

# Auditing Procedures Report

Issued under P.A. 2 of 1966, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Benzie/Leelanau District Health Department	County Benzie
Fiscal Year End September 30, 2007	Opinion Date February 7, 2008	Date Audit Report Submitted to State March 28, 2008	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

- |     |    |  |
|-----|----|--|
| YES | NO | <b>Check each applicable box below.</b> (See instructions for further detail.) |
|-----|----|--|
1.   All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
  2.   There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
  3.   The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
  4.   The local unit has adopted a budget for all required funds.
  5.   A public hearing on the budget was held in accordance with State statute.
  6.   The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
  7.   The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
  8.   The local unit only holds deposits/investments that comply with statutory requirements.
  9.   The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
  10.   There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
  11.   The local unit is free of repeated comments from previous years.
  12.   The audit opinion is UNQUALIFIED.
  13.   The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
  14.   The board or council approves all invoices prior to payment as required by charter or statute.
  15.   To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Anderson, Tackman & Company, PLC		Telephone Number 906-495-5952	
Street Address 16978 S. Riley Avenue		City Kincheloe	State   Zip MI   49788
Authorizing CPA Signature <i>Kenneth A. Talsma</i>		Printed Name Kenneth A. Talsma	License Number 1101024989

**BENZIE/LEELANAU DISTRICT HEALTH DEPARTMENT**

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BASIC FINANCIAL STATEMENTS

September 30, 2007

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

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**INDEPENDENT AUDITOR'S REPORT**

Members of the Board of Health  
Benzie/Leelanau District Health Department  
Benzonia, Michigan 49616

We have audited the accompanying financial statements of the governmental activities and major fund of the Benzie/Leelanau District Health Department (a component unit of Benzie County, Michigan), as of and for the year ended September 30, 2007, which collectively comprise the Health Department's basic financial statements as listed in the Table of Contents. These basic financial statements are the responsibility of the Health Department's management. Our responsibility is to express opinions on these basic financial statements based on our audit.

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major fund of the Benzie/Leelanau District Health Department, as of September 30, 2007, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 7, 2007, on our consideration of the Health Department'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 and opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and budgetary comparison information as listed in the Table of Contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Benzie/Leelanau District Health Department's basic financial statements. The individual departmental statements listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The individual departmental statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.



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

February 7, 2008

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

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This section of the Health Department's annual financial report presents our discussion and analysis of the Health Department's financial performance during the fiscal year ended September 30, 2007. Please read it in conjunction with the Health Department's financial statements, which follow this section.

**FINANCIAL HIGHLIGHTS**

The Health Department saw many shifts in funding priorities during fiscal year 2007, but was able to endure internally without significant problems. The Federal Office of Homeland Security continued to fund the Emergency Preparedness Coordinator with additional funding available for Pandemic Flu Preparedness. The money received from these Programs will continue to educate staff and enhance the Health Department's infrastructure as outlined in the Emergency Response Plan to be used in the event of a public health emergency. Funding for these programs is expected to decrease with the next fiscal year.

The State continues to be in a budget crisis. The Health Department expects to lose more funding through MDCH for standard block grant programs. Changes in the Medicaid Cost Based Reimbursement program for qualified health plans will also have a significant impact for program services. However, it is anticipated that more revenue will be generated through outreach programs in Medicaid and dental services. Funding through LPHO programs is expected to remain the same or have a slight reduction. Local funding will have to be used to make up the revenue for those State required programs.

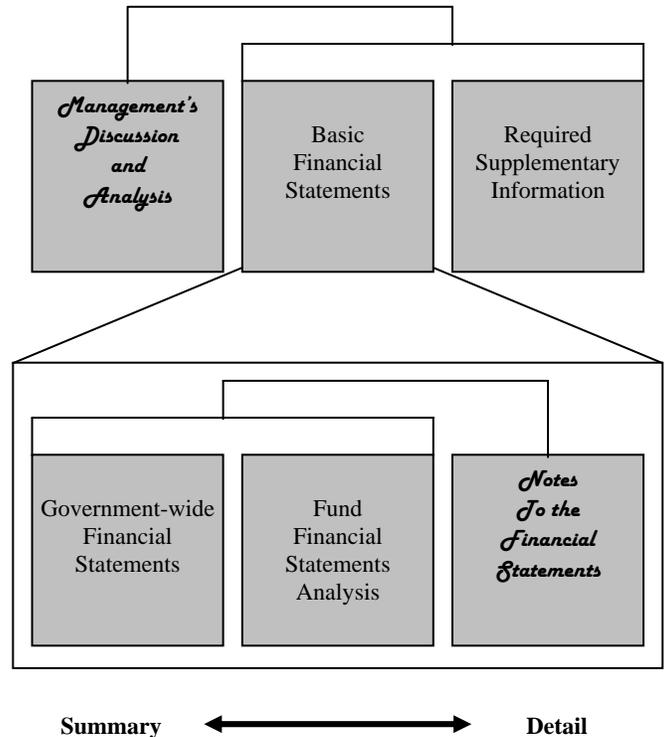
Local appropriation dollars from Benzie and Leelanau counties is also questionable. Both counties in the past have experienced financial troubles and funding to the Health Department could remain stagnate or be reduced. Environmental health permit numbers are expected to decrease which will lead to a decrease in permit revenue. Local funding will have to be used to make up the revenue for those programs.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of three parts - management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the Health Department.

**OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)**

**Figure A-1  
Required Components of the  
Health Department’s Annual Financial Report**



- The first two statements are government-wide financial statements that provide both long-term and short-term information about the Health Department’s overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the Health Department’s operations, reporting the Health Department’s operations in more detail than the government-wide statements.
  - The governmental funds statements tell how government services like Public and Environmental Health were financed in the short-term as well as what remains for future spending.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and relate to one another. In addition to these required elements, we have included a section with individual statements that provide details about our individual divisions of the Health Department each of which are added together and presented in single columns in the basic financial statements. Figure A-2 summarizes the major features of the Health Department’s financial statements. The remainder of this overview section of management’s discussion and analysis explains the structure and contents of each of the statements.

**OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)**

<b>Figure A-2 Major Features of Health Department’s Government-wide and Fund Financial Statements</b>		
	<u>Government-wide Statements</u>	<u>Fund Statements Governmental Funds</u>
Scope	Entire Health Department government (except fiduciary funds) and the Health Department’s component units	The activities of the Health Department that are not proprietary or fiduciary, such as Health and Welfare
Required financial	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>
Accounting basis and measurements focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter

**Government-wide Statements**

The government-wide statements report information about the Health Department as a whole using accounting methods similar to those used by private sector companies. The statement of net assets includes all of the government’s assets and liabilities. All of the current year’s revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

**OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)**

The two government-wide statements report the Health Department's net assets and how they have changed. Net assets – the difference between the Health Department's assets and liabilities – is one way to measure the Health Department's financial health, or position.

- Over time, increases or decreases in the Health Department's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the Health Department you need to consider additional nonfinancial factors such as changes in the federal and state requirements and the condition of the economy.

The government-wide financial statements of the Health Department are:

- Governmental activities – Most of the Health Department's basic services are included here, such as Public Health, and Environmental Health programs.

**Fund Financial Statements**

The fund financial statements provide more detailed information about the Health Department's most significant funds-not the Health Department as a whole. Funds are accounting devices that the Health Department uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and by bond covenants.
- The Benzie/Leelanau District Health Department Board establishes other funds to control and manage money for particular purposes.
- Governmental funds – All of the Health Department's basic services are included in governmental funds, which focus on (1) how much cash and other financial assets that can readily be converted to cash flow in and out and (2) The balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Health Department's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explains the relationship (or differences) between them.

**FINANCIAL ANALYSIS OF THE HEALTH DEPARTMENT AS A WHOLE**

**Total assets.** The Health Department’s combined assets decreased by 13.24% between fiscal years 2006 and the year ended 2007 to \$479,763. (See Table A-1.) The greatest decrease was in cash and due from State.

Table A-1  
Health Department’s Net Assets

	<u>Governmental Activities</u> <u>2006</u>	<u>Governmental Activities</u> <u>2007</u>
Current and other assets	\$ 522,133	\$ 452,355
Capital assets	<u>30,851</u>	<u>27,408</u>
<b>Total assets</b>	<b><u>\$ 553,004</u></b>	<b><u>\$ 479,763</u></b>
Current liabilities	\$ 70,577	\$ 71,430
Long-term debt outstanding	<u>48,500</u>	<u>50,680</u>
<b>Total liabilities</b>	<b><u>119,077</u></b>	<b><u>122,110</u></b>
Net assets		
Invested in capital asset - net of related debt	30,851	27,408
Unrestricted	<u>403,076</u>	<u>330,245</u>
<b>Total net assets</b>	<b><u>\$ 433,927</u></b>	<b><u>\$ 357,653</u></b>

Net assets of the Health Department’s governmental activities decreased 17.58% to \$357,653. However, \$330,245 of assets are not restricted as to the purposes for which they can be used. The remaining \$27,408 is invested in capital assets.

**Changes in net assets.** The Health Department’s total revenues increased by 8.4% to \$1,734,875. (See Table A-2.) A majority of the Health Department’s revenue (47%) comes from federal and state funding.

The total cost of all primary activities increased 9.8%. The Health Department’s expenses cover salaries, fringes, supplies, debt payments, and other expenses.

Table A-2 and the narrative that follows consider the operations of governmental-type activities.

**Governmental Activities**

Revenues for the Health Department's governmental activities increased 8.4%, while total expenses increased 9.8% in 2007.

Table A-2  
Changes in Health Department's Net Assets

	<u>Governmental Activities</u> <u>2006</u>	<u>Governmental Activities</u> <u>2007</u>
<b>Program Revenue</b>		
Charges for Services	\$ 668,897	\$ 614,082
Operating Grants and Contributions	<u>931,555</u>	<u>1,120,793</u>
<b>Total Program Revenues</b>	<b><u>1,600,452</u></b>	<b><u>1,734,875</u></b>
<b>Program Expenses</b>		
Environmental Health	671,365	679,366
Personal Health	1,146,206	1,315,501
Administration	428,134	471,342
Depreciation Expense – Unallocated	<u>3,443</u>	<u>3,443</u>
<b>Total Program Expenses</b>	<b><u>2,249,148</u></b>	<b><u>2,469,652</u></b>
<b>Net Program Revenues (Expenses)</b>	<b><u>(648,696)</u></b>	<b><u>(734,777)</u></b>
<b>General Revenues</b>		
Interest Income	9,354	13,880
County Appropriations	390,060	406,735
Rent	231,222	222,888
Cigarette Tax	15,000	15,000
Other	<u>8,157</u>	<u>-</u>
<b>Total General Revenues</b>	<b><u>653,793</u></b>	<b><u>658,503</u></b>
<b>Increase (decrease) in net assets</b>	<b>5,097</b>	<b>(76,274)</b>
<b>Beginning Net Assets</b>	<b><u>428,830</u></b>	<b><u>433,927</u></b>
<b>Ending Net Assets</b>	<b><u>\$ 433,927</u></b>	<b><u>\$ 357,653</u></b>

**FINANCIAL ANALYSIS OF THE HEALTH DEPARTMENT’S FUNDS**

As the Health Department completed the year, its governmental funds reported a fund balance of \$330,245 an 18% decrease in fund balance. The primary reason for the decrease in fund balance is highlighted in the financial analysis of the Health Department.

**Governmental Fund Revenues and Expenditures**

Operating revenues for the Health Department increased by 6.62% and operating expenditures for the Health Department’s governmental funds increased 9.82%.

Table A-3  
Changes in Health Department’s Fund Balance

	Governmental General Operating Fund <u>2006</u>	Governmental General Operating Fund <u>2007</u>
<b>Revenues:</b>		
Intergovernmental		
Federal/State	\$ 870,133	\$ 1,099,165
Local	61,422	21,627
Charges for Services	668,897	397,470
Licenses and Permits	-	215,563
Interest and Rents	240,576	236,768
Other	<u>8,157</u>	<u>1,050</u>
<b>Total Revenues</b>	<b><u>1,849,185</u></b>	<b><u>1,971,643</u></b>
<b>Expenditures:</b>		
Health and Welfare:		
Salaries and Wages	1,027,961	1,056,142
Fringes	377,744	378,967
Supplies and Materials	240,752	376,249
Consultant	9,381	8,484
Contractual	66,233	65,975
Communications	48,249	46,285
Travel	82,818	83,360
Space	327,341	337,401
Miscellaneous	<u>65,226</u>	<u>113,346</u>
<b>Total Expenditures</b>	<b><u>2,245,705</u></b>	<b><u>2,466,209</u></b>
Excess of Revenues Over (Under) Expenditures	<u>(396,520)</u>	<u>(494,566)</u>
<b>Other Financing Sources:</b>		
County Appropriations	390,060	406,735
Cigarette Tax	<u>15,000</u>	<u>15,000</u>
<b>Total Other Financing Sources</b>	<b><u>405,060</u></b>	<b><u>421,735</u></b>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures	<u>\$ 8,540</u>	<u>\$ (72,831)</u>

**CAPITAL ASSETS**

At the end of 2007, the Health Department had invested \$27,408 in capital assets, including furniture & equipment. (See Table A-4.) This amount presents a net decrease (including additions and deductions) of \$3,443 or 11.16%, over last year.

Table A-4  
Health Department's Capital Assets  
(net of depreciation)

	<u>Governmental Activities</u> 2006	<u>Governmental Activities</u> 2007
Equipment and furniture	\$ 30,851	\$ 27,408
<b>Totals</b>	<b><u>\$ 30,851</u></b>	<b><u>\$ 27,408</u></b>

The principal change in capital assets consists mainly of depreciation expense of \$3,443. More detailed information about the Health Department's capital assets is presented in Note 6 to the financial statements.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

Differences between the original and final amended budgets for revenue (revenue and other financing sources) resulted from Medicaid fees and collections being lower than expected. Environmental health permits issued continued to decline resulting in lower than expected revenue. Mid-year changes in the State funding also reflected an increase in Michigan CPBC funds. Revenue for outreach services in the Medicaid, Dental and CSHCS programs increased.

Differences between the original and final amended budget for expenditures resulted in an expenditure decrease. The largest decrease was contributed to staff changes made with the vacancies of a nurse practitioner and a social worker, lasting several months. Changes with the phone service provider also resulted in a savings. An increase in supplies and other expenditures were a result of additional Pandemic Flu funding received.

All of these factors combined resulted in a higher than projected decrease to the fund balance.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

In adopting the general fund budget for fiscal year 2008, the Health Department considered the budgetary problems with the State of Michigan and their likely effects on grant funding, revenue sharing to the County and Medicaid payment rates. Also considered is the impact of losing qualified health plan encounters with Medicaid Cost Based Reimbursement. There has been a decrease in environmental health permit numbers over the last four years. This trend will need to be closely reviewed to assure appropriate staffing levels are in place in the septic and water programs. Local health departments in the northern part of the Lower Peninsula are taking a closer look at how activities and programs can be carried out in a more regional manner but still strive to keep the local flavor of those programs. These efforts will hopefully promote administrative cost savings.

Also recognized in the budget adoption for fiscal year 2008 was the Leelanau Resource Center located in Lake Leelanau. With the decline in building tenants and increased operating costs of the building, the Board of Health has authorized the refinancing of the building loan as well as putting the building up for sale. In the past, the Health Department has been able to absorb the loss of the building through its fund balance. That is no longer the case now that the Leelanau Peninsula Alternative High School has left due to a decrease in enrollment and funding. The Leelanau Commission on Aging is preparing to leave in March of 2008 which will also account for additional revenue loss.

**CONTACTING THE HEALTH DEPARTMENT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens and grantors with a general overview of the Health Department's finances and to demonstrate the Health Department's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Benzie/Leelanau District Health Department in 6051 Frankfort Highway, Suite 100, Benzonia, MI 49616.

## **Basic Financial Statements**

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**Benzie/Leelanau District Health Department****Statement of Net Assets  
September 30, 2007**

	<u>Governmental Activities</u>
<b>ASSETS:</b>	
Current Assets:	
Cash & Equivalents	
Unrestricted	\$ 276,386
Accounts Receivable (net)	8,263
Due From Other Governments	26,557
Due From State	100,030
Prepaid Expenses	41,119
	<hr/>
Total Current Assets	452,355
	<hr/>
Noncurrent Assets:	
Capital Assets (net of accumulated depreciation):	
Equipment	27,408
	<hr/>
Total Assets	\$ 479,763
	<hr/> <hr/>
<b>LIABILITIES:</b>	
Current Liabilities:	
Accounts Payable	\$ 27,798
Accrued Payroll and Related Liabilities	37,815
Deferred Revenue	5,817
	<hr/>
Total Current Liabilities	71,430
	<hr/>
Non-current Liabilities:	
Compensated Absences	50,680
	<hr/>
Total Liabilities	122,110
	<hr/>
<b>NET ASSETS:</b>	
Invested in Capital Assets	27,408
Unrestricted	330,245
	<hr/>
Total Net Assets	357,653
	<hr/>
Total Liabilities and Net Assets	\$ 479,763
	<hr/> <hr/>

**Benzie/Leelanau District Health Department****Statement of Activities  
For the Year Ended September 30, 2007**

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Assets
<b>Governmental Activities:</b>				
Health and Welfare:				
Environmental Health	\$ 679,366	\$ 300,781	\$ 275,318	\$ (103,267)
Personal Health	1,315,501	311,628	845,475	(158,398)
Administration	471,342	1,673	-	(469,669)
Depreciation Expense - Unallocated	3,443	-	-	(3,443)
Total Governmental Activities	<u>\$ 2,469,652</u>	<u>\$ 614,082</u>	<u>\$ 1,120,793</u>	<u>(734,777)</u>
<b>General Revenues:</b>				
Interest Income				13,880
Rent				222,888
County Appropriations				406,735
Cigarette Tax				<u>15,000</u>
Total General Revenues				<u>658,503</u>
Changes in Net Assets				(76,274)
Net Assets - Beginning				<u>433,927</u>
<b>Net Assets - Ending</b>				<u>\$ 357,653</u>

**Benzie/Leelanau District Health Department****Balance Sheet  
September 30, 2007****ASSETS**

Cash and Equivalents - Unrestricted	\$	276,386
Accounts Receivable - Net		8,263
Due From Other Governmental Units		26,557
Due From State		100,030
Prepaid Expenditures		<u>41,119</u>
Total Assets	\$	<u><u>452,355</u></u>

**LIABILITIES AND FUND EQUITY**

## Liabilities

Accounts Payable	\$	27,798
Accrued Liabilities		37,815
Deferred Revenues		5,817
Compensated Absences		<u>50,680</u>
Total Liabilities		<u>122,110</u>

## Fund Equities

Fund Balance		
Unreserved		
Undesignated		<u>330,245</u>
Total Fund Equities		<u>330,245</u>
Total Liabilities and Fund Equities	\$	<u><u>452,355</u></u>

## **Benzie/Leelanau District Health Department**

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### **Reconciliation of the Balance Sheet Fund Balance to the Statement of Net Assets For the Year Ended September 30, 2007**

Total Governmental Fund Balance \$ 330,245

Amounts reported for governmental activities in the statement  
of net assets are different because:

Capital assets used in governmental activities are not financial  
resources and therefore are not reported in the funds. 27,408

Net Assets of Governmental Activities \$ 357,653

# **Benzie/Leelanau District Health Department**

## **Statement of Revenues, Expenditures, and Changes in Fund Balance For the Year Ended September 30, 2007**

### **Revenues:**

Intergovernmental	
Federal/State	\$ 1,099,165
Local	21,627
Charges for Services	397,470
Licenses and Permits	215,563
Interest and Rents	236,768
Other	1,050
	<hr/>
<b>Total Revenues</b>	<b>1,971,643</b>

### **Expenditures:**

Health and Welfare:	
Salaries and Wages	1,056,142
Fringes	378,967
Supplies and Materials	376,249
Consultant	8,484
Contractual	65,975
Communications	46,285
Travel	83,360
Space	337,401
Miscellaneous	113,346
	<hr/>
<b>Total Expenditures</b>	<b>2,466,209</b>

Excess of Revenues Over (Under) Expenditures (494,566)

### **Other Financing Sources:**

County Appropriations	406,735
Cigarette Tax	15,000
	<hr/>

Total Other Financing Sources 421,735

Excess of Revenues and Other Financing Sources  
Over (Under) Expenditures (72,831)

Fund Balance - Beginning of Year 403,076

**Fund Balance - End of Year** \$ 330,245

## **Benzie/Leelanau District Health Department**

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### **Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Fund to the Statement of Activities For the Year Ended September 30, 2007**

Net Change in Fund Balance – Total Governmental Fund \$ (72,831)

Amounts reported for governmental activities in the statements are different  
because:

Governmental funds report capital outlays as expenditures. However, in the  
statement of activities, the cost of those assets is allocated over their  
estimated useful lives as depreciation expense. This is the amount by which  
capital outlay \$0 exceeded depreciation (\$3,443) in the current period. (3,443)

Change in Net Assets of Governmental Activities \$ (76,274)

## **Notes to Financial Statements**

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

The accounting policies of the Benzie/Leelanau District Health Department, (the “Health Department”) conform to U.S. generally accepted accounting principles as applicable to governmental units. The following is a summary of the significant accounting policies:

In June 1999, the GASB issued Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments. Certain significant changes in the Statement include the following:

- A Management’s Discussion and Analysis (MD&A) section providing an analysis of the Health Department’s overall financial position and results of operations.
- Financial statements prepared using full accrual accounting for all of the Health Department’s activities.
- A change in the fund financial statements to focus on the major funds.

**A. Reporting Entity**

The Benzie/Leelanau District Health Department is a Discretely Presented Component Unit of the County of Benzie, Michigan, the purpose of which is to provide limited health services to the residents of Benzie and Leelanau counties. The operations of the fund are accounted for with a separate set of self-balancing accounts that comprise the fund’s assets, liabilities, fund equity, revenues and expenditures. Each County Board appoints three members to the Health Board of which four are Commissioners and two members are from the public.

**B. Basis of Presentation – Government-Wide Financial Statements**

The statement of net assets and the statement of activities are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, and liabilities resulting from nonexchange are recognized in accordance with Governmental Accounting Standards Board Statement 33.

The statement of net assets and the statement of activities display information about the Health Department as a whole. The statements include all funds of the Department.

The statement of net assets and the statement of activities are presented to distinguish between governmental and business-type activities of the Health Department. Governmental activities are financed through taxes, intergovernmental revenues, and other nonexchange revenues. These activities are reported in governmental funds. Business-type activities are financed by fees charged to external parties for goods or services. The Health Department does not have business-type activities.

The government-wide focus is more on the sustainability of the Health Department as an entity and the change in the Health Department’s net assets resulting from the current year’s activities.

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

When both restricted and unrestricted resources are available for use, it is the Health Department's policy to use restricted resources first, then unrestricted resources as needed.

**C. Basic Financial Statements – Fund Financial Statements**

The financial transactions of the Health Department are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The following fund types are used by the Health Department:

**Governmental Funds**

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the Health Department.

The General fund is the operating fund of the Health Department. It is used to account for all financial resources except those required to be accounted for in another fund.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Nonmajor funds by category are summarized into a single column. GASB 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category of the governmental and enterprise combined) for the determination of major funds. The Health Department selected the General Fund as a Major Fund.

**D. Measurement Focus and Basis of Accounting**

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

**Accrual**

The governmental activities in the government-wide financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

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

**Modified Accrual**

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days of the end of the current period. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt is recognized when due.

**Capital Assets**

Capital assets are reported in the government-wide statements at historical cost. Capital assets include land, improvements to land, buildings, building improvements, vehicles, machinery and equipment, infrastructure and all other tangible or intangible assets that are used in operations and have initial useful lives beyond a single reporting period. Infrastructure assets are long-lived capital assets that normally can be preserved for a significantly greater number of years than most capital assets. Capital assets are defined by the Department as assets with an initial individual cost of more than \$5,000 and an estimated life in excess of two years.

Capital assets that are depreciated are reported net of accumulated depreciation in the statement of net assets. Capital assets that are not depreciated, such as land, are reported separately.

Capital assets are depreciated over their estimated useful lives. Depreciation expense is reported in the statement of activities by allocating the net cost over the estimated useful life of the asset. Assets are depreciated on an individual basis for equipment and buildings.

Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated fixed assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets.

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as follows:

Equipment and Furniture	5 - 20 years
-------------------------	--------------

**Compensated Absences**

The Health Department accrues compensatory time and vacation leave when earned by the employee. Sick leave is paid out at the end of the year if not used.

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

**Deferred Revenue**

The Health Department reports deferred revenue on its governmental funds balance sheet. Deferred revenues arise when a potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period. Deferred revenues also arise when resources are received by the Health Department before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

**Cash and Investments**

Investments are reported at fair value, based on quoted market prices. All deposits are carried at cost.

**Prepaid Items**

Payments made to vendors for insurance and rent that will benefit future periods are recorded as prepaid items. All other payments made to vendors for services that will benefit future periods are recorded as expenditures. These payments do not have a material affect on the financial statements.

**Annual Budget**

The Health Department adopts an annual budget each year for expenditures applicable to the General Fund. The operating budget includes proposed expenditures and the means of financing them is stated on a basis consistent with U.S. generally accepted accounting principles (GAAP). Budgets lapse at fiscal year end.

**Use of Estimates**

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

**Accounts Receivable**

Accounts receivables are stated at the amount management expects to collect from outstanding balances. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. The allowance for doubtful accounts at September 30, 2007 was \$20,063. Changes in the valuation allowance have not been material to the financial statements. The Health Department followed the allowance method in recognizing anticipated uncollectible accounts.

**NOTE 2 - CASH AND EQUIVALENTS:**

The balance sheet accounts and types of cash items are presented below:

Cash and equivalents - unrestricted	\$	276,386	Petty cash	\$	565
			Demand deposits -		
			savings and checking		164,710
			Certificates of deposit		<u>111,111</u>
TOTALS	\$	<u>276,386</u>		\$	<u>276,386</u>

**Investment and Deposit Risk**

*Interest rate risk.* State law limits the allowable investments and the maturities of some of the allowable investments as identified in the following list of authorized investments. The Department’s investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

*Credit risk.* The Department’s investment policy does not have specific limits in excess of state law on investment credit risk. The Department has no investments for which ratings are required.

*Custodial credit risk.* Custodial credit risk is the risk that in the event of a bank failure, the Department’s deposits may not be returned. State law does not require and the Department does not have a policy for deposit custodial credit risk. As of year end, \$112,402 of the Department’s bank balance of \$325,722 was exposed to credit risk because it was uninsured and uncollateralized.

With respect to all the demand deposits, listed above they are held with the Benzie County Treasurer.

These deposits are in financial institutions located in Honor, Michigan and Traverse City, Michigan in varying amounts. All accounts are in the name of the Health Department and specific funds. Interest is recorded in the month in which it is earned.

**NOTE 3 - INVESTMENTS:**

Statutory Authority

Michigan law (Public Act 20 of 1943, as amended) authorizes the Benzie/Leelanau District Health Department to deposit and invest in one or more of the following:

- (a) Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- (b) Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution that is eligible to be a depository of funds belonging to the State under a law or rule of this State or the United States.

**NOTE 3 - INVESTMENTS: (Continued)**

- (c) Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and matures not more than 270 days after the date of purchase.
- (d) Repurchase agreements consisting of instruments listed in a.
- (e) Bankers' acceptances of United States banks.
- (f) Obligations of this State or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
- (g) Mutual funds registered under the investment company act of 194, Title I of Chapter 686, 54 Stat. 789, 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64, with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- (h) Obligation described in a. through g. if purchased through an interlocal agreement under the urban cooperations act of 1967, 1967 (EX Sess) PA 7, MCL 124.501 to 124.512.
- (i) Investment pools organized under the surplus funds investment pool act, 1982 PA 367, 129.111 to 129.118.
- (j) The investment pools organized under the local government investment pool act, 1985 PA 121, MCL 129.141 to 129.150.

The Board of Health is authorized to designate depositories for B/L DHD funds, and funds are invested in accordance with State of Michigan statutory authority.

**NOTE 4 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEM:**

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

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

**NOTE 4 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEM: (Continued)**

Annual Pension Costs – For year ended 2007, the Health Department’s annual pension cost of \$26,957 for the plan was equal to the required and actual contribution. The annual required contribution was determined as part of an actuarial valuation as December 31, 2004, using the age normal cost method. Significant actuarial assumptions used include: (i) a 8% investment rate of return; (ii) projected salary increases of 4.5 percent per year. Additional projected salary increases of up to 2.5% per year annually after retirement for persons under certain benefit packages. The actuarial value of assets determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is being amortized as a level percent of payroll on a closed basis. The remaining amortization period is 30 years.

Three year trend information as of December 31, 2006 is as follows:

	<u>2004</u>	<u>2005</u>	<u>2006</u>
Actuarial Value of Assets	\$ 248,243	\$ 282,464	\$ 324,614
Actuarial Accrued Liability	302,388	349,112	393,152
Unfunded AAL	54,145	66,648	68,538
Funded Ratio	82%	81%	83%
Covered Payroll	173,624	183,187	190,645
UAAL as a Percentage of Covered Payroll	31%	36%	36%

<u>Year Ended Dec 31</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2004	\$ 29,438	100%	0
2005	24,242	100%	0
2006	25,837	100%	0

**NOTE 5 - DEFINED CONTRIBUTION (MONEY PURCHASE) PENSION PLAN:**

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

The Department contributed \$70,871 and employees contributed \$15,943 to the Plan during the year ended September 30, 2007, equal to 10% and 2% respectively of the covered payroll.

**Benzie/Leelanau District Health Department**

**Notes to Financial Statements  
September 30, 2007**

**NOTE 6 - CAPITAL ASSETS:**

A summary of capital assets is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<i>Assets being depreciated:</i>				
Equipment & furniture	\$ 38,684	\$ -	\$ -	\$ 38,684
Subtotal	<u>38,684</u>	<u>-</u>	<u>-</u>	<u>38,684</u>
<i>Accumulated depreciation:</i>				
Equipment & furniture	<u>(7,833)</u>	<u>(3,443)</u>	<u>-</u>	<u>(11,276)</u>
Subtotal	<u>(7,833)</u>	<u>(3,443)</u>	<u>-</u>	<u>(11,276)</u>
Net Capital Assets	<u>\$ 30,851</u>	<u>\$ (3,443)</u>	<u>\$ -</u>	<u>\$ 27,408</u>

Depreciation expense was charged to:

Health and Welfare	\$ <u>3,443</u>
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**NOTE 7 - CONTINGENT LIABILITIES:**

The Benzie/Leelanau District Health Department has received significant financial assistance from state and federal agencies in the form of various grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreement and is subject to audit by the grantor agency. Any disallowed claims resulting from such audits could become a liability of the Health Department. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial statements included herein or on the overall financial position of the Health Department at September 30, 2007.

**NOTE 8 - ACCOUNTS RECEIVABLE:**

Accounts receivable of the Health Department by program as of September 30, 2007, is summarized as follows:

	<u>Gross Accounts Receivable 09/30/07</u>	<u>Credit Allowance</u>	<u>Net Accounts Receivable 09/30/07</u>
Public Health	\$ 28,326	\$ 20,063	\$ 8,263

**NOTE 9 - DUE FROM GOVERNMENTAL AGENCIES:**

Various government agencies reimburse the Health Department for services rendered or based on expenditures for public health programs.

At September 30, 2007, due from governmental agencies consists of the following:

Due from State of Michigan	\$	100,070
Due from Benzie/Leelanau		10,055
Due from NWMCHA		<u>16,502</u>
<b>TOTAL</b>	<b>\$</b>	<b><u>126,587</u></b>

**NOTE 10 - COMPENSATED ABSENCES:**

The Health Department has a contingent liability for accumulated vested vacation benefits and accumulated sick leave benefits of its employees. As of September 30, 2007, the accumulated vacation and sick leave benefits were \$50,680.

**Personal/Sick Leave**

PERSONAL/SICK LEAVE - On October 1st of each year regular full time employees, who have completed their probation period shall be granted seven (7) days of personal/sick leave. New employees shall receive a prorated number of days upon employment with the balance due following their probationary period.

PART-TIME EMPLOYEES – Employees working less than full-time (1.0 FTE) but more than a .79 FTE on a consistent basis are entitled to a prorated personal/sick leave benefit. For example, an employee working .8 FTE would be entitled to 5.6 days. Part-time hourly employees working less than a .80 FTE will not receive personal/sick leave benefits.

CREDIT – Advance use of future credits for sick leave are not permitted. If absence occurs due to illness and no other credits exists, the employee is absent without pay. Otherwise the employee uses compensatory time first and then annual leave to cover time off. Should there be no compensatory or annual leave credits, the employee is then absent without pay.

**Annual Leave**

FULL-TIME EMPLOYEES – All full time employees compensated on an hourly basis receive Annual Leave according to the following schedule. Employees working less than 100% but more than 79% will receive a proportionate share of annual leave. Annual leave may be accumulated with a maximum of 30 days or its equivalent in hours being paid to the employee upon separation/termination regards of the numbers of hours accumulated.

**NOTE 10 - COMPENSATED ABSENCES: (Continued)**

For individuals employed after 10/01/96 the following annual leave schedule is used:

Years	0-2	3-4	5-9	10-14	15-19	20-24	25-29	30 above
Days	10	12	15	18	20	22	24	28 above

**PART-TIME EMPLOYEES** – Part-time employees who work less than .80 FTE and more than .50 FTE will receive a proportionate share of annual leave based on hours worked. Part-time employees with less than .50 FTE will not receive annual leave credits as noted above.

**ALLOWANCE** – Annual leave is not credited for use until the employee has completed 26 weeks of paid services in the probationary period. At the end of the 26 week probationary period employees receive a credit for the hours of annual leave which were earned during this period.

**ACCRUED ANNUAL LEAVE AT SEPARATION, RETIREMENT, OR DEATH OF EMPLOYEE** – Accrued annual leave due an employee at the time of separation or retirement is paid at the same time of payment of salary for the past pay period, at the employee’s current pay rate. Maximum number of hours paid will be 225.

**NOTE 11 - RISK MANAGEMENT/INSURANCE:**

The Department is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees, and natural disasters. The Department is a member of Michigan Municipal Risk Management Authority (MMRMA) for risk of loss relating to its property and general liability except for auto.

The MMRMA is a municipal self-insurance entity operating pursuant to the State of Michigan Public Act 138 of 1982. The purpose of the MMRMA is to administer a risk management fund, which provides members with loss protection for general and property liability.

The Department has joined with numerous other governmental agencies in Michigan as a participant in MMRMA’s “State Pool.” Members of the State Pool do not have individual self-insured retention amounts other than a \$500 deductible per occurrence of liability coverage and a \$250 deductible per occurrence of property coverage.

State Pool members’ limits of coverage (per occurrence) are \$5,000,000 for liability and \$350,000 for property. If a covered loss exceeds these limits or, if for any reason, MMRMA’s resources are depleted, the payment of all unpaid losses is the sole obligation of the Department.

The Department carries commercial insurance for all other risks of loss including auto liability, vehicle physical damage, worker’s compensation, liability, and health insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in past fiscal years.

**NOTE 12 - LEASE COMMITMENTS:**

The Benzie/Leelanau District Health Department currently leases space from the Northern Health Foundation under a signed operating lease arrangement.

The Department leases office facilities under two long-term lease agreements which were refinanced during 2002 and are described below. The lease is an operating lease. However, the Leelanau building reverts to Leland Township and the Benzie building reverts to Benzie County at the end of the lease. The following schedule details future minimum lease payments based upon the leases in effect at the current fiscal year end:

<u>Year</u>	<u>Benzie</u>	<u>Leelanau</u>
2008	\$ 131,388	\$ 102,060
2009	131,388	102,060
2010	131,388	102,060
2011	131,388	102,060
2012	131,388	102,060
2013-2017	656,940	510,300
2018-2019	21,898	153,090

The Department subleases space in these buildings to various agencies. The total rent charged includes the base rent and a share of utilities and other administrative costs. The total rent received for the year ended September 30, 2007 is \$222,888 and is netted against space cost expenditures.

The following is a schedule, by year, of future minimum base sublease payments:

<u>Year</u>	<u>Benzie County</u>	<u>Leelanau County</u>
2008	98,064	8,448
2009	96,024	2,816
2010	96,024	-
2011	92,139	-
2012	89,364	-
2013-2017	446,820	-
2018-2019	52,129	-

**NOTE 13 - SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS:**

The federal expenditures of the Department are included with the schedule of expenditures of federal awards of Benzie County.

## **Required Supplementary Information**

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**Benzie/Leelanau District Health Department****Budgetary Comparison Schedule  
General Fund  
For the Year Ended September 30, 2007**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balance, October 1, 2006	\$ 403,076	\$ 403,076	\$ 403,076	\$ -
Resources (inflows):				
Licenses & Permits	-	212,600	215,563	2,963
Charges for Services	730,546	380,397	397,470	17,073
Federal Sources	40,198	678,517	678,517	-
State Sources	815,074	295,769	435,648	139,879
Local Sources	401,719	438,277	406,735	(31,542)
Rents	372,407	368,135	222,888	(145,247)
Interest	-	10,200	13,880	3,680
Other Revenues	61,229	22,152	22,677	525
Amounts available for appropriation	<u>2,824,249</u>	<u>2,809,123</u>	<u>2,796,454</u>	<u>(12,669)</u>
Charges to appropriation (outflows):				
Salaries	1,079,943	1,059,367	1,056,142	3,225
Fringe Benefits	399,804	382,961	378,967	3,994
Supplies and Materials	214,573	228,093	376,249	(148,156)
Consultant Services	9,850	8,457	8,484	(27)
Contractual Services	129,717	76,646	65,975	10,671
Communications	49,768	48,395	46,285	2,110
Travel	57,107	85,382	83,360	2,022
Space Costs	405,316	480,933	337,401	143,532
Other Expenditures	120,346	85,854	113,346	(27,492)
Total charges to appropriations	<u>2,466,424</u>	<u>2,456,088</u>	<u>2,466,209</u>	<u>(10,121)</u>
Budgetary fund balance, September 30, 2007	<u>\$ 357,825</u>	<u>\$ 353,035</u>	<u>\$ 330,245</u>	<u>\$ (22,790)</u>

## **Other Supplementary Information**

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# Benzie/Leelanau District Health Department

**General Fund  
Statement of Revenues, By Program  
Budget and Actual  
For the Year Ended September 30, 2007**

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:			
General Administration	\$ 11,700	\$ 15,395	\$ 3,695
Environmental Health	103,612	11,449	(92,163)
Food Service	84,244	84,244	-
Food Service - Revenue	57,100	57,355	255
DSS Facilities -*	-	3,200	3,200
Mortgage Evaluation -*	-	43,120	43,120
Waste Management - Required	94,176	92,816	(1,360)
On-Site Sewage	157,681	164,951	7,270
On-Site Sewage/Alternative -**	-	1,960	1,960
Private Wells	175,057	195,556	20,499
Public Water Supply - Other - ***	-	2,680	2,680
Type II Water Supply	50,470	50,415	(55)
Bioterrorism - Focus A	148,612	148,519	(93)
Public Swimming Pools - *	-	1,560	1,560
Campgrounds - *	-	2,428	2,428
Vacant Land Development - *	-	34,485	34,485
Pandemic Flu	49,862	49,863	1
Subdivisions-*	-	8,763	8,763
TB Control	-	9,052	9,052
Other Communicable Diseases	18,223	2,578	(15,645)
Imms - General	174,893	341,161	166,268
IMMS - IAP	17,855	18,094	239
Sexually Transmitted Diseases	5,403	4,832	(571)
HIV/AIDS Prevention	441	393	(48)
Vision	16,016	15,885	(131)
Crippled Children	43,026	42,815	(211)
Hearing	16,194	15,966	(228)
Maternal Support Services	162,032	158,467	(3,565)
Infant Support Services	92,439	89,719	(2,720)
Family Planning	151,155	147,214	(3,941)
Medicaid Outreach	136,166	73,303	(62,863)
Michigan Child\Healthy Futures	16,237	19,505	3,268
Regional Health Care Coalition	20,242	18,183	(2,059)
WIC	99,252	99,133	(119)
Migrant WIC	25,119	26,122	1,003
General Public Health Nursing	31,277	41,414	10,137
BCCS - Clinic	30,892	30,975	83
District Dental Services	16,607	16,911	304
Family Health Services	216	216	-
Benzie Community Resource Center-****	233,828	168,016	(65,812)
Leelanau Resource Center-****	166,020	84,665	(81,355)
<b>TOTAL REVENUES</b>	<b>\$ 2,406,047</b>	<b>\$ 2,393,378</b>	<b>\$ (12,669)</b>

**NOTES:**

\* - Indicates Budgeted Revenue was included in with Environmental Health

\*\* - Indicates Budgeted Revenue was included in with On-Site Sewage

\*\*\* - Indicates Budgeted Revenue was included in with Private Wells

\*\*\*\* - Health Department rental amounts are not included in actual amounts

# Benzie/Leelanau District Health Department

**General Fund**  
**Statement of Expenditures, By Program**  
**Budget and Actual**  
**For the Year Ended September 30, 2007**

	Budget	Actual	Variance Favorable (Unfavorable)
EXPENDITURES:			
General Administration	\$ 11,700	\$ 15,395	\$ (3,695)
Environmental Health	103,612	102,620	992
Food Service	141,344	139,642	1,702
Waste Management - Required	276,798	276,759	39
Private Wells	199,997	200,368	(371)
Type II Water Supply	50,470	50,602	(132)
Bioterrorism - Focus A	148,612	149,648	(1,036)
Campgrounds -*	-	825	(825)
Pandemic Flu	49,862	49,968	(106)
TB Control-**	-	9,052	(9,052)
Other Communicable Diseases	18,223	2,578	15,645
IMMS - General	174,893	341,161	(166,268)
IMMS - IAP	17,855	18,094	(239)
Sexually Transmitted Diseases	5,403	4,832	571
HIV/AIDS Prevention	441	393	48
Vision	16,016	15,885	131
Crippled Children	43,026	42,814	212
Hearing	16,194	15,966	228
Maternal Support Services	162,190	158,548	3,642
Infant Support Services	92,439	89,719	2,720
Family Planning	151,155	147,213	3,942
Medicaid Outreach	136,166	134,566	1,600
Michigan Child\Healthy Futures	16,237	19,581	(3,344)
Regional Health Care Coalition	20,242	12,528	7,714
WIC	99,252	99,133	119
Migrant WIC	25,119	26,122	(1,003)
General Public Health Nursing	31,277	41,414	(10,137)
BCCS - Clinic	30,892	30,975	(83)
District Dental Services	16,607	16,911	(304)
Family Health Services	216	216	-
Benzie Community Resource Center - ***	233,829	168,016	65,813
Leelanau Resource Center - ***	166,021	84,665	81,356
<b>TOTAL EXPENDITURES</b>	<b>\$ 2,456,088</b>	<b>\$ 2,466,209</b>	<b>\$ (10,121)</b>

**NOTES:**

\* - Indicates Budgeted Expenses were included in with Environmental Health

\*\* - Indicates Budgeted Expenses were included in Other Communicable Diseases

\*\*\* - Actual expenses do not reflect building distributed costs (Benzie - \$64,759) (Leelanau - \$81,272)

# **Benzie/Leelanau District Health Department**

## **Administrative Programs Statement of Revenues and Expenditures Budget and Actual For the Year Ended September 30, 2007**

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
<b>REVENUES:</b>			
Interest on Deposits	\$ 10,200	\$ 13,880	\$ 3,680
Charges for Services	600	622	22
Rents Collected	368,135	222,888	(145,247)
Local Sources	31,555	29,636	(1,919)
Miscellaneous Revenues	900	1,050	150
	<u>411,390</u>	<u>268,076</u>	<u>(143,314)</u>
<b>EXPENDITURES:</b>			
Salaries	105,859	105,755	104
Fringe Benefits	38,252	40,758	(2,506)
Supplies and Materials	15,942	18,103	(2,161)
Consultant Services	4,344	4,371	(27)
Contractual Services	10,700	10,865	(165)
Communications	25,105	25,759	(654)
Travel	2,049	1,989	60
Space Costs	350,122	205,767	144,355
Other Expenditures	58,068	57,975	93
	<u>610,441</u>	<u>471,342</u>	<u>139,099</u>
<b>EXCESS REVENUES OVER (UNDER) EXPENDITURES</b>	<u>\$ (199,051)</u>	<u>\$ (203,266)</u>	<u>\$ (4,215)</u>

**Benzie/Leelanau District Health Department**

**Environmental Health Programs  
Statement of Revenues and Expenditures  
Budget and Actual  
For the Year Ended September 30, 2007**

	Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES:</b>			
Licenses & Permits	\$ 212,600	\$ 215,563	\$ 2,963
Charges for Services	84,200	85,218	1,018
Federal Funding	9,400	9,400	-
State Funding	241,837	244,290	2,453
Local Funding	153,051	178,882	25,831
Miscellaneous Revenues	21,252	21,627	375
<b>Total Revenues</b>	<b>722,340</b>	<b>754,980</b>	<b>32,640</b>
<b>EXPENDITURES:</b>			
Salaries	425,301	425,206	95
Fringe Benefits	153,762	151,118	2,644
Supplies and Materials	18,911	18,256	655
Consultant Services	3,753	3,753	-
Contractual Services	19,200	19,259	(59)
Communications	5,141	5,184	(43)
Travel	32,090	31,670	420
Space Costs	24,570	24,673	(103)
Other Expenditures	247	247	-
<b>Total Expenditures</b>	<b>682,975</b>	<b>679,366</b>	<b>3,609</b>
<b>EXCESS REVENUES OVER (UNDER) EXPENDITURES</b>	<b>\$ 39,365</b>	<b>\$ 75,614</b>	<b>\$ 36,249</b>

**Benzie/Leelanau District Health Department****Public Health Programs  
Statement of Revenues and Expenditures  
Budget and Actual  
For the Year Ended September 30, 2007**

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:			
Charges for Services	\$ 295,597	\$ 311,630	\$ 16,033
Federal Funding	669,117	669,117	-
State Funding	53,932	191,358	137,426
Local Funding	253,671	198,217	(55,454)
Total Revenues	1,272,317	1,370,322	98,005
EXPENDITURES:			
Salaries	528,207	525,181	3,026
Fringe Benefits	190,947	187,091	3,856
Supplies and Materials	193,240	339,890	(146,650)
Consultant Services	360	360	-
Contractual Services	46,746	35,851	10,895
Communications	18,149	15,342	2,807
Travel	51,243	49,701	1,542
Space Costs	106,241	106,961	(720)
Other Expenditures	27,539	55,124	(27,585)
Total Expenditures	1,162,672	1,315,501	(152,829)
EXCESS REVENUES OVER (UNDER) EXPENDITURES	\$ 109,645	\$ 54,821	\$ (54,824)

## **Report on Compliance**

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

**KINROSS OFFICE**

PHILLIP J. WOLF, CPA, PRINCIPAL  
SUE A. BOWLBY, CPA, PRINCIPAL  
KENNETH A. TALSMA, CPA, PRINCIPAL  

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DEANNA J. MAYER, CPA

**MEMBER AICPA  
DIVISION FOR CPA FIRMS**

**MEMBER MACPA**

**OFFICES IN  
MICHIGAN & WISCONSIN**

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

Members of the Board of Health  
Benzie/Leelanau District Health Department  
Benzonia, Michigan 49616

We have audited the financial statements of the governmental activities and major fund of the Benzie/Leelanau District Health Department (a component unit of Benzie County, Michigan), as of and for the year ended September 30, 2007, which collectively comprise the Benzie/Leelanau District Health Department's basic financial statements and have issued our report thereon, dated February 7, 2008. 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.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Benzie/Leelanau District Health Department's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Health Department's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Health Department's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Health Department's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Health Department's financial statements that is more than inconsequential will not be prevented or detected by the Health Department's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Health Department's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Benzie/Leelanau District Health Department'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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Conclusion**

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



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

February 7, 2008



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

**KINROSS OFFICE**

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DEANNA J. MAYER, CPA

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

**MEMBER MACPA**

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

**REPORT TO MANAGEMENT**

Members of the Board of Health  
Benzie/Leelanau District Health Department  
Benzonia, Michigan 49616

We have audited the component unit financial statements of the Benzie/Leelanau District Health Department for the year ended September 30, 2007, and have issued our reports thereon dated February 7, 2008. Professional standards require that we provide you with the following information related to our audit.

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

As stated in our engagement letter, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, irregularities or illegal acts including fraud and defalcations may exist and not be detected by us.

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

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

### **Significant Accounting Policies**

Management has the responsibility for 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 Benzie/Leelanau District Health Department are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2007. We noted no transactions entered into by the Benzie/Leelanau District Health Department during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

### **Accounting Estimates**

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. Our conclusions regarding the reasonableness of the estimates are based on reviewing and testing these historical data provided by management and using this data to compute the estimates.

The allowance for uncollectible accounts receivable is an estimate. It was calculated based on historical collection results. Useful lives of capital assets are estimated by management.

### **Audit Adjustments**

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on Benzie/Leelanau District Health Department's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by Benzie/Leelanau District Health Department, either individually or in the aggregate, indicate matters that could have a significant effect on the Benzie/Leelanau District Health Department's financial reporting process.

### **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether significant or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter 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.

### **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 Benzie/Leelanau District Health Department or a determination of the type of auditor's opinion to be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### **Issues Discussed Prior to Retention of Independent Auditors**

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 Benzie/Leelanau District Health Department's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

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

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

### **Comments and Recommendations**

#### **Fraud Policy**

With the implementation of Statement on Auditing Standards No. 99, auditors are required to assess policies and procedures regarding fraud risks within a governmental entity. The Board does not have a "fraud policy" which would address fraud or suspected fraud and related board actions. We recommend the Board adopt a fraud policy in compliance with SAS No. 99.

### **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, please contact us.

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



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

February 7, 2008