

County of Benzie, Michigan

BASIC FINANCIAL STATEMENTS

September 30, 2013

BENZIE COUNTY, MICHIGAN

ORGANIZATION

MEMBERS OF THE COUNTY COMMISSION

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

COUNTY ADMINISTRATOR	KARL SPARKS
COUNTY TREASURER	MICHELLE L. THOMPSON
COUNTY CLERK	DAWN OLNEY

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ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

Honorable Chairman and Members
Of the Board of Commissioners
County of Benzie, Michigan
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, 2013, 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 16 percent, 16 percent, and 20 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 49 percent, 46 percent, and 75 percent, respectively, of the assets, net position, and revenues of the business-type activities. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Benzie Transportation Authority and the County Medical Care Facility are based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of the County Medical Care Facility were not audited in accordance with *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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

Opinions

In our opinion, based on our report and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Benzie, Michigan, as of September 30, 2013, 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, schedule of funding progress and budgetary comparison information on pages 4 through 10, pages 51 through 52, and pages 53 through 56 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We 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.

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Benzie, Michigan's basic financial statements. The combining nonmajor fund financial statements and statistical information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and is also not a required part of the basic financial statements

The combining nonmajor fund financial statements and the schedule of expenditures of federal awards 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 and the schedule of expenditures of federal awards 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 February 28, 2014 on our consideration of the County of Benzie, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County of Benzie, Michigan's internal control over financial reporting and compliance.



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

February 28, 2014

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, 2013. 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 \$28,180,339 for 2013 and was \$27,928,611 for 2012, an increase of .9%. For 2013, net position for our business-type activities was \$11,399,964 or 40% of total net position, while net position in our government activities was \$16,780,375 or 60% of total net position.
- At September 30, 2013, Benzie County's governmental funds report a combined fund balance of \$6,433,290 compared to \$5,742,678 for 2012.
- At September 30, 2013, the fund balance for the general fund was \$1,756,911 with \$27,424 nonspendable for prepaid items and \$176,521 committed for vested employee benefits.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements are comprised of five components: 1) government-wide financial statements, 2) fund financial statements, and 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 and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

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

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

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

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

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

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

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

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

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

The governmental fund financial statements can be found on pages 13-15 of this report.

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

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

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

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

Notes to the financial statements. The notes provide additional information that is essential to 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 22-50 of this report.

Required Supplementary Information. Required supplementary information related to the County's pension plan can be found on pages 51-52 and budgetary comparison information related to the County's major governmental funds can be found on pages 53-56 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain other supplementary information. This includes the combining nonmajor fund financial statements. Combining nonmajor fund financial statements can be found on pages 57-69 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 \$28,180,339 at the close of the most recent fiscal year.

**Benzie County
Net Position**

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Current Assets	\$ 7,168,288	\$ 6,235,451	\$ 8,309,490	\$ 9,287,953	\$ 15,477,778	\$ 15,523,404
Capital Assets	10,993,239	11,309,645	3,899,661	2,863,028	14,892,900	14,172,673
Total Assets	\$ 18,161,527	\$ 17,545,096	\$ 12,209,151	\$ 12,150,981	\$ 30,370,678	\$ 29,696,077
Current Liabilities	\$ 848,213	\$ 589,714	\$ 691,868	\$ 418,543	\$ 1,540,081	\$ 1,008,257
Noncurrent Liabilities	532,939	591,435	117,319	167,774	650,258	759,209
Total Liabilities	1,381,152	1,181,149	809,187	586,317	2,190,339	1,767,466
Net Position						
Net Investment in						
Capital Assets	10,525,787	10,778,477	3,838,624	2,773,597	14,364,411	13,552,074
Restricted	4,301,211	3,795,408	-	-	4,301,211	3,795,408
Unrestricted	1,953,377	1,790,062	7,561,340	8,791,067	9,514,717	10,581,129
Total Net Position	\$ 16,780,375	\$ 16,363,947	\$ 11,399,964	\$ 11,564,664	\$ 28,180,339	\$ 27,928,611

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 \$4,301,211. The remaining balance of unrestricted net position of \$9,514,717 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	
	2013	2012	2013	2012	2013	2012
Program Revenues						
Charges for Services	\$ 2,533,834	\$ 2,371,052	\$ 7,309,740	\$ 7,301,891	\$ 9,843,574	\$ 9,672,943
Operating Grants and Contributions	2,043,526	1,154,604	-	-	2,043,526	1,154,604
Capital Grants and Contributions	1,243,903	17,685	-	-	1,243,903	17,685
General Revenues						
Property Taxes	6,550,882	6,582,380	1,032,469	1,102,300	7,583,351	7,684,680
Investment Earnings - Unrestricted	23,721	41,563	8,962	6,980	32,683	48,543
Other Revenue	121,380	94,991	-	-	121,380	94,991
Total Revenues	12,517,246	10,262,275	8,351,171	8,411,171	20,868,417	18,673,446
Program Expenses						
Legislative	99,114	102,952	-	-	99,114	102,952
Judicial	1,131,148	1,135,915	-	-	1,131,148	1,135,915
General Government	1,583,748	1,462,658	-	-	1,583,748	1,462,658
Public Safety	4,921,468	3,631,923	-	-	4,921,468	3,631,923
Public Works	273,106	280,484	-	-	273,106	280,484
Health and Welfare	2,490,369	1,623,356	-	-	2,490,369	1,623,356
Recreation and Culture	48,339	49,608	-	-	48,339	49,608
Interest Expense - Unallocated	97,643	26,093	-	-	97,643	26,093
Other Expenses	1,363,229	1,356,987	-	-	1,363,229	1,356,987
Medical Care Facility	-	-	6,975,831	6,969,033	6,975,831	6,969,033
Tax Collection	-	-	172,631	73,080	172,631	73,080
Emergency Medical Services	-	-	1,456,040	1,393,900	1,456,040	1,393,900
Sheriff Commissary	-	-	4,023	4,343	4,023	4,343
Total Expenses	12,008,164	9,669,976	8,608,525	8,440,356	20,616,689	18,110,332
Excess (Deficiency)						
Before Transfers	509,082	592,299	(257,354)	(29,185)	251,728	563,114
Transfers	(92,654)	(38,983)	92,654	38,983	-	-
Changes in Net Position	416,428	553,316	(164,700)	9,798	251,728	563,114
Net Position - Beginning	16,363,947	15,810,631	11,564,664	11,554,866	27,928,611	27,365,497
Net Position - Ending	\$ 16,780,375	\$ 16,363,947	\$ 11,399,964	\$ 11,564,664	\$ 28,180,339	\$ 27,928,611

Financial Analysis of the Government Funds

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

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

The County’s general fund is the chief operating fund of the County. The County’s ending fund balance for the general fund was \$1,756,911.

General Fund Budgetary Highlights

The General Fund realized \$217,055 more in revenues than anticipated for the fiscal year. The General Fund operations also expended \$84,613 more than appropriated. Operating Transfers Out were less than budgeted and resulted in a positive net budget variance of \$313,093.

All of the General Fund services departments expended less than the budgeted amount for departmental operations in 2013. 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, 2013 the County had \$14,892,900 invested in a range of assets. This includes a net increase of \$720,227 from last year as additions exceeded depreciation and deletions.

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

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	\$ 5,931,926	\$ 5,931,926	\$ 47,424	\$ 47,424	\$ 5,979,350	\$ 5,979,350
Construction in Progress	-	216,210	1,886,632	838,234	1,886,632	1,054,444
Buildings and Improvements	4,458,969	4,574,906	1,594,385	1,689,800	6,053,354	6,264,706
Land Improvements	62,546	-	5,159	8,845	67,705	8,845
Machinery and Equipment	539,798	586,603	366,061	278,725	905,859	865,328
Total	\$ 10,993,239	\$ 11,309,645	\$ 3,899,661	\$ 2,863,028	\$ 14,892,900	\$ 14,172,673

Additional information on the County’s capital assets can be found in Note 4 on pages 34-37 of this report.

Debt Administration

At the end of fiscal year 2013, the County had one outstanding bond in the amount of \$390,000. This was the thirteenth year of a twenty year bond for capital improvements. All bonds are backed by the County’s full faith and credit of the government. The remainder of the County’s debt is comprised of notes, compensated absences and OPEB.

The County reduced its bond debt by \$75,000 in principal payments.

Debt Administration

	Governmental		Business-Type		Total	
	Activities		Activities			
	2013	2012	2013	2012	2013	2012
Bonds	\$ 390,000	\$ 465,000	\$ -	\$ -	\$ 390,000	\$ 465,000
Installment payables	77,452	66,168	61,037	89,431	138,489	155,599
Compensated absences	<u>176,521</u>	<u>155,321</u>	<u>86,070</u>	<u>106,737</u>	<u>262,591</u>	<u>262,058</u>
Total	<u>\$ 643,973</u>	<u>\$ 686,489</u>	<u>\$ 147,107</u>	<u>\$ 196,168</u>	<u>\$ 791,080</u>	<u>\$ 882,657</u>

Additional information on the County’s long-term debt can be found in Note 6 on pages 39-40 of this report.

Economic Factors and Next Year’s Budgets and Rates

Two large capital projects are expected to continue in FY 2013-14, notably construction with the County’s Medical Care Facility (The Maples) and the Point Betsie Lighthouse. These projects will impact several operational departments, notably the Treasurer’s office (who provides grant administration and support to the County Building Authority) and the Building Department (permits and inspections).

Benzie County’s financial challenges are being addressed with multi-year budgeting and projections, the introduction of performance measurement and closely examining capital and operational expenses. While the fiscal performance in FY 2012-13 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, 2013

	Primary Government		Totals	Component Units
	Governmental Activities	Business-type Activities		
ASSETS:				
Cash & Equivalents - Unrestricted	\$ 8,029,576	\$ 2,679,138	\$ 10,708,714	\$ 2,603,669
Investments	-	999,715	999,715	-
Receivables:				
Accounts	411,641	934,236	1,345,877	575,932
Taxes	758,973	1,210,623	1,969,596	-
Interest	-	164,420	164,420	-
Notes	-	-	-	206,716
Internal Loans	(2,082,041)	2,082,041	-	-
Prepaid Items	50,139	5,513	55,652	61,531
Due from State	-	-	-	204,198
Due from Governmental Units	-	-	-	59,217
Other Assets	-	233,804	233,804	-
Inventories	-	-	-	448,287
Deferred OPEB	-	-	-	60,355
Capital Assets (Not Depreciated)	5,931,926	1,934,056	7,865,982	1,654,405
Capital Assets (Net of Accumulated Depreciation)	5,061,313	1,965,605	7,026,918	10,257,798
TOTAL ASSETS	\$ 18,161,527	\$ 12,209,151	\$ 30,370,678	\$ 16,132,108
LIABILITIES:				
Accounts Payable	\$ 572,080	\$ 213,172	\$ 785,252	\$ 104,939
Accrued Liabilities	162,918	142,354	305,272	96,764
Accrued Interest Payable	2,181	-	2,181	-
Due to Others	-	207,598	207,598	-
Due to Governmental Units	-	98,956	98,956	638
Unearned Revenue	-	-	-	12,737
Advances from State	-	-	-	99,509
Installment Loans - Due within one year	36,034	29,788	65,822	-
Installment Loans - Due in more than one year	41,418	31,249	72,667	-
Bonds Payable - Due within one year	75,000	-	75,000	-
Bonds Payable - Due in more than one year	315,000	-	315,000	-
Notes Payable - Due within one year	-	-	-	40,000
Vested Employee Benefits - Due in more than one year	176,521	86,070	262,591	112,031
TOTAL LIABILITIES	1,381,152	809,187	2,190,339	466,618
NET POSITION:				
Net Investment in Capital Assets	10,525,787	3,838,624	14,364,411	11,912,203
Restricted	4,301,211	-	4,301,211	2,439,046
Unrestricted	1,953,377	7,561,340	9,514,717	1,314,241
TOTAL NET POSITION	\$ 16,780,375	\$ 11,399,964	\$ 28,180,339	\$ 15,665,490

County of Benzie, Michigan

Statement of Activities Year Ended September 30, 2013

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	
Primary Government:								
Governmental Activities:								
Legislative	\$ 99,114	\$ -	\$ -	\$ -	\$ (99,114)	\$ -	\$ (99,114)	\$ -
Judicial	1,131,148	274,812	250,468	-	(605,868)	-	(605,868)	-
General Government	1,583,748	465,692	373,088	-	(744,968)	-	(744,968)	-
Public Safety	4,921,468	1,443,807	1,258,365	-	(2,219,296)	-	(2,219,296)	-
Public Works	273,106	294,912	-	-	21,806	-	21,806	-
Health & Welfare	2,490,369	53,268	161,605	1,147,436	(1,128,060)	-	(1,128,060)	-
Recreation & Culture	48,339	1,343	-	96,467	49,471	-	49,471	-
Interest Expense - Unallocated	97,643	-	-	-	(97,643)	-	(97,643)	-
Other Expenses	1,363,229	-	-	-	(1,363,229)	-	(1,363,229)	-
Total Governmental Activities	12,008,164	2,533,834	2,043,526	1,243,903	(6,186,901)	-	(6,186,901)	-
Business-type Activities:								
Tax Collection	172,631	593,503	-	-	-	420,872	420,872	-
Emergency Medical Services	1,456,040	824,926	-	-	-	(631,114)	(631,114)	-
Sheriff Commissary	4,023	5,315	-	-	-	1,292	1,292	-
Medical Care Facility	6,975,831	5,885,996	-	-	-	(1,089,835)	(1,089,835)	-
Total Business-type Activities	8,608,525	7,309,740	-	-	-	(1,298,785)	(1,298,785)	-
Total Primary Government	\$ 20,616,689	\$ 9,843,574	\$ 2,043,526	\$ 1,243,903	(6,186,901)	(1,298,785)	(7,485,686)	-
Component Units:								
Road Commission	\$ 3,742,732	\$ 834,575	\$ 2,400,553	\$ 1,648,932				1,141,328
Benzie/Leelanau Health Dept.	2,237,335	594,005	918,613	-				(724,717)
Benzie Transportation Authority	1,848,977	149,067	936,319	138,701				(624,890)
Economic Development Corporation	-	9,756	-	-				9,756
Total Component Units	7,829,044	1,587,403	4,255,485	1,787,633				(198,523)
Total	\$ 28,445,733	\$ 11,430,977	\$ 6,299,011	\$ 3,031,536				
General Revenues and Transfers:								
Taxes					6,550,882	1,032,469	7,583,351	545,816
Appropriations					-	-	-	457,712
Investment Earnings (Loss)					23,721	8,962	32,683	1,813
Rent					121,380	-	121,380	277,803
Other					-	-	-	460
Gain (Loss) on Disposal					-	-	-	11,431
Transfers					(92,654)	92,654	-	-
Total General Revenues and Transfers					6,603,329	1,134,085	7,737,414	1,295,035
Changes in Net Position					416,428	(164,700)	251,728	1,096,512
Net Position - Beginning					16,363,947	11,564,664	27,928,611	14,568,978
Net Position - Ending					<u>\$ 16,780,375</u>	<u>\$ 11,399,964</u>	<u>\$ 28,180,339</u>	<u>\$ 15,665,490</u>

County of Benzie, Michigan

Balance Sheet Governmental Funds September 30, 2013

	General	Jail Operations	Homeland Security Grant	Medical Care Facility Renovation	Maples Debt Millage	Nonmajor Governmental Funds	Total
ASSETS:							
Cash & Equivalents - Unrestricted	\$ 1,109,783	\$ 355,630	\$ 2,215	\$ 2,273,263	\$ 2,065,437	\$ 2,223,248	\$ 8,029,576
Receivables:							
Accounts	148,596	23,638	2,056	-	-	237,351	411,641
Taxes	758,973	-	-	-	-	-	758,973
Prepaid Items	27,424	13,814	-	-	-	8,901	50,139
Due From Other Funds	-	-	-	-	-	9,000	9,000
TOTAL ASSETS	\$ 2,044,776	\$ 393,082	\$ 4,271	\$ 2,273,263	\$ 2,065,437	\$ 2,478,500	\$ 9,259,329
LIABILITIES:							
Accounts Payable	\$ 191,260	\$ 32,367	\$ -	\$ 245,222	\$ -	\$ 103,231	\$ 572,080
Accrued Liabilities	96,605	39,705	-	-	-	26,608	162,918
Due to Other Funds	-	-	-	2,028,041	-	63,000	2,091,041
TOTAL LIABILITIES	287,865	72,072	-	2,273,263	-	192,839	2,826,039
FUND BALANCES:							
Nonspendable	27,424	13,814	-	-	-	8,901	50,139
Restricted	-	307,196	4,271	-	2,065,437	1,924,307	4,301,211
Committed	176,521	-	-	-	-	61,439	237,960
Assigned	-	-	-	-	-	305,736	305,736
Unassigned	1,552,966	-	-	-	-	(14,722)	1,538,244
TOTAL FUND BALANCES	1,756,911	321,010	4,271	-	2,065,437	2,285,661	6,433,290
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,044,776	\$ 393,082	\$ 4,271	\$ 2,273,263	\$ 2,065,437	\$ 2,478,500	

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

Capital assets used by governmental activities	10,993,239
Long term notes payable for governmental activities	(467,452)
Compensated absences liability	(176,521)
Accrued interest expense	(2,181)
Net position of governmental activities	\$ 16,780,375

County of Benzie, Michigan

Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds Year Ended September 30, 2013

	General	Jail Operations	Homeland Security Grant	Medical Care Facility Renovation	Maples Debt Millage	Nonmajor Governmental Funds	Total
REVENUES:							
Taxes	\$ 3,981,237	\$ 984,931	\$ -	\$ -	\$ 690,542	\$ 894,172	\$ 6,550,882
Licenses & Permits	41,940	-	-	-	-	-	41,940
Federal Sources	54,618	-	1,101,860	-	-	96,576	1,253,054
State Sources	587,162	-	-	-	-	193,446	780,608
Local Sources	-	-	-	1,147,436	-	78,751	1,226,187
Contributions	-	-	200	-	-	27,380	27,580
Charges for Services	596,415	225,779	-	-	-	1,379,611	2,201,805
Refunds & Reimbursements	168,896	15,011	-	-	-	76,401	260,308
Interest & Rentals	26,535	-	-	7,579	1,720	109,267	145,101
Other Revenue	3,126	-	-	2,073	-	24,582	29,781
TOTAL REVENUES	5,459,929	1,225,721	1,102,060	1,157,088	692,262	2,880,186	12,517,246
EXPENDITURES:							
Legislative	99,114	-	-	-	-	-	99,114
Judicial	1,111,597	-	-	-	-	19,551	1,131,148
General Government	1,375,925	-	-	-	-	90,948	1,466,873
Public Safety	963,242	1,569,508	1,124,974	-	-	1,197,347	4,855,071
Public Works	-	-	-	-	-	273,106	273,106
Health & Welfare	368,705	-	-	-	-	967,519	1,336,224
Recreation & Cultural	7,230	-	-	-	-	86,392	93,622
Capital Outlay	-	-	-	1,157,088	-	132,326	1,289,414
Debt Service	-	-	-	-	-	97,643	97,643
Other Expenditures	1,138,873	-	-	-	-	-	1,138,873
TOTAL EXPENDITURES	5,064,686	1,569,508	1,124,974	1,157,088	-	2,864,832	11,781,088
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	395,243	(343,787)	(22,914)	-	692,262	15,354	736,158
OTHER FINANCING SOURCES (USES):							
Installment Proceeds	-	-	-	-	-	47,108	47,108
Operating Transfers In	363,350	360,000	-	-	-	114,500	837,850
Operating Transfers Out	(469,500)	-	-	-	-	(461,004)	(930,504)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	289,093	16,213	(22,914)	-	692,262	(284,042)	690,612
FUND BALANCES, OCTOBER 1	1,467,818	304,797	27,185	-	1,373,175	2,569,703	5,742,678
FUND BALANCES, SEPTEMBER 30	\$ 1,756,911	\$ 321,010	\$ 4,271	\$ -	\$ 2,065,437	\$ 2,285,661	\$ 6,433,290

See accompanying notes to financial statements.

Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balance of Governmental Funds
to the Statement of Activities
For the Year Ended September 30, 2013

Net changes in fund balance - total governmental funds \$ 690,612

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

Governmental funds reported capital outlays as expenditures.

However, in the statement of activities the cost of those assets is capitalized and the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

This is the amount by which depreciation (\$376,600) exceeded capital outlay \$199,332 and adjustments (\$139,138) in the current period.

(316,406)

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

Principal repayments:

Bonds Payable 75,000

Installments Payable 35,824

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

Note Proceeds (47,108)

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

Accrued Interest on Bonds (294)

Compensated Absences (21,200)

Changes in net position of governmental activities \$ 416,428

**Statement of Net Position
Proprietary Funds
September 30, 2013**

	County Medical Care Facility	Delinquent Tax Revolving	Emergency Medical Services	Nonmajor Enterprise Funds	Totals
ASSETS:					
Cash & Equivalents - Unrestricted	\$ 247,303	\$ 1,745,590	\$ 71,847	\$ 614,398	\$ 2,679,138
Investments	-	999,715	-	-	999,715
Receivables:					
Accounts	686,553	55,335	192,348	-	934,236
Taxes	-	1,210,623	-	-	1,210,623
Interest	-	164,420	-	-	164,420
Due From Other Funds	2,028,041	298,133	-	-	2,326,174
Prepaid Items	-	-	5,513	-	5,513
Other Assets	233,804	-	-	-	233,804
Capital Assets (Not Depreciated)	1,899,056	-	35,000	-	1,934,056
Capital Assets (Net of Accumulated Depreciation)	1,545,808	-	419,797	-	1,965,605
TOTAL ASSETS	\$ 6,640,565	\$ 4,473,816	\$ 724,505	\$ 614,398	\$ 12,453,284
LIABILITIES:					
Accounts Payable	\$ 186,229	\$ 495	\$ 26,423	\$ 25	\$ 213,172
Accrued Liabilities	107,104	-	35,250	-	142,354
Due to Others	207,598	-	-	-	207,598
Due to Other Funds	184,133	-	60,000	-	244,133
Due to Other Governments	-	98,956	-	-	98,956
Vested Employee Benefits - Due in more than one year	86,070	-	-	-	86,070
Installment Payable - Due within one year	-	-	29,788	-	29,788
Installment Payable - Due in more than one year	-	-	31,249	-	31,249
TOTAL LIABILITIES	771,134	99,451	182,710	25	1,053,320
NET POSITION:					
Net Investment in Capital Assets	3,444,864	-	393,760	-	3,838,624
Unrestricted	2,424,567	4,374,365	148,035	614,373	7,561,340
TOTAL NET POSITION	\$ 5,869,431	\$ 4,374,365	\$ 541,795	\$ 614,373	\$ 11,399,964

**Statement of Revenues, Expenses, and
Changes in Net Position - Proprietary Funds
Year Ended September 30, 2013**

	Enterprise Funds				Totals
	County Medical Care Facility	Delinquent Tax Revolving	Emergency Medical Services	Nonmajor Enterprise Funds	
OPERATING REVENUES:					
Taxes & Penalties	\$ 398,834	\$ -	\$ 633,635	\$ -	\$ 1,032,469
Charges for Services	5,786,855	86,453	819,873	234,379	6,927,560
Interest & Rentals	-	268,903	-	-	268,903
Refunds & Reimbursements	-	-	5,053	-	5,053
Other Revenue	99,141	9,083	-	-	108,224
Total Operating Revenues	6,284,830	364,439	1,458,561	234,379	8,342,209
OPERATING EXPENSES:					
Personal Services	3,188,117	-	1,036,750	-	4,224,867
Contractual Services	-	-	46,641	-	46,641
Utilities	150,266	-	24,098	-	174,364
Repair & Maintenance	-	-	92,261	-	92,261
Insurance	-	-	46,852	-	46,852
Other Supplies and Expenses	3,509,871	20,346	105,096	156,308	3,791,621
Depreciation	127,577	-	99,952	-	227,529
Total Operating Expenses	6,975,831	20,346	1,451,650	156,308	8,604,135
OPERATING INCOME (LOSS)	(691,001)	344,093	6,911	78,071	(261,926)
NON-OPERATING REVENUES (EXPENSES):					
Interest on Deposits	1,121	7,465	1	375	8,962
Interest & Fiscal Charges	-	-	(4,390)	-	(4,390)
Total Non-Operating Revenues (Expenses)	1,121	7,465	(4,389)	375	4,572
INCOME (LOSS) BEFORE TRANSFERS	(689,880)	351,558	2,522	78,446	(257,354)
Operating Transfers In	-	-	97,654	-	97,654
Operating Transfers Out	-	-	(5,000)	-	(5,000)
CHANGES IN NET POSITION	(689,880)	351,558	95,176	78,446	(164,700)
NET POSITION, OCTOBER 1	6,559,311	4,022,807	446,619	535,927	11,564,664
NET POSITION, SEPTEMBER 30	\$ 5,869,431	\$ 4,374,365	\$ 541,795	\$ 614,373	\$ 11,399,964

County of Benzie, Michigan

Statement of Cash Flows Proprietary Funds Year Ended September 30, 2013

	Enterprise Funds				Totals
	County Medical Care Facility	Delinquent Tax Revolving	Emergency Medical Services	Nonmajor Enterprise Funds	
CASH FLOWS FROM OPERATING ACTIVITIES:					
Receipts from Customers	\$ 6,550,639	\$ 390,006	\$ 3,450,337	\$ 242,897	\$ 10,633,879
Payments to Suppliers	(3,452,140)	(35,215)	(2,316,093)	(156,283)	(5,959,731)
Payments to Employees	(3,188,117)	-	(1,034,069)	-	(4,222,186)
Internal Activity - Receipts(Payments) with Other Funds	-	-	(40,000)	-	(40,000)
Net Cash Provided (Used) by Operating Activities	<u>(89,618)</u>	<u>354,791</u>	<u>60,175</u>	<u>86,614</u>	<u>411,962</u>
CASH FLOWS FROM NON-CAPITAL AND RELATED FINANCING ACTIVITIES:					
Operating Transfers In	-	-	97,654	-	97,654
Operating Transfers Out	-	-	(5,000)	-	(5,000)
Cash Provided (Used) by Non-Capital and Related Financing Activities	<u>-</u>	<u>-</u>	<u>92,654</u>	<u>-</u>	<u>92,654</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Acquisition of Capital Assets	(25,879)	-	(97,654)	-	(123,533)
Principal Payments	-	-	(28,394)	-	(28,394)
Interest Payments	-	-	(4,390)	-	(4,390)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(25,879)</u>	<u>-</u>	<u>(130,438)</u>	<u>-</u>	<u>(156,317)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:					
Purchase of Investments	-	(999,715)	-	-	(999,715)
Interest Income	1,121	7,465	1	375	8,962
Net Cash Provided (Used) by Investing Activities	<u>1,121</u>	<u>(992,250)</u>	<u>1</u>	<u>375</u>	<u>(990,753)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(114,376)	(637,459)	22,392	86,989	(642,454)
Balances - Beginning of the Year	361,679	2,383,049	49,455	527,409	3,321,592
Balances - End of the Year	<u>\$ 247,303</u>	<u>\$ 1,745,590</u>	<u>\$ 71,847</u>	<u>\$ 614,398</u>	<u>\$ 2,679,138</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Operating Income (Loss)	\$ (691,001)	\$ 344,093	\$ 6,911	\$ 78,071	\$ (261,926)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Depreciation	127,577	-	99,952	-	227,529
Bad Debts/Loss on Disposal	64,102	-	-	-	64,102
Change in Assets and Liabilities:					
(Increase) Decrease in Assets:					
Accounts Receivable	171,196	(55,335)	(19,774)	-	96,087
Taxes Receivable	-	248,535	-	-	248,535
Due from Other Funds	-	(167,633)	-	-	(167,633)
Due From Others	-	-	-	8,518	8,518
Prepaid Items	-	-	1,958	-	1,958
Increase (Decrease) in Liabilities:					
Accounts Payable	88,582	495	8,447	25	97,549
Accrued Liabilities	(34,207)	-	2,681	-	(31,526)
Due to Other Funds	184,133	-	(40,000)	-	144,133
Due to Other Governments	-	(15,364)	-	-	(15,364)
Net Cash Provided (Used) by Operating Activities	<u>\$ (89,618)</u>	<u>\$ 354,791</u>	<u>\$ 60,175</u>	<u>\$ 86,614</u>	<u>\$ 411,962</u>

**Statement of Fiduciary Net Position
Fiduciary Funds
September 30, 2013**

	<u>Agency Funds</u>
ASSETS:	
Cash & Cash Equivalents:	
Unrestricted	<u>\$ 5,649,383</u>
 TOTAL ASSETS	 <u><u>\$ 5,649,383</u></u>
 LIABILITIES:	
Due to Others	<u>\$ 5,649,383</u>
 TOTAL LIABILITIES	 <u><u>\$ 5,649,383</u></u>

Component Units

	Road Commission	Benzie/ Leelanau District Health Dept.	Benzie Transportation Authority	Economic Development Corporation	Totals
ASSETS:					
Cash & Equivalents - Unrestricted	\$ 1,670,026	\$ 52,679	\$ 51,201	\$ 829,763	\$ 2,603,669
Accounts Receivable	501,009	69,062	5,861	-	575,932
Notes Receivable	-	-	-	206,716	206,716
Due from Governmental Units	-	6,892	52,325	-	59,217
Due from State	-	204,198	-	-	204,198
Inventories	436,204	-	12,083	-	448,287
Prepaid Items	-	42,774	18,757	-	61,531
Deferred OPEB	60,355	-	-	-	60,355
Capital Assets (Not Depreciated)	1,654,405	-	-	-	1,654,405
Capital Assets (Net of Accumulated Depreciation)	7,823,353	14,801	2,419,644	-	10,257,798
TOTAL ASSETS	\$ 12,145,352	\$ 390,406	\$ 2,559,871	\$ 1,036,479	\$ 16,132,108
LIABILITIES:					
Accounts Payable	\$ 52,152	\$ 19,621	\$ 33,166	\$ -	\$ 104,939
Accrued Liabilities	24,051	22,201	50,512	-	96,764
Unearned Revenue	-	12,737	-	-	12,737
Due to State	638	-	-	-	638
Advances	99,509	-	-	-	99,509
Notes Payable - Due within one year	-	-	40,000	-	40,000
Vested Employee Benefits - Due in more than one year	52,198	59,833	-	-	112,031
TOTAL LIABILITIES	228,548	114,392	123,678	-	466,618
NET POSITION:					
Net Investment in Capital Assets	9,477,758	14,801	2,419,644	-	11,912,203
Restricted for County Road	2,439,046	-	-	-	2,439,046
Unrestricted	-	261,213	16,549	1,036,479	1,314,241
TOTAL NET POSITION	\$ 11,916,804	\$ 276,014	\$ 2,436,193	\$ 1,036,479	\$ 15,665,490

County of Benzie, Michigan

**Statement of Activities
Component Units
Year Ended September 30, 2013**

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	\$ 3,742,732	\$ 834,575	\$ 2,400,553	\$ 1,648,932	\$ 1,141,328	\$ -	\$ -	\$ -	\$ 1,141,328
Benzie/Leelanau District Health Dept.									
Health & Welfare	2,237,335	594,005	918,613	-	-	(724,717)	-	-	(724,717)
Benzie Transportation Authority									
Transportation	1,848,977	149,067	936,319	138,701	-	-	(624,890)	-	(624,890)
Economic Development Corporation									
Public Works	-	9,756	-	-	-	-	-	9,756	9,756
Total Component Units	<u>\$ 7,829,044</u>	<u>\$ 1,587,403</u>	<u>\$ 4,255,485</u>	<u>\$ 1,787,633</u>	<u>1,141,328</u>	<u>(724,717)</u>	<u>(624,890)</u>	<u>9,756</u>	<u>(198,523)</u>
General Revenues:									
County Appropriations					-	457,712	-	-	457,712
Taxes					-	1,465	544,351	-	545,816
Investment Earnings					-	414	79	1,320	1,813
Gain (Loss) on Disposal					11,431	-	-	-	11,431
Rent					-	277,803	-	-	277,803
Other					-	-	460	-	460
Total General Revenues					<u>11,431</u>	<u>737,394</u>	<u>544,890</u>	<u>1,320</u>	<u>1,295,035</u>
Changes in Net Position					1,152,759	12,677	(80,000)	11,076	1,096,512
Net Position - Beginning					10,764,045	263,337	2,516,193	1,025,403	14,568,978
Net Position - Ending					<u>\$ 11,916,804</u>	<u>\$ 276,014</u>	<u>\$ 2,436,193</u>	<u>\$ 1,036,479</u>	<u>\$ 15,665,490</u>

Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A – Reporting Entity:

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

Component Units:

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

Blended Component Units

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

Discretely Presented Component Units

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Benzie County Road Commission
11318 Main Street
Honor, Michigan 49640

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

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

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

Benzie Transportation Authority
14150 Honor Highway
Beulah, Michigan 49619

Jointly Governed Organization

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Related Organization

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

B – Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net 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.

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

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

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Under the term of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net 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 2012 ad valorem tax is levied and collectible on December 1, 2012, and 2013 ad valorem tax is levied and collectible on July 1, 2013, it is the County of Benzie's policy to recognize revenue from the current tax levy in the current year when the proceeds of this levy are budgeted and made "available" for the financing of operations. "Available" means collected within the current period or expected to be paid from the delinquent tax revolving funds within one year.

The 2012 taxable valuation of the County of Benzie totaled 1,086,800,562, (not including renaissance zone) on which ad valorem taxes levied consisted of .9350 mills for Medical Care Facility Debt and Operations, .6600 mills for Commission on Aging, .9000 mills for Jail Debt and Operations, .0982 mills for Animal Control, .5795 mills for Ambulance Millage, .0600 mills for Soldier Relief, and .1000 mills for the Conservation District. These amounts are recognized in the respective General, Special Revenue, Debt Service, and Enterprise Fund financial statements as tax revenue.

The July 1, 2013 taxable valuation of County of Benzie totaled \$1,098,907,858, (not including renaissance zone) on which ad valorem taxes levied consisted of 3.5144 mills for the General Fund, this amount is recognized in the General Fund financial statements as revenue.

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

The County reports the following major governmental funds:

General Fund

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Jail Operations Fund

This fund accounts for the operation of the jail.

Homeland Security Grant

This fund accounts for grant monies for Homeland Security equipment purchases and training.

Medical Care Facility Renovation Fund

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

The County reports the following major proprietary funds:

Medical Care Facility

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

Delinquent Tax Fund

This fund accounts for the collection of delinquent taxes.

Emergency Medical Services (EMS) Fund

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

Additionally, the County reports the following fund types:

Special Revenue Funds

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

Debt Service Funds

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

Capital Project Fund

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Enterprise Funds

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

Agency Funds

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

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

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 no 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 no items that qualify for reporting in this category.

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 \$50,139 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 \$4,286,489 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 \$176,521 for vested employee benefits and \$61,439 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- 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.

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

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

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

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

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

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

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

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

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

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

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

NOTE 3 - DEPOSITS AND INVESTMENTS

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

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Primary Government</u>	<u>Fiduciary Funds</u>	<u>Component Units</u>
Cash and Cash Equivalents - Unrestricted	\$ 8,029,576	\$ 2,679,138	\$ 10,708,714	\$ 5,649,383	\$ 2,603,669
Total	<u>\$ 8,029,576</u>	<u>\$ 2,679,138</u>	<u>\$ 10,708,714</u>	<u>\$ 5,649,383</u>	<u>\$ 2,603,669</u>

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

The breakdown between deposits and investments is as follows:

	<u>Primary Government</u>	<u>Fiduciary Funds</u>	<u>Component Units</u>
Bank Deposits (checking and savings accounts, certificates of deposit, and money markets)	\$ 10,706,214	\$ 5,649,383	\$ 2,602,604
Petty Cash and Cash on Hand	<u>2,500</u>	<u>-</u>	<u>1,065</u>
Total	<u>\$ 10,708,714</u>	<u>\$ 5,649,383</u>	<u>\$ 2,603,669</u>

	<u>Fair Value</u>	<u>Years</u>			
		<u>Less Than 1</u>	<u>1 – 5</u>	<u>6 – 10</u>	<u>More Than 10</u>
Investments:					
Money Market Funds	\$ 999,715	\$ 999,715	\$ -	\$ -	\$ -
Total Investments	<u>\$ 999,715</u>	<u>\$ 999,715</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

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

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

Custodial deposit credit risk. Custodial deposit credit risk is the risk that in the event of a bank failure, the County’s deposits may not be returned. State law does not require and the County does not have a policy for deposit custodial credit risk. As of year end, \$13,789,867 of the County’s bank balance of \$17,430,218 was exposed to credit risk because it was uninsured and uncollateralized. \$0 was uninsured and collateralized by the pledging financial institution.

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

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

Statutory Authority:

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

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

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

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

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

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

NOTE 4 - CAPITAL ASSETS

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

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Transfers</u>	<u>Disposals</u>	<u>Ending Balances</u>
Governmental Activities:					
<i>Capital assets not being depreciated:</i>					
Land	\$ 5,931,926	\$ -	\$ -	\$ -	\$ 5,931,926
Construction in progress	<u>216,210</u>	<u>-</u>	<u>(77,072)</u>	<u>(139,138)</u>	<u>-</u>
Subtotal	<u>6,148,136</u>	<u>-</u>	<u>(77,072)</u>	<u>(139,138)</u>	<u>5,931,926</u>
<i>Capital assets being depreciated:</i>					
Buildings and improvements	7,565,837	8,244	77,072	-	7,651,153
Land improvements	-	66,617	-	-	66,617
Machinery and equipment	<u>2,009,750</u>	<u>124,471</u>	<u>-</u>	<u>(107,580)</u>	<u>2,026,641</u>
Subtotal	<u>9,575,587</u>	<u>199,332</u>	<u>77,072</u>	<u>(107,580)</u>	<u>9,744,411</u>
<i>Less accumulated depreciation for:</i>					
Buildings and improvements	(2,990,931)	(201,253)	-	-	(3,192,184)
Land improvements	-	(4,071)	-	-	(4,071)
Machinery and equipment	<u>(1,423,147)</u>	<u>(171,276)</u>	<u>-</u>	<u>107,580</u>	<u>(1,486,843)</u>
Subtotal	<u>(4,414,078)</u>	<u>(376,600)</u>	<u>-</u>	<u>107,580</u>	<u>(4,683,098)</u>
Net Capital Assets Being Depreciated	<u>5,161,509</u>	<u>(177,268)</u>	<u>77,072</u>	<u>-</u>	<u>5,061,313</u>
Governmental Activities Capital Assets – Net of Depreciation	<u>\$ 11,309,645</u>	<u>\$ (177,268)</u>	<u>\$ -</u>	<u>\$ (139,138)</u>	<u>\$ 10,993,239</u>

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

Governmental Activities:	
General Government	\$ 214,055
Public Safety	138,711
Health and Welfare	2,500
Recreation and Culture	<u>21,334</u>
Total Governmental Activities	<u>\$ 376,600</u>

NOTE 4 - CAPITAL ASSETS (Continued)

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Transfers</u>	<u>Disposals</u>	<u>Ending Balances</u>
Business-type Activities:					
<i>Capital assets not being depreciated:</i>					
Land	\$ 47,424	\$ -	\$ -	\$ -	\$ 47,424
Construction in progress	<u>838,234</u>	<u>1,147,436</u>	<u>(99,038)</u>	<u>-</u>	<u>1,886,632</u>
Subtotal	<u>885,658</u>	<u>1,147,436</u>	<u>(99,038)</u>	<u>-</u>	<u>1,934,056</u>
<i>Capital assets being depreciated:</i>					
Land improvements	97,488	-	-	(5,827)	91,661
Buildings and improvements	3,927,646	7,636	-	(29,186)	3,906,096
Machinery and equipment	<u>1,726,152</u>	<u>115,897</u>	<u>99,038</u>	<u>(22,743)</u>	<u>1,918,344</u>
Subtotal	<u>5,751,286</u>	<u>123,533</u>	<u>99,038</u>	<u>(57,756)</u>	<u>5,916,101</u>
<i>Less accumulated depreciation for:</i>					
Land improvements	(88,643)	(1,380)	-	3,521	(86,502)
Buildings and improvements	(2,237,846)	(100,377)	-	26,512	(2,311,711)
Machinery and equipment	<u>(1,447,427)</u>	<u>(125,772)</u>	<u>-</u>	<u>20,916</u>	<u>(1,552,283)</u>
Subtotal	<u>(3,773,916)</u>	<u>(227,529)</u>	<u>-</u>	<u>50,949</u>	<u>(3,950,496)</u>
Net Capital Assets Being Depreciated	<u>1,977,370</u>	<u>(103,996)</u>	<u>99,038</u>	<u>(6,807)</u>	<u>1,965,605</u>
Business-type Activities Capital Assets – Net of Depreciation	<u>\$ 2,863,028</u>	<u>\$ 1,043,440</u>	<u>\$ -</u>	<u>\$ (6,807)</u>	<u>\$ 3,899,661</u>

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

Business-type Activities:	
Medical Care Facility	\$ 127,577
Emergency Medical Services	<u>99,952</u>
Total Business-Type Activities	<u>\$ 227,529</u>

BENZIE COUNTY ROAD COMMISSION

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

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Adjustments/ Deductions</u>	<u>Ending Balances</u>
<i>Capital assets not being depreciated:</i>				
Land	\$ 12,708	\$ -	\$ -	\$ 12,708
Land Improvements	<u>1,641,697</u>	<u>-</u>	<u>-</u>	<u>1,641,697</u>
Subtotal	<u>1,654,405</u>	<u>-</u>	<u>-</u>	<u>1,654,405</u>

NOTE 4 - CAPITAL ASSETS (Continued)

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Adjustments/ Deductions</u>	<u>Ending Balances</u>
<i>Capital Assets Being Depreciated:</i>				
Buildings	1,084,506	26,473	-	1,110,979
Road Equipment	4,423,575	68,689	82,759	4,409,505
Shop Equipment	139,996	-	-	139,996
Office Equipment	61,108	-	-	61,108
Engineer's Equipment	49,040	-	-	49,040
Yard and Storage	327,507	-	-	327,507
Infrastructure	<u>9,734,824</u>	<u>1,648,932</u>	<u>308,634</u>	<u>11,075,122</u>
Subtotal	<u>15,820,556</u>	<u>1,744,094</u>	<u>391,393</u>	<u>17,173,257</u>
<i>Less Accumulated Depreciation:</i>				
Buildings	941,317	57,781	-	999,098
Road Equipment	4,265,653	88,190	82,759	4,271,084
Shop Equipment	90,880	9,123	-	100,003
Office Equipment	58,294	803	-	59,097
Engineer's Equipment	45,789	1,115	-	46,904
Yard and Storage	214,951	21,411	-	236,362
Infrastructure	<u>3,216,133</u>	<u>729,857</u>	<u>308,634</u>	<u>3,637,356</u>
Subtotal	<u>8,833,017</u>	<u>908,280</u>	<u>391,393</u>	<u>9,349,904</u>
Net Capital Assets Being Depreciated	<u>6,987,539</u>	<u>835,814</u>	<u>-</u>	<u>7,823,353</u>
Total Net Capital Assets	<u>\$ 8,641,944</u>	<u>\$ 835,814</u>	<u>\$ -</u>	<u>\$ 9,477,758</u>

Depreciation expense was charged to Public Works as follows:

Unallocated	\$ 729,857
Equipment	88,190
Administration	1,916
Other	<u>88,317</u>
Total	<u>\$ 908,280</u>

NOTE 4 - CAPITAL ASSETS (Continued)

BENZIE/LEELANAU DISTRICT HEALTH DEPARTMENT

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

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Adjustments/ Decreases</u>	<u>Ending Balances</u>
<i>Assets being depreciated:</i>				
Other capital assets:				
Equipment & furniture	\$ 38,684	\$ -	\$ -	\$ 38,684
Subtotal	<u>38,684</u>	<u>-</u>	<u>-</u>	<u>38,684</u>
Equipment & furniture	<u>(22,452)</u>	<u>(1,431)</u>	<u>-</u>	<u>(23,883)</u>
Subtotal	<u>(22,452)</u>	<u>(1,431)</u>	<u>-</u>	<u>(23,883)</u>
Net Capital Assets	<u>\$ 16,232</u>	<u>\$ (1,431)</u>	<u>\$ -</u>	<u>\$ 14,801</u>

Depreciation expense was charged to:

Health and Welfare \$ 1,431

BENZIE TRANSPORTATION AUTHORITY

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

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<i>Assets being depreciated:</i>				
Building and improvements	\$ 2,017,904	\$ 31,500	\$ -	\$ 2,049,404
Vehicles	1,524,935	99,309	-	1,624,244
Shop equipment	72,094	9,723	-	81,817
Office equipment	<u>87,668</u>	<u>1,915</u>	<u>-</u>	<u>89,583</u>
Subtotal	<u>3,702,601</u>	<u>142,447</u>	<u>-</u>	<u>3,845,048</u>
<i>Accumulated depreciation</i>	<u>(1,139,188)</u>	<u>(286,216)</u>	<u>-</u>	<u>(1,425,404)</u>
Net Capital Assets	<u>\$ 2,563,413</u>	<u>\$ (143,769)</u>	<u>\$ -</u>	<u>\$ 2,419,644</u>

Depreciation expense was charged to:

Transportation \$ 286,216

NOTE 5 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

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

DUE FROM OTHER FUNDS					
DUE TO OTHER FUNDS		Nonmajor Governmental	County Medical Care Facility	Delinquent Tax Revolving	Total
	Medical Care Facility Renovation	\$	-	\$ 2,028,041	\$ -
Nonmajor Governmental		9,000	-	54,000	63,000
County Medical Care Facility		-	-	184,133	184,133
Emergency Medical Services		-	-	60,000	60,000
Total	\$	<u>9,000</u>	<u>\$ 2,028,041</u>	<u>\$ 298,133</u>	<u>\$ 2,335,174</u>

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

TRANSFERS OUT					
TRANSFERS IN		General	Nonmajor Governmental	Emergency Medical Services	Total
	General	\$	-	\$ 363,350	\$ -
Jail Operations		360,000	-	-	360,000
Nonmajor Governmental		109,500	-	5,000	114,500
Emergency Medical Services		-	97,654	-	97,654
Total	\$	<u>469,500</u>	<u>\$ 461,004</u>	<u>\$ 5,000</u>	<u>\$ 935,504</u>

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

NOTE 6 - LONG-TERM DEBT

General Obligation Debt

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

Installment Loans

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

General obligation and installment payables debt outstanding is as follows:

	Interest Rate	Principal Matures	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental Activities:							
General Obligation Bonds							
1998 Building Authority Bonds	3.60-4.95%	2018	\$ 465,000	\$ -	\$ (75,000)	\$ 390,000	\$ 75,000
Installment Loans			66,168	47,108	(35,824)	77,452	36,034
Total Governmental Activities			\$ 531,168	\$ 47,108	\$ (110,824)	\$ 467,452	\$ 111,034
Business-Type Activities:							
Installment Loans			\$ 89,431	\$ -	\$ (28,394)	\$ 61,037	\$ 29,788
Total Business-Type Activities			\$ 89,431	\$ -	\$ (28,394)	\$ 61,037	\$ 29,788

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

Fiscal:	Governmental Activities Bonds Payable		Governmental Activities Installment Note Payable		Business –type Activities Installment Note Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 75,000	\$ 19,118	\$ 36,034	\$ 2,064	\$ 29,788	\$ 2,997
2015	75,000	15,517	26,388	1,202	31,249	1,534
2016	75,000	11,843	9,727	319	-	-
2017	75,000	8,167	5,303	42	-	-
2018	90,000	4,455	-	-	-	-
TOTALS	\$ 390,000	\$ 59,100	\$ 77,452	\$ 3,627	\$ 61,037	\$ 4,531

NOTE 6 - LONG-TERM DEBT (Continued)

Compensated Absences – Governmental Activities

A summary of vested benefits payable at September 30, 2013 is as follows:

	<u>Beginning Balances</u>	<u>Net Additions</u>	<u>Reductions</u>	<u>Ending Balances</u>
Vested Employee Benefits	\$ 155,321	\$ 21,200	\$ -	\$ 176,521

Compensated Absences – Business-type Activities

A summary of vested benefits payable at September 30, 2013 is as follows:

	<u>Beginning Balances</u>	<u>Net Additions</u>	<u>Net Reductions</u>	<u>Ending Balances</u>
Vested Employee Benefits	\$ 106,737	\$ -	\$ (20,667)	\$ 86,070

BENZIE COUNTY ROAD COMMISSION

A summary of vested benefits payable at September 30, 2013 is as follows:

	<u>Beginning Balances</u>	<u>Net Additions</u>	<u>Net Reductions</u>	<u>Ending Balances</u>
Vested Employee Benefits	\$ 57,728	\$ -	\$ (5,530)	\$ 52,198

BENZIE/LEELANAU DISTRICT HEALTH DEPARTMENT

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

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balances</u>
Vested Employee Benefits	\$ 68,421	\$ 1,111	\$ 9,699	\$ 59,833

NOTE 7 - RISK MANAGEMENT

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

NOTE 7 - RISK MANAGEMENT (Continue)

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

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

At September 30, 2013, the County has funds on deposit of \$70,000 with the Authority and reserves for reported claims of \$30,190. Management has not recorded the net of these amounts in the financial statements, as the amount has been deemed immaterial.

NOTE 8 - CONTINGENT LIABILITIES

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

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

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

Plan Description. The County participates in the Municipal Employees' Retirement System of Michigan (MERS), an agent multiple-employer defined benefit pension plan administered by the MERS Retirement Board. Act No. 427 of the Public Acts of 1984, as amended, establishes and amends the benefit provisions of the participants in MERS. The Municipal Employees Retirement System of Michigan issues a publicly available financial report that includes financial statements and required supplementary information for MERS. That report may be obtained by writing to the MERS at 1134 Municipal Way, Lansing, Michigan 48917 or by calling (800) 767-6377.

NOTE 9 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

Funding Policy. The County is required to contribute at an actuarially determined rate; the current rate ranges from 12.69% to 55.74% of annual covered payroll. County employees are required to contribute 0% to 2.30% of their pay to the Plan, depending on the bargaining unit the employee resides under. The contribution requirements of the County are established and may be amended by the Retirement Board of MERS. The contribution requirements of plan members are established and may be amended by the County, depending on the MERS contribution program adopted by the County.

Annual Pension Cost. For the year ended September 30, 2013, the County’s annual pension cost of \$472,864 for MERS was equal to the County’s required and actual contributions. The required contribution was determined as part of the December 31, 2011 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) a rate of return on the investment of present and future assets of 8.0%, (b) projected salary increases of 4.5% per year compounded annually, attributable to inflation and (c) additional projected salary increases of 0.0% to 8.40% per year, depending on age, attributable to seniority/merit. The actuarial value of MERS assets was determined on the basis of a valuation method that assumes the fund earns the expected rate of return and includes an adjustment to reflect fair value. The County’s unfunded actuarial liability is amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2012, the date of the latest actuarial valuation, was 26 years.

Year Ended <u>Dec 31</u>	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2011	\$ 484,887	100%	0
2012	437,455	100%	0
2013	472,864	100%	0

Funded Status and Funding Progress. As of December 31, 2012, the most recent actuarial valuation date, the plan was 73 percent funded. The actuarial accrued liability for benefits was \$13,812,904 and the actuarial value of assets was \$10,012,377, resulting in an unfunded actuarial accrued liability (UAAL) of \$3,800,527. The covered payroll (annual payroll of active employees covered by the plan) was \$2,965,091, and the ratio of the UAAL to the covered payroll was 128 percent. The schedule of funding progress, presented as RSI following the noted to the financial statements, present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

BENZIE COUNTY ROAD COMMISSION

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

NOTE 9 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

Funding Policy. The obligation to contribute and maintain the system for these employees was established by negotiation with the Benzie County Road Commission’s competitive bargaining units and requires a contribution based on gross wages by County Road Commission only. The Commission contributes 5.48% of wages for general employees, 2.82% for Commissioners.

Annual Pension Costs. For year ended 2013, the Benzie County Road Commission’s pension cost of \$339,940 for the plan was equal to the required and actual contribution. The annual required contribution was determined as part of an actuarial valuation as December 31, 2011, using the age normal cost method. Significant actuarial assumptions used include: (i) an 8% investment rate of return; (ii) projected salary increases of 4.5 percent per year. Both determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is being amortized as a level percent of payroll on a closed basis. The remaining amortization period is 26 years.

<u>Year Ended Dec 31</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2010	\$ 264,836	100%	0
2011	274,799	100%	0
2012	308,971	100%	0

BENZIE/LEELANAU DISTRICT HEALTH DEPARTMENT

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

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

Annual Pension Costs – For year ended 2013, the Health Department’s annual pension cost of \$23,232 for the plan was equal to the required and actual contribution. The annual required contribution was determined as part of an actuarial valuation as of December 31, 2011, using the age normal cost method. Significant actuarial assumptions used include: (i) a 8% investment rate of return; (ii) projected salary increases of 4.5 percent per year. Additional projected salary increases of up to 2.5% per year annually after retirement for persons under certain benefit packages. The actuarial value of assets determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is being amortized as a level percent of payroll on a closed basis. The remaining amortization period is 26 years.

NOTE 9 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

Year Ended Dec 31	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2011	\$ 49,252	100%	0
2012	20,964	100%	0
2013	23,232	100%	0

BENZIE TRANSPORTATION AUTHORITY

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

Description of Plan and Plan Assets – The Benzie County Transportation Authority is in an agent multiple-employer defined benefit pension plan with the Municipal Employee’s Retirement Systems (MERS). The system provides the following provisions: normal retirement, deferred retirement, service retirement allowance, disability retirement allowance, nonduty-connected death and post-retirement adjustments to plan members their beneficiaries. The service requirements are computed suing credited service at the time of termination of membership multiplied by the sum of 2.25 percent times the final average compensation (FAC) with a maximum benefit of 80 percent of FAC. The most recent period for which actuarial data was available was for the fiscal year ended December 31, 2012.

MERS was organized pursuant to Section 12a of Act #156, Public Act of 1851 MSA 5.333(a): MCLA 46.12 (a), as amended, State of Michigan. MERS is regulated under Act No. 427 of the Public Acts of 1984, sections of which have been approved by the State Pension Commission. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the MERS at 1134 Municipal Way, Lansing, Michigan 48917.

Annual Pension Cost – During the fiscal year ended September 30, 2013, the Authority’s contributions totaling \$38,408 were made in accordance with contribution requirements determined by an actuarial valuation of the plan. The employer contribution rate has been determined based on the entry age normal funding method. Under the entry age normal cost funding method, the total employer contribution is comprised of the normal cost plus the level annual percentage of payroll payment required to amortize the unfunded actuarial accrued liability over 26 years. The employer normal cost is, for each employee, the level percentage of payroll contribution (from entry age to retirement) required to accumulate sufficient assets at the member’s retirement to pay for his project benefit. Significant actuarial assumptions used include a long-term investment yield rate of 8 percent and annual salary increases of 4.5 percent based on an age-related scale to reflect merit, longevity, and promotional salary increases.

NOTE 9 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

Year Ended Dec 31	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2010	30,432	100%	0
2011	25,308	100%	0
2012	17,232	100%	0

BENZIE MCF (MAPLES)

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

Funding Policy. Benefit provisions of MERS, as well as employer and employee obligations to contribute, are outlined in Act No. 427 of the Public Acts of 1984, as amended. Pension expense consists of normal costs of the plan and amortization of prior-service cost over a 10 year period, net of amortization of investment gains over a 10 year period. The amortization periods were updated in 2006. The required employee contribution is 2.00% using the 2012 and 2011 valuation.

In the December 31, 2012 actuarial valuation, (the most recent valuation), the entry age actuarial cost method was used. Significant actuarial assumptions used include (a) an 8.0% investment rate of return, (b) projected salary increases of 1.0% per calendar years 2013 and 2014, 2.0 % for calendar year 2015, 3.0% for calendar year 2016, and 4.5% per year after 2016, and (c) no cost of living adjustments. Both (a) and (b) include an inflation component of 4.5%. The assumptions did not include postretirement benefit increases. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility over a ten year period. The unfunded actuarial liability is amortized as a level percentage of payroll. The remaining amortization period is 26 years. The market value of assets held is \$5,615,247 and \$5,141,731 as of the 2012 and 2011 valuations, respectively.

Annual Pension Cost. For the year ended September 30, 2013, the Facility’s pension cost of \$199,482 for the plan was equal to the required and actual contribution. The annual required contribution was determined as part of the December 31, 2011 actuarial valuation using the age normal cost method. Significant actuarial assumptions used include: (i) an 8.0% investment rate of return, and (ii) projected salary increases of 4.5% per year, both determined using techniques that smooth the effect of short-term volatility over a four year period. The unfunded actuarial liability is amortized as a level percent of payroll on a closed basis. The remaining amortization period is 26 years.

NOTE 9 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

Year Ended Dec 31	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2011	\$ 187,699	100%	0
2012	197,477	100%	0
2013	199,482	100%	0

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS PLAN

BENZIE COUNTY ROAD COMMISSION

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

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

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

Annual OPEB Cost and Net OPEB Obligations. The Commission’s annual other post employment benefit (OPEB) cost is calculated based on the annual required contribution (ARC). The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the Commission’s annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the Commission’s net OPEB obligation to the Plan for Plan year ended September 30, 2013.

Annual required contribution	\$ 68,989
Interest on Net OPEB	(2,119)
Adjustments - OPEB obligation	<u>2,064</u>
Annual OPEB cost	68,934
Contributions made	<u>(99,015)</u>
Decrease in net OPEB obligation	(30,081)
Net OPEB obligation (deferred), beginning of year	<u>(30,274)</u>
Net OPEB obligation (deferred), end of year	<u><u>\$ (60,355)</u></u>

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS PLAN (Continued)

The Commission’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the years ending September 30, 2011, 2012, and 2013 were as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage Contributed</u>	<u>Net OPEB Obligation</u>
09/30/11	\$ 16,592	100.0 %	(28,731)
09/30/12	47,254	100.0 %	(30,274)
09/30/13	68,934	100.0 %	(60,355)

As of September 30, 2013, the actuarial accrued liability for benefits was \$663,980. The covered payroll (annual payroll of active employees covered by the Plan) was \$674,651 and the ratio of the unfunded actuarial accrued liability (UAAL) to the covered payroll was 66%.

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

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

Assumptions About Employees and Members: Based on the historical average retirement age of the covered group, active plan members were assumed to retire at various ages between 50 and 60 or the first year thereafter in which the member would qualify for benefits. Marital status as of the calculation date was assumed to continue throughout retirement. Life expectancy was based on mortality tables published in the 2007 United States Life Table. The probability of remaining employed until the assumed retirement age and employees’ expected future working lifetimes were developed using specific age-based turnover data.

Assumptions About Healthcare Costs: The 2013 health insurance premiums for retirees were used to calculate the present value of total benefits to be paid. The expected rate of increase in health insurance premiums used the National Health Expenditures – Table 3, with an increase to the ultimate rate of 7.0%.

NOTE 10- OTHER POSTEMPLOYMENT BENEFITS PLAN (Continued)

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

NOTE 11 - DEFINED CONTRIBUTION (MONEY PURCHASE) PENSION PLAN

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

The Department contributed \$73,678 and employees contributed \$14,736 to the Plan during the year ended September 30, 2013 equal to 10% and 2% respectively of covered payroll.

NOTE 12 - LEASES

Building Lease

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

2014	\$	105,711
2015		108,636
2016		108,902
2017		108,902
2018		108,902
2019-2020		<u>117,977</u>
Total	\$	<u>659,030</u>

NOTE 13 - NET POSITION – RESTRICTIONS

Net position restrictions can be described as follows:

\$ 307,196	Restricted for jail operations
\$ 344,865	Restricted for the revenue sharing reserve
\$ 2,098,038	Restricted for debt service
\$ 479,698	Restricted for capital projects
\$ 1,071,414	Restricted for fund or grant purposes
\$ 2,439,046	Restricted for roads

NOTE 14 - DEFICIT FUND BALANCE

A fund balance deficit existed in the following funds as indicated:

Marine Patrol	\$ 13,414
Light House	1,308

The County plans to recover this deficit with transfers from the general fund.

NOTE 15 - EXCESS EXPENDITURES OVER APPROPRIATIONS

Public Act 2 of 1968, as amended provides that a local unit shall not incur expenditures in excess of the amount appropriated. In the body of the financial statements, the County’s actual expenditures were in excess of amounts appropriated as follows:

	<u>Total</u> <u>Appropriations</u>	<u>Amount of</u> <u>Expenditures</u>	<u>Budget</u> <u>Variance</u>
Homeland Security Grant:			
Public Safety	\$ 600,000	\$ 1,124,974	\$ (524,974)

NOTE 16 - SUBSEQUENT EVENT

On October 1, 2013, the County issued \$6,760,000 of general obligation limited tax bonds known as the Benzie County Building Authority Bonds.

NOTE 17 - CHANGE IN PRESENTATION

During 2013, the County implemented Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which provides guidance for reporting deferred outflows of resources, deferred inflows of resources and net position in the statement of net position and related disclosures. There were no significant changes to the financial statements as a result of adopting these Statements. The County did adopt provisions of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Effects on the financial statements as a result of adopting this standard are limited to financial presentation.

Required Supplementary Information

Pension:

Three year trend information as of December 31 follows:

PRIMARY GOVERNMENT

	<u>2010</u>	<u>2011</u>	<u>2012</u>
Actuarial Value of Assets	\$ 9,023,218	\$ 9,542,326	\$ 10,012,377
Actuarial Accrued Liability	12,148,043	13,158,904	13,812,904
Unfunded AAL	3,124,825	3,616,578	3,800,527
Funded Ratio	74%	73%	73%
Covered Payroll	3,125,738	3,254,356	2,965,091
UAAL as a Percentage of Covered Payroll	100%	111%	128%

BENZIE COUNTY ROAD COMMISSION

	<u>2010</u>	<u>2011</u>	<u>2012</u>
Actuarial Value of Assets	\$ 3,067,334	\$ 3,049,031	\$ 3,045,578
Actuarial Accrued Liability	6,640,819	6,856,191	6,965,380
Unfunded AAL	3,573,485	3,807,160	3,919,802
Funded Ratio	46%	44%	44%
Covered Payroll	983,622	959,670	979,558
UAAL as a Percentage of Covered Payroll	363%	397%	400%

BENZIE/LEELANAU DISTRICT HEALTH DEPARTMENT

	<u>2010</u>	<u>2011</u>	<u>2012</u>
Actuarial Value of Assets	\$ 510,328	\$ 563,032	\$ 622,007
Actuarial Accrued Liability	520,517	551,626	697,575
Unfunded (Overfunded) AAL	10,189	(11,406)	75,568
Funded Ratio	98%	102%	89%
Covered Payroll	201,355	193,649	158,816
UAAL as a Percentage of Covered Payroll	5%	0%	48%

Pension: (Continued)

BENZIE TRANSPORTATION AUTHORITY

	2010	2011	2012
Actuarial Value of Assets	\$ 304,033	\$ 412,782	\$ 494,527
Actuarial Accrued Liability	224,105	306,144	354,141
Unfunded (Overfunded) AAL	(79,928)	(106,638)	(140,386)
Funded Ratio	136%	135%	140%
Covered Payroll	642,044	571,236	506,644
UAAL as a Percentage of Covered Payroll	0%	0%	0%

BENZIE MCF (MAPLES)

	2010	2011	2012
Actuarial Value of Assets	\$ 5,948,944	\$ 6,199,976	\$ 6,421,389
Actuarial Accrued Liability	6,372,325	6,899,127	7,271,551
Unfunded AAL	423,381	699,151	850,162
Funded Ratio	93%	90%	88%
Covered Payroll	3,385,700	3,343,652	3,326,942
UAAL as a Percentage of Covered Payroll	13%	21%	26%

Health Benefits:

BENZIE COUNTY ROAD COMMISSION

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percent of Covered Payroll ((b - a) / c)
2006	Not Available	\$ 2,557,488	\$ 2,557,488	0%	Not Available	-
2010	\$ 157,389	\$ 471,514	\$ 314,125	33%	\$ 1,074,578	29%
2013	\$ 219,239	\$ 663,980	\$ 444,741	33%	\$ 674,651	66%

**Required Supplementary Information
Budgetary Comparison Schedule
General Fund
Year Ended September 30, 2013**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 3,812,327	\$ 3,830,327	\$ 3,981,237	\$ 150,910
Licenses & Permits	30,050	34,850	41,940	7,090
Federal Sources	60,996	64,096	54,618	(9,478)
State Sources	544,251	543,251	587,162	43,911
Charges for Services	538,518	565,518	596,415	30,897
Refunds & Reimbursements	107,408	177,076	168,896	(8,180)
Interest & Rentals	19,800	27,656	26,535	(1,121)
Other	100	100	3,126	3,026
TOTAL REVENUES	5,113,450	5,242,874	5,459,929	217,055
EXPENDITURES:				
Legislative:				
Board of Commissioners	89,000	99,496	99,114	382
Judicial:				
Circuit Court	302,700	361,658	361,659	(1)
District Court	293,800	314,435	295,280	19,155
Friend of the Court	118,200	126,183	126,040	143
Juvenile Division	118,014	110,328	105,367	4,961
Law Library	1,200	1,500	1,500	-
Probate Court	212,700	222,399	221,751	648
Total Judicial	1,046,614	1,136,503	1,111,597	24,906
General Government:				
County Administrator	91,000	99,558	98,727	831
Elections	37,000	37,242	37,242	-
County Clerk	182,177	179,790	176,721	3,069
Equalization	123,000	123,001	120,043	2,958
Prosecuting Attorney	196,730	197,129	195,538	1,591
Register of Deeds	129,000	131,001	130,636	365
Treasurer	134,000	133,758	124,712	9,046
Cooperative Extension	44,000	45,388	45,388	-
Legal & Contracted Services	136,000	136,000	114,539	21,461
Central Services	51,000	51,000	47,027	3,973
Buildings & Grounds	204,000	204,001	198,387	5,614
Drain Commission	12,000	12,000	7,373	4,627
Technology Support	38,000	82,000	78,694	3,306
Plat Board	250	250	-	250
Surveyor	1,500	1,500	898	602
Total General Government	1,379,657	1,433,618	1,375,925	57,693

**Required Supplementary Information
Budgetary Comparison Schedule
General Fund
Year Ended September 30, 2013**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Public Safety:				
Sheriff	733,500	748,260	748,260	-
Sheriff Secondary Road Patrol	73,389	61,839	56,156	5,683
Zero Tolerance	40,789	56,471	55,738	733
Planning Department	9,000	9,000	5,458	3,542
Emergency Management	23,700	97,995	97,630	365
Total Public Safety	<u>880,378</u>	<u>973,565</u>	<u>963,242</u>	<u>10,323</u>
Health & Welfare:				
Health Department	194,400	191,864	191,300	564
Medical Examiner	19,000	25,133	24,910	223
Mental Health Board	145,194	145,195	145,195	-
Department of Human Services	7,300	7,300	7,300	-
Total Health & Welfare	<u>365,894</u>	<u>369,492</u>	<u>368,705</u>	<u>787</u>
Recreation and Culture				
Parks & Recreation	6,800	7,230	7,230	-
Total Recreation and Culture	<u>6,800</u>	<u>7,230</u>	<u>7,230</u>	<u>-</u>
Other Expenditures:				
Medical Insurance	466,533	539,433	539,433	-
Unemployment Insurance	10,000	4,411	4,411	-
Worker's Comp Insurance	26,711	26,993	26,993	-
Insurance & Bonds	143,000	89,893	99,431	(9,538)
Social Security	125,758	134,267	134,416	(149)
Retirement Benefits	282,279	250,398	250,398	-
Intergovernmental Cooperation	68,935	76,000	75,173	827
Other Miscellaneous	6,000	8,000	8,618	(618)
Total Other Expenditures	<u>1,129,216</u>	<u>1,129,395</u>	<u>1,138,873</u>	<u>(9,478)</u>
TOTAL EXPENDITURES	<u>4,897,559</u>	<u>5,149,299</u>	<u>5,064,686</u>	<u>84,613</u>
EXCESS OF REVENUES OVER EXPENDITURES	215,891	93,575	395,243	301,668
OTHER FINANCING SOURCES (USES):				
Operating Transfers In	484,550	484,550	363,350	(121,200)
Operating Transfers Out	(700,441)	(602,125)	(469,500)	132,625
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	<u>\$ -</u>	<u>\$ (24,000)</u>	289,093	<u>\$ 313,093</u>
FUND BALANCE, OCTOBER 1			<u>1,467,818</u>	
FUND BALANCE, SEPTEMBER 30			<u>\$ 1,756,911</u>	

Required Supplementary Information
Budgetary Comparison Schedule
Jail Operations Fund
Year Ended September 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 970,200	\$ 970,200	\$ 984,931	\$ 14,731
Charges for Services	256,825	256,825	225,779	(31,046)
Refunds & Reimbursements	8,975	8,975	15,011	6,036
TOTAL REVENUES	<u>1,236,000</u>	<u>1,236,000</u>	<u>1,225,721</u>	<u>(10,279)</u>
EXPENDITURES:				
Public Safety	<u>1,648,000</u>	<u>1,673,000</u>	<u>1,569,508</u>	<u>103,492</u>
TOTAL EXPENDITURES	<u>1,648,000</u>	<u>1,673,000</u>	<u>1,569,508</u>	<u>103,492</u>
EXCESS OF REVENUES (EXPENDITURES)	(412,000)	(437,000)	(343,787)	93,213
OTHER FINANCING SOURCES (USES):				
Operating Transfers In	<u>412,000</u>	<u>412,000</u>	<u>360,000</u>	<u>(52,000)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	<u>\$ -</u>	<u>\$ (25,000)</u>	16,213	<u>\$ 41,213</u>
FUND BALANCE, OCTOBER 1			<u>304,797</u>	
FUND BALANCE, SEPTEMBER 30			<u>\$ 321,010</u>	

**Required Supplementary Information
Budgetary Comparison Schedule
Homeland Security Grant Fund
Year Ended September 30, 2013**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Federal Sources	\$ 600,000	\$ 600,000	\$ 1,101,860	\$ 501,860
Contributions	-	-	200	200
TOTAL REVENUES	600,000	600,000	1,102,060	502,060
EXPENDITURES:				
Public Safety	600,000	600,000	1,124,974	(524,974)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ -	\$ -	(22,914)	\$ (22,914)
FUND BALANCE, OCTOBER 1			27,185	
FUND BALANCE, SEPTEMBER 30			\$ 4,271	

Other Information

Special Revenue Funds

	Sheriff's K-9	Benzie Co. Sheriff Reserve's	Benzie Co. Dive Team	Benzie Co. DARE	Benzie Co. Kids	Friend of the Court	Seasonal Road Patrol	Marine Patrol
ASSETS:								
Cash & Equivalents - Unrestricted	\$ 6,270	\$ 1,416	\$ 483	\$ 1,931	\$ 263	\$ 48,240	\$ 63,272	\$ 4,043
Receivables:								
Accounts	-	-	-	-	-	-	-	-
Prepaid Items	-	-	-	-	-	-	-	-
Due from Other Funds	-	-	-	-	-	-	9,000	-
TOTAL ASSETS	<u>\$ 6,270</u>	<u>\$ 1,416</u>	<u>\$ 483</u>	<u>\$ 1,931</u>	<u>\$ 263</u>	<u>\$ 48,240</u>	<u>\$ 72,272</u>	<u>\$ 4,043</u>
LIABILITIES:								
Accounts Payable	\$ 129	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 457
Accrued Liabilities	-	-	-	-	-	-	-	-
Due to Other Funds	-	-	-	-	-	-	-	17,000
TOTAL LIABILITIES	<u>129</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,457</u>
FUND BALANCES:								
Nonspendable	-	-	-	-	-	-	-	-
Restricted	-	-	-	1,931	-	48,240	72,272	-
Committed	-	-	-	-	-	-	-	-
Assigned	6,141	1,416	483	-	263	-	-	-
Unassigned	-	-	-	-	-	-	-	(13,414)
TOTAL FUND BALANCES	<u>6,141</u>	<u>1,416</u>	<u>483</u>	<u>1,931</u>	<u>263</u>	<u>48,240</u>	<u>72,272</u>	<u>(13,414)</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 6,270</u>	<u>\$ 1,416</u>	<u>\$ 483</u>	<u>\$ 1,931</u>	<u>\$ 263</u>	<u>\$ 48,240</u>	<u>\$ 72,272</u>	<u>\$ 4,043</u>

	Special Revenue Funds							
	Parks & Rec. Ice Rink	Solid Waste/ Recycling	Betsie Valley Trail Management	Soil Erosion	Land Reutilization Fund	Remonument- ation Survey Grant	GIS Information System	Animal Control
ASSETS:								
Cash & Equivalents - Unrestricted	\$ 1,112	\$ 124,863	\$ 6,464	\$ 20,670	\$ 30,133	\$ 31,703	\$ 4,779	\$ 143,499
Receivables:								
Accounts	-	-	8,024	-	-	-	-	-
Prepaid Items	-	518	-	-	-	-	-	738
Due from Other Funds	-	-	-	-	-	-	-	-
TOTAL ASSETS	\$ 1,112	\$ 125,381	\$ 14,488	\$ 20,670	\$ 30,133	\$ 31,703	4,779	\$ 144,237
LIABILITIES:								
Accounts Payable	\$ -	\$ 15,435	\$ 3,982	\$ 2,972	\$ 4,286	\$ -	-	\$ 1,900
Accrued Liabilities	-	1,881	-	142	-	-	-	3,369
Due to Other Funds	-	-	10,000	-	-	-	-	-
TOTAL LIABILITIES	-	17,316	13,982	3,114	4,286	-	-	5,269
FUND BALANCES:								
Nonspendable	-	518	-	-	-	-	-	738
Restricted	-	-	506	-	-	31,703	-	138,230
Committed	-	-	-	-	-	-	-	-
Assigned	1,112	107,547	-	17,556	25,847	-	4,779	-
Unassigned	-	-	-	-	-	-	-	-
TOTAL FUND BALANCES	1,112	108,065	506	17,556	25,847	31,703	4,779	138,968
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,112	\$ 125,381	\$ 14,488	\$ 20,670	\$ 30,133	\$ 31,703	\$ 4,779	\$ 144,237

County of Benzie, Michigan

Combining Balance Sheet Nonmajor Governmental Funds September 30, 2013

	Special Revenue Funds							
	Building Department	Register of Deeds Automation	Revenue Sharing Reserve	911 Emergency Service	Dispatcher Training Grant	Local Corrections Officer Training	Sheriff Forfeiture	Benzie Criminal Justice Training
ASSETS:								
Cash & Equivalents - Unrestricted	\$ 40,018	\$ 120,787	\$ 344,865	\$ 164,710	\$ 15,851	\$ 34,054	\$ 7,070	\$ 7,160
Receivables:								
Accounts	-	-	-	173,666	-	-	-	1,182
Prepaid Items	1,856	-	-	5,789	-	-	-	-
Due from Other Funds	-	-	-	-	-	-	-	-
TOTAL ASSETS	\$ 41,874	\$ 120,787	\$ 344,865	\$ 344,165	\$ 15,851	\$ 34,054	\$ 7,070	\$ 8,342
LIABILITIES:								
Accounts Payable	\$ 36,581	\$ -	\$ -	\$ 5,734	\$ -	\$ -	\$ -	\$ -
Accrued Liabilities	-	-	-	18,689	-	-	-	-
Due to Other Funds	-	-	-	-	-	-	-	-
TOTAL LIABILITIES	36,581	-	-	24,423	-	-	-	-
FUND BALANCES:								
Nonspendable	1,856	-	-	5,789	-	-	-	-
Restricted	3,437	-	344,865	313,953	15,851	34,054	-	8,342
Committed	-	-	-	-	-	-	-	-
Assigned	-	120,787	-	-	-	-	7,070	-
Unassigned	-	-	-	-	-	-	-	-
TOTAL FUND BALANCES	5,293	120,787	344,865	319,742	15,851	34,054	7,070	8,342
TOTAL LIABILITIES AND FUND BALANCES	\$ 41,874	\$ 120,787	\$ 344,865	\$ 344,165	\$ 15,851	\$ 34,054	\$ 7,070	\$ 8,342

County of Benzie, Michigan

Combining Balance Sheet Nonmajor Governmental Funds September 30, 2013

	Special Revenue Funds							Debt Service Fund
	Law Library	Commission on Aging	Child Care	Soldier's Relief	Veteran's Trust	CDBG Housing Grant	Light House	Government Center Addition
ASSETS:								
Cash & Equivalents - Unrestricted	\$ 15,506	\$ 334,042	\$ 26,493	\$ 28,870	\$ 9,961	\$ 6,506	\$ 1,384	\$ 32,601
Receivables:								
Accounts	-	-	21,171	-	-	-	33,308	-
Prepaid Items	-	-	-	-	-	-	-	-
Due from Other Funds	-	-	-	-	-	-	-	-
TOTAL ASSETS	\$ 15,506	\$ 334,042	\$ 47,664	\$ 28,870	\$ 9,961	\$ 6,506	\$ 34,692	\$ 32,601
LIABILITIES:								
Accounts Payable	\$ 2,771	\$ -	\$ 15,595	\$ 8,378	\$ 3,185	\$ 455	\$ -	\$ -
Accrued Liabilities	-	-	-	-	-	806	-	-
Due to Other Funds	-	-	-	-	-	-	36,000	-
TOTAL LIABILITIES	2,771	-	15,595	8,378	3,185	1,261	36,000	-
FUND BALANCES:								
Nonspendable	-	-	-	-	-	-	-	-
Restricted	-	334,042	32,069	20,492	6,776	5,245	-	32,601
Committed	-	-	-	-	-	-	-	-
Assigned	12,735	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	(1,308)	-
TOTAL FUND BALANCES	12,735	334,042	32,069	20,492	6,776	5,245	(1,308)	32,601
TOTAL LIABILITIES AND FUND BALANCES	\$ 15,506	\$ 334,042	\$ 47,664	\$ 28,870	\$ 9,961	\$ 6,506	\$ 34,692	\$ 32,601

	Capital Projects Funds					
	Jail Reserve	Capital Improvements	Railroad Point	Equipment Replacement	Building Authority	Totals
ASSETS:						
Cash & Equivalents - Unrestricted	\$ 466,761	\$ 6,745	\$ 10,104	\$ 54,694	\$ 5,925	\$ 2,223,248
Receivables:						
Accounts	-	-	-	-	-	237,351
Prepaid Items	-	-	-	-	-	8,901
Due from Other Funds	-	-	-	-	-	9,000
TOTAL ASSETS	<u>\$ 466,761</u>	<u>\$ 6,745</u>	<u>\$ 10,104</u>	<u>\$ 54,694</u>	<u>\$ 5,925</u>	<u>\$ 2,478,500</u>
LIABILITIES:						
Accounts Payable	\$ 811	\$ -	\$ -	\$ -	\$ 560	\$ 103,231
Accrued Liabilities	-	-	-	-	1,721	26,608
Due to Other Funds	-	-	-	-	-	63,000
TOTAL LIABILITIES	<u>811</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,281</u>	<u>192,839</u>
FUND BALANCES:						
Nonspendable	-	-	-	-	-	8,901
Restricted	465,950	-	10,104	-	3,644	1,924,307
Committed	-	6,745	-	54,694	-	61,439
Assigned	-	-	-	-	-	305,736
Unassigned	-	-	-	-	-	(14,722)
TOTAL FUND BALANCES	<u>465,950</u>	<u>6,745</u>	<u>10,104</u>	<u>54,694</u>	<u>3,644</u>	<u>2,285,661</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 466,761</u>	<u>\$ 6,745</u>	<u>\$ 10,104</u>	<u>\$ 54,694</u>	<u>\$ 5,925</u>	<u>\$ 2,478,500</u>

**Combining Statement of Revenues, Expenditures,
and Changes in Fund Balance
Nonmajor Governmental Funds
Year Ended September 30, 2013**

	Special Revenue Funds							
	Sheriff's K-9	Benzie Co. Sheriff Reserve's	Benzie Co. Dive Team	Benzie Co. DARE	Benzie Co. Kids	Friend of the Court	Seasonal Road Patrol	Marine Patrol
REVENUES:								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Federal Sources	-	-	-	-	-	-	-	-
State Sources	-	-	-	-	-	-	-	16,900
Local Sources	-	-	-	-	-	-	27,675	2,300
Charges for Services	-	-	-	-	-	2,600	-	26
Refunds & Reimbursements	-	-	-	-	-	-	-	-
Interest & Rentals	-	-	-	-	-	86	-	-
Contributions	10,385	-	-	-	-	-	-	-
Other Revenue	-	-	-	-	-	-	-	-
TOTAL REVENUES	10,385	-	-	-	-	2,686	27,675	19,226
EXPENDITURES:								
Judicial	-	-	-	-	-	-	-	-
General Government	-	-	-	-	-	-	-	-
Public Safety	4,262	20	426	375	812	-	10,339	19,290
Public Works	-	-	-	-	-	-	-	-
Health & Welfare	-	-	-	-	-	-	-	-
Recreation & Cultural	-	-	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-	-	-
Debt Service	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	4,262	20	426	375	812	-	10,339	19,290
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	6,123	(20)	(426)	(375)	(812)	2,686	17,336	(64)
OTHER FINANCING SOURCES (USES):								
Installment Proceeds	-	-	-	-	-	-	-	-
Operating Transfers In	-	-	-	-	-	-	-	-
Operating Transfers Out	-	-	-	-	-	-	-	(13,400)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	6,123	(20)	(426)	(375)	(812)	2,686	17,336	(13,464)
FUND BALANCES, OCTOBER 1	18	1,436	909	2,306	1,075	45,554	54,936	50
FUND BALANCES, SEPTEMBER 30	\$ 6,141	\$ 1,416	\$ 483	\$ 1,931	\$ 263	\$ 48,240	\$ 72,272	\$ (13,414)

**Combining Statement of Revenues, Expenditures,
and Changes in Fund Balance
Nonmajor Governmental Funds
Year Ended September 30, 2013**

	Special Revenue Funds							
	Parks & Rec. Ice Rink	Solid Waste/ Recycling	Betsie Valley Trail Management	Soil Erosion	Land Reutilization Fund	Remonument- ation Survey Grant	GIS Information System	Animal Control
REVENUES:								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 107,275
Federal Sources	-	-	-	-	-	-	-	-
State Sources	-	-	15,606	-	-	25,611	-	-
Local Sources	-	-	-	-	-	-	-	-
Charges for Services	-	268,668	-	26,182	-	-	2,442	16,510
Refunds & Reimbursements	-	62	310	-	-	-	-	2,634
Interest & Rentals	-	-	-	-	-	-	-	-
Contributions	9,697	-	-	-	-	-	-	2,560
Other Revenue	-	-	-	-	8,000	-	-	-
TOTAL REVENUES	9,697	268,730	15,916	26,182	8,000	25,611	2,442	128,979
EXPENDITURES:								
Judicial	-	-	-	-	-	-	-	-
General Government	-	-	-	-	5,004	29,236	-	-
Public Safety	-	-	-	-	-	-	-	114,398
Public Works	-	251,089	-	22,017	-	-	-	-
Health & Welfare	-	-	-	-	-	-	-	-
Recreation & Cultural	8,585	-	8,406	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-	-	-
Debt Service	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	8,585	251,089	8,406	22,017	5,004	29,236	-	114,398
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,112	17,641	7,510	4,165	2,996	(3,625)	2,442	14,581
OTHER FINANCING SOURCES (USES):								
Installment Proceeds	-	-	-	-	-	-	-	-
Operating Transfers In	-	-	-	-	-	3,000	-	20,000
Operating Transfers Out	-	-	(7,100)	-	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	1,112	17,641	410	4,165	2,996	(625)	2,442	34,581
FUND BALANCES, OCTOBER 1	-	90,424	96	13,391	22,851	32,328	2,337	104,387
FUND BALANCES, SEPTEMBER 30	\$ 1,112	\$ 108,065	\$ 506	\$ 17,556	\$ 25,847	\$ 31,703	\$ 4,779	\$ 138,968

**Combining Statement of Revenues, Expenditures,
and Changes in Fund Balance
Nonmajor Governmental Funds
Year Ended September 30, 2013**

	Special Revenue Funds							
	Building Department	Register of Deeds Automation	Revenue Sharing Reserve	911 Emergency Service	Dispatcher Training Grant	Local Corrections Officer Training	Sheriff Forfeiture	Benzie Criminal Justice Training
REVENUES:								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Federal Sources	-	-	-	-	-	-	-	-
State Sources	-	-	-	-	9,837	-	-	2,241
Local Sources	-	-	-	-	-	-	-	-
Charges for Services	320,050	31,920	-	697,680	-	4,202	-	-
Refunds & Reimbursements	15,236	-	-	12,570	-	-	-	-
Interest & Rentals	-	285	1,535	-	-	-	-	-
Contributions	-	-	-	-	-	-	-	-
Other Revenue	-	-	-	-	-	-	-	-
TOTAL REVENUES	335,286	32,205	1,535	710,250	9,837	4,202	-	2,241
EXPENDITURES:								
Judicial	-	-	-	-	-	-	-	-
General Government	-	48,791	-	-	-	-	-	-
Public Safety	380,813	-	-	657,486	5,051	-	1,273	2,802
Public Works	-	-	-	-	-	-	-	-
Health & Welfare	-	-	-	-	-	-	-	-
Recreation & Cultural	-	-	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-	-	-
Debt Service	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	380,813	48,791	-	657,486	5,051	-	1,273	2,802
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(45,527)	(16,586)	1,535	52,764	4,786	4,202	(1,273)	(561)
OTHER FINANCING SOURCES (USES):								
Installment Proceeds	-	-	-	-	-	-	-	-
Operating Transfers In	-	-	-	-	-	-	-	-
Operating Transfers Out	-	-	(334,550)	-	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	(45,527)	(16,586)	(333,015)	52,764	4,786	4,202	(1,273)	(561)
FUND BALANCES, OCTOBER 1	50,820	137,373	677,880	266,978	11,065	29,852	8,343	8,903
FUND BALANCES, SEPTEMBER 30	\$ 5,293	\$ 120,787	\$ 344,865	\$ 319,742	\$ 15,851	\$ 34,054	\$ 7,070	\$ 8,342

**Combining Statement of Revenues, Expenditures,
and Changes in Fund Balance
Nonmajor Governmental Funds
Year Ended September 30, 2013**

	Special Revenue Funds							Debt Service Fund
	Law Library	Commission on Aging	Child Care	Soldier's Relief	Veteran's Trust	CDBG Housing Grant	Light House	Government Center Addition
REVENUES:								
Taxes	\$ -	\$ 721,479	\$ -	\$ 65,418	\$ -	\$ -	\$ -	\$ -
Federal Sources	-	-	-	-	-	46,164	33,308	-
State Sources	-	-	93,454	-	21,797	-	-	-
Local Sources	-	-	-	-	-	-	33,308	-
Charges for Services	-	-	-	-	-	-	-	-
Refunds & Reimbursements	-	-	30,479	10,124	-	-	1,033	-
Interest & Rentals	-	514	-	-	-	21	-	105,711
Contributions	-	-	-	190	-	-	-	-
Other Revenue	5,000	-	-	-	-	10,597	-	-
TOTAL REVENUES	5,000	721,993	123,933	75,732	21,797	56,782	67,649	105,711
EXPENDITURES:								
Judicial	19,551	-	-	-	-	-	-	-
General Government	-	-	-	-	-	-	-	7,917
Public Safety	-	-	-	-	-	-	-	-
Public Works	-	-	-	-	-	-	-	-
Health & Welfare	-	598,823	193,197	65,751	15,726	94,022	-	-
Recreation & Cultural	-	-	-	-	-	-	69,401	-
Capital Outlay	-	-	-	-	-	-	-	-
Debt Service	-	-	-	-	-	-	-	97,643
TOTAL EXPENDITURES	19,551	598,823	193,197	65,751	15,726	94,022	69,401	105,560
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(14,551)	123,170	(69,264)	9,981	6,071	(37,240)	(1,752)	151
OTHER FINANCING SOURCES (USES):								
Installment Proceeds	-	-	-	-	-	-	-	-
Operating Transfers In	15,000	-	65,000	-	-	-	-	-
Operating Transfers Out	-	-	-	-	-	-	(8,300)	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	449	123,170	(4,264)	9,981	6,071	(37,240)	(10,052)	151
FUND BALANCES, OCTOBER 1	12,286	210,872	36,333	10,511	705	42,485	8,744	32,450
FUND BALANCES, SEPTEMBER 30	\$ 12,735	\$ 334,042	\$ 32,069	\$ 20,492	\$ 6,776	\$ 5,245	\$ (1,308)	\$ 32,601

**Combining Statement of Revenues, Expenditures,
and Changes in Fund Balance
Nonmajor Governmental Funds
Year Ended September 30, 2013**

	Capital Project Funds					
	Jail Reserve	Capital Improvements	Railroad Point	Equipment Replacement	Building Authority	Totals
REVENUES:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 894,172
Federal Sources	-	-	-	17,104	-	96,576
State Sources	-	-	-	8,000	-	193,446
Local Sources	-	-	-	15,468	-	78,751
Charges for Services	-	-	-	9,331	-	1,379,611
Refunds & Reimbursements	-	-	-	3,953	-	76,401
Interest & Rentals	1,115	-	-	-	-	109,267
Contributions	-	-	4,548	-	-	27,380
Other Revenue	-	-	-	985	-	24,582
TOTAL REVENUES	1,115	-	4,548	54,841	-	2,880,186
EXPENDITURES:						
Judicial	-	-	-	-	-	19,551
General Government	-	-	-	-	-	90,948
Public Safety	-	-	-	-	-	1,197,347
Public Works	-	-	-	-	-	273,106
Health & Welfare	-	-	-	-	-	967,519
Recreation & Cultural	-	-	-	-	-	86,392
Capital Outlay	17,574	-	-	111,476	3,276	132,326
Debt Service	-	-	-	-	-	97,643
TOTAL EXPENDITURES	17,574	-	-	111,476	3,276	2,864,832
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(16,459)	-	4,548	(56,635)	(3,276)	15,354
OTHER FINANCING SOURCES (USES):						
Installment Proceeds	-	-	-	47,108	-	47,108
Operating Transfers In	-	-	-	9,000	2,500	114,500
Operating Transfers Out	-	-	-	(97,654)	-	(461,004)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	(16,459)	-	4,548	(98,181)	(776)	(284,042)
FUND BALANCES, OCTOBER 1	482,409	6,745	5,556	152,875	4,420	2,569,703
FUND BALANCES, SEPTEMBER 30	\$ 465,950	\$ 6,745	\$ 10,104	\$ 54,694	\$ 3,644	\$ 2,285,661

County of Benzie, Michigan**Combining Statement of Net Position
Nonmajor Enterprise Funds
September 30, 2013**

	<u>Tax Admin</u>	<u>Tax Foreclosure</u>	<u>Sheriff Commissary</u>	<u>Totals</u>
ASSETS:				
Cash & Equivalents -Unrestricted	<u>\$ 58,825</u>	<u>\$ 547,292</u>	<u>\$ 8,281</u>	<u>\$ 614,398</u>
TOTAL ASSETS	<u><u>\$ 58,825</u></u>	<u><u>\$ 547,292</u></u>	<u><u>\$ 8,281</u></u>	<u><u>\$ 614,398</u></u>
LIABILITIES:				
Accounts Payable	<u>\$ -</u>	<u>\$ 25</u>	<u>\$ -</u>	<u>\$ 25</u>
TOTAL LIABILITIES	<u>-</u>	<u>25</u>	<u>-</u>	<u>25</u>
NET POSITION:				
Unrestricted	<u>58,825</u>	<u>547,267</u>	<u>8,281</u>	<u>614,373</u>
TOTAL NET POSITION	<u><u>\$ 58,825</u></u>	<u><u>\$ 547,267</u></u>	<u><u>\$ 8,281</u></u>	<u><u>\$ 614,373</u></u>

County of Benzie, Michigan**Combining Statement of Revenues, Expenses, and
Changes in Net Position - Nonmajor Enterprise Funds
Year Ended September 30, 2013**

	<u>Tax Admin</u>	<u>Tax Foreclosure</u>	<u>Sheriff Commissary</u>	<u>Totals</u>
OPERATING REVENUES:				
Charges for Services	<u>\$ -</u>	<u>\$ 229,064</u>	<u>\$ 5,315</u>	<u>\$ 234,379</u>
TOTAL OPERATING REVENUES	<u>-</u>	<u>229,064</u>	<u>5,315</u>	<u>234,379</u>
OPERATING EXPENSES:				
Other Supplies and Expenses	<u>16,345</u>	<u>135,940</u>	<u>4,023</u>	<u>156,308</u>
Total Operating Expenses	<u>16,345</u>	<u>135,940</u>	<u>4,023</u>	<u>156,308</u>
OPERATING INCOME (LOSS)	<u>(16,345)</u>	<u>93,124</u>	<u>1,292</u>	<u>78,071</u>
NON-OPERATING REVENUES (EXPENSES)				
Interest Income	<u>-</u>	<u>375</u>	<u>-</u>	<u>375</u>
CHANGES IN NET POSITION	<u>(16,345)</u>	<u>93,499</u>	<u>1,292</u>	<u>78,446</u>
NET POSITION, OCTOBER 1	<u>75,170</u>	<u>453,768</u>	<u>6,989</u>	<u>535,927</u>
NET POSITION, SEPTEMBER 30	<u>\$ 58,825</u>	<u>\$ 547,267</u>	<u>\$ 8,281</u>	<u>\$ 614,373</u>

**Combining Statement of Cash Flows
Nonmajor Enterprise Funds
Year Ended September 30, 2013**

	Tax Admin	Tax Foreclosure	Sheriff Commissary	Totals
Cash Flows From Operating Activities:				
Cash Received From Customers or Users	\$ -	\$ 237,582	\$ 5,315	\$ 242,897
Cash Payments to Suppliers	(16,345)	(135,915)	(4,023)	(156,283)
Net Cash Provided (Used) by Operating Activities	(16,345)	101,667	1,292	86,614
Cash Flows From Investing Activities:				
Interest Income	-	375	-	375
Cash Flows From Investing Activities	-	375	-	375
Net Increase (Decrease) in Cash	(16,345)	102,042	1,292	86,989
Cash and Cash Equivalents at Beginning of Year	75,170	445,250	6,989	527,409
Cash and Cash Equivalents at End of Year	\$ 58,825	\$ 547,292	\$ 8,281	\$ 614,398
 RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
Operating Income (Loss)	\$ (16,345)	\$ 93,124	\$ 1,292	\$ 78,071
Changes in Assets and Liabilities:				
Decrease (Increase) in Assets:				
Due from Others	-	8,518	-	8,518
(Decrease) Increase in Liabilities:				
Accounts Payable	-	25	-	25
Net Cash Provided (Used) by Operating Activities	\$ (16,345)	\$ 101,667	\$ 1,292	\$ 86,614

Reports on Compliance



ANDERSON, TACKMAN & COMPANY, PLC
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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***

Honorable Chairman and 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, 2013, 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 February 28, 2014. Our report includes a reference to other auditors who audited the financial statements of the Benzie Transportation Authority, a discretely presented component unit, and the Medical Care Facility, a business-type activity, as described in our report on the County of Benzie, Michigan's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the Medical Care Facility were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency listed as 2013-001.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County of Benzie, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2013-002 and 2013-003.

County of Benzie, Michigan's Response to Findings

The County of Benzie, Michigan's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The County of Benzie, Michigan's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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

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

February 28, 2014



ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

Honorable Chairman and Members
Of the Board of Commissioners
County of Benzie, Michigan
448 Court Place
Beulah, Michigan 49617

Report on Compliance for Each Major Federal Program

We have audited the County of Benzie, Michigan's, compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the County of Benzie, Michigan's major federal programs for the year ended September 30, 2013. The County of Benzie, Michigan's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

County of Benzie, Michigan's basic financial statements include the operations of the Benzie Transportation Authority, which received \$291,531 in federal awards which is not included in this schedule during the year ended September 30, 2013. Our audit, described below, did not include the operations of the Benzie Transportation Authority, because they engaged other auditors to perform audits in accordance with OMB Circular A-133.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on the compliance for each of the County of Benzie, Michigan's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County of Benzie, Michigan's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

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

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the County of Benzie, Michigan's compliance.

Opinion on Each Major Federal Program

In our opinion, the County of Benzie, Michigan complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2013.

Other Matters

The results of auditing proceeds disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2013-004. Our opinion on each major federal program is not modified with respect to these matters.

The County of Benzie, Michigan's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The County of Benzie, Michigan's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the County of Benzie, Michigan is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County of Benzie, Michigan's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County of Benzie, Michigan's internal control over compliance.

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

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



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

February 28, 2014

County of Benzie, Michigan

Schedule of Expenditures of Federal Awards For the Year Ended September 30, 2013

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Agency or Pass-Through Number</u>	<u>Federal Expenditures</u>
U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES:			
ADMINISTRATION FOR CHILDREN AND FAMILIES:			
Pass-through from State of Michigan Department of Human Services:			
Prosecuting Attorney - Child Support	93.563	CSPA-13-10002	\$ 18,840
Friend of the Court - Incentive	93.563	N/A	15,673
Total pass-through from State of Michigan Department of Human Services			<u>34,513</u>
Pass-through from Michigan Department of Community Health:			
Public Health Emergency Preparedness	93.069	U90TP000528	91,167
Public Health Emergency Preparedness	93.069	U90TP000528	28,835
Family Planning	93.217	GFPHPA050733 41	25,868
Immunization - IAP	93.268	H23 CCH522556	20,441
Immunization - Vaccines	93.268	H23 CCH522556	23,188
Immunization Billing Practice Infrastructure Enhancement	93.539	1H23IP000568	10,000
Medicaid Outreach	93.778	05 U05M15ADM	105,623
Childrens Special Health Care Services Outreach & Advocacy	93.778	05 U05M15ADM	14,000
Family Planning	93.994	B1MIMCHS	15,490
Total pass-through from Michigan Department of Community Health			<u>334,612</u>
Total U.S. Department of Health & Human Services			<u>369,125</u>
U.S. DEPARTMENT OF AGRICULTURE:			
Pass-through from Michigan Department of Community Health:			
Women with Infant Children Breastfeeding	10.557	W500342	17,149
Women with Infant Children Breastfeeding	10.557	IW100342	5,851
Women with Infant Children Migrant Services	10.557	IW100342	24,171
Women with Infant Children Resident Services	10.557	IW100342	121,277
Total U.S. Department of Agriculture			<u>168,448</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:			
Pass-through from MSHDA:			
CDBG Housing Grant Program	14.228	MSC-2011-0771-HOA	46,164
Total U.S. Department of Housing & Urban Development			<u>46,164</u>
U.S. DEPARTMENT OF INTERIOR:			
Direct:			
Save America's Treasures	15.929	26-09-ML-2009	33,308
Total U.S. Department of Interior			<u>33,308</u>
U.S. DEPARTMENT OF JUSTICE:			
Pass-through from Michigan Department of Community Health:			
Juvenile Accountability Block Grant - ARRA	16.803	MSP-60033-1-13-B	17,104
Total U.S. Department of Justice			<u>17,104</u>
U.S. DEPARTMENT OF TRANSPORTATION:			
Pass-through from Michigan Department of State Police, Emergency Management Division:			
Hazardous Materials Emergency Planning	20.703	N/A	1,330
Administered by the Michigan Department of Transportation:			
Asphalt Shoulder Work Reynolds Road	20.205	STH 10609	144,888
Asphalt Paving Grace Road	20.205	EDDF 10555	846,562
Warren Road from Rogers Road	20.205	STL 10019	70,210
Total MDOT Administered Awards			<u>1,061,660</u>

See accompanying notes to schedule of expenditures of federal awards.

County of Benzie, Michigan

Schedule of Expenditures of Federal Awards For the Year Ended September 30, 2013

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Agency or Pass-Through Number</u>	<u>Federal Expenditures</u>
U.S. DEPARTMENT OF TRANSPORTATION: (Continued)			
Pass-through from State of Michigan Department of Transportation: Administered by the Benzie County Road Commission:			
Asphalt Shoulder Work Reynolds Road	20.205	STL 10609	55,493
Chip Seal and Pavement Marking Cinder Road	20.205	STL 10555	75,178
Total BCRC Administered			<u>130,671</u>
Total U.S. Department of Transportation			<u>1,193,661</u>
U.S. DEPARTMENT OF HOMELAND SECURITY:			
Pass-through from Michigan Department of State Police, Emergency Management Division:			
Emergency Management Performance Grant (EMPG)	97.042	EMW-2013-EP-00044-S01	18,775
2010 Homeland Security Grant	97.067	2009-SS-T9-0060	1,101,859
Total U.S. Department of Homeland Security			<u>1,120,634</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 2,948,444</u>

See accompanying notes to schedule of expenditures of federal awards.

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the County of Benzie, Michigan and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE B - COGNIZANT AGENCY

The County has not been assigned a cognizant agency. Therefore, the County is under the general oversight of the U.S. Department of Interior which provided the greatest amount of direct federal funding to the County during 2013.

NOTE C - FEDERAL GRANTS

The Michigan Department of Transportation (MDOT) requires that all road commissions report all federal and state grants pertaining to their county. During the year ended September 30, 2013, the federal aid received and expended by the road commission was \$1,061,660 for contracted projects. Contracted projects are defined as projects performed by private contractors paid for and administrated by MDOT (they are included in MDOT's single audit). Local force account projects are projects where the road commissions perform the work and would be subject to single audit requirements if they expended \$500,000 or more. Local force account projects amounted to \$130,671.

NOTE D - RECONCILIATION TO STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE

The following is a reconciliation of the amounts reported on the basic financial statements to the Schedule of Expenditures of Federal Awards:

Total Federal per Financial Statements	
Revenues – Governmental Funds	\$ 1,253,054
Add: Component Unit Expenditures	<u>1,695,390</u>
 Total Federal Revenue Recognized per Schedule of Expenditures of Federal Awards	 <u>\$ 2,948,444</u>

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditors' report issued:	Unqualified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiencies identified that are not considered to be material weaknesses?	Yes
Noncompliance material to financial statements noted?	Yes

Federal Awards

Internal control over major programs:	
Material weaknesses identified?	No
Significant deficiencies identified that are not considered to be material weaknesses?	No
Type of auditors' report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	Yes

Identification of Major Programs

<u>CFDA NUMBERS</u>	<u>Name of Federal Program or Cluster</u>
97.067	Homeland Security Grant
Dollar threshold used to distinguish between type A and type B programs:	\$300,000
Auditee qualified as low-risk auditee?	No

Significant Deficiencies

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

Finding 2013-001

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

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

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

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

Cause: Unknown.

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

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

- Contact Person(s) Responsible for Correction:
Michelle Thompson, Treasurer

Section II – Financial Statement Findings (Continued)

Compliance and Other Matters

Noncompliance with State Statutes

Deficit Fund Balance

Finding 2013-002

Criteria: Public Act 275 requires that a deficit reduction plan be submitted to the State of Michigan within (90) days of the end of the fiscal year.

Condition: As of September 30, the County had accumulated fund balance deficits. (See Note 14).

Effect: The County is not in compliance with Public Act 275.

Cause: Failure to implement a deficit reduction plan when required.

Recommendation: We recommend that the individual responsible for general ledger maintenance review the general ledger on a monthly basis to determine if any funds have a deficit fund balance and to implement a deficit reduction plan when required.

Corrective Action Planned: The deficit will be resolved by increasing appropriations from the General Fund.

- Contact Person(s) Responsible for Correction:
Michelle Thompson, Treasurer

Noncompliance with State Statutes

Expenditures in Excess of Appropriations—Budgetary Funds

Finding 2013-003

Criteria: The expenditures of funds in excess of appropriations are contrary to the provisions of Section 16 of Public Act 2 of 1968, as amended.

Condition: Our examination of procedures used by the County of Benzie to adopt and maintain operating budgets for the County’s budgetary fund revealed the following instances of noncompliance with the provisions of Public Act 2 of 1968, as amended, the Uniform Budgeting and Accounting Act.

The County’s 2013 General Appropriations Act (budget) provided for expenditures of the Homeland Security Grant Fund to be controlled to the activity level.

During the fiscal year ended September 30, 2013, expenditures were incurred in excess of amounts appropriated in the amended budget for the Homeland Security Grant Fund on page 56 of the financial statements.

Effect: Condition’s may violate State Law.

Cause: Unknown.

Recommendation: We recommend that the County and personnel responsible for administering the activities of the various funds of the County, develop budgetary control procedures for the Homeland Security Grant Fund, which will assure that expenditures do not exceed amounts authorized in the General Appropriations Act, or amendments thereof.

Corrective Action Planned: The County has agreed to monitor budgets more closely and to insure the receipt of current budget information.

- Contact Person(s) Responsible for Correction:
Michelle Thompson, Treasurer

Section III – Federal Award Findings and Questioned Costs

Significant Deficiencies – Noncompliance with Federal Regulations

Subrecipient Monitoring

Finding 2013-004

Program Award: U.S. Department of Homeland Security – 2010 Homeland Security Grants Program – CFDA No. 97.067, period ended September 30, 2013, pass-through from the Michigan Department of State Police.

Criteria: OMB Circular A-133 requires that a unit of government that passes federal funds to another governmental unit must implement, document and monitor compliance of that organization with the provisions of the OMB circulars and other federal regulations.

Condition: Subrecipient monitoring procedures have not been documented for the federal program including monitoring through site visits, assuring regular audits have been performed and that the federal award benefits were recorded properly on subrecipient financial statements.

Effect: Without adequate review documentation of subrecipient audit reports, single audit compliance reports and other monitoring procedures, compliance with requirements of OMB Circular A-133 and other regulations cannot be assured.

Cause: Audit reports of the subrecipient were not requested or were not available by the participating organization and monitoring is not documented due to insufficient reporting procedures and practices.

Recommendation: Program personnel should implement the appropriate subrecipient monitoring procedures and documentation of those procedures performed to assure compliance with federal regulations.

Corrective Action Planned: The County will implement monitoring and documentation examination procedures.

- Contact Person(s) Responsible for Correction:
Michelle Thompson, Treasurer

- Anticipated Completion Date:
Immediately

Section III – Federal Award Findings and Questioned Costs

NONE.

Additional Information

COUNTY OF BENZIE, MICHIGAN

ADDITIONAL INFORMATION

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ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT ON ADDITIONAL INFORMATION

Honorable Chairman and 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, 2013, 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 & Company, PLC
Certified Public Accountants
Kincheloe, Michigan

February 28, 2014

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, 2013, the County has the following debt issues which apply to SEC Rule 15c2-12:

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

NOTE 2 - TABLES:

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

A. State Equalized Valuation:

	50% of True Value	
2013	\$	1,455,041,795
2012		1,446,019,671
2011		1,488,154,893
2010		1,570,440,129
2009		1,771,098,199
2008		1,761,437,891
2007		1,731,154,154
2006		1,630,247,547
2005		1,487,297,079
2004		1,301,441,654

Source: Benzie County

B. Taxable Valuation:

2013	\$	1,110,839,737
2012		1,099,298,583
2011		1,088,756,179
2010		1,097,564,619
2009		1,066,749,869
2008		1,063,669,558
2007		1,009,191,871
2006		943,504,468
2005		871,219,780
2004		805,938,284

Source: Benzie County

NOTE 2 - TABLES: (Continued)

<u>2013 Breakdown by Use</u>	
Residential	88.61%
Commercial	5.99%
Industrial	.40%
Personal Property	3.89%
Agricultural	1.07%
Timber-Cutover	<u>.04%</u>
 TOTAL	 100.00%
<u>2013 Breakdown by Class</u>	
Real	96.11%
Personal	<u>3.89%</u>
 TOTAL	 100.00%

Source: Benzie County

C. County Tax Rates & Levies:

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
County Operating	3.5144	3.5144	3.5144	3.5144	3.5144
County Operating*	3.4977	2.4977	2.4617	2.9379	2.7472
Voted County (Jail)	<u>0.9000</u>	<u>0.9000</u>	<u>0.9000</u>	<u>0.9000</u>	<u>0.8535</u>
TOTAL COUNTY	7.9121	6.9121	6.8761	7.3523	7.1151
Traverse Bay Area I/S/D	<u>2.9312</u>	<u>2.9312</u>	<u>2.9312</u>	<u>2.9312</u>	<u>2.9312</u>
TOTAL ALL JURISDICTIONS	10.8433	9.8433	9.8073	10.2835	10.0463

*Extra Voted.

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

Source: Benzie County

NOTE 2 - TABLES: (Continued)

D. Tax Collection Record:

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

<u>Year</u>	<u>Tax Levy</u>	<u>Amount</u>	<u>%</u>	<u>%</u>
2013	\$ 36,683,813	\$ 34,538,205	94.15%	100%
2012	35,114,232	33,018,137	94.03%	100%
2011	34,501,022	32,246,500	93.46%	100%
2010	33,628,263	31,209,130	92.80%	100%
2009	33,698,452	31,360,953	93.10%	100%
2008	33,743,134	31,405,879	93.10%	100%
2007	32,640,547	30,340,896	93.00%	100%
2006	30,499,318	28,265,988	92.68%	100%
2005	27,799,725	26,107,645	93.91%	100%
2004	25,534,307	23,596,461	92.41%	100%

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

Source: Benzie County

E. General Fund Revenues and Expenditures:

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Revenues & Transfers In	\$ 5,823,279	\$ 5,701,822	\$ 5,567,265	\$ 5,673,729
Expenditures & Transfers Out	<u>5,534,186</u>	<u>(5,463,467)</u>	<u>(5,356,773)</u>	<u>(5,652,566)</u>
Revenues over(under) expenditures	289,093	238,355	210,492	21,163
Beginning Fund Balance	<u>1,467,818</u>	<u>1,229,463</u>	<u>1,018,971</u>	<u>997,808</u>
ENDING FUND BALANCE	<u>\$ 1,756,911</u>	<u>\$ 1,467,818</u>	<u>\$ 1,229,463</u>	<u>\$ 1,018,971</u>

Source: Benzie County

NOTE 2 - TABLES: (Continued)

F. Debt Statement:

	<u>Gross</u>	<u>Net</u>
Direct Debt of County:		
Building Authority	\$ <u>390,000</u>	\$ <u>390,000</u>
Per Capita County Net Direct Debt		\$ 22.33
Percent County Net Direct Debt to 2013 TV		.035%
 OVERLAPPING DEBT OF COUNTY:		
School Districts		\$ 12,786,549
Cities		1,055,000
Townships		-
Villages		892,000
Intermediate School Districts		<u>-</u>
Net Overlapping Debt		<u>\$ 14,733,549</u>
Net County and Overlapping Debt		<u>\$ 15,123,549</u>
Per Capita County Net Direct and Overlapping Debt		\$ 865.93
Percent Net Direct and Overlapping Debt to 2013 TV		1.36%

Source: County of Benzie and Municipal Advisory Council of Michigan

Note: Estimated population for 2012 is 17,465. Estimated population for 2013 is not available for Benzie County.

Source: U.S. Census Bureau



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COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Benzie, Michigan for the year ended September 30, 2013, and have issued our report thereon dated February 28, 2014. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and, if applicable, *Government Auditing Standards*, and OMB Circular A-133, 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 OMB Circular A-133

As stated in our engagement letter dated August 6, 2013, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

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

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. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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. Also, in accordance with OMB Circular A-133, we examined, on a test basis, evidence about the County of Benzie, Michigan's compliance with the types of compliance requirements described in the "U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement" applicable to each of its major federal programs for the purpose of expressing an opinion on the County of Benzie, Michigan's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on the County of Benzie, Michigan's compliance with those requirements.

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 August 6, 2013.

Significant Accounting Policies

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the County of Benzie, Michigan are described in Note 1 to the financial statements. One new accounting policy was adopted regarding the implementation of GASB Statements 63 and the application of existing policies was not changed during the year. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

- Management's estimate of the depreciation expense is based on estimated lives. We evaluated the key factors and assumptions used to develop the estimate in determining that it is reasonable in relation to the financial statements taken as a whole.
- Management's estimate of the accrued compensated absences is based on current hourly rates and policies regarding payment of sick and vacation banks.
- Management's estimate of the allowance for uncollectible accounts receivable is based on past experience and future expectations for collection of various account balances and has been determined to be \$12,278.

- Management's estimate of the Annual Required Contribution for OPEB Obligations and pension benefits 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. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreement with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated February 28, 2014.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Other Matters

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

Comments and Recommendations

Pension Reporting

In June 2012, the Governmental Accounting Standards Board (GASB) approved a pair of related Statements that implement substantial changes to the accounting and financial reporting of pensions by state and local governments and pension plans. Statement No. 67, *Financial Reporting for Pension Plans* and Statement No. 68, *Accounting and Financial Reporting for Pensions*, establishes new accounting and financial reporting requirements. These requirements include a provision for reporting net pension liabilities on the accrual based statement of net position and measuring investments at fair value as well as additional footnote and required supplementary information disclosures.

The Board and Management should review the procedures for implementation of these new standards effective in fiscal 2014 and assess the impact on the local unit of government's financial reporting.

Conclusion

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

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



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

February 28, 2014