

**County of Benzie, Michigan**

**IL.**

**BASIC FINANCIAL STATEMENTS**

September 30, 2017



BENZIE COUNTY, MICHIGAN

ORGANIZATION

MEMBERS OF THE COUNTY COMMISSION

CHAIR PERSON	GARY SAUER
VICE CHAIR PERSON	EVAN WARSECKE
COMMISSIONER	BOB ROELOFS
COMMISSIONER	COURY CARLAND
COMMISSIONER	ROGER GRINER
COMMISSIONER	TERRY MONEY
COMMISSIONER	ART JEANNOT

APPOINTED/ELECTED OFFICIALS

COUNTY ADMINISTRATOR	MITCH DEISCH
COUNTY TREASURER	MICHELLE L. THOMPSON
COUNTY CLERK	DAWN OLNEY



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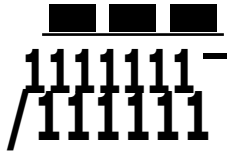
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**ANDERSON, TACKMAN & COMPANY, PLC**  
**CERTIFIED PUBLIC ACCOUNTANTS**

**KINROSS OFFICE**

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**MEMBER AICPA**  
**DIVISION FOR CPA FIRMS**

**MEMBER MACPA**

**OFFICES IN**  
**MICHIGAN & WISCONSIN**

**INDEPENDENT AUDITOR'S REPORT**

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

*Report on the Financial Statements*

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information, of the County of Benzie, Michigan, as of and for the year ending September 30, 2017, 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 12 percent, 16 percent, and 17 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 68 percent, 58 percent, and 77 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, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### *Other Matters*

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, employee retirement and benefits systems and budgetary comparison schedules on pages 4 through 9, pages 63 through 65, and pages 66 through 68 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Benzie, Michigan's basic financial statements. The combining 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 Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.



Honorable Chairman and Members  
of the Board of Commissioners  
County of Ben Tle, Michigan

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 March 19, 2018 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.

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

March 19, 2018



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

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As managers of the County of Benzie, Michigan, we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended September 30, 2017. 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 \$27,828,384 for 2017 and was \$17,550,803 for 2016, an increase of 59%. For 2017, net position for our business-type activities was \$15,527,049 or 56% of total net position, while net position in our governmental activities was \$12,301,335 or 44% of total net position.
- At September 30, 2017, Benzie County's governmental funds report a combined fund balance of \$4,792,721 compared to \$4,657,460 in 2016.
- At September 30, 2017, the fund balance for the general fund was \$1,808,812 with \$17,863 nonspendable for prepaid items.

## Overview of the Financial Statements

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

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

The *statement of net position* presents information on all of the County's assets, deferred outflows of resources 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 10-11 of this report.

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

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

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

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

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

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

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

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

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

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

**Notes to the financial statements.** The notes provide additional information that is essential to fully understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 21-62 of this report.

**Required Supplementary Information.** Required supplementary information related to the County's pension and health plans can be found on pages 63-65 and budgetary comparison information related to the County's major governmental funds can be found on pages 66-68 of this report.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain other information. This includes the combining nonmajor fund financial statements. Combining nonmajor fund financial statements can be found on pages 69-83 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 \$27,828,384 at the close of the most recent fiscal year.

#### Benzie County Net Position

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current Assets	\$ 6,135,153	\$ 5,230,915	\$ 9,434,478	\$ 8,333,943	\$ 15,569,631	\$ 13,564,858
Capital Assets	11,314,373	11,406,469	14,663,330	5,690,405	25,977,703	17,096,874
Total Assets	17,449,526	16,637,384	24,097,808	14,024,348	41,547,334	30,661,732
Deferred Outflows of Resources	1,246,787	2,073,154	966,338	1,453,748	2,213,125	3,526,902
Current Liabilities	623,955	995,471	1,205,600	502,461	1,829,555	1,497,932
Noncurrent Liabilities	5,771,023	11,817,006	8,175,215	3,322	13,946,238	15,139,899
Total Liabilities	6,394,978	12,812,477	9,380,815	3,825,354	15,775,793	16,637,831
Deferred Inflows of Resources			156,282		156,282	
Net Position						
Net Investment in Capital Assets	11,150,212	5,373,952	8,858,662	5,543,144	20,008,874	10,917,096
Restricted	2,477,301	2,577,023	-		2,477,301	2,577,023
Unrestricted	(1,326,178)	(2,052,914)	6,668,387	6,109,598	5,342,209	4,056,684
Total Net Position	\$ 12,301,335	\$ 5,898,061	\$ 15,527,049	\$ 11,652,742	\$ 27,828,384	\$ 17,550,803

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

In addition to the net position invested in capital assets, certain other restrictions on use of net position apply due primarily to legal guidelines. The restricted net position total was \$2,477,301. The remaining balance of unrestricted net position of \$5,342,209 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	
	2017	2016	2017	2016	2017	2016
Program Revenues						
Charges for Services	\$ 3,493,336	\$ 2,552,697	\$ 8,967,445	\$ 8,206,506	\$ 12,460,781	\$ 10,759,203
Operating Grants and Contributions	937,835	867,694	-	-	937,835	867,694
Capital Grants and Contributions	139,072	691,573	3,222,817	-	3,361,889	691,573
General Revenues						
Property Taxes	7,426,728	7,193,059	2,132,833	1,090,208	9,559,561	8,283,267
State Revenue Sharing	343,100	339,785	-	-	343,100	339,785
Investment Earnings- Unrestricted	7,833	8,275	18,443	25,584	26,276	33,859
Other Revenue	108,902	228,642	-	-	108,902	228,642
Total Revenues	12,456,806	11,881,725	14,341,538	9,322,298	26,798,344	21,204,023
Program Expenses						
Legislative	92,509	92,518	-	-	92,509	92,518
Judicial	1,073,126	1,129,991	-	-	1,073,126	1,129,991
General Government	2,067,387	2,072,646	-	-	2,067,387	2,072,646
Public Safety	4,422,444	4,407,002	-	-	4,422,444	4,407,002
Public Works	715,782	333,871	-	-	715,782	333,871
Health and Welfare	1,481,043	1,480,288	-	-	1,481,043	1,480,288
Recreation and Culture	48,336	42,784	-	-	48,336	42,784
Interest Expense - Unallocated	187,714	212,068	-	-	187,714	212,068
Other Expenses	1,772,717	2,215,943	-	-	1,772,717	2,215,943
Medical Care Facility	-	-	8,368,145	7,163,980	8,368,145	7,163,980
Tax Collection	-	-	123,037	99,565	123,037	99,565
Emergency Medical Services	-	-	1,785,632	1,684,510	1,785,632	1,684,510
Sheriff Commissary	-	-	7,528	13,213	7,528	13,213
Total Expenses	11,861,058	11,987,111	10,284,342	8,961,268	22,145,400	20,948,379
Excess (Deficiency)						
Before Transfers	595,748	(105,386)	4,057,196	361,030	4,652,944	255,644
Transfers	182,889	(34,203)	(182,889)	34,203	-	-
Changes in Net Position	778,637	(139,589)	3,874,307	395,233	4,652,944	255,644
Net Position - Beginning - Restatement	11,522,698	6,037,650	11,652,742	11,257,509	23,175,440	17,295,159
Net Position - Ending	<u>\$ 12,301,335</u>	<u>5,898,061</u>	<u>\$ 15,527,049</u>	<u>\$ 11,652,742</u>	<u>\$ 27,828,384</u>	<u>\$ 17,550,803</u>

**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 \$1,808,812.

**General Fund Budgetary Highlights**

The General Fund realized \$316,036 more in revenues than anticipated for the fiscal year. The General Fund operations also expended \$12,493 less than appropriated. Operating Transfers In/Out were less than budgeted and resulted in a negative net budget variance of \$7,577.

All of the General Fund services departments expended less than the budgeted amount for departmental operations in 2017 with the exception of public safety and other expenditures. 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, 2017 the County had \$25,977,703 invested in a range of assets. This includes a net increase of \$8,880,829 from last year as additions exceeded depreciation and deletions.

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

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	\$ 5,931,926	\$ 5,931,926	\$ 47,424	\$ 47,424	\$ 5,979,350	\$ 5,979,350
Construction in Progress				3,914,673		3,914,673
Buildings and Improvements	4,548,404	4,770,372	13,081,319	1,313,396	17,629,723	6,083,768
Land Improvements	50,415	55,682	69,270	3,164	119,685	58,846
Machinery and Equipment	783,628	648,489	1,465,317	411,748	2,248,945	1,060,237
Total	<u>\$ 11,314,373</u>	<u>\$ 11,406,469</u>	<u>\$ 14,663,330</u>	<u>\$ 5,690,405</u>	<u>\$ 25,977,703</u>	<u>\$ 17,096,874</u>

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

### Debt Administration

At the end of fiscal year 2017, the County had outstanding bond debt in the amount of \$5,610,000. This was due to decreasing its bond debt in the amount of \$395,000. All bonds are backed by the County's full faith and credit of the government. The remainder of the County's debt is comprised of bond premiums, installment loans, compensated absences, **OPEB**, and net pension liabilities.

The County reduced its bond debt by \$395,000 in principal payments.

#### Debt Administration

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Bonds	\$ 90,000	\$ 6,005,000	\$ 5,520,000	\$	\$ 5,610,000	\$ 6,005,000
Bond Premium		112,686				112,686
Installment Payables	74,161	27,517	284,668	147,261	358,829	174,778
Net Pension Liability	5,617,526	5,958,751	2,647,924	3,100,044	8,265,450	9,058,795
Compensated Absences	132,803	117,721	147,612	125,369	280,415	243,090
Total	<u>\$ 5,914,490</u>	<u>\$ 12,221,675</u>	<u>\$ 8,600,204</u>	<u>\$ 3,372,674</u>	<u>\$ 14,514,694</u>	<u>\$ 15,594,349</u>

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

### Economic Factors and Next Year's Budgets and Rates

One large capital project is expected to continue in FY 2017-18, notably construction with the Point Betsie Lighthouse. These projects will impact two operational departments, notably the Treasurer's office (who provides grant administration and support to the County Building Authority) and the Building Department (permits and inspections).

Benzie County's financial challenges are being addressed through a new strategic plan that will eventually provide multi-year budgeting and projections. The County will also establish processes to closely monitor capital and operational expenses. While the fiscal performance in FY 2016-17 was significantly better than expected, the concerns with personal property tax reduction, court reform and state revenue sharing, along with containing operational costs will be diligently monitored.

### Requests for Information

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

## **Basic Financial Statements**

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Statement of Net Position  
September 30, 2017

	Primary Government			
	Governmental Activities	Business-type Activities	Totals	Component Units
<b>ASSETS:</b>				
Cash and Equivalents - Unrestricted	\$ 4,169,870	\$ 3,688,898	\$ 7,858,768	\$ 1,827,703
Cash and Equivalents - Restricted		314,083	314,083	
Investments	145,508	3,046,850	3,192,358	
Receivables:				
Accounts	263,610	1,171,369	1,434,979	917,527
Loans	865,932		865,932	-
Taxes	657,911	968,727	1,626,638	
Interest		103,316	103,316	-
Notes		-	-	63,618
Prepaid Items	32,322	3,591	35,913	34,136
Due from Governmental Units				305,048
Other Assets		137,644	137,644	-
Inventories		-	-	297,889
Net Pension Asset		-	-	74,510
Capital Assets (Not Depreciated)	5,931,926	47,424	5,979,350	1,699,861
Capital Assets (Net of Accumulated Depreciation)	5,382,447	14,615,906	19,998,353	17,461,026
<b>TOTAL ASSETS</b>	<b>17,449,526</b>	<b>24,097,808</b>	<b>41,547,334</b>	<b>22,681,318</b>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>				
Pension Investment Experience and Contributions	1,246,787	966,338	2,213,125	645,758
<b>LIABILITIES:</b>				
Accounts Payable	387,443	464,280	851,723	269,542
Accrued Liabilities	89,057	224,551	313,608	146,485
Accrued Interest Payable	3,988	-	3,988	-
Due to Others		91,780	91,780	-
Advances from State		-	-	247,727
Installment Loans - Due within one year	53,467	99,989	153,456	7,277
Installment Loans - Due in more than one year	20,694	184,679	205,373	103,961
Bonds Payable - Due within one year	90,000	325,000	415,000	
Bonds Payable - Due in more than one year		5,195,000	5,195,000	-
Other Post Employment Benefits - Due in more than one year		-	-	3,353
Net Pension Liability - Due in more than one year	5,617,526	2,647,924	8,265,450	5,036,327
Vested Employee Benefits - Due in more than one year	132,803	147,612	280,415	159,989
<b>TOTAL LIABILITIES</b>	<b>6,394,978</b>	<b>9,380,815</b>	<b>15,775,793</b>	<b>5,974,661</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>				
Pension Investment Experience		156,282	156,282	33,118
<b>NET POSITION:</b>				
Net Investment in Capital Assets	11,150,212	8,858,662	20,008,874	19,168,164
Restricted	2,477,301		2,477,301	
Unrestricted	(1,326,178)	6,668,387	5,342,209	(1,848,867)
<b>TOTAL NET POSITION</b>	<b>\$ 12,301,335</b>	<b>\$ 15,527,049</b>	<b>\$ 27,828,384</b>	<b>\$ 17,319,297</b>

# County of Benzie, Michigan

## Statement of Activities Year Ended September 30, 2017

		Program Revenues			Net (Expense) Revenue and Changes in Net Position			
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units
					Governmental Activities	Business-type Activities	Total	
Governmental Activities:								
Legislative	\$ 92,509	\$ -	\$ 210,714		\$ (92,509)	\$	\$ (92,509)	\$
Judicial	1,073,126	255,461	210,714		(606,951)		(606,951)	
General Government	2,067,387	555,261	218,970		(1,293,156)		(1,293,156)	
Public Safety	4,422,444	1,395,428	113,488		(2,913,528)		(2,913,528)	
Public Works	715,782	333,135	345,576		(37,071)		(37,071)	
Health and Welfare	1,481,043	953,595	49,087	39,596	(438,765)		(438,765)	
Recreation and Culture	48,336	456		99,476	51,596		51,596	
Interest Expense - Unallocated	187,714				(187,714)		(187,714)	
Other Expenses	1,772,717				(1,772,717)		(1,772,717)	
Total Governmental Activities	11,861,058	3,493,336	937,835	139,072	(7,290,815)		(7,290,815)	
Business-type Activities:								
Tax Collection	123,037	649,158				526,121	526,121	
Emergency Medical Services	1,785,632	979,634				(805,998)	(805,998)	
Sheriff Commissary	7,528	6,221				(1,307)	(1,307)	
Medical Care Facility	8,368,145	7,332,432		3,222,817		2,187,104	2,187,104	
Total Business-type Activities	10,284,342	8,967,445		3,222,817		1,905,920	1,905,920	
Total Primary Government	\$ 22,145,400	\$ 12,460,781	\$ 937,835	\$ 3,361,889	(7,290,815)	1,905,920	(5,384,895)	
Component Units:								
Road Commission	\$ 4,920,330	\$ 838,608	\$ 1,871,869	\$ 2,502,638				292,785
Benzie/Leelanau Health Dept.	2,915,857	864,247	1,192,927					(858,683)
Benzie Transportation Authority	1,730,687	135,367	944,686	171,920				(478,714)
Economic Development Corporation	37,080	3,990						(33,090)
Total Component Units	9,603,954	1,842,212	4,009,482	2,674,558				(1,077,702)
Total	\$ 31,749,354	\$ 14,302,993	\$ 4,947,317	\$ 6,036,447				
General Revenues and Transfers:								
Taxes - Real and Personal					7,426,728	2,132,833	9,559,561	1,583,843
Appropriations								514,111
State Revenue Sharing					343,100	-	343,100	
Investment Earnings (Loss)					7,833	18,443	26,276	8,483
Rent					108,902		108,902	320,147
Gain (Loss) on Disposal								33,086
Transfers					182,889	(182,889)		
Total General Revenues and Transfers					8,069,452	1,968,387	10,037,839	2,459,670
Changes in Net Position					778,637	3,874,307	4,652,944	1,381,968
Net Position - Beginning - Restated					11,522,698	11,652,742	23,175,440	15,937,329
Net Position - Ending					\$ 12,301,335	\$ 15,527,049	\$ 27,828,384	\$ 17,319,297

# County of Benzie, Michigan

## Balance Sheet Governmental Funds September 30, 2017

	General	Jail Operations	Nonmajor Governmental Funds	Total
<b>ASSETS:</b>				
Cash and Equivalents	\$ 1,320,970	\$ 95,784	\$ 2,753,116	\$ 4,169,870
Investments			145,508	145,508
Receivables:				
Accounts	49,536	14,937	199,137	263,610
Loans			865,932	865,932
Taxes	657,911			657,911
Prepaid Items	17,863	8,673	5,786	32,322
<b>TOTAL ASSETS</b>	<b>\$ 2,046,280</b>	<b>119,394</b>	<b>\$ 3,969,479</b>	<b>\$ 6,135,153</b>
<b>LIABILITIES:</b>				
Accounts Payable	\$ 182,594	\$ 32,760	\$ 172,089	\$ 387,443
Accrued Liabilities	54,874	19,216	14,967	89,057
<b>TOTAL LIABILITIES</b>	<b>237,468</b>	<b>51,976</b>	<b>187,056</b>	<b>476,500</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>				
Unavailable Revenue - Loans			865,932	865,932
<b>FUND BALANCES:</b>				
Nonspendable	17,863	8,673	5,786	32,322
Restricted		58,745	2,418,556	2,477,301
Committed			166,997	166,997
Assigned			325,152	325,152
Unassigned	1,790,949			1,790,949
<b>TOTAL FUND BALANCES</b>	<b>1,808,812</b>	<b>67,418</b>	<b>2,916,491</b>	<b>4,792,721</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</b>	<b>\$ 2,046,280</b>	<b>\$ 119,394</b>	<b>\$ 3,969,479</b>	
<b>Reconciliation to amounts reported for governmental activities in the statement of net position:</b>				
Capital Assets used by Governmental Activities				11,314,373
Unavailable revenue - recognized as current revenue				865,932
Long-term Debt Payable for Governmental Activities				(164,161)
Net Pension Liability and Deferred Outflows				(4,370,739)
Vested Employee Benefits				(132,803)
Accrued Interest Payable				(3,988)
<b>Net position of governmental activities</b>				<b>\$ 12,301,335</b>

# County of Benzie, Michigan

## Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds Year Ended September 30, 2017

	General	Jail Operations	Nonmajor Governmental Funds	Total
REVENUES:				
Taxes	\$ 4,566,255	\$ 1,055,253	\$ 1,805,220	\$ 7,426,728
Licenses and Permits	45,736			45,736
Federal Sources	50,366		332,951	383,317
State Sources	742,830		165,708	908,538
Local Sources			90,173	90,173
Contributions			37,979	37,979
Charges for Services	578,729	188,238	1,486,976	2,253,943
Refunds and Reimbursements	183,324	22,604	78,505	284,433
Interest and Rentals	5,053		111,682	116,735
Other Revenue			43,292	43,292
TOTAL REVENUES	6,172,293	1,266,095	4,152,486	11,590,874
EXPENDITURES:				
Legislative	92,509			92,509
Judicial	1,057,737		20,469	1,078,206
General Government	1,658,650		44,693	1,703,343
Public Safety	1,058,811	1,540,801	1,488,808	4,088,420
Public Works			699,046	699,046
Health and Welfare	430,236		1,044,156	1,474,392
Recreation and Cultural	7,442		19,190	26,632
Capital Outlay			521,753	521,753
Debt Service			604,122	604,122
Other Expenditures	1,406,392			1,406,392
TOTAL EXPENDITURES	5,711,777	1,540,801	4,442,237	11,694,815
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	460,516	(274,706)	(289,751)	(103,941)
OTHER FINANCING SOURCES (USES):				
Installment Loan Proceeds	26,026	14,790	15,497	56,313
Operating Transfers In	129,737	276,262	429,022	835,021
Operating Transfers Out	(452,132)		(200,000)	(652,132)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	164,147	16,346	(45,232)	135,261
FUND BALANCES, OCTOBER 1	1,644,665	51,072	2,961,723	4,657,460
FUND BALANCES, SEPTEMBER 30	\$ 1,808,812	\$ 67,418	\$ 2,916,491	\$ 4,792,721

**Reconciliation of the Statement of Revenues, Expenditures,  
and Changes in Fund Balance of Governmental Funds  
to the Statement of Activities  
Year Ended September 30, 2017**

Net changes in fund balance - total governmental funds	\$ 135,261
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The change in net position reported for governmental activities in the statement is different because:

Governmental funds reported capital outlays as expenditures. However, in the statement of activities the cost of those assets is capitalized and the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation (\$473,954) exceeded capital outlay \$393,319 and loss on disposal of (\$11,461) in the current period.	(92,096)
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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	395,000
Installments Payable	9,669

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

Installment Proceeds	(56,313)
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Notes are recorded in the statement of activities as revenues when executed; they are not reported in the funds until collected or collectible within 60 days after year end.	865,932
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Under the modified accrual basis of accounting used in governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. This adjustment combines the following net changes:

Pension Expense and Deferred Outflows	(485,142)
Accrued Interest on Bonds	13,359
Amortization of Bond Premium	8,049
Vested Employee Benefits	(15,082)

Changes in net position of governmental activities	\$ 778,637
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Statement of Net Position  
Proprietary Funds  
September 30, 2017

	Enterprise Funds				
	County Medical Care Facility	Delinquent Tax Revolving	Emergency Medical Services	Nonmajor Enterprise Funds	Totals
<b>ASSETS:</b>					
Cash and Equivalents - Unrestricted	\$ 1,227,537	\$ 1,445,223	\$ 130,256	\$ 885,882	\$ 3,688,898
Cash and Equivalents - Restricted	314,083		-		314,083
Investments	-	3,046,850			3,046,850
Receivables:					
Accounts	844,360	38,780	288,229		1,171,369
Taxes	-	968,727	-		968,727
Interest		103,316	-		103,316
Prepaid Items	-	-	3,591		3,591
Other Assets	137,644				137,644
Capital Assets (Not Depreciated)	12,424		35,000		47,424
Capital Assets (Net of Accumulated Depreciation)	13,964,760		651,146		14,615,906
<b>TOTAL ASSETS</b>	<b>16,500,808</b>	<b>5,602,896</b>	<b>1,108,222</b>	<b>885,882</b>	<b>24,097,808</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Pension Investment Experience and Contributions	824,065		142,273		966,338
<b>LIABILITIES:</b>					
Accounts Payable	270,676		193,004	600	464,280
Accrued Liabilities	205,317		19,234		224,551
Due to Others		91,780			91,780
Vested Employee Benefits - Due in more than one year	147,612				147,612
Net Pension Liability - Due in more than one year	1,951,360		696,564		2,647,924
Bonds Payable - Due within one year	325,000				325,000
Bonds Payable - Due in more than one year	5,195,000				5,195,000
Installment Payable - Due within one year			99,989		99,989
Installment Payable - Due in more than one year			184,679		184,679
<b>TOTAL LIABILITIES</b>	<b>8,094,965</b>	<b>91,780</b>	<b>1,193,470</b>	<b>600</b>	<b>9,380,815</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Pension Investment Experience	156,282				156,282
<b>NET POSITION:</b>					
Net Investment in Capital Assets	8,457,184	-	401,478		8,858,662
Unrestricted	616,442	5,511,116	(344,453)	885,282	6,668,387
<b>TOTAL NET POSITION</b>	<b>\$ 9,073,626</b>	<b>\$ 5,511,116</b>	<b>\$ 57,025</b>	<b>\$ 885,282</b>	<b>\$ 15,527,049</b>

Statement of Revenues, Expenses, and  
Changes in Net Position - Proprietary Funds  
Year Ended September 30, 2017

	Enterprise Funds				
	County Medical Care Facility	Delinquent Tax Revolving	Emergency Medical Services	Nonmajor Enterprise Funds	Totals
OPERATING REVENUES:					
Taxes and Penalties	\$ 1,189,082	\$	\$ 943,751	\$ -	\$ 2,132,833
Charges for Services	7,289,695	83,518	949,166	353,568	8,675,947
Interest and Rentals	-	218,293	-		218,293
Refunds and Reimbursements	-		30,468		30,468
Other Revenue	42,737		-		42,737
Total Operating Revenues	8,521,514	301,811	1,923,385	353,568	11,100,278
OPERATING EXPENSES:					
Personal Services '	5,657,817		1,239,755	16,560	6,914,132
Contractual Services	517,292		58,021		575,313
Utilities	170,017		23,241		193,258
Repair and Maintenance	70,139		93,861		164,000
Insurance	-		60,141		60,141
Other Supplies and Expenses	1,377,673	5,238	118,725	108,767	1,610,403
Depreciation	305,773		185,492		491,265
Total Operating Expenses	8,098,711	5,238	1,779,236	125,327	10,008,512
OPERATING INCOME (LOSS)	422,803	296,573	144,149	228,241	1,091,766
NON-OPERATING REVENUES (EXPENSES):					
Interest on Deposits	808	16,280	1	1,354	18,443
Impairment Loss	(69,434)				(69,434)
Interest and Fiscal Charges	(200,000)		(6,396)		(206,396)
Total Non-Operating Revenues (Expenses)	(268,626)	16,280	(6,395)	1,354	(257,387)
INCOME (LOSS) BEFORE TRANSFERS	154,177	312,853	137,754	229,595	834,379
OTHER FINANCING SOURCES (USES):					
Capital Contributions - Local	3,222,817				3,222,817
Operating Transfers In		14,020	-		14,020
Operating Transfers Out		(99,382)	(5,990)	(91,537)	(196,909)
Total Other Financing Sources (Uses):	3,222,817	(85,362)	(5,990)	(91,537)	3,039,928
CHANGES IN NET POSITION	3,376,994	227,491	131,764	138,058	3,874,307
NET POSITION - BEGINNING - RESTATED	5,696,632	5,283,625	(74,739)	747,224	11,652,742
NET POSITION - ENDING	\$ 9,073,626	\$ 5,511,116	\$ 57,025	885,282	\$ 15,527,049

# County of Benzie, Michigan

## Statement of Cash Flows Proprietary Funds Year Ended September 30, 2017

	Enterprise Funds				
	County Medical Care Facility	Delinquent Tax Revolving	Emergency Medical Services	Nonmajor Enterprise Funds	Totals
CASH FLOWS FROM OPERATING ACTIVITIES:					
Receipts from Customers	\$ 8,391,612	\$ 2,334,351	\$ 1,878,781	\$ 354,168	\$ 12,958,912
Payments to Suppliers	(574,843)	(1,997,181)	(195,075)	(125,327)	(2,892,426)
Payments to Employees	(6,888,152)		(1,163,636)		(8,051,788)
Internal Activity - Receipts(Payments) with Other Funds		270,000	(200,000)		70,000
Net Cash Provided (Used) by Operating Activities	928,617	607,170	320,070	228,841	2,084,698
CASH FLOWS FROM NON-CAPITAL AND RELATED FINANCING ACTIVITIES:					
Operating Transfers In		14,020			14,020
Operating Transfers Out		(99,382)	(5,990)	(91,537)	(196,909)
Net Cash Provided (Used) by Non-Capital and Related Financing Activities		(85,362)	(5,990)	(91,537)	(182,889)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Acquisition of Capital Assets	(83,640)		(387,167)		(470,807)
Proceeds from Sale of Capital Assets	8,500				8,500
Loan Proceeds			187,189		187,189
Principal Payments	(320,000)		(49,781)		(369,781)
Interest Payments	(200,000)		(6,396)		(206,396)
Net Cash Provided (Used) by Capital and Related Financing Activities	(595,140)		(256,155)		(851,295)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Purchase of Investments		(1,616,723)			(1,616,723)
Interest Income	808	16,280		1,354	18,443
Net Cash Provided (Used) by Investing Activities	808	(1,600,443)		1,354	(1,598,280)
Net Increase (Decrease) in Cash and Cash Equivalents	334,285	(1,078,635)	57,926	138,658	(547,766)
Balances - Beginning of the Year	1,207,335	2,523,858	72,330	747,224	4,550,747
Balances - End of the Year	\$ 1,541,620	\$ 1,445,223	\$ 130,256	\$ 885,882	\$ 4,002,981
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Operating Income (Loss)	\$ 422,803	\$ 296,573	\$ 144,149	\$ 228,241	\$ 1,091,766
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Depreciation	305,773		185,492		491,265
Provision for Bad Debts	38,015				38,015
Amortization of Deferrals	149,024				149,024
Change in Assets and Liabilities:					
(Increase) Decrease in Assets and Deferred Outflows:					
Accounts Receivable	(159,417)		(44,604)		(204,021)
Prepaid Items	(21,072)				(21,072)
Taxes Receivable		39,496			39,496
Due from Other Funds		270,000		600	270,600
Pension Investment Experience and Contributions	176,856		113,959		290,815
Increase (Decrease) in Liabilities:					
Accounts Payable	149,373		158,914		308,287
Accrued Liabilities	82,562		3,627		86,189
Due to Other Funds			(200,000)		(200,000)
Due to Other Governments		1,101			1,101
Net Pension Liability and Related Inflows & Outflows	(215,300)		(41,467)		(256,767)
Net Cash Provided (Used) by Operating Activities	\$ 928,617	\$ 607,170	\$ 320,070	\$ 228,841	\$ 2,084,698



Statement of Fiduciary Net Position  
Fiduciary Funds  
September 30, 2017

	<u>Agency Funds</u>
ASSETS:	
Cash and Equivalents:	
Unrestricted	<u>\$ 2,356,387</u>
TOTAL ASSETS	<u><u>\$ 2,356,387</u></u>
LIABILITIES:	
Due to Others	<u>\$ 2,356,387</u>
TOTAL LIABILITIES	<u><u>\$ 2,356,387</u></u>

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## **Component Units**

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Statement of Net Position  
Component Units  
September 30, 2017

	Road Commission	Benzie/ Leelanau District Health Dept.	Benzie Transportation Authority	Economic Development Corporation	Totals
<b>ASSETS:</b>					
Cash and Equivalents - Unrestricted	\$ 1,209,647	\$ 269,440	\$ 346,185	\$ 2,431	\$ 1,827,703
Accounts Receivable	852,296	62,240	2,991		917,527
Notes Receivable		-	-	63,618	63,618
Due from Governmental Units		245,360	59,688		305,048
Inventories	250,378		47,511		297,889
Prepaid Items		34,136	-		34,136
Net Pension Asset			74,510		74,510
Capital Assets (Not Depreciated)	1,699,861				1,699,861
Capital Assets (Net of Accumulated Depreciation)	15,218,306	14,477	2,228,243		17,461,026
<b>TOTAL ASSETS</b>	<b>19,230,488</b>	<b>625,653</b>	<b>2,759,128</b>	<b>66,049</b>	<b>22,681,318</b>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>					
Pension Investment Experience and Contributions	481,382	72,129	92,247		645,758
<b>LIABILITIES:</b>					
Accounts Payable	116,182	10,462	142,898		269,542
Accrued Liabilities	51,663	60,862	33,960		146,485
Advances	247,727		-		247,727
Note Payable - Due within one year	7,277				7,277
Note Payable - Due in more than one year	103,961				103,961
Other Post Employment Benefits - Due in more than one year	3,353			-	3,353
Net Pension Liability - Due in more than one year	4,768,379	267,948		-	5,036,327
Vested Employee Benefits - Due in more than one year	74,051	85,938		-	159,989
<b>TOTAL LIABILITIES</b>	<b>5,372,593</b>	<b>425,210</b>	<b>176,858</b>		<b>5,974,661</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>					
Pension Investment Experience		2,784	30,334		33,118
<b>NET POSITION:</b>					
Net Investment in Capital Assets	16,925,444	14,477	2,228,243	-	19,168,164
Unrestricted	(2,586,167)	255,311	415,940	66,049	(1,848,867)
<b>TOTAL NET POSITION</b>	<b>\$ 14,339,277</b>	<b>\$ 269,788</b>	<b>\$ 2,644,183</b>	<b>\$ 66,049</b>	<b>\$ 17,319,297</b>

# County of Benzie, Michigan

## Statement of Activities Component Units Year Ended September 30, 2017

Functions/Programs	Expenses	Program Revenues			Road Commission	Net (Expense) Revenue and Changes in Net Position			Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		Benzie/ Leelanau District Health Dept.	Benzie Transportation Authority	Economic Development Corporation	
Road Commission									
Public Works	\$ 4,920,330	\$ 838,608	\$ 1,871,869	\$ 2,502,638	\$ 292,785	\$	\$ -	\$	\$ 292,785
Benzie/Leelanau District Health Dept.									
Health and Welfare	2,915,857	864,247	1,192,927	-		(858,683)	-		(858,683)
Benzie Transportation Authority									
Transportation	1,730,687	135,367	944,686	171,920			(478,714)		(478,714)
Economic Development Corporation									
Public Works	37,080	3,990			-		-	(33,090)	(33,090)
Total Component Units	<u>\$ 9,603,954</u>	<u>\$ 1,842,212</u>	<u>\$ 4,009,482</u>	<u>\$ 2,674,558</u>	292,785	(858,683)	(478,714)	(33,090)	(1,077,702)
General Revenues:									
County Appropriations					-	514,111	-		514,111
Taxes - Real Property					998,428	-	585,415		1,583,843
Investment Earnings					7,149	432	883	19	8,483
Gain (Loss) on Disposal					58,664	-	(25,578)	-	33,086
Rent					-	320,147			320,147
Total General Revenues					1,064,241	834,690	560,720	19	2,459,670
Changes in Net Position					1,357,026	(23,993)	82,006	(33,071)	1,381,968
Net Position - Beginning					12,982,251	293,781	2,562,177	99,120	15,937,329
Net Position - Ending					<u>\$ 14,339,277</u>	<u>\$ 269,788</u>	<u>\$ 2,644,183</u>	<u>\$ 66,049</u>	<u>\$ 17,319,297</u>

## **Notes to Financial Statements**

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**NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A — Reporting Entity:**

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

**Component Units:**

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

**Blended Component Units**

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

**Discretely Presented Component Units**

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

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

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

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

Benzie County Road Commission  
11318 Main Street  
Honor, Michigan 49640

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

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

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

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

Benzie Transportation Authority  
14150 Honor Highway  
Beulah, Michigan 49619

**Jointly Governed Organization**

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

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

**Related Organization**

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

**B — Government-Wide and Fund Financial Statements**

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

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

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

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

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

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

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

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

**Taxes Receivable — Current or Property Taxes**

The County of Benzie property tax is levied on each December <sup>15<sup>th</sup></sup> and July 1<sup>st</sup> on the taxable valuation of property (as defined by State statutes) located in the County of Benzie as of the preceding December 31<sup>st</sup>.

Although the County of Benzie 2016 ad valorem tax is levied and collectible on December 1, 2016, and 2017 ad valorem tax is levied and collectible on July 1, 2017, it is the County of Benzie's policy to recognize revenue from the current tax levy in the current year when the proceeds of this levy are budgeted and made "available" for the financing of operations. "Available" means collected within the current period or expected to be paid from the delinquent tax revolving funds within one year.

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

The 2016 taxable valuation of the County of Benzie totaled \$1,170,367,636, (not including renaissance zone) on which ad valorem taxes levied consisted of 0.9976 mills for Medical Care Facility Debt and Operations, .6557 mills for Commission on Aging, .8942 mills for Jail Operations, .0975 mills for Animal Control, .8000 mills for Ambulance Millage, .0400 mills for Soldier Relief, .0993 mills for the Conservation District, 0.9936 mills for Roads, and .0993 mills for TNT operations. These amounts are recognized in the respective General, Special Revenue, Debt Service, and Enterprise Fund financial statements as tax revenue.

The July 1, 2017 taxable valuation of County of Benzie totaled \$1,199,224,010, (not including renaissance zone) on which ad valorem taxes levied consisted of 3.4692 mills for the General Fund, this amount is recognized in the General Fund financial statements as revenue.

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

The County reports the following major governmental funds:

**General Fund**

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

**Jail Operations Fund**

This fund accounts for the operation of the jail.

The County reports the following major proprietary funds:

**County Medical Care Facility**

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

**Delinquent Tax Revolving Fund**

This fund accounts for the collection of delinquent taxes.

**Emergency Medical Services Fund**

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

Additionally, the County reports the following fund types:

**Special Revenue Funds**

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

**Debt Service Funds**

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

**NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****Capital Project Fund**

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

**Enterprise Funds**

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

**Agency Funds**

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

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

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

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

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

Bank Deposits and Investments — Deposits and investments are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. Pooled investment income from all funds 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 1" and July 1" on the taxable valuation of property as of the preceding December 31". Taxes are considered 'delinquent on March Pt 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 Employee Benefits Payable — County General Employees - The County's employment policies provide for vacation benefits to be earned in varying amounts depending on the employee's years of service.

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

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

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

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

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

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

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

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

- Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The County has classified Prepaid Items as being Nonspendable as these items are not expected to be converted to cash within the next year. The County has \$32,322 in Nonspendable fund balance.
- Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The County has restricted \$2,477,301 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 \$166,997 for special fund purposes.
- Assigned: This classification includes amounts that are constrained by the County's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the County through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund.
- Unassigned: This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

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

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

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

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

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

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

**NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

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

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

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

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

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

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

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



NOTE 3- DEPOSITS AND INVESTMENTS

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

	Governmental Activities	Business-type Activities	Total Primary Government	Fiduciary Funds	Component Units
Cash and Cash Equivalents - Unrestricted	\$ 4,169,870	\$ 3,688,898	\$ 7,858,768	\$ 2,356,387	\$ 1,827,703
Restricted		314,083	314,083		
Total	4,169,870	\$ 4,002,981	\$ 8,172,851	\$ 2,356,387	\$ 1,827,703

The breakdown between deposits and investments is as follows:

	Primary Government	Fiduciary Funds	Component Units
Bank Deposits (checking and savings accounts, certificates of deposit, and money markets)	8,171,351	\$ 2,356,387	\$ 1,826,638
Petty Cash and Cash on Hand	1,500		1,065
Total	\$ 8,172,851	\$ 2,356,387	\$ 1,827,703

	Fair Value	Less Than 1	1-5	6-10	More Than 10
Investments:					
Treasury Securities	\$ 3,192,358	\$ 1,491,625	\$ 1,700,733	\$ -	\$ -
Total Investments	\$ 3,192,358	\$ 1,491,625	\$ 1,700,733	\$ -	\$ -

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

**Credit risk.** State law limits investments in commercial paper, corporate bonds, and mutual bond funds to the top two ratings issued by nationally recognized statistical rating organizations. The County has no investment policy that would further limit its investment choices. The County had investments in the following funds at September 30, 2017:

Fund Name	Ticker/CUSTP	S&P Rating
MI-010257-0001 DTRF	N/A	AAAm
MI-01-0257-0004 Jail Reserve	N/A	AAAm
Anchor Bay Mich Sch Dist	032879TC2	AA-
Fed Home LN BK STEP	3130A9N23	AA+
Credit Agricole CEB C/P	22533UAG8	A1
Abbey Natl Treas Srvcs PLC C/P	00280PCC7	A1

**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.

**NOTE 3- DEPOSITS AND INVESTMENTS (Continued)**

*Custodial deposit credit risk.* Custodial deposit credit risk is the risk that in the event of a bank failure, the County's deposits may not be returned. State law does not require and the County does not have a policy for deposit custodial credit risk. As of year end, \$9,528,393 of the County's bank balance of \$11,037,602 was exposed to credit risk because it was uninsured and uncollateralized. \$1,509,209 was insured and collateralized by the pledging financial institution.

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

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

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

The County has the following fair value measurements as of September 30, 2017:

	Total	Level 1	Level 2	Level 3
Government Securities	\$ 1,193,556	\$ -	\$ 1,193,566	\$ -
Corporate Fixed Income	1,491,625	-	1,491,625	-
Municipal Bonds	507,177	-	507,177	-
Total	\$ 3,192,358	\$ -	\$ 3,192,358	\$ -

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:

- Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- 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).
- 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.
- Repurchase agreements consisting of instruments listed in subdivision (a).

**NOTE 3- DEPOSITS AND INVESTMENTS (Continued)**

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

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

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

**NOTE 4 - CAPITAL ASSETS**

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

	<b>Beginning Balances</b>	<b>Additions</b>	<b>Adjustments/ Deductions</b>	<b>Ending Balances</b>
<b>Governmental Activities:</b>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 5,931,926	\$	-	\$ 5,931,926
<i>Capital assets being depreciated:</i>				
Buildings and improvements	8,595,660			8,595,660
Land improvements	74,865			74,865
Machinery and equipment	2,629,587	393,319	(47,287)	2,975,619
Subtotal	<u>11,300,112</u>	<u>393,319</u>	<u>(47,287)</u>	<u>11,646,144</u>

## NOTE 4- CAPITAL ASSETS (Continued)

	Beginning Balances	Additions	Adjustments/ Deductions	Ending Balances
<i>Less accumulated depreciation for:</i>				
Buildings and improvements	(3,825,288)	(221,968)		(4,047,256)
Land improvements	(19,183)	(5,267)		(24,450)
Machinery and equipment	(1,981,098)	(246,719)	35,826	(2,191,991)
Subtotal	(5,825,569)	(473,954)	35,826	(6,263,697)
Net Capital Assets Being Depreciated	5,474,543	(80,635)	(11,461)	5,382,447
Capital Assets — Net	\$ 11,406,469	\$ (80,635)	\$ (11,461)	\$ 11,314,373

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

## Governmental Activities:

Judicial	5,782
General Government	141,711
Public Safety	286,335
Public Works	11,160
Health and Welfare	7,262
Recreation and Culture	21,704

Total Governmental Activities 473,954

	Beginning Balances	Additions	Adjustments/ Deductions	Ending Balances
<b>Business-type Activities:</b>				
<i>Capital assets not being depreciated:</i>				
Land	47,424	\$		47,424
Construction in progress	3,914,673		3,914,673	
Subtotal	3,962,097		3,914,673	47,424
<i>Capital assets being depreciated:</i>				
Land improvements	91,661	68,604	12,165	148,100
Buildings and improvements	3,912,967	12,090,850	788,517	15,215,300
Machinery and equipment	2,316,346	1,288,843	592,079	3,013,110
Subtotal	6,320,974	13,448,297	1,392,761	18,376,510
<i>Less accumulated depreciation for:</i>				
Land improvements	(88,497)	(2,498)	12,165	(78,830)
Buildings and improvements	(2,599,571)	(255,341)	720,931	(2,133,981)
Machinery and equipment	(1,904,598)	(233,426)	590,231	(1,547,793)
Subtotal	(4,592,666)	(491,265)	1,323,327	(3,760,604)
Net Capital Assets Being Depreciated	1,728,308	12,957,032	69,434	14,615,906
Capital Assets — Net	\$ 5,690,405	\$ 12,957,032	\$ 3,984,107	\$ 14,663,330

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

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

Business-type Activities:	
Medical Care Facility	305,773
Emergency Medical Services	<u>185,492</u>
Total Business-Type Activities	<u>491,265</u>

**BENZIE COUNTY ROAD COMMISSION**

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

	Beginning Balances	Additions	Adjustments/ Deductions	Ending Balances
<i>Capital assets not being depreciated:</i>				
Land	\$ 12,708	\$ -	-	\$ 12,708
Land Improvements	1,687,153		-	1,687,153
Subtotal	<u>1,699,861</u>			<u>1,699,861</u>
<i>Capital assets being depreciated:</i>				
Buildings	1,162,076			1,162,076
Road Equipment	5,185,235	641,340	(416,384)	5,410,191
Shop Equipment	151,316	14,940		166,256
Office Equipment	54,590	4,693		59,283
Engineer's Equipment	39,345			39,345
Yard and Storage	245,442	197,732	-	443,174
Infrastructure	15,805,160	2,502,638	(118,005)	18,189,793
Subtotal	<u>22,643,164</u>	<u>3,361,343</u>	<u>(534,389)</u>	<u>25,470,118</u>
<i>Less accumulated depreciation for:</i>				
Buildings	(1,044,146)	(15,403)		(1,059,549)
Road Equipment	(4,175,029)	(378,643)	416,384	(4,137,288)
Shop Equipment	(126,764)	(10,805)		(137,569)
Office Equipment	(41,589)	(2,935)	220	(44,304)
Engineer's Equipment	(39,979)	(1,907)	3,780	(38,106)
Yard and Storage	(191,779)	(10,419)	-	(202,198)
Infrastructure	(3,892,684)	(858,119)	118,005	(4,632,798)
Subtotal	<u>(9,511,970)</u>	<u>(1,278,231)</u>	<u>538,389</u>	<u>(10,251,812)</u>
Net Capital Assets Being Depreciated	<u>13,131,194</u>	<u>2,083,112</u>	<u>4,000</u>	<u>15,218,306</u>
Capital Assets—Net	<u>14,831,055</u>	<u>\$ 2,083,112</u>	<u>\$ 4,000</u>	<u>\$ 16,918,167</u>

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

Depreciation expense was charged to Public Works as follows:

Unallocated	\$ 858,119
Equipment	378,643
Administration	5,955
Other	<u>35,514</u>
Total	<u>\$ 1,278,231</u>

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

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

	<b>Beginning Balances</b>	<b>Additions</b>	<b>Adjustments/ Deductions</b>	<b>Ending Balances</b>
<i>Capital assets being depreciated:</i>				
Other capital assets:				
Equipment & furniture	\$ 45,552	\$ -	\$ -	\$ 45,552
Subtotal	<u>45,552</u>	<u>-</u>		<u>45,552</u>
<i>Less accumulated depreciation for:</i>				
Equipment & furniture	<u>(28,958)</u>	<u>(2,117)</u>		<u>(31,075)</u>
Subtotal	<u>(28,958)</u>	<u>(2,117)</u>	<u>-</u>	<u>(31,075)</u>
Net Capital Assets	<u>\$ 16,594</u>	<u>\$ (2,117)</u>	<u>\$ -</u>	<u>\$ 14,477</u>

Depreciation expense was charged to:

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

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

	<b>Beginning Balances</b>	<b>Additions</b>	<b>Adjustments/ Deductions</b>	<b>Ending Balances</b>
<i>Capital assets being depreciated:</i>				
Building and improvements	\$ 2,104,240	\$ 25,347	\$ -	\$ 2,129,587
Vehicles	1,757,729	211,517	(292,296)	1,676,950
Shop equipment	94,539	-	-	94,539
Office equipment	<u>92,439</u>	<u>30,083</u>	<u>-</u>	<u>122,522</u>
Subtotal	<u>4,048,947</u>	<u>266,947</u>	<u>(292,296)</u>	<u>4,023,598</u>
<i>Less accumulated depreciation</i>	<u>(1,888,212)</u>	<u>(160,248)</u>	<u>253,105</u>	<u>(1,795,355)</u>
Net Capital Assets	<u>\$ 2,160,735</u>	<u>\$ 106,699</u>	<u>\$ (39,191)</u>	<u>\$ 2,228,243</u>

Depreciation expense was charged to:

Transportation	<u>\$ 160,248</u>
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## NOTE 5- INTERFUND TRANSFERS

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.

	SFERS OUT					
	General	Nonmajor Governmental	DTRF	Emergency Medical Services	Nonmajor Enterprise	Total
General	\$ -	\$	\$ 48,200	\$ -	\$ 81,537	\$ 129,737
Jail Operations	276,262			-	-	276,262
Nonmajor Governmental	161,850	200,000	51,182	5,990	10,000	429,022
Delinquent Tax Revolving	14,020		-	-		14,020
Total	\$ 452,132	\$ 200,000	\$ 99,382	5 5,990	5 91,537	\$ 849,041

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

## NOTE 6- LONG-TERM DEBT

General Obligation Debt

Governmental activities general obligation debt consists of general obligation bonds of the Building Authority and installment loans for equipment. Business-type activities general obligation debt consists of installment loans for equipment.

Installment Loans

The County has purchased vehicles and equipment used for governmental activities using commercial notes payable with annual principal payments ranging from \$4,366 to \$15,496, plus interest charges at 1.35% to 5.83%. The business-type activities have purchased an ambulance and equipment using commercial notes payable with annual principal payments ranging from \$11,325 to \$64,366, plus interest charged at 2.79% to 3.55%.

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

General obligation and installment payables debt outstanding is as follows:

	Interest Rate	Principal Matures	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
<b>Governmental Activities:</b>							
General Obligation Bonds							
1998 Building Authority Bonds	3.60-4.95%	2018	\$ 165,000	\$	\$ (75,000)	\$ 90,000	\$ 90,000
Installment Loans payable to Financial Institutions, yearly installments of \$4,366 to \$15,498 secured by equipment.	1.35-5.83%	Various	27,517	56,313	(9,669)	74,161	53,467
Total Governmental Activities			<u>\$ 192,517</u>	<u>\$ 56,313</u>	<u>\$ (84,669)</u>	<u>\$ 164,161</u>	<u>\$ 143,467</u>
<b>Business-Type Activities:</b>							
General Obligation Bonds							
2014 Building Authority Bonds	3.00-4.00%	2030	-	\$ 5,840,000	\$ (320,000)	\$ 5,520,000	\$ 325,000
Installment Loans payable to Financial Institutions							
Life Pak Monitors - Monthly installments of \$2,852, secured by equipment.	3.55%	2017	11,325		(11,325)		
Ambulance - Monthly installments of \$3,480, secured by the vehicle.	2.79%	2020	135,936		(38,457)	97,479	39,542
Ambulance - Yearly Installments of \$66,419, Secured by the vehicle	3.19%	2020		187,189		187,189	60,447
Total Business-Type Activities			<u>\$ 147,261</u>	<u>\$ 6,027,189</u>	<u>\$ (369,782)</u>	<u>\$ 5,804,668</u>	<u>\$ 424,989</u>

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

	Governmental Activities Bonds Payable		Governmental Activities Installment Note Payable		Business -type Activities Bonds Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
Fiscal:						
2018	\$ 90,000	\$ 4,455	\$ 53,467	\$ 2,550	\$ 325,000	\$ 190,400
2019	-	-	12,355	783	340,000	180,650
2020	-	-	5,186	350	355,000	170,450
2021	-	-	3,153	61	370,000	159,800
2022	-	-	-	-	380,000	148,700
2023-2027	-	-	-	-	2,175,000	552,262
2028-2030	-	-	-	-	1,575,000	128,000
TOTALS	<u>\$ 90,000</u>	<u>\$ 4,455</u>	<u>\$ 74,161</u>	<u>\$ 3,744</u>	<u>\$ 5,520,000</u>	<u>\$ 1,530,262</u>



NOTE 6- LONG-TERM DEBT (Continued)

	Business—type Activities	
	<u>Installment Note Payable</u>	
	<u>Principal</u>	<u>Interest</u>
Fiscal:		
2018	\$ 99,989	\$ 8,189
2019	103,036	5,142
2020	81,643	2,173
2021		
2022		
2023-2027		
2028-2030		
TOTALS	<u>\$ 284,668</u>	<u>\$ 15,504</u>

Vested Employee Benefits — Governmental Activities

A summary of vested benefits payable at September 30, 2017 is as follows:

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Net Reductions</u>	<u>Ending Balances</u>
Vested Employee Benefits	\$ 117,721	\$ 15,082	\$	\$ 132,803

Vested Employee Benefits — Business-type Activities

A summary of vested benefits payable at September 30, 2017 is as follows:

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Net Reductions</u>	<u>Ending Balances</u>
Vested Employee Benefits	\$ 125,369	\$ 22,243	\$	\$ 147,612

*BENZIE COUNTY ROAD COMMISSION*

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Installment payable to Finance Company, 2.69% interest rate, payable in monthly installments of \$848, secured by equipment.	\$ 118,305	\$ -	\$ 7,067	\$ 111,238	\$ 7,277
Vested Employee Benefits	40,480	33,571		74,051	
TOTAL	<u>\$ 158,785</u>	<u>\$ 33,571</u>	<u>\$ 7,067</u>	<u>\$ 185,289</u>	

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

*BENZIE/LEELANAU DISTRICT HEALTH DEPARTMENT*

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

	<u>Beginning Balances</u>	<u>Net Additions</u>	<u>Reductions</u>	<u>Ending Balances</u>
Vested Employee Benefits	<u>74,575</u>	<u>\$ 11,363</u>	<u>\$</u>	<u>85,938</u>

## NOTE 7- RISK MANAGEMENT

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

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

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

At September 30, 2017, the County has funds on deposit of \$178,000 with the Authority and reserves for reported claims of \$178,000. 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**General Information about the Pension Plan

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

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**2016 Valuation**

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

Sheriff Dept.: Closed to new hires, hnked to Division

	<b>2016 Valuation</b>
<b>Benefit Multiplier:</b>	2.50% Multiplier (80% max)
<b>Normal Retirement Age:</b>	60
<b>Vesting:</b>	8 Years
<b>Early Retirement (Unreduced):</b>	25 and Out
<b>Early Retirement (Reduced):</b>	55/15
<b>Final Average Compensation:</b>	5 years
<b>Employee Contributions</b>	6.00%
<b>Act 88:</b>	Yes (Adopted 4/18/2000)

## NOTE 9- EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

	<b>2016 Valuation</b>
Benefit Multiplier:	2.50% Multiplier (80% max)
Normal Retirement Age:	60
Vesting:	8 Years
Early Retirement (Unreduced):	50/25
Early Retirement (Reduced):	50/25
	55/15
Final Average Compensation:	5 years
Employee Contributions	6.00%
Act 88:	Yes (Adopted 4/18/2000)

	<b>2016 Valuation</b>
Benefit Multiplier:	2.25% Multiplier (80% max)
Normal Retirement Age:	60
Vesting:	8 Years
Early Retirement (Unreduced):	
Early Retirement (Reduced):	50/25
	55/15
Final Average Compensation:	5 years
Employee Contributions	6.00%
Act 88:	Yes (Adopted 4/18/2000)

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		<b>2016 Valuation</b>
Benefit Multiplier:		2.50% Multiplier (80% max)
Normal Retirement Age:		60
Vesting:		8 Years
Early Retirement (Unreduced):		
Early Retirement (Reduced):		50/25
		55/15
Final Average Compensation:		5 years
Employee Contributions		6.00%
Act 88:		Yes (Adopted 4/18/2000)

**13 – Courthouse Employee's after 10/01/12: Open Division, linked to Division 01**

	<b>2016 Valuation</b>
Benefit Multiplier:	2.00% Multiplier (no max)
Normal Retirement Age:	60
Vesting:	10 Years
Early Retirement (Unreduced):	55/25
Early Retirement (Reduced):	50/25
	55/15
Final Average Compensation:	5 years
Employee Contributions	6.00%
Act 88:	Yes (Adopted 4/18/2000)

## NOTE 9 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

	<b>2016 Valuation</b>
<b>Benefit Multiplier:</b>	2.50% Multiplier (80% max)
<b>Normal Retirement Age:</b>	60
<b>Vesting:</b>	8 Years
<b>Early Retirement (Unreduced):</b>	25 and Out
<b>Early Retirement (Reduced):</b>	55/15
<b>Final Average Compensation:</b>	5 years
<b>Employee Contributions</b>	6.00%
<b>Act 88:</b>	Yes (Adopted 4/18/2000)

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

	<b>2016 Valuation</b>
<b>Benefit Multiplier:</b>	2.00% Multiplier (no max)
<b>Normal Retirement Age:</b>	60
<b>Vesting:</b>	10 Years
<b>Early Retirement (Unreduced):</b>	55/25
<b>Early Retirement (Reduced):</b>	50/25
	55/15
<b>Final Average Compensation:</b>	5 years
<b>Employee Contributions</b>	6.00%
<b>Act 88:</b>	Yes (Adopted 4/18/2000)

Employees Covered by Benefit Terms

At December 31, 2016, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	73
Inactive employees entitled to but not yet receiving benefits	36
Active employees	<u>83</u>
	192

Funding Policy

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

Courthouse Employees	\$2,959	Non Union & Non Elected	\$17,267
Sheriff Dept.	\$11,558	Courthouse Employees after 10/01/12	\$1,460
Elected Officials	\$10,002	COAM	\$14,567
Commissioners	\$1,647	Sheriff Department after 10/01/011	\$4,582

## NOTE 9- EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

Net Pension Liability

The County's net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

*Actuarial Assumptions.* The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

Although no specific price inflation assumptions are needed for the valuation, the 3.75% long-term wage inflation assumption would be consistent with a price inflation of 3% - 4%.

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

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

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

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

*Discount Rate.* The discount rate used to measure the total pension liability is 8.00% for 2016. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**NOTE 9- EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)****Changes in the Net Pension Liability:**

	Increases (Decreases)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
<b>Balances at December 31, 2015</b>	<b>\$ 17,025,851</b>	<b>\$ 10,329,069</b>	<b>\$ 6,696,782</b>
Service cost	367,231	-	367,231
Interest on total pension liability	1,340,551	-	1,340,551
Changes in benefits	(110,144)	-	(110,144)
Difference between expected and actual experience	(153,120)	-	(153,120)
Changes in assumptions	-	-	-
Employer contributions	-	547,413	(547,413)
Employee contributions	-	133,061	(133,061)
Net investment income	-	1,169,835	(1,169,835)
Benefit payments, including employee refunds	(905,096)	(905,096)	-
Administrative expense	-	(23,099)	23,099
Other Changes	1	1	-
<b>Net changes</b>	<b>539,423</b>	<b>922,115</b>	<b>(382,692)</b>
<b>Balances as of December 31, 2016</b>	<b>\$ 17,565,274</b>	<b>\$ 11,251,184</b>	<b>\$ 6,314,090</b>

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

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
County's net pension liability	\$8,400,061	\$6,314,090	\$4,559,170

Note: The current discount rate shown for GASB 68 purposes is higher than the MERS assumed rate of return. This is because for GASB purposes, the discount rate must be gross of administrative expenses, whereas for funding purposes, it is net of administrative expenses.

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

**NOTE 9- EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)****Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

For the year ended September 30, 2017, the County recognized pension expense of \$1,131,984. At September 30, 2017, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between expected and actual experience	119,887	\$
Changes in assumptions	413,295	
Net difference between projected and actual earnings on pension plan investments	414,778	
Contributions subsequent to the measurement date	441,100	
Total	\$ 1,389,060	\$

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

Year Ended September 30:

2018	460,724
2019	460,724
2020	97,195
2021	(70,683)

**NOTE 9- EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)***BENZIE COUNTY ROAD COMMISSION*Description of Plan and Plan Assets

The Road Commission is in an agent multiple-employer defined benefit pension plan with the Municipal Employees' Retirement System (MERS). The system provides the following provisions: normal retirement, deferred retirement and service retirement to plan members and their beneficiaries. The service requirement is computed using credited service at the time of termination of membership multiplies by the sum of 2.0% or 1.0% times the final compensation (FAC). The most recent period of which actuarial data was available was for year ended December 31, 2016.



**NOTE 9- EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)**General Information about the Pension Plan

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

	osed to <b>new</b> hires, lin e. <del>AY0.1</del> <del>41-4</del>
	<b>2016 Valuation</b>
Benefit Multiplier:	2.00% Multiplier (no max)
Normal Retirement Age:	60
Vesting:	10 Years
Early Retirement (Unreduced):	55/25
Early Retirement (Reduced):	50/25
	55/15
Final Average Compensation:	5 years
Employee Contributions:	0%
Act 88:	No
1 Commissioners: Closed to new hires, lin e. <del>AY0.1</del> <del>41-4</del>	<b>2016 Valuation</b>
Benefit Multiplier:	1.50%/0 Multiplier (no max)
Normal Retirement Age:	60
Vesting:	10 Years
Early Retirement (Unreduced):	50/25
Early Retirement (Reduced):	55/15
Final Average Compensation:	5 years
Employee Contributions	2.82%
Act 88:	No
1.12 — AdminClosed to nevhirhires, linked to Division	<b>2016 Valuation</b>
Benefit Multiplier:	2.00% Multiplier (no max)
Normal Retirement Age:	60
Vesting:	10 Years
Early Retirement (Unreduced):	55/25
Early Retirement (Reduced):	50/25
	55/15
Final Average Compensation:	3 years
Employee Contributions	0%
Act 88:	No

## NOTE 9- EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

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

	<u>2016 Valuation</u>
Benefit Multiplier:	Hybird Plan - 1.00% Multiplier
Normal Retirement Age:	60
Vesting:	6 Years
Early Retirement (Unreduced):	
Early Retirement (Reduced):	
Final Average Compensation:	3 years
Employee Contributions	0%
Act 88:	No

Employees Covered by Benefit Terms

At December 31, 2016, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	42
Inactive employees entitled to but not yet receiving benefits	10
Active employees	<u>29</u>
	81

Funding Policy

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

The contribution rate as a fixed dollar amount of payroll at September 30, 2017 is as follows:

General	\$ 20,704
Management	6,268
Commissioners	75
New Hires	<u>1,743</u>
Total	<u>\$ 28,790</u>

Net Pension Liability

The Road Commission's net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

*Actuarial Assumptions.* The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

**NOTE 9- EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)**

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

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

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

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

**Discount Rate.** The discount rate used to measure the total pension liability is 8.00% for 2016. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**NOTE 9- EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)****Changes in the Net Pension Liability:**

	Increases (Decreases)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
<b>Balances at December 31, 2015</b>	<b>\$ 7,460,412</b>	<b>\$ 2,598,755</b>	<b>\$ 4,861,657</b>
Service cost	70,256		70,256
Interest on total pension liability	575,677	-	575,677
Changes in benefits	-	-	-
Difference between expected and actual experience	17,052	-	17,052
Changes in assumptions	-	-	-
Employer contributions	-	476,657	(476,657)
Employee contributions	-	291	(291)
Net investment income	-	284,956	(284,956)
Benefit payments, including employee refunds	(599,144)	(599,144)	-
Administrative expense	-	(5,641)	5,641
<b>Net changes</b>	<b>63,841</b>	<b>157,119</b>	<b>(93,278)</b>
<b>Balances as of December 31, 2016</b>	<b>7,524,253</b>	<b>2,755,874</b>	<b>\$ 4,768,379</b>

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

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
Road Commission's net pension liability	\$5,455,018	\$4,768,379	\$4,175,895

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

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

For the year ended September 30, 2017, the Road Commission recognized pension expense of \$588,912. At September 30, 2017, the Road Commission reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**NOTE 9- EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)**

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	11,368	\$
Changes in assumptions		
Net difference between projected and actual earnings on pension plan investments	65,258	
Contributions subsequent to the measurement date	404,756	
Total	481,382	\$

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

Year Ended September 30:

2018	51,598
2019	41,460
2020	(16,432)

**Annual Pension Costs** — For fiscal year ended 2017, the Benzie County Road Commission's annual pension cost of \$476,657 for the plan was equal to the required contribution. The annual required contribution was determined as part of an actuarial valuation as December 31, 2014, using the entry age normal cost method. Significant actuarial assumptions used include: (i) an 8% investment rate of return; (ii) projected salary increases of 4.5 percent per year. Both determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is being amortized as a level percent of payroll on a closed basis. The remaining amortization period is 24 years.

***BENZIE/LEELANAU DISTRICT HEALTH DEPARTMENT***General Information about the Pension Plan

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

## NOTE 9- EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

**01 - Genl Empl:**

	<u>2016 Valuation</u>
Benefit Multiplier:	2.25% Multiplier (80 % max)
Normal Retirement Age:	60
Vesting:	10 Years
Early Retirement (Unreduced):	55/25
Early Retirement (Reduced):	50/25
	55/15
Final Average Compensation:	5 years
Employee Contributions	0%
Act 88:	Yes (Adopted 3/28/2002)

Employees Covered by Benefit Terms

At December 31, 2016, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	2
Inactive employees entitled to but not yet receiving benefits	
Active employees	<u>3</u>
	5

Funding Policy

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

Net Pension Liability

The Health Department's net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

*Actuarial Assumptions.* The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

Although no specific price inflation assumptions are needed for the valuation, the 2.5% long-term wage inflation assumption would be consistent with a price inflation of 3% - 4%.

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

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

**NOTE 9- EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)**

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

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

**Discount Rate.** The discount rate used to measure the total pension liability is 8.00% for 2016. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Changes in the Net Pension Liability:**

	Increases (Decreases)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
<b>Balances at December 31, 2015</b>	<b>\$ 912,924</b>	<b>\$ 638,199</b>	<b>\$ 274,725</b>
Service cost	22,216		22,216
Interest on total pension liability	72,853		72,853
Changes in benefits	-		-
Difference between expected and actual experience	1,545	-	1,545
Changes in assumptions		-	-
Employer contributions		31,254	(31,254)
Employee contributions	-	-	-
Net investment income		73,589	(73,589)
Benefit payments, including employee refunds	(26,751)	(26,751)	
Administrative expense	-	(1,451)	1,451
Other changes	1	-	1
<b>Net changes</b>	<b>69,864</b>	<b>76,641</b>	<b>(6,777)</b>
<b>Balances as of December 31, 2016</b>	<b>\$ 982,788</b>	<b>\$ 714,840</b>	<b>\$ 267,948</b>

**NOTE 9- EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)**

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

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
Health Department's net pension liability	\$382,733	\$267,948	\$165,970

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

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

For the year ended September 30, 2017, the Health Department recognized pension expense of \$64,028. At September 30, 2017, the Health Department reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience		2,784
Changes in assumptions	19,483	
Net difference between projected and actual earnings on pension plan investments	24,791	
Contributions subsequent to the measurement date	27,855	
Total	72,129	\$ 2,784

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

Year Ended September 30:	
2018	16,684
2019	16,684
2020	8,605
2021	(4,483)



**NOTE 9- EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)*****BENZIE TRANSPORTATION AUTHORITY***

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

	<b>410</b>
	<b>2016 Valuation</b>
<b>Benefit Multiplier:</b>	2.0% Multiplier (no max)
<b>Normal Retirement Age:</b>	60
<b>Vesting:</b>	10 Years
<b>Early Retirement (Unreduced):</b>	55/25
<b>Early Retirement (Reduced):</b>	50/25
	55/15
<b>Final Average Compensation:</b>	5 years
<b>Employee Contributions</b>	7.27%%

**Employees Covered by Benefit Terms**

At December 31, 2016, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	3
Inactive employees entitled to but not yet receiving benefits	1
Active employees	<u>18</u>
	22

**Funding Policy**

The Authority is required to contribute at an actuarially determined rate, which for the current year was 2.62% of annual covered payroll depending on position and classification. The contribution requirements of the Authority are established and may be amended by the MERS Retirement Board. The contribution requirements of employees are established and may be amended by labor agreements.

**Net Pension Liability**

The Authority's net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

**NOTE 9- EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)**

*Actuarial Assumptions.* The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

Although no specific price inflation assumptions are needed for the valuation, the 2.5% long-term wage inflation assumption would be consistent with a price inflation of 3% - 4%.

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

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

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

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

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

**NOTE 9- EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)****Changes in the Net Pension Liability:**

	Increases (Decreases)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
<b>Balances at December 31,2015</b>	\$ 621,121	\$ 681,285	\$ (60,164)
Service cost	87,639	-	87,639
Interest on total pension liability	52,347	-	52,347
Changes in benefits		-	
Difference between expected and actual experience	(8,962)		(8,962)
Changes in assumptions	-	-	-
Employer contributions	-	17,894	(17,894)
Employee contributions	-	47,625	(47,625)
Net investment income		81,451	(81,451)
Benefit payments, including employee refunds	(21,204)	(21,204)	-
Administrative expense		(1,600)	1,600
<b>Net changes</b>	109,820	124,166	(14,346)
<b>Balances as of December 31, 2016</b>	730,941	\$ 805,451	\$ (74,510)

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

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
Authority's net pension liability	\$14,708	\$(74,510)	\$(148,263)

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

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

For the year ended September 30, 2017, the Authority recognized pension expense of \$51,380. At September 30, 2017, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

NOTE 9- EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience		10,142
Changes in assumptions	24,764	
Net difference between projected and actual earnings on pension plan investments	44,159	20,192
Contributions subsequent to the measurement date	23,324	
Total	92,247	\$ 30,334

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

Year Ended September 30:	
2018	13,630
2019	13,629
2020	11,299
2021	(1,867)
2022	3,180
2023	(1,282)

*THE MAPLES, BENZIE COUNTY MEDICAL CARE FACILITY*

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

	2016 Valuation
<b>Benefit Multiplier:</b>	1.5 % to 2.5% Multiplier (no max)
<b>Normal Retirement Age:</b>	60
<b>Vesting:</b>	6 - 8 Years
<b>Early Retirement:</b>	55/15 50/25
<b>Final Average Compensation:</b>	5 years
<b>Employee Contributions</b>	2.0%

## NOTE 9- EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

Employees Covered by Benefit Terms

At December 31, 2016, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	56
Inactive employees entitled to but not yet receiving benefits	24
Active employees	<u>96</u>
	176

Funding Policy

The Medical Care Facility is required to contribute amounts at least equal to the actuarially determined rate, as established by MERS retirement board, which the Medical Care Facility's average contribution rate was 11.9% of annual covered payroll.

Net Pension Liability

The Medical Care Facility's net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

*Actuarial Assumptions.* The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	3.75% in the long term
Investment rate of return	8.00%, net of investment expense and administrative expense including inflation

Although no specific price inflation assumptions are needed for the valuation, the 2.5% long-term wage inflation assumption would be consistent with a price inflation of 3% - 4%.

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

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

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

## NOTE 9- EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

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

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

**Changes in the Net Pension Liability:**

	Increases (Decreases)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
<b>Balances at December 31, 2015</b>	\$ 8,400,598	\$ 6,038,585	\$ 2,362,013
Service cost	236,176		236,176
Interest on total pension liability	661,386		661,386
Changes in benefits			
Difference between expected and actual experience	(195,353)		(195,353)
Changes in assumptions			
Employer contributions		379,166	(379,166)
Employee contributions		60,925	(60,925)
Net investment income		686,319	(686,319)
Benefit payments, including employee refunds	(502,737)	(502,737)	
Administrative expense		(13,548)	13,548
<b>Net changes</b>	199,472	610,125	(410,653)
<b>Balances as of December 31, 2016</b>	\$ 8,600,070	\$ 6,648,710	\$ 1,951,360

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

**NOTE 9- EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)**

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
MCF's net pension liability	\$2,843,043	\$1,951,360	\$1,191,714

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

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

For the year ended September 30, 2017, the Medical Care Facility recognized pension expense of \$531,374. At September 30, 2017, the Medical Care Facility reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	33,103	\$ 156,282
Changes in assumptions	246,775	
Net difference between projected and actual earnings on pension plan investments	246,071	
Contributions subsequent to the measurement date	298,116	
Total	824,065	\$ 156,282

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

Year Ended  
September 30:

2018	157,524
2019	157,524
2020	134,946
2021	(80,327)

**NOTE 10- OTHER POSTEMPLOYMENT BENEFITS PLAN*****BENZIE COUNTY ROAD COMMISSION***

The employer provides health insurance for 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, 2017.

Annual required contribution	32,397
Interest on Net OPEB	465
Adjustments - OPEB obligation	
Annual OPEB cost	32,862
Contributions made	(36,149)
Increase (decrease) in net OPEB obligation	(3,287)
Net OPEB obligation (deferred), beginning of year	6,640
Net OPEB obligation (deferred), end of year	<u>3,353</u>

The Commission's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the years ending September 30, 2015, 2016, and 2017 were as follows:

<u>Year</u> <u>Ended</u>	<u>Annual</u> <u>OPEB Cost</u>	<u>Percentage</u> <u>Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
09/30/15	\$ 65,287	100.0 %	\$ 12,396
09/30/16	32,467	118.0 %	6,640
09/30/17	32,862	110.0 %	3,353

As of September 30, 2017, the actuarial accrued liability for benefits was \$259,513. The covered payroll (annual payroll of active employees covered by the Plan) was \$929,371 and the ratio of the unfunded actuarial accrued liability (UAAL) to the covered payroll was 86%.



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

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 2010 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 2016 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%.

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 \$99,711 and employees contributed \$19,942 to the Plan during the year ended September 30, 2017 equal to 14% and 0% respectively of covered payroll.

NOTE 12- LEASES

Building Lease

The County entered into a 20 year lease agreement with the Department of Human Services on November 1, 1999 for the lease of office space within the County complex. The portion of the building covered by this lease has a historic cost of \$299,230 and related carrying value of \$172,053. Future minimum lease payments to be received from the Department of Human Services under the agreement are as follows:

2018	108,902
2019	108,902
2020	108,902
2021	<u>9,075</u>
Total	<u>335,781</u>

NOTE 13- NET POSITION — RESTRICTIONS

Net position restrictions can be described as follows:

\$ 548,683	Restricted for debt service
328,244	Restricted for capital projects
\$ 1,600,374	Restricted for fund or grant purposes

NOTE 14- RESTATEMENT

	<u>Governmental Activities</u>
Beginning net position as previously reported at October 1, 2016	\$ 5,898,061
Restatement of beginning net position — reclassification of Medical Care Facility debt and building	<u>5,624,637</u>
Net position as restated, October 1, 2016	<u>\$ 11,522,698</u>

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 Appropriations</u>	<u>Amount of Expenditures</u>	<u>Budget Variance</u>
General Fund:			
Public Safety	\$ 1,052,084	\$ 1,058,811	\$ (6,727)
Other Expenditures	1,332,441	1,406,392	(73,951)

## **Required Supplementary Information**

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# County of Benzie, Michigan

## Employee Retirement and Benefit Systems Schedule of Changes in Pension Liability Year Ended September 30, 2017

	For MERS Years Ending 12/31		
	2016	2015	2014
Total pension liability			
Service cost	\$ 367,231	\$ 372,988	\$ 363,227
Interest	1,340,551	1,215,689	1,151,131
Changes in benefits	(110,144)		
Difference between expected and actual experience	(153,120)	469,454	
Changes in assumptions		826,589	
Benefit payments, including refund of member contributions	(905,096)	(816,063)	(657,350)
Other changes	1	2	
Net change in total pension liability	539,423	2,068,659	857,008
Total pension liability - beginning	17,025,851	14,957,192	14,100,184
Total pension liability - ending	<u>\$17,565,274</u>	<u>\$ 17,025,851</u>	<u>\$14,957,192</u>
Plan fiduciary net position			
Contributions - employer	\$ 547,413	\$ 643,589	\$ 670,851
Contributions - employee	133,061	86,789	75,158
Net investment income	1,169,835	(160,875)	621,978
Benefit payments, including refunds of member contributions	(905,096)	(816,063)	(657,350)
Administrative expense	(23,099)	(23,326)	(28,289)
Other changes	1		
Net change in plan fiduciary net position	922,115	(269,886)	682,348
Plan fiduciary net position - beginning	10,329,069	10,598,955	9,904,015
Plan fiduciary net position - ending	<u>\$11,251,184</u>	<u>\$ 10,329,069</u>	<u>\$ 10,586,363</u>
County's net pension liability - ending	<u>\$ 6,314,090</u>	<u>\$ 6,696,782</u>	<u>\$ 4,370,829</u>
Plan fiduciary net position as a percentage of the total pension liability	64%	61%	71%
Covered - employee payroll	\$ 3,493,504	\$ 3,667,165	\$ 3,514,717
County's net pension liability as a percentage of covered-employee payroll	181%	183%	124%
Annual money-weighted rate of return, net of investment expense	7.75%	7.75%	6%

# County of Benzie, Michigan

## Employee Retirement and Benefit Systems Schedule of Employer Contributions For the Year Ended September 30, 2017

	For MERS Years Ending 12/31		
	2016	2015	2014
Actuarially determined contribution	\$ 547,413	\$ 706,800	\$ 675,986
Contributions in relation to the actuarially determined contribution	(414,164)	(730,378)	(675,986)
Contribution deficiency (excess)	\$ 133,249	\$ (23,578)	\$
Covered - employee payroll	\$ 3,493,504	\$ 3,667,165	\$ 3,514,717
Contributions as a percentage of covered-employee payroll	12%	20%	19%

### Notes to Schedule:

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

### Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	24 years
Asset valuation method	5-years smoothed market
Inflation	2.50%
Salary increases	3.75% in the long-term
Investment rate of return	7.75%, net of investment and administrative expense including inflation
Retirement age	60 years
Mortality	Assumptions were based on the RP-2014 Group Annuity Mortality Table - Blended 50% Male / 50% Female

Employee Retirement and Benefit Systems  
Schedules of Funding Progress  
Year Ended September 30, 2017

Health Benefits:

*BENZIE COUNTY ROAD COMMISSION*

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (1)	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%
2014	\$ 219,239	\$ 663,980	\$ 444,741	33%	\$ 674,651	66%

**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**General Fund**  
**Year Ended September 30, 2017**

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final	Amounts	
<b>REVENUES:</b>				
Taxes	\$ 4,307,750	\$ 4,307,750	\$ 4,566,255	\$ 258,505
Licenses and Permits	36,375	36,375	45,736	9,361
Federal Sources	64,048	68,897	50,366	(18,531)
State Sources	777,978	786,708	742,830	(43,878)
Charges for Services	508,398	512,394	578,729	66,335
Refunds and Reimbursements	113,718	135,133	183,324	48,191
Interest and Rentals	9,000	9,000	5,053	(3,947)
<b>TOTAL REVENUES</b>	<b>5,817,267</b>	<b>5,856,257</b>	<b>6,172,293</b>	<b>316,036</b>
<b>EXPENDITURES:</b>				
Legislative:				
Board of Commissioners	99,300	99,300	92,509	6,791
Judicial:				
Circuit Court	363,597	366,165	349,320	16,845
District Court	302,583	265,621	264,207	1,414
Friend of the Court	128,151	159,470	159,469	1
Juvenile Division	66,800	65,042	47,083	17,959
Probate Court	238,799	238,077	237,658	419
<b>Total Judicial</b>	<b>1,099,930</b>	<b>1,094,375</b>	<b>1,057,737</b>	<b>36,638</b>
General Government:				
County Administrator	130,382	128,824	127,582	1,242
Elections	52,030	56,030	52,461	3,569
County Clerk	179,451	188,036	178,777	9,259
Equalization	137,975	139,852	135,097	4,755
Prosecuting Attorney	240,160	243,237	234,440	8,797
Register of Deeds	137,983	144,608	141,345	3,263
Treasurer	134,609	137,119	131,496	5,623
Cooperative Extension	52,178	52,178	51,103	1,075
Legal and Contracted Services	121,000	172,431	172,247	184
Central Services	50,500	53,006	52,274	732
Buildings and Grounds	275,526	318,332	316,993	1,339
Drain Commission	10,400	6,900	6,593	307
Technology Support	74,092	58,076	56,905	1,171
Plat Board	250	-	-	-
Surveyor	1,600	1,400	1,337	63
<b>Total General Government</b>	<b>1,598,136</b>	<b>1,700,029</b>	<b>1,658,650</b>	<b>41,379</b>



**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**General Fund**  
**Year Ended September 30, 2017**

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final	Amounts	
Public Safety:				
Sheriff	821,938	861,763	886,221	(24,458)
Sheriff Secondary Road Patrol	64,589	64,589	61,989	2,600
Zero Tolerance	37,561	41,103	41,103	
Planning Department	11,624	8,555	2,525	6,030
Emergency Management	71,227	76,074	66,973	9,101
Total Public Safety	1,006,939	1,052,084	1,058,811	(6,727)
Health and Welfare:				
Health Department	219,653	219,017	214,194	4,823
Medical Examiner	54,800	55,435	55,424	11
Mental Health Board	158,915	158,915	158,915	
Department of Human Services	6,100	5,174	1,703	3,471
Total Health and Welfare	439,468	438,541	430,236	8,305
Recreation and Culture:				
Parks and Recreation	6,300	7,500	7,442	58
Total Recreation and Culture	6,300	7,500	7,442	58
Other Expenditures:				
Medical Insurance	610,070	632,907	632,489	418
Unemployment Insurance	6,000	-	-	-
Worker's Comp Insurance	30,000	35,808	51,808	(16,000)
Insurance and Bonds	119,737	126,381	126,111	270
Social Security	145,000	161,383	161,383	-
Retirement Benefits	357,000	321,279	370,758	(49,479)
Intergovernmental Cooperation	51,123	51,123	60,288	(9,165)
Other Miscellaneous	1,500	3,560	3,555	5
Total Other Expenditures	1,320,430	1,332,441	1,406,392	(73,951)
TOTAL EXPENDITURES	5,570,503	5,724,270	5,711,777	12,493
EXCESS OF REVENUES OVER EXPENDITURES	246,764	131,987	460,516	328,529
OTHER FINANCING SOURCES (USES):				
Installment Loan Proceeds	-	-	26,026	26,026
Operating Transfers In	116,550	164,667	129,737	(34,930)
Operating Transfers Out	(539,945)	(479,485)	(452,132)	27,353
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	\$ (176,631)	\$ (182,831)	164,147	\$ 346,978
FUND BALANCE, OCTOBER 1			1,644,665	
FUND BALANCE, SEPTEMBER 30			\$ 1,808,812	

# County of Benzie, Michigan

## Required Supplementary Information Budgetary Comparison Schedule Jail Operations Fund Year Ended September 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final	Amounts	
REVENUES:				
Taxes	\$ 1,069,268	\$ 1,069,268	\$ 1,055,253	\$ (14,015)
Charges for Services	202,325	202,325	188,238	(14,087)
Refunds and Reimbursements	44,145	44,145	22,604	(21,541)
TOTAL REVENUES	1,315,738	1,315,738	1,266,095	(49,643)
EXPENDITURES:				
Public Safety	1,592,000	1,602,100	1,540,801	61,299
TOTAL EXPENDITURES	1,592,000	1,602,100	1,540,801	61,299
EXCESS OF REVENUES (EXPENDITURES)	(276,262)	(286,362)	(274,706)	11,656
OTHER FINANCING SOURCES (USES):				
Loan Proceeds	-	-	14,790	14,790
Operating Transfers In	276,262	286,362	276,262	(10,100)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	<u>\$</u>	<u>\$</u>	16,346	<u>16,346</u>
FUND BALANCE, OCTOBER 1			<u>51,072</u>	
FUND BALANCE, SEPTEMBER 30			<u>\$ 67,418</u>	

## **Other Information**

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# County of Benzie, Michigan

Combining Balance Sheet  
Nonmajor Governmental Funds  
September 30, 2017

	Special Revenue Funds														
	Sheriff's K-9		TNT Officer		Benzie Co. Sheriff Reserve's		Benzie Co. Dive Team		Benzie Co. DARE		Benzie Co. Kids		Friend of the Court		Seasonal Road Patrol
ASSETS:															
Cash and Equivalents	16,726	\$	41,544	\$	12	\$	1,382	\$	1,736	\$	1,502	\$	72,290		24,520
Investments															
Receivables:															
Accounts															765
Loans															
Prepaid Items															
TOTAL ASSETS	16,726	\$	41,544	\$	12	\$	1,382		1,736		1,502	\$	72,290	\$	25,285
LIABILITIES:															
Accounts Payable	2,432	\$	616	\$		\$									1,484
Accrued Liabilities			1,571												
TOTAL LIABILITIES	2,432		2,187												1,484
DEFERRED INFLOWS:															
Unavailable Revenue - Loans															
FUND BALANCES:															
Nonspendable															
Restricted															
Committed			39,357						, 1,736				72,290		23,801
Assigned	14,294				12		1,382				1,502				
TOTAL FUND BALANCES	14,294		39,357		12		1,382		1,736		1,502		72,290		23,801
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	16,726	\$	41,544		12	\$	1,382	\$	1,736	\$	1,502	\$	72,290	\$	25,285

# County of Benzie, Michigan

Combining Balance Sheet  
Nonmajor Governmental Funds  
September 30, 2017

	Special Revenue Funds							
	Marine Patrol	Snowmobile Patrol	Parks and Rec. Ice Rink	Airport Authority	Solid Waste/ Recycling	Betsie Valley Trail Management	Soil Erosion	Land Reutilization Fund
ASSETS:								
Cash and Equivalents	\$ 1,660	\$ 10,937	\$ 17	\$ 1,491	\$ 83,145	\$ 5,310	\$ 30,570	\$ 56,753
Investments		-		-	-			-
Receivables:								
Accounts		-			-	8,468		
Loans			-	-	-	-		
Prepaid Items			-	-	338	-		
<b>TOTAL ASSETS</b>	<b>1,660</b>	<b>\$ 10,937</b>	<b>17</b>	<b>\$ 1,491</b>	<b>\$ 83,483</b>	<b>\$ 13,778</b>	<b>\$ 30,570</b>	<b>\$ 56,753</b>
LIABILITIES:								
Accounts Payable	513	\$			18,153	\$ 4,362	\$ 1,600	\$
Accrued Liabilities				907	1,591			
<b>TOTAL LIABILITIES</b>	<b>513</b>			<b>907</b>	<b>19,744</b>	<b>4,362</b>	<b>1,600</b>	
DEFERRED INFLOWS:								
Unavailable Revenue - Loans								
FUND BALANCES:								
Nonspendable					338			
Restricted	1,147	10,937				9,416		
Committed								
Assigned			17	584	63,401		28,970	56,753
<b>TOTAL FUND BALANCES</b>	<b>1,147</b>	<b>10,937</b>	<b>17</b>	<b>584</b>	<b>63,739</b>	<b>9,416</b>	<b>28,970</b>	<b>56,753</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</b>	<b>1,660</b>	<b>\$ 10,937</b>	<b>17</b>	<b>\$ 1,491</b>	<b>\$ 83,483</b>	<b>\$ 13,778</b>	<b>\$ 30,570</b>	<b>\$ 56,753</b>

# County of Benzie, Michigan

## Combining Balance Sheet Nonmajor Governmental Funds September 30, 2017

	Special Revenue Funds							
	Remonument- ation Survey Grant	GIS Information System	Animal Control	Building Department	Register of Deeds Automation	Homeland Security	911 Emergency Service	Dispatcher Training Grant
<b>ASSETS:</b>								
Cash and Equivalents	\$ 27,478	\$ 6,993	\$ 169,562	\$ 71,179	\$ 150,038	\$ 1,630	\$ 414,267	\$ 18,031
Investments	-	-	-				-	-
Receivables:								
Accounts		-	-				187,369	
Loans	-	-	-					-
Prepaid Items	-	-	481	1,196		-	3,771	
<b>TOTAL ASSETS</b>	<b>\$ 27,478</b>	<b>6,993</b>	<b>\$ 170,043</b>	<b>\$ 72,375</b>	<b>150,038</b>	<b>\$ 1,630</b>	<b>\$ 605,407</b>	<b>18,031</b>
<b>LIABILITIES:</b>								
Accounts Payable	\$	-	\$ 2,252	\$ 29,218	\$	\$ -	\$ 10,108	\$
Accrued Liabilities	-		1,958			-	8,940	
<b>TOTAL LIABILITIES</b>		-	4,210	29,218			19,048	
<b>DEFERRED INFLOWS:</b>								
Unavailable Revenue - Loans								
<b>FUND BALANCES:</b>								
Nonspendable	-	-	481	1,196			3,771	
Restricted	27,478	-	165,352	41,961		1,630	582,588	18,031
Committed	-	-	-					
Assigned		6,993			150,038			
<b>TOTAL FUND BALANCES</b>	<b>27,478</b>	<b>6,993</b>	<b>165,833</b>	<b>43,157</b>	<b>150,038</b>	<b>1,630</b>	<b>586,359</b>	<b>18,031</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</b>	<b>27,478</b>	<b>\$ 6,993</b>	<b>\$ 170,043</b>	<b>\$ 72,375</b>	<b>\$ 150,038</b>	<b>\$ 1,630</b>	<b>605,407</b>	<b>\$ 18,031</b>

# County of Benzie, Michigan

Combining Balance Sheet  
Nonmajor Governmental Funds  
September 30, 2017

	Special Revenue Funds								
	Local Corrections Officer Training	Sheriff Forfeiture	Benzie Criminal Justice Training	Law Library	Commission on Aging	Child Care	Soldier's Relief	Veteran's Trust	
ASSETS:									
Cash and Equivalents	\$ 16,118	\$ 4,582	\$ 7,415	\$ 1,376	\$ 328,310	\$ 36,211	\$ 71,084	\$ 5,020	
Investments	-	-							
Receivables:									
Accounts	-	-				-			
Loans		-				-			
Prepaid Items	-								
TOTAL ASSETS	16,118	\$ 4,582	\$ 7,415	\$ 1,376	\$ 328,310	\$ 36,211	\$ 71,084	\$ 5,020	
LIABILITIES:									
Accounts Payable	\$	\$ 378	\$	\$ 170	\$	\$ 24,435	\$ 401	\$	
Accrued Liabilities		-	-			-			
TOTAL LIABILITIES		378		170		24,435	401		
DEFERRED INFLOWS:									
Unavailable Revenue - Loans									
FUND BALANCES:									
Nonspendable		-	-						
Restricted	16,118	4,204	7,415		328,310	11,776	70,683	5,020	
Committed		-	-				-		
Assigned			-	1,206					
TOTAL FUND BALANCES	16,118	4,204	7,415	1,206	328,310	11,776	70,683	5,020	
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	16,118	\$ 4,582	\$ 7,415	\$ 1,376	\$ 328,310	\$ 36,211	\$ 71,084	\$ 5,020	



# County of Benzie, Michigan

## Combining Balance Sheet Nonmajor Governmental Funds September 30, 2017

	Special Revenue Funds					Debt Service Funds			
	CDBG Housing Grant	Light House	Brownfield Redevelopment Authority	Juvenile Justice	CDBG Grant	Clerk Tech. Fund	Government Center Addition	Maples Debt Millage	
ASSETS:									
Cash and Equivalents	97,972	\$ 3,246	\$ 21,316	746	\$	19,739	\$ 34,660	\$ 514,023	
Investments									
Receivables:									
Accounts				1,962					
Loans	865,932								
Prepaid Items									
TOTAL ASSETS	\$ 963,904	\$ 3,246	\$ 21,316	\$ 2,708	\$	19,739	\$ 34,660	\$ 514,023	
LIABILITIES:									
Accounts Payable	\$ 105	\$	\$ 1,862	\$ 1,278	\$				
Accrued Liabilities									
TOTAL LIABILITIES	105	-	1,862	1,278					
DEFERRED INFLOWS:									
Unavailable Revenue - Loans	865,932								
FUND BALANCES:									
Nonspendable	-	-	-						
Restricted	97,867	3,246	19,454	1,430		19,739	34,660	514,023	
Committed	-	-	-						
Assigned									
TOTAL FUND BALANCES	97,867	3,246	19,454	1,430		19,739	34,660	514,023	
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	\$ 963,904	\$ 3,246	\$ 21,316	\$ 2,708	\$	19,739	34,660	\$ 514,023	

# County of Benzie, Michigan

Combining Balance Sheet  
Nonmajor Governmental Funds  
September 30, 2017

	Capital Project Funds							
	Jail Reserve	Capital Improvements	Railroad Point	Equipment Replacement	Medical Care Facility Renovation	Building Authority	Totals	
ASSETS:								
Cash and Equivalents	\$ 92,698	\$ 6,745	\$ 10,199	\$ 121,484	\$ 141,441	\$ 9,958	\$ 2,753,116	
Investments	145,508	-				-	145,508	
Receivables:								
Accounts	-			573			199,137	
Loans							865,932	
Prepaid Items					-		5,786	
TOTAL ASSETS	\$ 238,206	\$ 6,745	10,199	\$ 122,057	\$ 141,441	\$ 9,958	\$ 3,969,479	
LIABILITIES:								
Accounts Payable	\$ 44,400	\$ -	\$ 2,813	\$ 1,162	\$ 23,717	\$ 630	\$ 172,089	
Accrued Liabilities	-	-	-			-	14,967	
TOTAL LIABILITIES	44,400		2,813	1,162	23,717	630	187,056	
DEFERRED INFLOWS:								
Unavailable Revenue - Loans							865,932	
FUND BALANCES:								
Nonspendable	-		-				5,786	
Restricted	193,806	-	7,386		117,724	9,328	2,418,556	
Committed	-	6,745	-	120,895			166,997	
Assigned		-					325,152	
TOTAL FUND BALANCES	193,806	6,745	7,386	120,895	117,724	9,328	2,916,491	
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	\$ 238,206	\$ 6,745	\$ 10,199	\$ 122,057	\$ 141,441	\$ 9,958	\$ 3,969,479	

# County of Benzie, Michigan

## Combining Statement of Revenues, Expenditures, and Changes in Fund Balance Nonmajor Governmental Funds Year Ended September 30, 2017

	Special Revenue Funds							
	Sheriffs K-9	TNT Officer	Benzie Co. Sheriff Reserve's	Benzie Co. Dive Team	Benzie Co. DARE	Benzie Co. Kids	Friend of the Court	Seasonal Road Patrol
REVENUES:								
Taxes	\$	\$ 117,132	\$ -	\$ -	\$	\$	\$ -	\$
Federal Sources		-	-					
State Sources				-				
Local Sources	-						-	21,150
Charges for Services		-					5,520	
Refunds and Reimbursements		1,916	-			-	-	181
Interest and Rentals	-		-			-	139	
Contributions	8,810			-		2,031	-	
Other Revenue								
TOTAL REVENUES	8,810	119,048	-			2,031	5,659	21,331
EXPENDITURES:								
Judicial								
General Government	-	-	-	-		-	-	
Public Safety	5,171	154,145		425		1,798	-	52,347
Public Works		-		-				
Health and Welfare								
Recreation and Cultural		-	-	-			-	
Capital Outlay			-				-	
Debt Service			-	-			-	
TOTAL EXPENDITURES	5,171	154,145	-	425		1,798	-	52,347
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	3,639	(35,097)		(425)		233	5,659	(31,016)
OTHER FINANCING SOURCES (USES):								
Loan Proceeds								15,497
Operating Transfers In		5,000						
Operating Transfers Out								
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	3,639	(30,097)		(425)		233	5,659	(15,519)
FUND BALANCES, OCTOBER 1	10,655	69,454	12	1,807	1,736	1,269	66,631	39,320
FUND BALANCES, SEPTEMBER 30	\$ 14,294	\$ 39,357	\$ 12	\$ 1,382	\$ 1,736	\$ 1,502	\$ 72,290	\$ 23,801

# County of Benzie, Michigan

## Combining Statement of Revenues, Expenditures, and Changes in Fund Balance Nonmajor Governmental Funds Year Ended September 30, 2017

	Special Revenue Funds							
	Marine Patrol	Snowmobile Patrol	Parks and Rec. Ice Rink	Airport Authority	Solid Waste/ Recycling	Betsie Valley Trail Management	Soil Erosion	Land Reutilization Fund
REVENUES:								
Taxes	\$	\$	\$	\$	\$	\$	\$	\$
Federal Sources	-				-			
State Sources	9,673	8,000			10,101	8,468		
Local Sources	-	2,700	2,000		-			-
Charges for Services	-	-		-	270,065		20,940	13,248
Refunds and Reimbursements	-	64		38,980	3,150	455		1,223
Interest and Rentals				-	-			-
Contributions			600		1,774			
Other Revenue	-	2,034			-			-
TOTAL REVENUES	9,673	12,798	2,600	38,980	285,090	8,923	20,940	14,471
EXPENDITURES:								
Judicial								6,072
General Government								
Public Safety	12,376	11,525						
Public Works				38,396	284,315		17,650	
Health and Welfare								
Recreation and Cultural			2,600			16,590		
Capital Outlay								
Debt Service								
TOTAL EXPENDITURES	12,376	11,525	2,600	38,396	284,315	16,590	17,650	6,072
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(2,703)	1,273		584	775	(7,667)	3,290	8,399
OTHER FINANCING SOURCES (USES):								
Loan Proceeds								10,000
Operating Transfers In	3,850	9,000						
Operating Transfers Out								
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	1,147	10,273		584	775	(7,667)	3,290	18,399
FUND BALANCES, OCTOBER 1		664	17		62,964	17,083	25,680	38,354
FUND BALANCES, SEPTEMBER 30	1,147	\$ 10,937	17	\$ 584	\$ 63,739	\$ 9,416	\$ 28,970	\$ 56,753

**Combining Statement of Revenues, Expenditures,  
and Changes in Fund Balance  
Nonmajor Governmental Funds  
Year Ended September 30, 2017**

	Special Revenue Funds							
	Remonument- ation Survey Grant	GIS Information System	Animal Control	Building Department	Register of Deeds Automation	Homeland Security	911 Emergency Service	Dispatcher Training Grant
REVENUES:								
Taxes	\$ -	\$ -	\$ 114,767	\$ -	\$ -	\$ -	\$ -	\$ -
Federal Sources	-	-	-	-	-	-	-	-
State Sources	22,713	-	-	219	-	-	-	8,514
Local Sources	-	-	-	-	-	-	-	-
Charges for Services	-	1,000	15,111	337,587	27,775	-	756,459	-
Refunds and Reimbursements	-	-	2,369	1,303	-	-	4,093	-
Interest and Rentals	-	-	-	-	215	-	-	-
Contributions	-	-	7,999	-	-	-	-	-
Other Revenue	-	-	-	-	-	-	-	-
TOTAL REVENUES	22,713	1,000	140,246	339,109	27,990	-	760,552	8,514
EXPENDITURES:								
Judicial	-	-	-	-	-	-	-	-
General Government	20,799	-	-	-	16,934	-	-	-
Public Safety	-	-	167,868	323,631	-	-	734,021	12,441
Public Works	-	-	-	-	-	-	-	-
Health and Welfare	-	-	-	-	-	-	-	-
Recreation and Cultural	-	-	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-	-	-
Debt Service	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	20,799	-	167,868	323,631	16,934	-	734,021	12,441
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,914	1,000	(27,622)	15,478	11,056	-	26,531	(3,927)
OTHER FINANCING SOURCES (USES):								
LOan Proceeds	-	-	-	-	-	-	-	-
Operating Transfers In	-	-	20,000	-	-	-	-	-
Operating Transfers Out	-	-	-	-	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	1,914	1,000	(7,622)	15,478	11,056	-	26,531	(3,927)
FUND BALANCES, OCTOBER 1	25,564	5,993	173,455	27,679	138,982	1,630	559,828	21,958
FUND BALANCES, SEPTEMBER 30	\$ 27,478	\$ 6,993	\$ 165,833	\$ 43,157	\$ 150,038	\$ 1,630	\$ 586,359	\$ 18,031

# County of Benzie, Michigan

## Combining Statement of Revenues, Expenditures, and Changes in Fund Balance Nonmajor Governmental Funds Year Ended September 30, 2017

	Special Revenue Funds							
	Local Corrections Officer Training	Sheriff Forfeiture	Benzie Criminal Justice Training	Law Library	Commission on Aging	Child Care	Soldier's Relief	Veteran's Trust
REVENUES:								
Taxes	\$	\$	\$	\$	\$ 773,726	\$	\$ 47,433	\$
Federal Sources				-			-	-
State Sources			1,268			1,250		11,309
Local Sources	-			-	-			-
Charges for Services	6,675		-	5,000			-	
Refunds and Reimbursements	-		-	28	-	12,399		
Interest and Rentals	-			-				
Contributions					-			
Other Revenue								
TOTAL REVENUES	6,675		1,268	5,028	774,069	13,649	47,433	11,309
EXPENDITURES:								
Judicial	-			20,469				
General Government	-			-				
Public Safety	9,138	821	3,101	-	-			
Public Works	-				-			
Health and Welfare					775,600	133,550	50,741	10,600
Recreation and Cultural	-			-	-	-		
Capital Outlay		-						
Debt Service	-			-				
TOTAL EXPENDITURES	9,138	821	3,101	20,469	775,600	133,550	50,741	10,600
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(2,463)	(821)	(1,833)	(15,441)	(1,531)	(119,901)	(3,308)	709
OTHER FINANCING SOURCES (USES):								
Loan Proceeds								
Operating Transfers In				15,000		115,000		
Operating Transfers Out								
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	(2,463)	(821)	(1,833)	(441)	(1,531)	(4,901)	(3,308)	709
FUND BALANCES, OCTOBER 1	18,581	5,025	9,248	1,647	329,841	16,677	73,991	4,311
FUND BALANCES, SEPTEMBER 30	\$ 16,118	\$ 4,204	\$ 7,415	\$ 1,206	\$ 328,310	\$ 11,776	\$ 70,683	\$ <u>5,020</u>

# County of Benzie, Michigan

## Combining Statement of Revenues, Expenditures, and Changes in Fund Balance Nonmajor Governmental Funds Year Ended September 30, 2017

	Special Revenue Funds				Debt Service Funds			
	CDBG Housing Grant	Light House	Brownfield Redevelopment Authority	Juvenile Justice	CDBG Grant	Clerk Tech. Fund	Government Center Addition	Maples Debt Millage
REVENUES:								
Taxes	\$	\$	-	\$ 1,223	\$	-	\$	\$ 750,939
Federal Sources		-	-		332,951		-	-
State Sources			-	15,000	-		-	-
Local Sources		-	750		-		-	-
Charges for Services			-			9,774		
Refunds and Reimbursements	648	-		-		80	-	-
Interest and Rentals	145				-	24	108,902	885
Contributions				-			-	
Other Revenue	41,258							
TOTAL REVENUES	42,051		1,973	15,000	332,951	9,878	108,902	751,824
EXPENDITURES:								
Judicial								
General Government						888		
Public Safety								
Public Works			25,734		332,951			
Health and Welfare	28,627			15,570			29,468	
Recreation and Cultural								
Capital Outlay								
Debt Service							83,343	520,779
TOTAL EXPENDITURES	28,627		25,734	15,570	332,951	888	112,811	520,779
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	13,424	-	(23,761)	(570)		8,990	(3,909)	231,045
OTHER FINANCING SOURCES (USES):								
Loan Proceeds								
Operating Transfers In			42,182	2,000				
Operating Transfers Out								(200,000)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	13,424	-	18,421	1,430		8,990	(3,909)	31,045
FUND BALANCES, OCTOBER 1	84,443	3,246	1,033	-		10,749	38,569	482,978
FUND BALANCES, SEPTEMBER 30	97,867	\$ 3,246	\$ 19,454	\$ 1,430	\$	19,739	34,660	\$ 514,023

# County of Benzie, Michigan

## Combining Statement of Revenues, Expenditures, and Changes in Fund Balance Nonmajor Governmental Funds Year Ended September 30, 2017

	Capital Project Funds						
	Jail Reserve	Capital Improvements	Railroad Point	Equipment Replacement	Medical Care Facility Renovation	Building Authority	Totals
REVENUES:							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,805,220
Federal Sources		-	-	-			332,951
State Sources			64,431	4,762			165,708
Local Sources		-	23,977	39,596			90,173
Charges for Services			-	17,822			1,486,976
Refunds and Reimbursements		-	-	11,616			78,505
Interest and Rentals	1,029	-	-	-			111,682
Contributions				16,765			37,979
Other Revenue				-			43,292
TOTAL REVENUES	1,029		88,408	90,561			4,152,486
EXPENDITURES:							
Judicial							20,469
General Government			-				44,693
Public Safety							1,488,808
Public Works				-			699,046
Health and Welfare				-			1,044,156
Recreation and Cultural			-	-			19,190
Capital Outlay	161,158		91,048	34,728	234,189	630	521,753
Debt Service			-	-			604,122
TOTAL EXPENDITURES	161,158		91,048	34,728	234,189	630	4,442,237
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(160,129)		(2,640)	55,833	(234,189)	(630)	(289,751)
OTHER FINANCING SOURCES (USES):							
Loan Proceeds				-			15,497
Operating Transfers In			-	6,990	200,000		429,022
Operating Transfers Out				-			(200,000)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	(160,129)		(2,640)	62,823	(34,189)	(630)	(45,232)
FUND BALANCES, OCTOBER 1	353,935	6,745	10,026	58,072	151,913	9,958	2,961,723
FUND BALANCES, SEPTEMBER 30	\$ 193,806	\$ 6,745	\$ 7,386	\$ 120,895	\$ 117,724	\$ 9,328	\$ 2,916,491



**County of Benzie, Michigan****Combining Statement of Net Position  
Nonmajor Enterprise Funds  
September 30, 2017**

	Tax Admin	Tax Foreclosure	Sheriff Commissary	Totals
<b>ASSETS:</b>				
Cash and Equivalents -Unrestricted	\$ 54,360	\$ 829,387	\$ 2,135	\$ 885,882
<b>TOTAL ASSETS</b>	<b>\$ 54,360</b>	<b>\$ 829,387</b>	<b>\$ 2,135</b>	<b>\$ 885,882</b>
<b>LIABILITIES:</b>				
Accounts Payable		600	\$	600
<b>TOTAL LIABILITIES</b>		<b>600</b>		<b>600</b>
<b>NET POSITION:</b>				
Unrestricted	54,360	828,787	2,135	885,282
<b>TOTAL NET POSITION</b>	<b>54,360</b>	<b>\$ 828,787</b>	<b>\$ 2,135</b>	<b>\$ 885,282</b>

# County of Benzie, Michigan

## Combining Statement of Revenues, Expenses, and Changes in Net Position - Nonmajor Enterprise Funds Year Ended September 30, 2017

	Tax Admin	Tax Foreclosure	Sheriff Commissary	Totals
<b>OPERATING REVENUES:</b>				
Charges for Services	\$	\$ 347,347	\$ 6,221	\$ 353,568
TOTAL OPERATING REVENUES		347,347	6,221	353,568
<b>OPERATING EXPENSES:</b>				
Personal Services	-	16,560		16,560
Other Supplies and Expenses	1,100	100,139	7,528	108,767
Total Operating Expenses	1,100	116,699	7,528	125,327
<b>OPERATING INCOME (LOSS)</b>	(1,100)	230,648	(1,307)	228,241
<b>NON-OPERATING REVENUES (EXPENSES)</b>				
Interest Income		1,354		1,354
<b>INCOME (LOSS) BEFORE TRANSFERS</b>	(1,100)	232,002	(1,307)	229,595
Transfer Out	-	(91,537)	-	(91,537)
<b>CHANGES IN NET POSITION</b>	(1,100)	140,465	(1,307)	138,058
NET POSITION, OCTOBER 1	55,460	688,322	3,442	747,224
<b>NET POSITION, SEPTEMBER 30</b>	\$ 54,360	\$ 828,787	\$ 2,135	\$ 885,282

# County of Benzie, Michigan

## Combining Statement of Cash Flows Nonmajor Enterprise Funds Year Ended September 30, 2017

	Tax Admin	Tax Foreclosure	Sheriff Commissary	Totals
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Cash Received From Customers or Users		\$ 347,947	\$ 6,221	\$ 354,168
Cash Payments to Suppliers	(1,100)	(116,699)	(7,528)	(125,327)
Net Cash Provided (Used) by Operating Activities	(1,100)	231,248	(1,307)	228,841
<b>CASH FLOWS FROM NON-CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Operating Transfers In				
Operating Transfers Out		(91,537)		(91,537)
Net Cash Provided (Used) by Non-Capital and Related Financing Activities		(91,537)		(91,537)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Interest Income		1,354		1,354
Net Cash Provided (Used) by Investing Activities		1,354		1,354
Net Increase (Decrease) in Cash	(1,100)	141,065	(1,307)	138,658
Cash and Equivalents at Beginning of Year	55,460	688,322	3,442	747,224
<b>Cash and Equivalents at End of Year</b>	<b>\$ 54,360</b>	<b>\$ 829,387</b>	<b>\$ 2,135</b>	<b>\$ 885,882</b>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>				
Operating Income (Loss)	\$ (1,100)	\$ 230,648	\$ (1,307)	\$ 228,241
Changes in Assets and Liabilities:				
Decrease (Increase) in Assets:				
Due From Other Funds		600		600
Net Cash <b>Provided (Used) by Operating Activities</b>	<b>\$ (1,100)</b>	<b>\$ 231,248</b>	<b>\$ (1,307)</b>	<b>\$ 228,841</b>

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## **Report on Compliance**

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### CERTIFIED PUBLIC ACCOUNTANTS

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Benzie, Michigan as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the County of Benzie, Michigan's basic financial statements and have issued our report thereon dated March 19, 2018. 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.

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. 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 2017-001.

### **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 one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2017-002.

### **County of Benzie, Michigan's Response to Findings**

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

### **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.

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

March 19, 2018





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

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**MEMBER MACPA**

**OFFICES IN**

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MUMAN & WISCONSIN  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY THE UNIFORM GUIDANCE**

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 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, 2017. 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.

The County of Benzie, Michigan's basic financial statements include the operations of the Benzie Transportation Authority, which received \$466,911 in federal awards, of which is not included in the County of Benzie, Michigan's schedule of expenditures of federal awards during the year ended September 30, 2017. Our audit, described below, did not include the operations of the Benzie Transportation Authority because they were engaged by other auditors to perform a separate financial audit and neither met the compliance requirements for a single audit in accordance with the Uniform Guidance, as expenditures of directly administered federal awards did not exceed \$750,000.

**Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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.



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, 2017.

### **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 the Uniform Guidance, 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.

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

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

March 19, 2018



# County of Benzie, Michigan

## Schedule of Expenditures of Federal Awards For the Year Ended September 30, 2017

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Agency or Pass-Through Number	Federal Expenditures
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-17-10002	19,891
Friend of the Court - Incentive	93.563	N/A	17,775
Foster Care - PA	93.658	PROFC	7,575
Total pass-through from State of Michigan Department of Human Services			45,241
Pass-through from Michigan Department of Community Health:			
Public Health Emergency Preparedness	93.069	NU90TP000528	99,716
Public Health Emergency Preparedness	93.074	NU90TP921906	28,452
Tuberculosis TB Control	93.116	1U52PS004693	100
Family Planning	93.217	GFPHPA050733 41	34,705
Immunization - IAP	93.268	H23 CCH522556	10,957
Immunization - Vaccines	93.268	H23 CCH522556	35,087
Immunization Billing Practice Infrastructure Enhancement	93.539	H23 IP000752	12,587
Medicaid Outreach	93.778	05 1205M15MAP	1,576
Medicaid Outreach	93.778	05 U05M15ADM	79,363
Medical Assistance Program	93.778	05 U05M15ADM	14,000
Childrens Special Health Care Services Outreach & Advocacy	93.778	05 U05M15ADM	8,244
Family Planning	93.994	B1MIMCHS	34,748
Total pass-through from Michigan Department of Community Health			359,535
Total U.S. Department of Health & Human Services			404,776
U.S. DEPARTMENT OF AGRICULTURE:			
Pass-through from Michigan Department of Community Health:			
Women with Infant Children Breastfeeding	10.557	W500342	15,793
Women with Infant Children Breastfeeding	10.557	IW1 00342	7,897
Women with Infant Children Migrant Services	10.557	IW100342	16,905
Women with Infant Children Resident Services	10.557	IW100342	118,288
Total U.S. Department of Agriculture			158,883
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:			
Pass-through from MSHDA:			
CDBG Crystal Mountain Expansion	14.228	MSC-214072-EDJT	332,951
U.S. DEPARTMENT OF TRANSPORTATION:			
Pass-through from the Michigan Department of Transportation:			
State Administered Projects	20.205	N/A	371,940
U.S. ENVIRONMENTAL PROTECTION AGENCY:			
Pass-through from Michigan Department of Environmental Quality			
Public Drinking Water - Operator Assistance	66.468	FS975487-15	3,281
Public Drinking Water - Capacity Development	66.468	FS975487-15	450
Public Drinking Water - Source Water Assessment	66.468	FS975487-15	800
Total U.S. Environmental Protection Agency			4,531
U.S. DEPARTMENT OF HOMELAND SECURITY:			
Pass-through from Michigan Department of State Police,			
Emergency Management Division:			
Emergency Management Performance Grant (EMPG)	97.042	EMC-2017-EP-00001	4,774
2016 Homeland Security Grant	97.067	2009-SS-T9-0060	351
Total U.S. Department of Homeland Security			5,125
TOTAL EXPENDITURES OF FEDERAL AWARDS			1,278,206

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 Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. For purposes of charging indirect costs to federal awards, the Organization has not elected to use the 10 percent de minimis cost rate as permitted by §200.414 of the Uniform Guidance.

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 Health and Human Services which provided the greatest amount of indirect federal funding to the County during 2017.

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, 2017, the federal aid received and expended by the Road Commission was \$371,940 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 \$750,000 or more. For 2017, Local Force Account projects amounted to zero.

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	383,317
Add: Component Unit Expenditures	<u>894,889</u>
Total Federal Revenue Recognized per Schedule of Expenditures of Federal Awards	<u>\$ 1,278,206</u>



## Section I — Summary of Auditor's Results

**Financial Statements**

Type of auditors' report issued:	Unmodified
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Internal control over financial reporting:	
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Material weaknesses identified?	
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Significant deficiencies identified that are not considered to be material weaknesses?	Yes
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Noncompliance material to financial statements noted?	Yes
--	-----

**Federal Awards**

Internal control over major programs:	
---------------------------------------	--

Material weaknesses identified?	No
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Significant deficiencies identified that are not considered to be material weaknesses?	No
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Type of auditors' report issued on compliance for major programs:	Unmodified
--	------------

Any audit findings disclosed that are required to be reported in accordance with Title 2 (CFR) Part 200 Uniform Guidance?	No
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**Identification of Major Programs****CFDA NUMBERS****Name of Federal Program or Cluster**

93.069	Public Health Emergency Preparedness
14.228	CDBG Crystal Mountain Expansion

Dollar threshold used to distinguish between type A and type B programs:	\$750,000
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Auditee qualified as low-risk auditee?	No
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Section II— Financial Statement Findings

**Internal Control Over Financial Reporting**

*Significant Deficiencies*

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

*Finding 2017-001*

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: The Administrator's office intends to work through the Board's Finance Committee to identify and lay out requirements for regular financial reporting.

- Contact Person(s) Responsible for Correction:  
Mitch Deisch, County Administrator

Section II— Financial Statement Findings (Continued)

*Significant Deficiencies –Noncompliance with State Statutes*

**Excess Expenditures Over Appropriations**

***Finding 2017-002***

**Condition:** Our examination indicated one instance of noncompliance with the provisions of Public Act 621 of 1978, Section 18(1), as amended, the Uniform Budgeting and Accounting Act.

The County's 2017 General Appropriations Act (budget) provided for expenditures of the following funds to be controlled to the activity level. During the fiscal year ended September 30, 2017, expenditures were incurred in excess of amounts appropriated in the amended budgets.

**Criteria:** The expenditures of funds in excess of appropriations are contrary to the provisions of Public Act 621 of 1978, as amended.

During the year ended September 30, 2017, the County incurred expenditures in certain budgetary funds, which were in excess of the amount appropriated as follows:

	<u>Total</u> <u>Appropriations</u>		<u>Amount of</u> <u>Expenditures</u>		<u>Budget</u> <u>Variance</u>
General Fund:					
Public Safety	1,052,084	\$	1,058,811	\$	(6,727)
Other Expenditures	1,332,441		1,406,392		(73,951)

**Effect:** The County has not complied with various State Statutes.

**Cause:** Unknown.

**Recommendation:** The County should follow the State Law that requires County Governmental Funds have budgets for its funds approved before the fiscal year commences.

**Corrective Action Plan:** Management does monitor budgets closely and perform budget amendments on a timely basis. We will work to implement budget amendments as soon as information becomes available to us; however, because the budgets lapse at year end amendments can only be made as information becomes available.

- Contact Person(s) Responsible for Correction:  
Mitch Deisch, County Administrator

Section III – Federal Award Findings and Questioned Costs

NONE.

NONE.

## **Additional Information**

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COUNTY OF BENZIE, MICHIGAN

ADDITIONAL INFORMATION

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**MEMBER MACPA**

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**INDEPENDENT AUDITOR'S REPORT ON ADDITIONAL INFORMATION**

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

Our report on our audit of the basic financial statements of the County of Benzie, Michigan, as of and for the year ended September 30, 2017, 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.

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

March 19, 2018



**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, 2017, the County has the following debt issues which apply to SEC Rule 15c2-12:

1. \$1,265,000 1998 Building Authority Bonds.
2. \$6,760,000 2013 Building Authority Bonds

**NOTE 2- TABLES:**

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

**A. State Equalized Valuation:**

	50% of True Value
2017	1,693,278,917
2016	1,602,436,793
2015	1,595,021,895
2014	1,516,760,157
2013	1,455,041,795
2012	1,446,019,671
2011	1,488,154,893
2010	1,570,440,129
2009	1,771,098,199
2008	1,761,437,891
2007	1,731,154,154

Source: Benzie County

**B. Taxable Valuation:**

2017	1,213,795,673
2016	1,160,540,117
2015	1,158,546,881
2014	1,131,377,921
2013	1,110,839,737
2012	1,099,298,583
2011	1,088,756,179
2010	1,097,564,619
2009	1,066,749,869
2008	1,063,669,558
2007	1,009,191,871

Source: Benzie County

NOTE 2- TABLES: (Continued)

2017 Breakdown by Use	
Residential	90.36%
Commercial	6.41%
Industrial	.27%
Utility	1.39%
Agricultural	1.44%
Timber-Cutover	.13%
TOTAL	100.00%

2017 Breakdown by Class	
Real	97.60%
Personal	2.40%
TOTAL	100.00%

Source: Benzie County

C. County Tax Rates & Levies:

	2017	2016	2015	2014	2013
County Operating	3.4692	3.4919	3.5144	3.5144	3.5144
MCF Debt & Operations	0.9976	0.9976	1.0000	1.0000	1.0000
Commission on Aging	0.8500	0.6557	0.6600	0.6600	0.6600
Animal Control	0.0982	0.0975	0.0982	0.0982	0.0982
Ambulance	0.7948	0.8000	0.5795	0.5795	0.5795
Soldier Relief	0.0400	0.0400	0.0600	0.0600	0.0600
Conservation District	0.0986	0.0993	0.1000	0.1000	0.1000
TNT Operations	0.0986	0.0993	0.1000	.1000	-
Voted County (Jail)	0.8883	0.8942	0.9000	0.9000	0.9000
TOTAL COUNTY	7.3353	7.1755	7.0121	7.0121	6.9121
Road Commission	0.9871	0.9936	1.0000	1.0000	
Traverse Bay Area I/S/D	2.9234	2.9299	2.9312	2.9312	2.9312
TOTAL ALL JURISDICTIONS	11.2458	11.0990	10.9433	10.9433	9.8433

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

Source: Benzie County

NOTE 2- TABLES: (Continued)

**D. Tax Collection Record:**

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

Year	Tax Levy	Amount	Real	Personal
2017	\$ 41,526,215	39,499,746	95.12%	100%
2016	39,193,822	37,176,154	94.85%	100%
2015	39,084,549	37,092,170	94.90%	100%
2014	37,168,620	35,224,059	94.76%	100%
2013	36,683,813	34,538,205	94.15%	100%
2012	35,114,232	33,018,137	94.03%	100%
2011	34,501,022	32,246,500	93.46%	100%
2010	33,628,263	31,209,130	92.80%	100%
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%

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

Source: Benzie County

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

	2017	2016	2015	2014
Revenues & Transfers In	6,328,056	\$ 6,026,846	\$ 6,373,098	\$ 5,888,982
Expenditures & Transfers Out	6,163,909	6,057,041	6,382,133	5,961,998
Revenues over(under) expenditures	164,147	(30,195)	(9,035)	(73,016)
Beginning Fund Balance	1,644,665	1,674,860	1,683,895	1,756,911
ENDING FUND BALANCE	\$ 1,808,812	\$ 1,644,665	\$ 1,674,860	\$ 1,683,895

Source: Benzie County

NOTE 2- TABLES: (Continued)

F. Debt Statement:

	<u>Gross</u>	Self-Supporting or Portion Paid Directly by Benefited <u>Municipalities</u>	<u>Net</u>
Direct Debt of County:			
Building Authority	\$ 5,610,000	\$	\$ 5,610,000

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

Per Capita County Net Direct Debt	321.05
Percent County Net Direct Debt to 2017 TV	0.47 %

OVERLAPPING DEBT OF COUNTY:

School Districts	\$ 6,641,856
Cities	1,336,000
Townships	
Villages	550,484
Intermediate School Districts	

Net Overlapping Debt	\$ 8,528,340
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Net County and Overlapping Debt	\$ 14,138,340
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Per Capita County Net Direct and Overlapping Debt	809.11
Percent Net Direct and Overlapping Debt to 2017 TV	1.17%

Source: County of Benzie and Municipal Advisory Council of Michigan



**ANDERSON, TACKMAN & COMPANY, PLC**  
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**MEMBER MACPA**

**OFFICES IN**  
**MICHIGAN & WISCONSIN**

**COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE**

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Benzie, Michigan for the year ended September 30, 2017, and have issued our report thereon dated March 19, 2018. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

**Our Responsibility under U.S. Generally Accepted Auditing Standards and the Uniform Guidance**

As stated in our engagement letter dated January 11, 2018, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

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

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 the Uniform Guidance, we examined, on a test basis, evidence about the County of Benzie, Michigan's compliance with the types of compliance requirements described in the Uniform Guidance 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.





- Management's estimate of the allowance for uncollectible accounts receivable is based on past experience and future expectations for collection of various account balances and has been determined to be \$18,398.
- Management's estimate of the Annual Required Contribution for OPEB Obligations and pension liabilities were based on various assumptions regarding life expectancies, inflation, premium increases, and investment rates.

The financial statement disclosures are neutral, consistent and clear.

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

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

#### *Corrected and Uncorrected Misstatements*

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

#### *Disagreement with Management*

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

#### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated March 19, 2018.

#### *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.



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

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

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

### **Planned Scope and Timing of the Audit**

We performed the audit according to the planned scope and timing previously communicated to you in our correspondence about planning matters dated January 11, 2018.

### **Significant Accounting Policies**

#### *Qualitative Aspects of Accounting Practices*

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

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

- Management's estimate of the depreciation expense is based on estimated lives. We evaluated the key factors and assumptions used to develop the estimate in determining that it is reasonable in relation to the financial statements taken as a whole.
- Management's estimate of the accrued compensated absences is based on current hourly rates and policies regarding payment of sick and vacation banks.



## ***Comments and Recommendations***

### **Employee Deductions**

It was noted during our review of payroll that in one instance an employee was having an incorrect amount withheld from their paycheck based on the level of the benefit the employee had indicated on their deduction approval form. We recommend that all employee deductions be reviewed at least on yearly basis to ensure that deduction approval forms are up to date and that the deduction amounts in the payroll system agree to employee deduction approval form.

### **Employee Time Sheets**

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

### **Turst and Agency Fund**

Federal pilt payments have not been distributed during the past two years. We recommend that management distribute federal pilt funds as required.

### **Single Approach for Reporting Leases**

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

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

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

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

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

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

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

The full text of Statement 87 is available on the GASB website, [www.gasb.org](http://www.gasb.org).



### **Other Matters**

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

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

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

### **Conclusion**

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

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

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

March 19, 2018

