remaining amortization period is 22 years.

BENZIE/LEELANAU DISTRICT HEALTH DEPARTMENT

General Information about the Pension Plan

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

NOTE 9 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

01 – Gnr1 Empl: Closed to new hires	
	2018 Valuation
Benefit Multiplier:	2.25% Multiplier (80 % max)
Normal Retirement Age:	60
Vesting:	10 Years
Early Retirement (Unreduced):	55/25
Early Retirement (Reduced):	50/25
	55/15
Final Average Compensation:	5 years
Employee Contributions	0%
DC Plan – new hires	10/1/1996
Act 88:	Yes (Adopted 3/28/2002)

Employees Covered by Benefit Terms

At December 31, 2018, the following employees were covered by the benefit terms:

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

Funding Policy

The obligation to contribute and maintain the system for these employees was established by the personnel policy; currently no employee contribution is required. Employer contributions range from \$3,665 to \$4,117 per month.

Net Pension Liability

The Health Department’s net pension liability was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions. The total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

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

NOTE 9 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	55.5%	3.42%
Global Fixed Income	18.5%	0.23%
Real Assets	13.5%	0.97%
Diversifying Strategies	12.5%	0.63%

Discount Rate. The discount rate used to measure the total pension liability is 8.00% for 2018. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the Net Pension Liability:

	Increases (Decreases)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at December 31, 2017	\$ 1,085,418	\$ 821,702	\$ 263,716
Service cost	14,646	-	14,646
Interest on total pension liability	85,985	-	85,985
Changes in benefits	-	-	-
Difference between expected and actual experience	50,233	-	50,233
Changes in assumptions	-	-	-
Employer contributions	-	46,407	(46,407)
Net investment income	-	(33,156)	33,156
Benefit payments, including employee refunds	(35,857)	(35,857)	-
Administrative expense	-	(1,620)	1,620
Net changes	115,007	(24,226)	139,233
Balances as of December 31, 2018	\$ 1,200,425	\$ 797,476	\$ 402,949

NOTE 9 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

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

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
Health Department’s net pension liability	\$533,030	\$402,949	\$291,547

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

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

For the year ended September 30, 2019, the Health Department recognized pension expense of \$100,877. At September 30, 2019, the Health Department reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ -
Changes in assumptions	34,307	-
Net difference between projected and actual earnings on pension plan investments	59,932	-
Contributions subsequent to the measurement date	40,266	-
Total	\$ 134,505	\$ -

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

<u>Year Ended September 30:</u>	
2020	\$ 54,641
2021	7,633
2021	12,115
2022	19,850

NOTE 9 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

BENZIE TRANSPORTATION AUTHORITY

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

	<u>2018 Valuation</u>
Benefit Multiplier:	2.0% Multiplier (no max)
Normal Retirement Age:	60
Vesting:	10 Years
Early Retirement (Unreduced):	55/25
Early Retirement (Reduced):	50/25
	55/15
Final Average Compensation:	5 years
Employee Contributions	7.27%%

Employees Covered by Benefit Terms

At December 31, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	6
Inactive employees entitled to but not yet receiving benefits	2
Active employees	<u>10</u>
	18

Funding Policy

The Authority is required to contribute at an actuarially determined rate, which for the current year was 4.07% of annual covered payroll depending on position and classification. The contribution requirements of the Authority are established and may be amended by the MERS Retirement Board. The contribution requirements of employees are established and may be amended by labor agreements.

Net Pension Liability

The Authority’s net pension liability was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

NOTE 9 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

Actuarial Assumptions. The total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in valuation were based on the results of the most recent actuarial experience study of 2015.

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

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

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

NOTE 9 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

Changes in the Net Pension Asset:

	Increases (Decreases)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Asset
Balance at December 31, 2017	\$ 661,554	\$ 872,290	\$ (210,736)
Service cost	48,933	-	48,933
Interest on total pension liability	54,045	-	54,045
Changes in benefits	-	-	-
Difference between expected and actual experience	11,725	-	11,725
Employer contributions	-	36,501	(36,501)
Employee contributions	-	28,044	(28,044)
Net investment income	-	(36,440)	36,440
Benefit payments, including employee refunds	(20,914)	(20,914)	-
Administrative expense	-	(1,744)	1,744
Net changes	93,789	5,447	88,342
Balances as of December 31, 2018	\$ 755,343	\$ 877,737	\$ (122,394)

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

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
Authority’s net pension liability	\$(24,852)	\$(122,394)	\$(203,434)

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

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

For the year ended September 30, 2019, the Authority recognized pension expense of \$21,856. At September 30, 2019, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

NOTE 9 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 9,380	\$ 41,167
Changes in assumptions	14,858	-
Net difference between projected and actual earnings on pension plan investments	99,485	38,276
Contributions subsequent to the measurement date	28,503	-
 Total	 <u>\$ 152,226</u>	 <u>\$ 79,443</u>

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

<u>Year Ended September 30:</u>	
2020	\$ 14,307
2021	1,141
2022	6,190
2023	22,642

THE MAPLES, BENZIE COUNTY MEDICAL CARE FACILITY

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

	<u>2018 Valuation</u>
Benefit Multiplier:	1.5 % to 2.5% Multiplier (no max)
Normal Retirement Age:	60
Vesting:	6 - 8 Years
Early Retirement:	55/15 50/25
Final Average Compensation:	5 years
Employee Contributions	2.0%

NOTE 9 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

Employees Covered by Benefit Terms

At December 31, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	62
Inactive employees entitled to but not yet receiving benefits	26
Active employees	<u>113</u> 201

Funding Policy

The County Medical Care Facility is required to contribute amounts at least equal to the actuarially determined rate, as established by MERS retirement board, which the County Medical Care Facility’s average contribution rate was 11.0% of annual covered payroll.

Net Pension Liability

The County Medical Care Facility’s net pension liability was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions. The total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	3.75% in the long term
Investment rate of return	8.00%, net of pension plan investment expense.

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

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

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

NOTE 9 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	55.5%	6.15%
Global Fixed Income	18.5%	1.26%
Real Assets	13.5%	7.22%
Diversifying Strategies	12.5%	5.00%

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

Changes in the Net Pension Liability:

	Increases (Decreases)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at December 31, 2017	\$ 8,980,269	\$ 7,474,212	\$ 1,506,057
Service cost	304,828	-	304,828
Interest on total pension liability	707,098	-	707,098
Difference between expected and actual experience	128,613	-	128,613
Employer contributions	-	441,987	(441,987)
Employee contributions	-	80,284	(80,284)
Net investment loss	-	(294,430)	294,430
Benefit payments, including employee refunds	(587,912)	(587,912)	-
Administrative expense	-	(14,525)	14,525
Net changes	552,627	(374,596)	927,223
Balances as of December 31, 2018	\$ 9,532,896	\$ 7,099,616	\$ 2,433,280

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

NOTE 9 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
MCF's net pension liability	\$3,400,476	\$2,433,280	\$1,608,938

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

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

For the year ended September 30, 2019, the County Medical Care Facility recognized pension expense of \$677,903. At September 30, 2018, the County Medical Care Facility reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 68,957	\$ 115,362
Changes in assumptions	82,258	-
Net difference between projected and actual earnings on pension plan investments	540,226	-
Contributions subsequent to the measurement date	350,190	-
Total	<u>\$ 1,041,631</u>	<u>\$ 115,362</u>

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

Year Ended September 30:	
2020	291,205
2021	18,010
2022	98,337
2023	168,527

NOTE 10 - OTHER POST EMPLOYMENT BENEFITS PLAN

BENZIE COUNTY ROAD COMMISSION

Plan Description - The employer provides health insurance retirees who retire under provisions of the Employer’s MERS plan who are employed full time and age 55 with 10 years of service. 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. The Road Commission administers a single-employer defined benefit healthcare plan. Benefit provisions are established and may be amended by the Board of County Road Commissioners. The Plan does not issue a publicly available report.

Funding Policy - Contribution requirements also are negotiated between the Commission and employees. The Commission contributes 100% of the cost for eligible plan members. For fiscal year 2019, the Commission contributed \$19,665 to the plan.

Employees Covered by Benefit Terms

As of September 30, 2019, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	1
Inactive employees entitled to but not yet receiving benefits	-
Active employees	<u>28</u>
 Total participants covered by OPEB Plan	 <u><u>29</u></u>

Total OPEB Liability and Trust Assets - The Road Commission’s total OPEB liability of \$729,189 was measured as of September 30, 2018, and was determined by an actuarial valuation as of that date.

As of September 30, 2019, there was \$312,893 in assets in the Road Commission’s OPEB trust.

Actuarial assumptions and other inputs - The total OPEB liability was determined by an actuarial valuation as of September 30, 2019 and the following actuarial assumptions, applies to all periods included in the measurement:

Inflation	Included in investment rate
Salary Increases	3.50%
Investment rate of return	7.75%
20-year Aa Municipal bond rate	3.58%
Mortality	2010 Public General Employees and Healthy Retirees, Headcount-weighted, with MP-2018 with improvement scale.

The long-term expected rate of return on retirement plan investments was determined using a building-block method in which best-estimate ranges of expected future rates of return (expected returns, net of retirement plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in the retirement plan’s target asset allocation as of September 30, 2018 are summarized in the following table:

NOTE 10 - OTHER POST EMPLOYMENT BENEFITS PLAN (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return</u>
Global Equity	55.5%	8.65%
Global Fixed Income	18.5%	3.76%
Real Assets	26.0%	8.65%

The long-term expected rate of return after including inflation is 7.75%.

Discount Rate - The discount rate used to measure the total OPEB liability was 3.96%. The assets are not projected to be sufficient to make projected future benefit payments of current plan members. For projected benefits that are covered by projected assets, the long-term expected rate was used to discount the projected benefits. From the year that benefit payments were not projected to be covered by the projected assets (the “depletion date”), projected benefits were discounted at a discount rate reflecting a 20-year AA/Aa tax-exempt municipal bond yield. A single equivalent discount rate that yields the same present value of benefits is calculated. This discount rate is used to determine the Total OPEB Liability.

	<u>Increases (Decreases)</u>		
	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability</u>
Balances at December 31, 2018	\$ 675,609	\$ 305,979	\$ 369,630
Service cost	67,486	-	67,486
Interest	30,361	-	30,361
Difference between expected and actual experience	(33,171)	-	(33,171)
Assumptions	8,569	-	8,569
Employer contributions	-	19,665	(19,665)
Net investment income	-	7,571	(7,571)
Benefit Payments	(19,665)	(19,665)	-
Administrative expense	-	(657)	657
Net changes	<u>53,580</u>	<u>6,914</u>	<u>46,666</u>
Balances as of December 31, 2019	<u>\$ 729,189</u>	<u>\$ 312,893</u>	<u>\$ 416,296</u>

Net OPEB Liability – Discount and Trend Rate Sensitivities – The following presents the net OPEB Liability (NOL) of the Road Commission, calculated using trend and discount rates 1% higher and lower than base assumptions:

	<u>1% Decrease</u>	<u>Discount Current Rate</u>	<u>1% Increase</u>
Total OPEB Liability	\$764,067	\$729,189	\$696,594
Plan Fiduciary Net Position	<u>312,893</u>	<u>312,893</u>	<u>312,893</u>
Net OPEB Liability	\$451,174	\$416,296	\$383,701

NOTE 10 - OTHER POST EMPLOYMENT BENEFITS PLAN (Continued)

OPEB Expense - Components of Road Commission’s OPEB Expense for the fiscal year ending September 30, 2019 are as follows:

	<u>09/30/2019</u>
Service Cost	\$ 67,486
Interest on Total OPEB Liability	30,361
Experience (Gains)/Losses	(6,120)
Changes of Assumptions	1,581
Changes in Plan Terms	-
Employee Contributions	-
Projected Earnings on OPEB Plan Investments	(23,688)
Investment Earnings (Gains)/Losses	4,547
Administrative Expenses	657
Other Changes in Fiduciary Net Position	<u>-</u>
Total OPEB Expense	<u>\$ 74,824</u>

Deferred Outflows and Inflows of Resources Related to OPEB Plan

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Experience (Gains)/Losses	\$ -	\$ 27,051
Changes in Assumptions	6,988	-
Investment Earnings (Gains)/Losses	<u>16,868</u>	<u>-</u>
	<u>\$ 23,856</u>	<u>\$ 27,051</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ended September 30:</u>	
2020	\$ 8
2021	8
2022	10
2023	(1,314)
2024	(1,907)

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 \$124,442 and employees contributed \$24,890 to the Plan during the year ended September 30, 2019 equal to 9% and 0% respectively of covered payroll.

NOTE 12 - LEASES

Building Lease

The County entered into a 20-year lease agreement with the Department of Human Services on November 1, 1999 for the lease of office space within the County complex. The portion of the building covered by this lease has a historic cost of \$229,230 and related carrying value of \$116,256. Future minimum lease payments to be received from the Department of Human Services under the agreement are as follows:

2020	\$	108,902
2021		9,075
Total	\$	117,977

NOTE 13 - NET POSITION – RESTRICTIONS

Net position restrictions can be described as follows:

\$	327,072	Restricted for debt service
\$	70,519	Restricted for capital projects
\$	1,659,074	Restricted for fund or grant purposes

Required Supplementary Information

County of Benzie, Michigan

Employee Retirement and Benefit Systems Schedule of Changes in Pension Liability Year Ended September 30, 2019

	For MERS Years Ending 12/31			
	2018	2017	2016	2015
Total pension liability				
Service cost	\$ 457,679	\$ 424,054	\$ 367,231	\$ 372,988
Interest	1,435,346	1,384,197	1,340,551	1,215,689
Changes in benefits	-	-	(110,144)	-
Difference between expected and actual experience	(55,658)	(206,334)	(153,120)	469,454
Changes in assumptions		-	-	826,589
Benefit payments, including refund of member contributions	(1,009,175)	(949,620)	(905,095)	(816,061)
Other changes	(1)	-	-	-
Net change in total pension liability	828,191	652,297	539,423	2,068,659
Total pension liability - beginning	18,217,571	17,565,274	17,025,851	14,957,192
Total pension liability - ending	<u>\$ 19,045,762</u>	<u>\$ 18,217,571</u>	<u>\$ 17,565,274</u>	<u>\$ 17,025,851</u>
Plan fiduciary net position				
Contributions - employer	\$ 774,966	\$ 603,227	\$ 547,413	\$ 643,589
Contributions - employee	247,199	234,271	133,061	86,789
Net investment income	(502,865)	1,489,809	1,169,835	(160,875)
Benefit payments, including refunds of member contributions	(1,009,175)	(949,620)	(905,095)	(816,063)
Administrative expense	(24,590)	(23,573)	(23,099)	(23,326)
Net change in plan fiduciary net position	(514,465)	1,354,114	922,115	(269,886)
Plan fiduciary net position - beginning	12,605,298	11,251,184	10,329,069	10,598,955
Plan fiduciary net position - ending	<u>\$ 12,090,833</u>	<u>\$ 12,605,298</u>	<u>\$ 11,251,184</u>	<u>\$ 10,329,069</u>
County's net pension liability - ending	<u>\$ 6,954,929</u>	<u>\$ 5,612,273</u>	<u>\$ 6,314,090</u>	<u>\$ 6,696,782</u>
Plan fiduciary net position as a percentage of the total pension liability	63%	69%	64%	61%
Covered - employee payroll	\$ 4,082,032	\$ 3,717,011	\$ 3,493,504	\$ 3,667,165
County's net pension liability as a percentage of covered-employee payroll	170%	151%	181%	183%

County of Benzie, Michigan

Employee Retirement and Benefit Systems Schedule of Employer Contributions For the Year Ended September 30, 2019

	For MERS Years Ending 12/31			
	2018	2017	2016	2015
Actuarially determined contribution	\$ 774,966	\$ 603,227	\$ 547,413	\$ 643,589
Contributions in relation to the actuarially determined contribution	(774,966)	(603,227)	(547,413)	(643,589)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Covered - employee payroll	\$ 4,082,032	\$ 3,717,011	\$ 3,493,504	\$ 3,667,165
Contributions as a percentage of covered-employee payroll	19%	16%	16%	18%

Notes to Schedule:

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

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	22 years
Asset valuation method	5-years smoothed market
Inflation	2.50%
Salary increases	3.75% in the long-term
Investment rate of return	7.75%, net of investment and administrative expense including inflation
Retirement age	60 years
Mortality	Assumptions were based on the RP-2014 Group Annuity Mortality Table - Blended 50% Male / 50% Female

	2019
Total OPEB Liability - Beginning of Year	\$ 675,609
Service cost	67,486
Interest	30,361
Assumption changes and differences between actual and expected experience	(24,602)
Benefit payments	(19,665)
OPEB Liability - End of Year	<u>729,189</u>
Plan fiduciary net position	
Contributions - employer	19,665
Net investment income	7,571
Benefits payments, including refunds of member contributions	(19,665)
Administrative expense	(657)
Net change in plan fiduciary net position	6,914
Plan fiduciary net position - Beginning of Year	<u>305,979</u>
Plan fiduciary net position - End of Year	<u>312,893</u>
Net OPEB liability - End of Year	<u>\$ 416,296</u>
Plan fiduciary net position as a percentage of the total OPEB liability	42.9%
Covered Payroll	\$ 1,259,742
Net OPEB liability as a percentage of covered payroll	33.1%
Schedule of Employer Contributions	
Service Cost	\$ 67,474
Amortization of unfunded liability	93,292
Actuarially determined employer contribution	160,766
Employer contribution	(19,665)
Contribution deficiency/(excess)	<u>141,101</u>
Covered Payroll	\$ 1,259,742
Contribution as percentage of covered payroll	11.2%

Notes to Schedule:

Actuarially determined contribution rates are calculated as of September 30, 2019.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Asset valuation method	Market value
Discount rate	3.96%
Salary increases	3.50%, average
Investment rate of return	3.58%
Healthcare cost trend rate	8.5% graded down by .25% per year
Ultimate trend	4.5% - 3% for Dental and Vision
Mortality rate	2010 Public General Employees and Healthy Retirees, Headcount weighted, with MP-2018 improvement scale

Required Supplementary Information
Budgetary Comparison Schedule
General Fund
Year Ended September 30, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 4,516,587	\$ 4,516,587	\$ 4,657,293	\$ 140,706
Licenses and Permits	32,800	32,800	25,920	(6,880)
Federal Sources	19,500	22,421	4,550	(17,871)
State Sources	659,267	808,912	870,157	61,245
Local Sources	-	5,500	11,515	6,015
Charges for Services	671,228	676,228	706,925	30,697
Refunds and Reimbursements	119,567	145,395	124,470	(20,925)
Interest and Rentals	104,900	107,600	113,614	6,014
TOTAL REVENUES	6,123,849	6,315,443	6,514,444	199,001
EXPENDITURES:				
Legislative:				
Board of Commissioners	99,300	99,300	90,507	8,793
Judicial:				
Circuit Court	408,502	404,802	285,020	119,782
District Court	233,425	503,399	497,270	6,129
Friend of the Court	141,425	138,829	138,822	7
Juvenile Division	56,402	56,402	54,613	1,789
Prosecuting Attorney	253,754	254,988	255,141	(153)
Probate Court	262,771	-	-	-
Total Judicial	1,356,279	1,358,420	1,230,866	127,554
General Government:				
County Administrator	179,591	244,976	244,976	-
Elections	46,900	46,900	44,686	2,214
County Clerk	203,848	201,302	196,455	4,847
Equalization	151,653	151,653	138,768	12,885
Treasurer	154,806	154,245	153,076	1,169
Cooperative Extension	54,338	54,338	52,132	2,206
Legal and Contracted Services	157,500	157,500	103,439	54,061
Central Services	47,000	49,530	49,133	397
Buildings and Grounds	250,295	324,641	250,229	74,412
Technology Support	59,000	49,724	49,647	77
Plat Board	250	250	-	250
Surveyor	2,000	2,000	1,878	122
Total General Government	1,307,181	1,437,059	1,284,419	152,640

**Required Supplementary Information
Budgetary Comparison Schedule
General Fund
Year Ended September 30, 2019**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Public Safety:				
Sheriff	861,489	900,732	898,838	1,894
Sheriff Secondary Road Patrol	62,336	64,812	64,812	-
Zero Tolerance	44,036	48,230	48,230	-
Planning Department	11,750	12,770	12,770	-
Emergency Management	68,638	82,421	81,035	1,386
Total Public Safety	<u>1,048,249</u>	<u>1,108,965</u>	<u>1,105,685</u>	<u>3,280</u>
Public Works:				
Drain Commission	<u>21,250</u>	<u>19,300</u>	<u>19,295</u>	<u>5</u>
Total Public Works	<u>21,250</u>	<u>19,300</u>	<u>19,295</u>	<u>5</u>
Community & Economic Development:				
Register of Deeds	<u>148,333</u>	<u>148,202</u>	<u>146,386</u>	<u>1,816</u>
Total Community & Economic Development	<u>148,333</u>	<u>148,202</u>	<u>146,386</u>	<u>1,816</u>
Health and Welfare:				
Health Department	233,284	233,284	232,284	1,000
Medical Examiner	44,100	94,267	88,746	5,521
Mental Health Board	167,175	167,175	167,175	-
Department of Human Services	<u>5,000</u>	<u>3,980</u>	<u>856</u>	<u>3,124</u>
Total Health and Welfare	<u>449,559</u>	<u>498,706</u>	<u>489,061</u>	<u>9,645</u>
Recreation and Culture:				
Parks and Recreation	<u>17,100</u>	<u>17,100</u>	<u>10,910</u>	<u>6,190</u>
Total Recreation and Culture	<u>17,100</u>	<u>17,100</u>	<u>10,910</u>	<u>6,190</u>
Debt Services:	<u>7,500</u>	<u>5,570</u>	<u>5,442</u>	<u>128</u>
Capital Outlay:	<u>177,930</u>	<u>177,930</u>	<u>177,930</u>	<u>-</u>
Other Expenditures:				
Medical Insurance	712,200	712,087	710,964	1,123
Unemployment Insurance	6,000	7,240	7,240	-
Worker's Comp Insurance	46,000	31,760	31,043	717
Insurance and Bonds	126,601	129,576	129,735	(159)
Social Security	169,702	182,346	182,346	-
Retirement Benefits	440,220	453,026	453,026	-
Intergovernmental Cooperation	52,914	52,914	42,338	10,576
Other Miscellaneous	<u>2,498</u>	<u>2,498</u>	<u>2,418</u>	<u>80</u>
Total Other Expenditures	<u>1,556,135</u>	<u>1,571,447</u>	<u>1,559,110</u>	<u>12,337</u>
TOTAL EXPENDITURES	<u>6,188,816</u>	<u>6,441,999</u>	<u>6,119,611</u>	<u>322,388</u>

**Required Supplementary Information
Budgetary Comparison Schedule
General Fund
Year Ended September 30, 2019**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	(64,967)	(126,556)	394,833	521,389
OTHER FINANCING SOURCES (USES):				
Transfers In	487,066	499,066	519,421	(20,355)
Transfers Out	(568,982)	(721,952)	(721,942)	10
TOTAL OTHER FINANCING SOURCES (USES)	(81,916)	(222,886)	(202,521)	(20,345)
NET CHANGE IN FUND BALANCES	<u>\$ (146,883)</u>	<u>\$ (349,442)</u>	192,312	<u>\$ 501,044</u>
FUND BALANCE BEGINNING OF YEAR			<u>1,947,626</u>	
FUND BALANCE AT END OF YEAR			<u>\$ 2,139,938</u>	

**Required Supplementary Information
Budgetary Comparison Schedule
Jail Operations Fund
Year Ended September 30, 2019**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 1,115,074	\$ 1,115,074	\$ 1,115,194	\$ 120
State Sources	2,000	2,000	1,755	(245)
Local Sources	38,325	38,325	19,163	(19,162)
Charges for Services	80,350	99,223	68,619	(30,604)
Refunds and Reimbursements	6,500	6,500	4,550	(1,950)
TOTAL REVENUES	<u>1,242,249</u>	<u>1,261,122</u>	<u>1,209,281</u>	<u>(51,841)</u>
EXPENDITURES:				
Public Safety	1,558,386	1,617,400	1,614,282	3,118
Capital Outlay	7,604	7,604	7,589	15
TOTAL EXPENDITURES	<u>1,565,990</u>	<u>1,625,004</u>	<u>1,621,871</u>	<u>3,133</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	<u>(323,741)</u>	<u>(363,882)</u>	<u>(412,590)</u>	<u>(48,708)</u>
OTHER FINANCING SOURCES (USES):				
Transfers In	323,741	363,882	379,492	15,610
NET CHANGE IN FUND BALANCES	<u>\$ -</u>	<u>\$ -</u>	<u>(33,098)</u>	<u>\$ (33,098)</u>
FUND BALANCE BEGINNING OF YEAR			<u>101,900</u>	
FUND BALANCE AT END OF YEAR			<u>\$ 68,802</u>	

Other Information

	General	Capital Improvements	Building Authority	Total
ASSETS:				
Cash and Equivalents - Unrestricted	\$ 1,078,145	\$ 200,673	\$ 5,707	\$ 1,284,525
Receivables:				
Accounts	74,675	-	-	74,675
Taxes	950,258	-	-	950,258
Prepaid Items	17,863	-	-	17,863
Due from Other Funds	35,016	-	-	35,016
TOTAL ASSETS	\$ 2,155,957	\$ 200,673	\$ 5,707	2,362,337
LIABILITIES:				
Accounts Payable	\$ 128,449	\$ 21,137	\$ -	\$ 149,586
Accrued Liabilities	72,813	-	-	72,813
TOTAL LIABILITIES	201,262	21,137	-	222,399
FUND BALANCES:				
Nonspendable	17,863	-	-	17,863
Restricted	-	-	5,707	5,707
Assigned	-	179,536	-	179,536
Unassigned	1,936,832	-	-	1,936,832
TOTAL FUND BALANCES	1,954,695	179,536	5,707	2,139,938
TOTAL LIABILITES AND FUND BALANCES	\$ 2,155,957	\$ 200,673	\$ 5,707	\$ 2,362,337

**Combining Statement of Revenues, Expenditures,
and Changes in Fund Balance
General Funds
Year Ended September 30, 2019**

	General	Capital Improvements	Building Authority	Total
REVENUES:				
Taxes	\$ 4,657,293	\$ -	\$ -	\$ 4,657,293
Licenses and Permits	25,920	-	-	25,920
Federal Sources	4,550	-	-	4,550
State Sources	870,157	-	-	870,157
Local Sources	11,515	-	-	11,515
Charges for Services	706,925	-	-	706,925
Refunds and Reimbursements	124,470	-	-	124,470
Interest and Rentals	113,614	-	-	113,614
TOTAL REVENUES	6,514,444	-	-	6,514,444
EXPENDITURES:				
Legislative	90,507	-	-	90,507
Judicial	1,230,866	-	-	1,230,866
General Government	1,258,268	21,927	4,224	1,284,419
Public Safety	1,105,685	-	-	1,105,685
Public Works	19,295	-	-	19,295
Health and Welfare	489,061	-	-	489,061
Community & Economic Development	146,386	-	-	146,386
Recreation and Cultural	10,910	-	-	10,910
Debt Service	5,442	-	-	5,442
Capital Outlay	33,350	144,580	-	177,930
Other Expenditures	1,559,110	-	-	1,559,110
TOTAL EXPENDITURES	5,948,880	166,507	4,224	6,119,611
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)				
	565,564	(166,507)	(4,224)	394,833
OTHER FINANCING SOURCES (USES):				
Transfers In	329,421	185,000	5,000	519,421
Transfers Out	(721,942)	-	-	(721,942)
TOTAL OTHER FINANCING SOURCES (USES)	(392,521)	185,000	5,000	(202,521)
NET CHANGE IN FUND BALANCES	173,043	18,493	776	192,312
FUND BALANCE BEGINNING OF YEAR	1,781,652	161,043	4,931	1,947,626
FUND BALANCE AT END OF YEAR	\$ 1,954,695	\$ 179,536	\$ 5,707	\$ 2,139,938

	Special Revenue Funds							
	Sheriff's K-9	TNT Officer	Benzie Co. Sheriff Reserve's	Benzie Co. Dive Team	Benzie Co. Kids	Friend of the Court	Seasonal Road Patrol	Marine Patrol
ASSETS:								
Cash, Equivalents and Investments - Unrestricted	\$ 23,434	\$ 9,009	\$ 12	\$ 1,696	\$ 3,905	\$ 77,429	\$ 22,675	\$ 2,764
Receivables:								
Accounts	-	-	-	-	-	-	-	-
Loans	-	-	-	-	-	-	-	-
Prepaid Items	-	-	-	-	-	-	-	-
TOTAL ASSETS	\$ 23,434	\$ 9,009	\$ 12	\$ 1,696	\$ 3,905	\$ 77,429	\$ 22,675	\$ 2,764
LIABILITIES:								
Accounts Payable	\$ 261	\$ 3,278	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,751
Accrued Liabilities	-	1,226	-	-	-	-	-	-
Due to Other Funds	-	-	-	-	-	-	-	-
TOTAL LIABILITIES	261	4,504	-	-	-	-	-	2,751
DEFERRED INFLOWS:								
Unavailable Revenue	-	-	-	-	-	-	-	-
FUND BALANCES:								
Nonspendable	-	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	77,429	22,675	13
Committed	-	4,505	-	-	-	-	-	-
Assigned	23,173	-	12	1,696	3,905	-	-	-
TOTAL FUND BALANCES	23,173	4,505	12	1,696	3,905	77,429	22,675	13
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	\$ 23,434	\$ 9,009	\$ 12	\$ 1,696	\$ 3,905	\$ 77,429	\$ 22,675	\$ 2,764

County of Benzie, Michigan

Combining Balance Sheet Nonmajor Governmental Funds September 30, 2019

	Special Revenue Funds							
	Snowmobile Patrol	School Resource Officer	Parks and Rec. Ice Rink	Airport Authority	Solid Waste/ Recycling	Betsie Valley Trail Management	Soil Erosion	
ASSETS:								
Cash, Equivalents and Investments - Unrestricted	\$ 14,719	\$ 27,155	\$ 17	\$ -	\$ 201,399	\$ -	\$ 32,909	\$ 124,012
Receivables:								
Accounts	-	-	-	13,391	-	3,850	-	-
Loans	-	-	-	-	-	-	-	-
Prepaid Items	-	-	-	-	338	-	-	-
TOTAL ASSETS	<u>\$ 14,719</u>	<u>\$ 27,155</u>	<u>\$ 17</u>	<u>\$ 13,391</u>	<u>\$ 201,737</u>	<u>\$ 3,850</u>	<u>\$ 32,909</u>	<u>\$ 124,012</u>
LIABILITIES:								
Accounts Payable	\$ -	\$ 2,679	\$ -	\$ -	\$ 344	\$ 2,861	\$ 2,000	\$ -
Accrued Liabilities	-	1,280	-	-	1,059	-	-	-
Due to Other Funds	-	-	-	13,391	-	942	-	-
TOTAL LIABILITIES	<u>-</u>	<u>3,959</u>	<u>-</u>	<u>13,391</u>	<u>1,403</u>	<u>3,803</u>	<u>2,000</u>	<u>-</u>
DEFERRED INFLOWS:								
Unavailable Revenue	-	-	-	-	-	-	-	-
FUND BALANCES:								
Nonspendable	-	-	-	-	338	-	-	-
Restricted	14,719	23,196	-	-	-	47	-	-
Committed	-	-	-	-	-	-	-	-
Assigned	-	-	17	-	199,996	-	30,909	124,012
TOTAL FUND BALANCES	<u>14,719</u>	<u>23,196</u>	<u>17</u>	<u>-</u>	<u>200,334</u>	<u>47</u>	<u>30,909</u>	<u>124,012</u>
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	<u>\$ 14,719</u>	<u>\$ 27,155</u>	<u>\$ 17</u>	<u>\$ 13,391</u>	<u>\$ 201,737</u>	<u>\$ 3,850</u>	<u>\$ 32,909</u>	<u>\$ 124,012</u>

	Special Revenue Funds							
	Remonument- ation Survey Grant	GIS Information System	Animal Control	Building Department	Register of Deeds Automation	Homeland Security	911 Emergency Service	Dispatcher Training Grant
ASSETS:								
Cash, Equivalents and Investments - Unrestricted	\$ 25,755	\$ 7,111	\$ 154,614	\$ 109,112	\$ 124,925	\$ 1,630	\$ 409,180	\$ 20,597
Receivables:								
Accounts	-	-	-	-	-	-	165,372	-
Loans	-	-	-	-	-	-	-	-
Prepaid Items	-	-	481	1,196	-	-	3,771	-
TOTAL ASSETS	<u>\$ 25,755</u>	<u>7,111</u>	<u>\$ 155,095</u>	<u>\$ 110,308</u>	<u>\$ 124,925</u>	<u>\$ 1,630</u>	<u>\$ 578,323</u>	<u>\$ 20,597</u>
LIABILITIES:								
Accounts Payable	\$ -	-	\$ 544	\$ 35,438	\$ -	\$ -	\$ 928	\$ 15
Accrued Liabilities	-	-	2,407	-	-	-	8,704	-
Due to Other Funds	-	-	-	-	-	-	-	-
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>2,951</u>	<u>35,438</u>	<u>-</u>	<u>-</u>	<u>9,632</u>	<u>15</u>
DEFERRED INFLOWS:								
Unavailable Revenue	-	-	-	-	-	-	-	-
FUND BALANCES:								
Nonspendable	-	-	481	1,196	-	-	3,771	-
Restricted	25,755	-	151,663	73,674	-	1,630	564,920	20,582
Committed	-	-	-	-	-	-	-	-
Assigned	-	7,111	-	-	124,925	-	-	-
TOTAL FUND BALANCES	<u>25,755</u>	<u>7,111</u>	<u>152,144</u>	<u>74,870</u>	<u>124,925</u>	<u>1,630</u>	<u>568,691</u>	<u>20,582</u>
TOTAL LIABILITES, DEFERRED INFLOWS AND FUND BALANCES	<u>\$ 25,755</u>	<u>\$ 7,111</u>	<u>\$ 155,095</u>	<u>\$ 110,308</u>	<u>\$ 124,925</u>	<u>\$ 1,630</u>	<u>\$ 578,323</u>	<u>\$ 20,597</u>

County of Benzie, Michigan

Combining Balance Sheet Nonmajor Governmental Funds September 30, 2019

	Special Revenue Funds							
	Local Corrections Officer Training	Sheriff Forfeiture	Benzie Criminal Justice Training	Law Library	Commission on Aging	Child Care	Soldier's Relief	Veteran's Memorial
ASSETS:								
Cash, Equivalents and Investments - Unrestricted	\$ 11,026	\$ 4,149	\$ 2,778	\$ 1,156	\$ 329,182	\$ 44,181	\$ 70,532	\$ 22,448
Receivables:								
Accounts	-	-	1,610	-	-	61,015	-	-
Loans	-	-	-	-	-	-	-	-
Prepaid Items	-	-	-	-	-	-	-	-
TOTAL ASSETS	\$ 11,026	\$ 4,149	\$ 4,388	\$ 1,156	\$ 329,182	\$ 105,196	\$ 70,532	\$ 22,448
LIABILITIES:								
Accounts Payable	\$ 6	\$ -	\$ 140	\$ 845	\$ -	\$ 15,645	\$ 339	\$ -
Accrued Liabilities	-	-	-	-	-	-	-	-
Due to Other Funds	-	-	-	-	-	-	-	-
TOTAL LIABILITIES	6	-	140	845	-	15,645	339	-
DEFERRED INFLOWS:								
Unavailable Revenue	-	-	-	-	-	-	-	-
FUND BALANCES:								
Nonspendable	-	-	-	-	-	-	-	-
Restricted	11,020	4,149	4,248	-	329,182	89,551	70,193	22,448
Committed	-	-	-	-	-	-	-	-
Assigned	-	-	-	311	-	-	-	-
TOTAL FUND BALANCES	11,020	4,149	4,248	311	329,182	89,551	70,193	22,448
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	\$ 11,026	\$ 4,149	\$ 4,388	\$ 1,156	\$ 329,182	\$ 105,196	\$ 70,532	\$ 22,448

County of Benzie, Michigan

Combining Balance Sheet Nonmajor Governmental Funds September 30, 2019

	Special Revenue Funds						Debt Service Funds	
	CDBG Housing Grant	Light House	Brownfield Redevelopment Authority	Juvenile Justice	Family Court Grants	Clerk Tech. Fund	Government Center Addition	Maples Debt Millage
ASSETS:								
Cash, Equivalents and Investments - Unrestricted	\$ 89,812	\$ -	\$ 20,121	\$ -	\$ 37,460	\$ 39,310	\$ 113,537	\$ 91,805
Receivables:								
Accounts	-	19,055	-	3,298	-	-	-	-
Loans	873,944	-	-	-	-	-	-	-
Prepaid Items	-	-	-	-	-	-	-	-
TOTAL ASSETS	\$ 963,756	\$ 19,055	\$ 20,121	\$ 3,298	\$ 37,460	\$ 39,310	\$ 113,537	\$ 91,805
LIABILITIES:								
Accounts Payable	\$ 5,742	\$ -	\$ -	\$ 1,480	\$ -	\$ -	\$ -	\$ -
Accrued Liabilities	-	-	-	-	-	-	-	-
Due to Other Funds	-	18,962	-	1,721	-	-	-	-
TOTAL LIABILITIES	5,742	18,962	-	3,201	-	-	-	-
DEFERRED INFLOWS:								
Unavailable Revenue	873,944	-	-	-	-	-	-	-
FUND BALANCES:								
Nonspendable	-	-	-	-	-	-	-	-
Restricted	84,070	93	20,121	97	-	39,310	113,537	91,805
Committed	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	37,460	-	-	-
TOTAL FUND BALANCES	84,070	93	20,121	97	37,460	39,310	113,537	91,805
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	\$ 963,756	\$ 19,055	\$ 20,121	\$ 3,298	\$ 37,460	\$ 39,310	\$ 113,537	\$ 91,805

	Capital Project Funds				Totals
	Jail Reserve	Railroad Point	Equipment Replacement	Medical Care Facility Renovation	
ASSETS:					
Cash, Equivalents and Investments - Unrestricted	\$ 287	\$ 12,685	\$ 58,179	\$ 122,768	\$ 2,465,475
Receivables:					
Accounts	-	-	-	-	267,591
Loans	-	-	-	-	873,944
Prepaid Items	-	-	-	-	5,786
TOTAL ASSETS	<u>\$ 287</u>	<u>\$ 12,685</u>	<u>\$ 58,179</u>	<u>\$ 122,768</u>	<u>\$ 3,612,796</u>
LIABILITIES:					
Accounts Payable	\$ -	\$ -	\$ 632	\$ 12,768	\$ 88,696
Accrued Liabilities	-	-	-	-	14,676
Due to Other Funds	-	-	-	110,000	145,016
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>632</u>	<u>122,768</u>	<u>248,388</u>
DEFERRED INFLOWS:					
Unavailable Revenue	-	-	-	-	873,944
FUND BALANCES:					
Nonspendable	-	-	-	-	5,786
Restricted	287	12,685	-	-	1,869,099
Committed	-	-	57,547	-	62,052
Assigned	-	-	-	-	553,527
TOTAL FUND BALANCES	<u>287</u>	<u>12,685</u>	<u>57,547</u>	<u>-</u>	<u>2,490,464</u>
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	<u>\$ 287</u>	<u>\$ 12,685</u>	<u>\$ 58,179</u>	<u>\$ 122,768</u>	<u>\$ 3,612,796</u>

**Combining Statement of Revenues, Expenditures,
and Changes in Fund Balance
Nonmajor Governmental Funds
Year Ended September 30, 2019**

	Special Revenue Funds							
	Sheriff's K-9	TNT Officer	Benzie Co. Sheriff Reserve's	Benzie Co. Dive Team	Benzie Co. Kids	Friend of the Court	Seasonal Road Patrol	Marine Patrol
REVENUES:								
Taxes	\$ -	\$ 123,299	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Federal Sources	-	-	-	-	-	-	-	-
State Sources	-	195	-	-	-	-	-	6,731
Local Sources	-	-	-	-	-	-	23,641	-
Charges for Services	-	-	-	-	-	5,710	-	-
Refunds and Reimbursements	-	614	-	-	-	-	184	-
Interest and Rentals	-	-	-	-	-	344	-	-
Contributions	11,750	-	-	5,768	740	-	-	-
Other Revenue	-	865	-	-	-	-	-	-
TOTAL REVENUES	<u>11,750</u>	<u>124,973</u>	<u>-</u>	<u>5,768</u>	<u>740</u>	<u>6,054</u>	<u>23,825</u>	<u>6,731</u>
EXPENDITURES:								
Judicial	-	-	-	-	-	6,385	-	-
General Government	-	-	-	-	-	-	-	-
Public Safety	7,000	121,124	-	5,454	297	-	16,211	13,768
Public Works	-	-	-	-	-	-	-	-
Health and Welfare	-	-	-	-	-	-	-	-
Recreation and Cultural	-	-	-	-	-	-	-	-
Capital Outlay	-	35,941	-	-	-	-	7,064	-
TOTAL EXPENDITURES	<u>7,000</u>	<u>157,065</u>	<u>-</u>	<u>5,454</u>	<u>297</u>	<u>6,385</u>	<u>23,275</u>	<u>13,768</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	<u>4,750</u>	<u>(32,092)</u>	<u>-</u>	<u>314</u>	<u>443</u>	<u>(331)</u>	<u>550</u>	<u>(7,037)</u>
OTHER FINANCING SOURCES (USES):								
Transfers In	-	5,000	-	-	-	-	-	5,900
Transfers Out	-	(20,066)	-	-	-	-	(12,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>(15,066)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(12,000)</u>	<u>5,900</u>
NET CHANGE IN FUND BALANCES	<u>4,750</u>	<u>(47,158)</u>	<u>-</u>	<u>314</u>	<u>443</u>	<u>(331)</u>	<u>(11,450)</u>	<u>(1,137)</u>
FUND BALANCE BEGINNING OF YEAR	<u>18,423</u>	<u>51,663</u>	<u>12</u>	<u>1,382</u>	<u>3,462</u>	<u>77,760</u>	<u>34,125</u>	<u>1,150</u>
FUND BALANCE AT END OF YEAR	<u>\$ 23,173</u>	<u>\$ 4,505</u>	<u>\$ 12</u>	<u>\$ 1,696</u>	<u>\$ 3,905</u>	<u>\$ 77,429</u>	<u>\$ 22,675</u>	<u>\$ 13</u>

**Combining Statement of Revenues, Expenditures,
and Changes in Fund Balance
Nonmajor Governmental Funds
Year Ended September 30, 2019**

	Special Revenue Funds							
	Snowmobile Patrol	School Resource Officer	Parks and Rec. Ice Rink	Airport Authority	Solid Waste/ Recycling	Betsie Valley Trail Management	Soil Erosion	Land Reutilization Fund
REVENUES:								
Taxes	\$ -	\$ 113,695	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,133
Federal Sources	-	-	-	-	-	-	-	-
State Sources	15,252	-	-	-	8,130	-	-	-
Local Sources	-	-	-	-	-	3,850	-	-
Charges for Services	-	-	-	-	311,214	-	12,180	300
Refunds and Reimbursements	72	-	-	42,227	2,733	-	-	-
Interest and Rentals	-	-	-	-	-	-	-	-
Contributions	100	-	-	-	5,328	200	-	-
Other Revenue	-	-	-	-	235	-	-	-
TOTAL REVENUES	<u>15,424</u>	<u>113,695</u>	<u>-</u>	<u>42,227</u>	<u>327,640</u>	<u>4,050</u>	<u>12,180</u>	<u>5,433</u>
EXPENDITURES:								
Judicial	-	-	-	-	-	-	-	-
General Government	-	-	-	-	-	-	-	4,125
Public Safety	9,756	83,126	-	-	-	-	-	-
Public Works	-	-	-	42,972	266,190	-	15,114	-
Health and Welfare	-	-	-	-	-	-	-	-
Recreation and Cultural	-	-	-	-	-	6,619	-	-
Capital Outlay	-	7,373	-	-	-	-	-	-
TOTAL EXPENDITURES	<u>9,756</u>	<u>90,499</u>	<u>-</u>	<u>42,972</u>	<u>266,190</u>	<u>6,619</u>	<u>15,114</u>	<u>4,125</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	<u>5,668</u>	<u>23,196</u>	<u>-</u>	<u>(745)</u>	<u>61,450</u>	<u>(2,569)</u>	<u>(2,934)</u>	<u>1,308</u>
OTHER FINANCING SOURCES (USES):								
Transfers In	1,440	-	-	-	-	-	-	10,000
Transfers Out	-	-	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>1,440</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,000</u>
NET CHANGE IN FUND BALANCES	7,108	23,196	-	(745)	61,450	(2,569)	(2,934)	11,308
FUND BALANCE BEGINNING OF YEAR	<u>7,611</u>	<u>-</u>	<u>17</u>	<u>745</u>	<u>138,884</u>	<u>2,616</u>	<u>33,843</u>	<u>112,704</u>
FUND BALANCE AT END OF YEAR	<u>\$ 14,719</u>	<u>\$ 23,196</u>	<u>\$ 17</u>	<u>\$ -</u>	<u>\$ 200,334</u>	<u>\$ 47</u>	<u>\$ 30,909</u>	<u>\$ 124,012</u>

**Combining Statement of Revenues, Expenditures,
and Changes in Fund Balance
Nonmajor Governmental Funds
Year Ended September 30, 2019**

	Special Revenue Funds							
	Remonument- ation Survey Grant	GIS Information System	Animal Control	Building Department	Register of Deeds Automation	Homeland Security	911 Emergency Service	Dispatcher Training Grant
REVENUES:								
Taxes	\$ -	\$ -	\$ 123,149	\$ -	\$ -	\$ -	\$ -	\$ -
Federal Sources	-	-	-	-	-	-	-	-
State Sources	29,129	-	-	194	-	-	-	4,106
Local Sources	-	-	-	-	-	-	-	-
Charges for Services	-	-	12,607	340,522	25,885	-	738,656	-
Refunds and Reimbursements	-	-	7,096	-	-	-	2,122	-
Interest and Rentals	-	-	-	-	795	-	-	-
Contributions	-	-	7,483	-	-	-	-	-
Other Revenue	-	-	-	-	-	-	-	-
TOTAL REVENUES	<u>29,129</u>	<u>-</u>	<u>150,335</u>	<u>340,716</u>	<u>26,680</u>	<u>-</u>	<u>740,778</u>	<u>4,106</u>
EXPENDITURES:								
Judicial	-	-	-	-	-	-	-	-
General Government	31,435	-	-	-	32,191	-	-	-
Public Safety	-	-	189,529	329,500	-	-	652,326	3,566
Public Works	-	-	-	-	-	-	-	-
Health and Welfare	-	-	-	-	-	-	-	-
Recreation and Cultural	-	-	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-	137,722	-
TOTAL EXPENDITURES	<u>31,435</u>	<u>-</u>	<u>189,529</u>	<u>329,500</u>	<u>32,191</u>	<u>-</u>	<u>790,048</u>	<u>3,566</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	<u>(2,306)</u>	<u>-</u>	<u>(39,194)</u>	<u>11,216</u>	<u>(5,511)</u>	<u>-</u>	<u>(49,270)</u>	<u>540</u>
OTHER FINANCING SOURCES (USES):								
Transfers In	-	-	20,000	-	-	-	-	-
Transfers Out	-	-	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>20,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	<u>(2,306)</u>	<u>-</u>	<u>(19,194)</u>	<u>11,216</u>	<u>(5,511)</u>	<u>-</u>	<u>(49,270)</u>	<u>540</u>
FUND BALANCE BEGINNING OF YEAR	<u>28,061</u>	<u>7,111</u>	<u>171,338</u>	<u>63,654</u>	<u>130,436</u>	<u>1,630</u>	<u>617,961</u>	<u>20,042</u>
FUND BALANCE AT END OF YEAR	<u>\$ 25,755</u>	<u>\$ 7,111</u>	<u>\$ 152,144</u>	<u>\$ 74,870</u>	<u>\$ 124,925</u>	<u>\$ 1,630</u>	<u>\$ 568,691</u>	<u>\$ 20,582</u>

**Combining Statement of Revenues, Expenditures,
and Changes in Fund Balance
Nonmajor Governmental Funds
Year Ended September 30, 2019**

	Special Revenue Funds							
	Local Corrections Officer Training	Sheriff Forfeiture	Benzie Criminal Justice Training	Law Library	Commission on Aging	Child Care	Soldier's Relief	Veteran's Memorial
REVENUES:								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 1,066,894	\$ -	\$ 50,373	\$ -
Federal Sources	-	-	-	-	-	-	-	-
State Sources	-	-	3,035	-	1,679	149,328	79	-
Local Sources	-	-	-	-	-	-	-	-
Charges for Services	3,800	-	-	-	-	-	-	-
Refunds and Reimbursements	-	-	-	-	-	14,147	818	-
Interest and Rentals	-	-	-	-	3,058	-	-	-
Contributions	-	-	-	-	-	-	-	5,185
Other Revenue	-	-	-	5,000	-	-	-	-
TOTAL REVENUES	<u>3,800</u>	<u>-</u>	<u>3,035</u>	<u>5,000</u>	<u>1,071,631</u>	<u>163,475</u>	<u>51,270</u>	<u>5,185</u>
EXPENDITURES:								
Judicial	-	-	-	20,883	-	-	-	-
General Government	-	-	-	-	-	-	-	-
Public Safety	6,966	323	5,415	-	-	-	-	-
Public Works	-	-	-	-	-	-	-	-
Health and Welfare	-	-	-	-	1,074,788	406,631	53,876	44,284
Recreation and Cultural	-	-	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	<u>6,966</u>	<u>323</u>	<u>5,415</u>	<u>20,883</u>	<u>1,074,788</u>	<u>406,631</u>	<u>53,876</u>	<u>44,284</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	<u>(3,166)</u>	<u>(323)</u>	<u>(2,380)</u>	<u>(15,883)</u>	<u>(3,157)</u>	<u>(243,156)</u>	<u>(2,606)</u>	<u>(39,099)</u>
OTHER FINANCING SOURCES (USES):								
Transfers In	-	-	-	15,000	-	273,590	-	-
Transfers Out	-	-	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,000</u>	<u>-</u>	<u>273,590</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	<u>(3,166)</u>	<u>(323)</u>	<u>(2,380)</u>	<u>(883)</u>	<u>(3,157)</u>	<u>30,434</u>	<u>(2,606)</u>	<u>(39,099)</u>
FUND BALANCE BEGINNING OF YEAR	<u>14,186</u>	<u>4,472</u>	<u>6,628</u>	<u>1,194</u>	<u>332,339</u>	<u>59,117</u>	<u>72,799</u>	<u>61,547</u>
FUND BALANCE AT END OF YEAR	<u>\$ 11,020</u>	<u>\$ 4,149</u>	<u>\$ 4,248</u>	<u>\$ 311</u>	<u>\$ 329,182</u>	<u>\$ 89,551</u>	<u>\$ 70,193</u>	<u>\$ 22,448</u>

**Combining Statement of Revenues, Expenditures,
and Changes in Fund Balance
Nonmajor Governmental Funds
Year Ended September 30, 2019**

	Special Revenue Funds					Debt Service Funds		
	CDBG Housing Grant	Light House	Brownfield Redevelopment Authority	Juvenile Justice	Family Court Grants	Clerk Tech. Fund	Government Center Addition	Maples Debt Millage
REVENUES:								
Taxes	\$ -	\$ -	\$ 667	\$ -	\$ -	\$ -	\$ -	\$ 800,822
Federal Sources	-	-	-	-	-	-	-	-
State Sources	-	11,055	-	17,500	-	-	-	5,393
Local Sources	-	8,000	-	-	-	-	-	-
Charges for Services	-	-	-	-	37,460	9,978	-	-
Refunds and Reimbursements	27,173	-	-	-	-	100	-	-
Interest and Rentals	574	-	-	-	-	221	108,902	2,623
Contributions	-	-	-	-	-	-	-	-
Other Revenue	-	-	-	-	-	-	-	-
TOTAL REVENUES	27,747	19,055	667	17,500	37,460	10,299	108,902	808,838
EXPENDITURES:								
Judicial	-	-	-	-	-	-	-	-
General Government	-	-	-	-	-	443	29,500	-
Public Safety	-	-	-	-	-	-	-	-
Public Works	-	-	-	-	-	-	-	-
Health and Welfare	9,713	-	-	17,403	-	-	-	521,270
Recreation and Cultural	-	22,208	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	9,713	22,208	-	17,403	-	443	29,500	521,270
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	18,034	(3,153)	667	97	37,460	9,856	79,402	287,568
OTHER FINANCING SOURCES (USES):								
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-	-	(380,000)
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-	-	-	-	(380,000)
NET CHANGE IN FUND BALANCES	18,034	(3,153)	667	97	37,460	9,856	79,402	(92,432)
FUND BALANCE BEGINNING OF YEAR	66,036	3,246	19,454	-	-	29,454	34,135	184,237
FUND BALANCE AT END OF YEAR	\$ 84,070	\$ 93	\$ 20,121	\$ 97	\$ 37,460	\$ 39,310	\$ 113,537	\$ 91,805

**Combining Statement of Revenues, Expenditures,
and Changes in Fund Balance
Nonmajor Governmental Funds
Year Ended September 30, 2019**

	Capital Project Funds				Totals
	Jail Reserve	Railroad Point	Equipment Replacement	Medical Care Facility Renovation	
REVENUES:					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 2,284,032
Federal Sources	-	-	35,590	-	35,590
State Sources	-	-	-	-	251,806
Local Sources	-	-	5,161	-	40,652
Charges for Services	-	5,199	4,629	-	1,508,140
Refunds and Reimbursements	1,119	-	7,821	418,573	524,799
Interest and Rentals	202	-	-	-	116,719
Contributions	-	-	-	-	36,554
Other Revenue	-	-	-	-	6,100
TOTAL REVENUES	<u>1,321</u>	<u>5,199</u>	<u>53,201</u>	<u>418,573</u>	<u>4,804,392</u>
EXPENDITURES:					
Judicial	-	-	-	-	27,268
General Government	-	-	-	550,818	648,512
Public Safety	26,542	-	60,700	-	1,531,603
Public Works	-	-	-	-	324,276
Health and Welfare	-	-	-	-	2,127,965
Recreation and Cultural	-	-	-	-	28,827
Capital Outlay	41,934	-	-	-	230,034
TOTAL EXPENDITURES	<u>68,476</u>	<u>-</u>	<u>60,700</u>	<u>550,818</u>	<u>4,918,485</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	<u>(67,155)</u>	<u>5,199</u>	<u>(7,499)</u>	<u>(132,245)</u>	<u>(114,093)</u>
OTHER FINANCING SOURCES (USES):					
Transfers In	-	-	2,500	472,794	806,224
Transfers Out	-	-	-	(413,958)	(826,024)
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>2,500</u>	<u>58,836</u>	<u>(19,800)</u>
NET CHANGE IN FUND BALANCES	<u>(67,155)</u>	<u>5,199</u>	<u>(4,999)</u>	<u>(73,409)</u>	<u>(133,893)</u>
FUND BALANCE BEGINNING OF YEAR	<u>67,442</u>	<u>7,486</u>	<u>62,546</u>	<u>73,409</u>	<u>2,624,357</u>
FUND BALANCE AT END OF YEAR	<u>\$ 287</u>	<u>\$ 12,685</u>	<u>\$ 57,547</u>	<u>\$ -</u>	<u>\$ 2,490,464</u>

County of Benzie, Michigan**Combining Statement of Net Position
Nonmajor Enterprise Funds
September 30, 2019**

	<u>Tax Admin</u>	<u>Tax Foreclosure</u>	<u>Sheriff Commissary</u>	<u>Totals</u>
ASSETS:				
Cash and Equivalents -Unrestricted	<u>\$ 52,160</u>	<u>\$ 681,448</u>	<u>\$ 1,658</u>	<u>\$ 735,266</u>
TOTAL ASSETS	<u><u>\$ 52,160</u></u>	<u><u>\$ 681,448</u></u>	<u><u>\$ 1,658</u></u>	<u><u>\$ 735,266</u></u>
LIABILITIES:				
Accounts Payable	<u>\$ -</u>	<u>\$ 1,000</u>	<u>\$ -</u>	<u>\$ 1,000</u>
TOTAL LIABILITIES	<u>-</u>	<u>1,000</u>	<u>-</u>	<u>1,000</u>
NET POSITION:				
Unrestricted	<u>52,160</u>	<u>680,448</u>	<u>1,658</u>	<u>734,266</u>
TOTAL NET POSITION	<u><u>\$ 52,160</u></u>	<u><u>\$ 680,448</u></u>	<u><u>\$ 1,658</u></u>	<u><u>\$ 734,266</u></u>

County of Benzie, Michigan

Combining Statement of Revenues, Expenses, and Changes in Net Position - Nonmajor Enterprise Funds Year Ended September 30, 2019

	Tax Admin	Tax Foreclosure	Sheriff Commissary	Totals
OPERATING REVENUES:				
Charges for Services	\$ -	\$ 119,518	\$ 8,812	\$ 128,330
TOTAL OPERATING REVENUES	<u>-</u>	<u>119,518</u>	<u>8,812</u>	<u>128,330</u>
OPERATING EXPENSES:				
Other Supplies and Expenses	1,100	78,946	8,564	88,610
Total Operating Expenses	<u>1,100</u>	<u>78,946</u>	<u>8,564</u>	<u>88,610</u>
INCOME (LOSS) BEFORE TRANSFERS	(1,100)	40,572	248	39,720
Transfer Out	<u>-</u>	<u>(227,355)</u>	<u>-</u>	<u>(227,355)</u>
CHANGES IN NET POSITION	(1,100)	(186,783)	248	(187,635)
NET POSITION, OCTOBER 1	<u>53,260</u>	<u>867,231</u>	<u>1,410</u>	<u>921,901</u>
NET POSITION, SEPTEMBER 30	<u><u>\$ 52,160</u></u>	<u><u>\$ 680,448</u></u>	<u><u>\$ 1,658</u></u>	<u><u>\$ 734,266</u></u>

**Combining Statement of Cash Flows
Nonmajor Enterprise Funds
Year Ended September 30, 2019**

	Tax Admin	Tax Foreclosure	Sheriff Commissary	Totals
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash Received From Customers or Users	\$ -	\$ 120,518	\$ 8,812	\$ 129,330
Cash Payments to Suppliers	(1,100)	(78,946)	(8,564)	(88,610)
Net Cash Provided (Used) by Operating Activities	(1,100)	41,572	248	40,720
CASH FLOWS FROM NON-CAPITAL AND RELATED FINANCING ACTIVITIES:				
Transfers Out	-	(227,355)	-	(227,355)
Net Cash Provided (Used) by Non-Capital and Related Financing Activities	-	(227,355)	-	(227,355)
Net Increase (Decrease) in Cash	(1,100)	(185,783)	248	(186,635)
Cash and Equivalents at Beginning of Year	53,260	867,231	1,410	921,901
Cash and Equivalents at End of Year	\$ 52,160	\$ 681,448	\$ 1,658	\$ 735,266
Reconciliation of Operating Income (Loss) to				
Net Cash Provided (Used) by Operating Activities:				
Operating Income (Loss)	\$ (1,100)	\$ 40,572	\$ 248	\$ 39,720
Changes in Assets and Liabilities:				
Decrease (Increase) in Liabilities:				
Accounts Payable	-	1,000	-	1,000
Net Cash Provided (Used) by Operating Activities	\$ (1,100)	\$ 41,572	\$ 248	\$ 40,720

Report on Compliance



ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Benzie, Michigan as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the County of Benzie, Michigan's basic financial statements and have issued our report thereon dated March 4, 2020. Our report includes a reference to other auditors who audited the financial statements of the Benzie Transportation Authority, a discretely presented component unit, and the County Medical Care Facility, a business-type activity, as described in our report on the County of Benzie, Michigan's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the County Medical Care Facility were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

Members of the Board of Commissioners
County of Benzie, Michigan

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County of Benzie, Michigan's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that is required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



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

March 4, 2020

Additional Information

COUNTY OF BENZIE, MICHIGAN

ADDITIONAL INFORMATION

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INDEPENDENT AUDITOR'S REPORT ON ADDITIONAL INFORMATION

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

Our report on our audit of the basic financial statements of the County of Benzie, Michigan, as of and for the year ended September 30, 2019, appears on page 1. That audit was conducted for the purpose of forming opinions on the basic financial statements taken as a whole. The additional information listed on the following pages regarding the Municipal securities disclosure requirements of the Securities Exchange Commission (SEC) Rule 15c2-12 is presented for purposes of additional analysis and is not a required part of the basic financial statements, and accordingly, we express no opinion on it.

Anderson Tackman & Co. PLC

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

March 4, 2020

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, 2019, the County has the following debt issues which apply to SEC Rule 15c2-12:

1. \$6,760,000 2013 Building Authority Bonds

NOTE 2 - TABLES:

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

A. State Equalized Valuation:

	50% of True Value	
2019	\$	1,811,873,769
2018		1,737,231,564
2017		1,693,278,917
2016		1,602,436,793
2015		1,595,021,895
2014		1,516,760,157
2013		1,455,041,795
2012		1,446,019,671
2011		1,488,154,893
2010		1,570,440,129

Source: Benzie County

B. Taxable Valuation:

2019	\$	1,311,437,736
2018		1,263,396,604
2017		1,213,795,673
2016		1,160,540,117
2015		1,158,546,881
2014		1,131,377,921
2013		1,110,839,737
2012		1,099,298,583
2011		1,088,756,179
2010		1,097,564,619

Source: Benzie County

NOTE 2 - TABLES: (Continued)

<u>2019 Breakdown by Use</u>	
Residential	89.51%
Commercial	6.98%
Industrial	.45%
Utility	1.97%
Agricultural	1.04%
Timber-Cutover	<u>.05%</u>
 TOTAL	 100.00%
 <u>2019 Breakdown by Class</u>	
Real	96.79%
Personal	<u>3.21%</u>
 TOTAL	 100.00%

Source: Benzie County

C. County Tax Rates & Levies:

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
County Operating	3.4479	3.4528	3.4692	3.4919	3.5144
MCF Debt & Operations	0.9952	0.9958	0.9976	0.9976	1.0000
Commission on Aging	0.8448	0.8460	0.8500	0.6557	0.6600
Animal Control	0.0975	0.0977	0.0982	0.0975	0.0982
Ambulance	0.7898	0.7910	0.7948	0.8000	0.5795
Soldier Relief	0.0400	0.0400	0.0400	0.0400	0.0600
Conservation District	0.1248	0.1250	0.0986	0.0993	0.1000
TNT Operations	0.0984	0.0986	0.0986	0.0993	0.1000
Voted County (Jail)	0.8828	0.8841	0.8883	0.8942	0.9000
Resource Officer	<u>0.1797</u>	<u>0.1800</u>	-	-	-
 TOTAL COUNTY	 7.5009	 7.5110	 7.3353	 7.1755	 7.0121
 Road Commission	 0.9986	 1.000	 0.9871	 0.9936	 1.0000
 Traverse Bay Area I/S/D	 <u>2.9161</u>	 <u>2.9197</u>	 <u>2.9234</u>	 <u>2.9299</u>	 <u>2.9312</u>
 TOTAL ALL JURISDICTIONS	 11.4156	 11.4307	 11.2458	 11.0990	 10.9433

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

Source: Benzie County

NOTE 2 - TABLES: (Continued)

D. Tax Collection Record:

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

<u>Year</u>	<u>Tax Levy</u>	<u>Amount</u>	<u>Real %</u>	<u>Personal %</u>
2019	\$ 44,496,469	\$ 42,328,369	95.13%	100%
2018	43,401,787	41,276,953	95.10%	100%
2017	41,526,215	39,499,746	95.12%	100%
2016	39,193,822	37,176,154	94.85%	100%
2015	39,084,549	37,092,170	94.90%	100%
2014	37,168,620	35,224,059	94.76%	100%
2013	36,683,813	34,538,205	94.15%	100%
2012	35,114,232	33,018,137	94.03%	100%
2011	34,501,022	32,246,500	93.46%	100%
2010	33,628,263	31,209,130	92.80%	100%

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

Source: Benzie County

E. General Fund Revenues and Expenditures:

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Revenues & Transfers In	\$ 6,843,865	\$ 6,441,926	\$ 6,328,056	\$ 6,026,846
Expenditures & Transfers Out	<u>6,670,822</u>	<u>6,469,086</u>	<u>6,163,909</u>	<u>6,057,041</u>
Revenues over(under) expenditures	173,043	(27,160)	164,147	(30,195)
Beginning Fund Balance	<u>1,781,652</u>	<u>1,808,812</u>	<u>1,644,665</u>	<u>1,674,860</u>
ENDING FUND BALANCE	<u>\$ 1,954,695</u>	<u>\$ 1,781,652</u>	<u>\$ 1,808,812</u>	<u>\$ 1,644,665</u>

Source: Benzie County

NOTE 2 - TABLES: (Continued)

F. Debt Statement:

	<u>Gross</u>	Self-Supporting or Portion Paid Directly by Benefited <u>Municipalities</u>	<u>Net</u>
Direct Debt of County:			
Building Authority	\$ 4,855,000	\$ -	\$ 4,855,000

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

Per Capita County Net Direct Debt	\$ 277.03
Percent County Net Direct Debt to 2019 TV	0.36%

OVERLAPPING DEBT OF COUNTY:

School Districts	\$ 4,552,120
Cities	1,096,000
Townships	-
Villages	445,484
Intermediate School Districts	<u>-</u>
Net Overlapping Debt	\$ 6,093,604
Net County and Overlapping Debt	<u>\$ 10,948,604</u>
Per Capita County Net Direct and Overlapping Debt	\$ 624.74
Percent Net Direct and Overlapping Debt to 2019 TV	.82%

Source: County of Benzie and Municipal Advisory Council of Michigan



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COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Benzie, Michigan for the year ended September 30, 2019, and have issued our report thereon dated March 4, 2020. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

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

As stated in our engagement letter dated January 13, 2020, 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.

In planning and performing our audit, we considered the County of Benzie, Michigan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting.

As part of obtaining reasonable assurance about whether the County of Benzie, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit.

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

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

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

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our correspondence about planning matters dated January 13, 2020.

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 were 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. All significant transactions have been recognized in the financial statements in the proper period.

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

- Management's estimate of the depreciation expense is based on estimated lives. We evaluated the key factors and assumptions used to develop the estimate in determining that it is reasonable in relation to the financial statements taken as a whole.
- Management's estimate of vested employee benefits 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 \$18,089.
- Management's estimate of the amounts, required contributions and other items for OPEB Obligations and pension liabilities were based on various assumptions regarding life expectancies, inflation, premium increases, and investment rates.

The financial statement disclosures are neutral, consistent and clear.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

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

Disagreement with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated March 4, 2020.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Comments and Recommendations

Employee Time Sheets (Prior Year)

It was noted during our review of payroll that on multiple instances that timesheets were missing employee authorization signatures. We recommend that all timesheets have authorization signatures for both the employee and their supervisor as an attestation to the time worked in the period.

Status: Uncorrected.

Inactive Funds

The general ledger contains several funds which are inactive or have had limited activity. These funds should be closed upon approval of the Board of Commissioners and residual amounts transferred to the general fund.

Pre-signed Checks

It was noted during our review of the disbursement system, the inmate trust account custodian is pre-signing checks and storing those pre-signed checks in the printer. We recommend that this practice be stopped as it circumvents the controls process and creates a weak control environment by removing one reviewer function on every check issued out of that department.

Check Numbers

It was noted that the inmate trust account custodian is executing checks from various points in a single check sequence. We recommend that all checks be written in sequential order to ensure proper tracking and control throughout the distribution process.

Deposit Details

During our review of the receipts process, the county had two deposit details that did not agree to the amount of the actual deposits. We recommend that every deposit be reviewed to ensure that the amount represented on the deposit detail agree to the actual deposit slip from the bank and that all variances be resolved if noted.

Prepaid Items

During our review of prepaid items, we noted these accounts have not been updated. All prepaid expense accounts should be reconciled to amortization schedules and reviewed at least annually for accurate reporting.

Fixed Asset Capitalization

It was noted through our review of capital outlay accounts that the county had not capitalized a few items that upon review, should have been capitalized and that one item that had been capitalized should not have been. We recommend that more care be taken in the future to ensure that all items being capitalized meet the county's capitalization criteria to be capitalized and that all items in capital outlay and repair and maintenance expense accounts be reviewed to ensure that all items meeting the criteria are recorded properly as capital asset additions.

Single Approach for Reporting Leases

The Governmental Accounting Standards Board (GASB) issued guidance that establishes a single approach to accounting for and reporting leases by state and local governments. The single approach is based on the principle that leases are financing of the right to use an underlying asset.

GASB Statement No. 87, *Leases*, provides guidance for lease contracts for nonfinancial assets – including vehicles heavy equipment, and buildings – but excludes nonexchange transactions, including donated assets, and leases of intangible assets.

Under the new Statement a lessee government is required to recognize (1) a lease liability and (2) an intangible asset representing the lessee's right to use the leased asset. A lessor government is required to recognize (1) a lease receivable and (2) a deferred inflow of resources. A lessor will continue to report the leased asset in its financial statements.

A lease also will report the following in its financial statements:

- Amortization expense for using the lease asset (similar to depreciation) over the shorter of the term of the lease or the useful life of the underlying asset.
- Interest expense on the lease liability.
- Note disclosures about the lease, including a general description of the leasing arrangement, the amount of the lease assets recognized, and a schedule of future lease payment to be made.

Limited exceptions to the single-approach guidance are provided for:

- Short-term leases, defined as lasting a maximum of 12 months at inception, including any options to extend.
- Financial purchases
- Certain regulated leases, such as between municipal airports and air carriers.

The full text of Statement 87 is available on the GASB website, www.gasb.org.

GASB 83 – Certain Asset Retirement Obligations

Effective 06/15/19 (your FY 2019)

This statement addresses accounting and financial reporting for certain asset retirement obligations—legally enforceable liabilities associated with the retirement of a tangible capital assets.

GASB 84 – Fiduciary Activities

Effective 12/15/2019 (your FY 2019)

This standard establishes new criteria for determine how to report fiduciary activities in governmental financial statements. The focus is on whether the government is controlling the assets, and who the beneficiaries are. Under this revised standard, certain activities previously reported in agency funds may be reclassified in future periods. Due to the number of specific factors to consider, management should assess the degree to which this standard may impact the County.

GASB 86 – Certain Debt Extinguishment Issues

Effective 06/15/2018 (your FY 2018)

This standard provides guidance for reporting the in-substance defeasance of outstanding debt obligations using existing resources. Qualifying transactions will remove both the assets placed into trust and the related debt obligation from the government’s statement of net position.

Other Matters

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

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

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

Conclusion

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

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



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Kincheloe, Michigan

March 4, 2020