

Auditing Procedures Report

Issued under P.A. 2 of 1968, 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 LMAS District Health Department	County Luce
Fiscal Year End September 30, 2007	Opinion Date March 28, 2008	Date Audit Report Submitted to State March 31, 2008	

We affirm that:

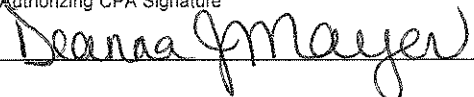
We are certified public accountants licensed to practice in Michigan.

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 **Check each applicable box below.** (See instructions for further detail.)
- 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.
 - 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.
 - The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
 - The local unit has adopted a budget for all required funds.
 - A public hearing on the budget was held in accordance with State statute.
 - 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.
 - The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
 - The local unit only holds deposits/investments that comply with statutory requirements.
 - 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).
 - 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.
 - The local unit is free of repeated comments from previous years.
 - The audit opinion is UNQUALIFIED.
 - The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
 - The board or council approves all invoices prior to payment as required by charter or statute.
 - 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 	Printed Name Deanna J. Mayer, CPA		License Number 1101028546

**Luce-Mackinac-Alger-Schoolcraft
District Health Department**

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

Luce-Mackinac-Alger-Schoolcraft
District Health Department
Board of Health
Newberry, Michigan 49868

We have audited the accompanying financial statements of the governmental activities and major fund of the Luce-Mackinac-Alger-Schoolcraft District Health Department, (a component unit of Luce County, Michigan), as of and for the year ended September 30, 2007, which collectively comprise the LMAS District Health Department's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the LMAS District Health Department's management. Our responsibility is to express opinions on these 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 Luce-Mackinac-Alger-Schoolcraft District Health Department as of September 30, 2007, and the respective changes in financial position, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2008, on our consideration of Luce-Mackinac-Alger-Schoolcraft District 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 an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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 the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries 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 LMAS District Health Department's basic financial statements. The financial statements and schedules listed in the Table of Contents as other financial information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The financial statements and schedules 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

March 28, 2008

Management's Discussion and Analysis

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

FINANCIAL HIGHLIGHTS

The LMAS District Health Department saw many shifts in funding priorities during fiscal 2007, but was able to weather them without significant problems. The Federal Office of Homeland Security provided continued funding through the State of Michigan for a significant new program, Public Health Emergency Preparedness. This program supports enhancement of the public health system infrastructure and the design of an emergency response plan to use in the event of a public health emergency. Funding for this program will continue in fiscal 2008 with some reduction and/or changes in program focus.

Budget concerns at the federal and state levels resulted in some decreased funding for ongoing programs. The most significant of these, from a dollar perspective, was the loss of the rural health add-on for Medicare home health services for a portion of 2007. This program had paid an additional premium amount for services rendered in rural areas. In spite of this reduction our Home Health Division had a very good year in 2007. However, beginning January 1, 2008 the Medicare Prospective Payment System saw the most sweeping changes in a decade and LMAS will have to wait to assess the impact of these changes.

A significant impact to cash flow early in Fiscal 2007 was the deferral of payment of the Medicaid Cost Based Reimbursement funding for 2006 until later in 2007. Payments were brought current late in 2007. The State of Michigan has made assurances that Medicaid CBR will continue in the future.

During 2007 the Health Department undertook significant cost cutting measures in a successful attempt to prepare the Department for anticipated revenue reductions related to services that have been impacted by Michigan's struggling economy. At the same time we have made strides to increase productivity while controlling costs. The measures taken resulted in improvement in net asset position at the end of 2007.

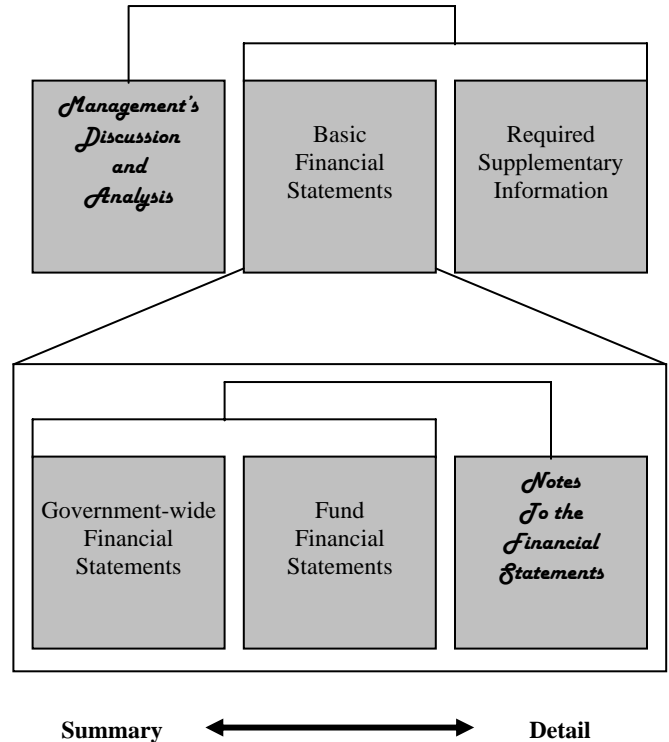
OVERVIEW OF THE FINANCIAL STATEMENTS

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 LMAS District 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 Health and Welfare 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 supplemental 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 LMAS District 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 LMAS District 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)

Figure A-2 Major Features of Health Department’s Government-wide and Fund Financial Statements		
	<u>Government-wide Statements</u>	<u>Fund Statements Governmental Funds</u>
Scope	Entire Health Department government (except fiduciary funds)	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"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances
Accounting basis and measurement 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 LMAS District 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 LMAS District Health Department's net assets and how they have changed. Net assets – the difference between the LMAS District Health Department's assets and liabilities – is one way to measure the LMAS District Health Department's financial health, or position.

- Over time, increases or decreases in the LMAS District 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 LMAS District Health Department you need to consider additional nonfinancial factors such as changes in the federal and state funding and the condition of the economy.

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

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

Fund Financial Statements

The fund financial statements provide more detailed information about the LMAS District Health Department's most significant funds-not the LMAS District Health Department as a whole. Funds are accounting devices that the LMAS District 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.
- Governmental funds – All of the LMAS District 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 LMAS District 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. The Department operates with one fund, which is considered a governmental fund.

Luce-Mackinac-Alger-Schoolcraft District Health Department

Management's Discussion and Analysis
September 30, 2007

FINANCIAL ANALYSIS OF THE LMAS DISTRICT HEALTH DEPARTMENT AS A WHOLE

In a condensed format, the table below shows the net assets of LMAS District Health Department.

Table A-1
Health Department's Net Assets

	<u>Governmental Activities</u> 2006	<u>Governmental Activities</u> 2007
Current Assets	\$ 1,888,289	\$ 1,995,566
Noncurrent Assets	<u>124,378</u>	<u>115,436</u>
Total Assets	<u>\$ 2,012,667</u>	<u>\$ 2,111,002</u>
Current Liabilities	\$ 369,091	\$ 421,866
Noncurrent Liabilities	<u>266,952</u>	<u>249,309</u>
Total liabilities	<u>636,043</u>	<u>671,175</u>
Net assets		
Invested in capital asset - net of related debt	124,378	115,436
Unrestricted	<u>1,252,246</u>	<u>1,324,391</u>
Total net assets	<u>\$ 1,376,624</u>	<u>\$ 1,439,827</u>

Luce-Mackinac-Alger-Schoolcraft District Health Department

Management's Discussion and Analysis
September 30, 2007

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

Governmental Activities

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

	<u>Governmental Activities</u> <u>2006</u>	<u>Governmental Activities</u> <u>2007</u>
Program Revenue		
Charges for Services	\$ 4,390,555	\$ 4,373,649
Operating Grants and Contributions	<u>2,096,386</u>	<u>1,929,951</u>
Total Program Revenues	<u>6,486,941</u>	<u>6,303,600</u>
Program Expenses		
Environmental/Public Health	2,372,254	2,176,197
Home Health	3,337,133	3,315,171
Community Health	776,382	672,140
Administration	116,064	131,572
Depreciation Expense – Unallocated	21,462	18,800
Interest Expense – Unallocated	<u>127</u>	<u>-</u>
Total Program Expenses	<u>6,623,422</u>	<u>6,313,880</u>
Net Program Revenues	<u>(136,481)</u>	<u>(10,280)</u>
General Revenues		
Interest Income	12,094	7,079
County Appropriations	54,837	50,674
Cigarette Tax	<u>16,650</u>	<u>15,730</u>
Total General Revenues	<u>83,581</u>	<u>73,483</u>
Changes in Net Assets	(52,900)	63,203
Beginning Net Assets	<u>1,429,524</u>	<u>1,376,624</u>
Ending Net Assets	<u>\$ 1,376,624</u>	<u>\$ 1,439,827</u>

Luce-Mackinac-Alger-Schoolcraft District Health Department

Management's Discussion and Analysis
September 30, 2007

FINANCIAL ANALYSIS OF THE LMAS DISTRICT HEALTH DEPARTMENT'S FUNDS

As the LMAS District Health Department completed the year, its governmental funds reported a fund balance of \$1.3 million, a 13.6% increase in fund balance. The primary reasons for the increase in fund balance are highlighted in the financial analysis of the LMAS District Health Department.

Governmental Fund Revenues and Expenditures

Operating revenues for the LMAS District Health Department decreased by 1.67% and operating expenditures for the LMAS District Health Department's governmental funds decreased 4.22%.

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

	Governmental General Operating Fund <u>2006</u>	Governmental General Operating Fund <u>2007</u>
Revenues:		
Intergovernmental		
Federal/State	\$ 1,882,585	\$ 1,738,212
Local	45,523	112,700
Charges for Services	4,416,890	4,479,676
Interest and Rents	12,049	7,079
Other	<u>168,323</u>	<u>79,038</u>
Total Revenues	<u>6,525,370</u>	<u>6,416,705</u>
Expenditures:		
Current		
Salaries and Wages	3,325,220	3,210,255
Fringes	920,369	832,873
Supplies and Materials	479,112	490,532
Training	19,946	9,562
Contractual	593,038	604,759
Communications	134,679	128,512
Travel	405,738	351,712
Space	360,725	371,089
Miscellaneous	<u>362,604</u>	<u>323,287</u>
Total Expenditures	<u>6,601,431</u>	<u>6,322,581</u>
Excess of Revenues Over (Under) Expenditures	<u>(76,061)</u>	<u>94,124</u>
Other Financing Sources:		
County Appropriations	54,837	50,674
Cigarette Tax	<u>16,650</u>	<u>15,730</u>
Total Other Financing Sources	<u>71,487</u>	<u>66,404</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures	(4,574)	160,528
Fund Balance – Beginning of Year	<u>1,180,745</u>	<u>1,176,171</u>
Fund Balance – End of Year	<u>\$ 1,176,171</u>	<u>\$ 1,336,699</u>

Luce-Mackinac-Alger-Schoolcraft District Health Department

Management's Discussion and Analysis
September 30, 2007

GENERAL FUND BUDGET HIGHLIGHTS

Revenue in the general fund was under budget by \$28,254 due to slightly less than anticipated Home Health revenue. Expenditures were under budget by \$172,190 due to lower than anticipated fringe, supply, and travel costs. Over the course of the year the Health Board amended the budget to reflect adjustments in revenues and expenditures that developed in the year.

CAPITAL ASSETS

At the end of 2007, the LMAS District Health Department had invested \$115,436 thousand in capital assets, including furniture, equipment, and building improvements. (See Table A-4.)

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

	<u>Governmental Activities</u> <u>2006</u>	<u>Governmental Activities</u> <u>2007</u>
Equipment and furniture	\$ 14,236	\$ 16,311
Building improvements	<u>110,142</u>	<u>99,125</u>
Totals	<u>\$ 124,378</u>	<u>\$ 115,436</u>

More detailed information about the LMAS District Health Department's capital assets is presented in Note E to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In adopting the general fund budget for fiscal year 2008, the LMAS District Health Department considered the budgetary problems within the State of Michigan and their likely effects on grant funding, revenue sharing to the County and Medicaid payment rates. Planned decreases in Medicare payments for Home Health services were also considered.

CONTACTING THE LMAS DISTRICT HEALTH DEPARTMENT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, regulators, and creditors with a general overview of the LMAS District Health Department's finances and to demonstrate the LMAS District Health Department's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Luce-Mackinac-Alger-Schoolcraft District Health Department in Newberry, MI 49868.

Basic Financial Statements

Luce-Mackinac-Alger-Schoolcraft District Health Department

Statement of Net Assets September 30, 2007

	<u>Governmental Activities</u>
ASSETS:	
Current Assets:	
Cash & Cash Equivalents	
Unrestricted	\$ 696,856
Accounts Receivable (net)	1,057,456
Due From Other Governments:	
Federal/State	232,156
Local	4,979
Prepaid Expenses	4,119
	<hr/>
Total Current Assets	1,995,566
	<hr/>
Noncurrent Assets:	
Capital Assets, net of accumulated depreciation	115,436
	<hr/>
Total Noncurrent Assets	115,436
	<hr/>
Total Assets	\$ 2,111,002
	<hr/> <hr/>
LIABILITIES:	
Current Liabilities:	
Accounts Payable	\$ 99,808
Accrued Payroll and Related Liabilities	200,886
ACH Payables	79,768
Other Liabilities	41,404
	<hr/>
Total Current Liabilities	421,866
	<hr/>
Noncurrent Liabilities:	
Long-Term Liabilities Payable After One Year	
Compensated Absences	249,309
	<hr/>
Total Liabilities	671,175
	<hr/>
NET ASSETS:	
Invested in Capital Assets (net of related debt)	115,436
Unrestricted	1,324,391
	<hr/>
Total Net Assets	\$ 1,439,827
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Luce-Mackinac-Alger-Schoolcraft 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
Governmental Activities:				
Environmental/Public Health	\$ 2,176,197	\$ 517,359	\$ 1,282,539	\$ (376,299)
Home Health	3,315,171	3,814,707	10,010	509,546
Community Health	672,140	41,430	500,417	(130,293)
Administration	131,572	153	136,985	5,566
Depreciation Expense - Unallocated	18,800	-	-	(18,800)
Interest Expense - Unallocated	-	-	-	-
Total Governmental Activities	<u>\$ 6,313,880</u>	<u>\$ 4,373,649</u>	<u>\$ 1,929,951</u>	<u>(10,280)</u>
General Revenues:				
Interest Income				7,079
County Appropriations				50,674
Cigarette Tax				<u>15,730</u>
Total General Revenues				<u>73,483</u>
Change in Net Assets				63,203
Net Assets - Beginning				<u>1,376,624</u>
Net Assets - Ending				<u><u>\$ 1,439,827</u></u>

Luce-Mackinac-Alger-Schoolcraft District Health Department

Balance Sheet
September 30, 2007

ASSETS

Assets:

Cash and Equivalents - Unrestricted	\$ 696,856
Accounts Receivable (net)	966,080
Due From Other Governmental Units:	
Federal/State	232,156
Local	4,979
Prepaid Expenditures	<u>4,119</u>
 Total Assets	 <u><u>\$ 1,904,190</u></u>

LIABILITIES AND FUND EQUITY

Liabilities:

Accounts Payable	\$ 99,808
Accrued Liabilities	200,886
ACH Payable	79,768
Other Liabilities	42,974
Deferred Revenues	<u>144,055</u>
 Total Liabilities	 <u>567,491</u>

Fund Equity:

Fund Balance	
Unreserved	
Undesignated	<u>1,336,699</u>
 Total Fund Equity	 <u>1,336,699</u>

Total Liabilities and Fund Equity	<u><u>\$ 1,904,190</u></u>
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Luce-Mackinac-Alger-Schoolcraft District Health Department

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

Total Governmental Fund Balance	\$ 1,336,699
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.	115,436
Under modified accrual, revenue is recognized when amounts are available and measurable in the current period, however under full accrual revenues for services are recognized when earned.	237,001
Other long-term assets are not available to pay for current period expenditures and therefore are not reported in the funds. Compensated Absences	(249,309)
Net Assets of Governmental Activities	<u><u>\$ 1,439,827</u></u>

Luce-Mackinac-Alger-Schoolcraft District Health Department

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

	General Operating Fund
Revenues:	
Intergovernmental	
Federal/State	\$ 1,738,212
Local	112,700
Charges for Services	4,479,676
Interest and Rents	7,079
Other	79,038
Total Revenues	6,416,705
Expenditures:	
Current	
Salaries and Wages	3,210,255
Fringes	832,873
Supplies and Materials	490,532
Training	9,562
Contractual	604,759
Communications	128,512
Travel	351,712
Space	371,089
Miscellaneous	323,287
Total Expenditures	6,322,581
Excess of Revenues Over (Under) Expenditures	94,124
Other Financing Sources:	
County Appropriations	50,674
Cigarette Tax	15,730
Total Other Financing Sources	66,404
Excess of Revenues and Other Financing Sources Over (Under) Expenditures	160,528
Fund Balance - Beginning of Year	1,176,171
Fund Balance - End of Year	\$ 1,336,699

Luce-Mackinac-Alger-Schoolcraft District Health Department

**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 Funds \$ 160,528

Amount 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 depreciation expense (\$18,800) exceeded capital outlay (\$9,858) in the current period. (8,942)

Compensated Absences recognized as an expense. 17,643

Deferred Revenues recognized as earned income. (84,741)

Cost Settlement Receivable recognized as earned income. (21,285)

Net Assets of Governmental Activities \$ 63,203

Notes to Financial Statements

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the Luce-Mackinac-Alger-Schoolcraft District Health Department, (LMAS) conform to U.S. generally accepted accounting principles as applicable to governmental units. The following is a summary of the significant accounting policies:

The Luce-Mackinac-Alger-Schoolcraft District Health Department is a Discretely Presented Component Unit of the County of Luce, Michigan, the purpose of which is to provide limited health services to the residents of Luce, Mackinac, Alger, and Schoolcraft 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 appoints two members, which are Commissioners, to the Board of Health.

Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net assets and the statement of activities (the government-wide statements) present information for the Department as a whole.

The government-wide financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations are provided that explain the differences in detail.

The statement of activities presents the direct functional expenses of the Department and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients for goods or services and grants and contributions that are restricted to be presented as program revenues are general revenues. This includes interest and all County appropriations and shows how governmental functions are either self-financing or supported by the general revenues of the Department.

FUND FINANCIAL STATEMENTS

The Department uses a single fund to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The governmental fund financial statements present the Department's individual major fund.

The governmental fund is presented using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Basis of Presentation (Continued)

The major fund of the Department is:

Special Revenue Fund – This fund is used to account for all financial resources of the Department, which are restricted to expenditures for specified health related purposes.

Basis of Accounting

Basis of accounting refers to the timing under which transactions are recognized for financial reporting purposes. Governmental fund financial statements use the modified accrual basis of accounting. The government-wide financial statements are prepared using the accrual basis of accounting.

Under the accrual basis of accounting, revenue is recorded in the period in which it is earned and expenses are recorded when incurred, regardless of the timing of related cash flows. Revenues for grants and contributions are recognized when all eligibility requirements imposed by the provider have been met. Deferred revenue is recorded when resources are received by the Department before it has legal claim to them, such as when grant monies are received and deferred revenue. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for interest on long-term debt which is recorded when due.

Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e. when they become both measurable and available). “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Revenues susceptible to accrual include state and federal grants and interest revenue. Other revenues are not susceptible to accrual because generally they are not measurable until received in cash. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt which are recorded when due.

The Department reports deferred revenue on its governmental fund balance sheet. Deferred revenues arise when potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period. Resources are considered available if they are collected during the current fiscal year or soon enough afterward to be used in payment of current year liabilities – defined as expected to be received within sixty days of year end. Deferred revenues also arise when the Department receives resources before it has a legal claim to them. In subsequent periods, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the balance sheet and revenue is recognized.

Receivables and Deferred Revenue

Receivables consist of amounts due from governmental units for various grant programs and accounts receivable for charges for services to clients and other organizations.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

The Department has recognized the revenue related to charges for services at the time the services are performed and billed to the extent such amounts are estimated to be received. Contractual adjustments by third-party payers are treated as a reduction to revenues.

Capital Assets

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:

Building improvements	15-20 years
Furniture and equipment	5-10 years

Compensated Absences

The LMAS District Health Department accrues vested or accumulated sick and vacation leave when earned by the employee.

Deferred Revenue

The LMAS District Health Department reports deferred revenue on its statement of net assets 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 LMAS District 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 balance sheet and revenue is recognized.

Cash and Equivalents

Cash and equivalents are considered to be cash on hand, demand deposit, and short-term investments with maturities of three months or less.

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.

Luce-Mackinac-Alger-Schoolcraft District Health Department

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Annual Budget

The LMAS District Health Department adopts an annual budget each year for expenditures applicable to the Special Revenue Funds. 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.

NOTE B - CASH:

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

Cash and equivalents - unrestricted	\$ 696,856	Petty cash	\$ 440
		Demand deposits - savings and checking	<u>696,416</u>
TOTALS	<u>\$ 696,856</u>		<u>\$ 696,856</u>

With respect to the demand deposits, \$688,026 of the \$696,416 listed above is held with the County Treasurer and pooled with the cash of several other funds. The remaining \$8,390 of demand deposits have a bank balance of \$8,390, which is insured by the Federal Deposit Insurance Corporation (FDIC) under regulation 330.8.

Interest rate risk. The Health Department 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 Health Department has no investment policy that would further limit its investment choices.

Custodial credit risk. Custodial deposit credit risk is the risk that in the event of a bank failure, the Health Department's deposits may not be returned. State law does not require and the Health Department does not have a policy for custodial credit risk. As of year end, \$581,706 of the Health Department's bank balance of \$688,026 was exposed to credit risk because it was uninsured and uncollateralized.

NOTE C - INVESTMENTS:

Statutory Authority

Michigan law (Public Act 20 of 1943, as amended) authorizes the Luce-Mackinac-Alger-Schoolcraft 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.
- (c) Commercial paper rated at the time of purchase within the two highest classification 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 this 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) Obligations 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 District Health Department deposits are in accordance with Statutory Authority.

NOTE D - DEFINED BENEFIT PENSION PLAN:

Plan Description - The LMAS District Health Department contributes to the Michigan Municipal Employees Retirement System ("System"), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for all Michigan municipal employees.

MERS was organized pursuant to Section 12a of Act #156, Public Acts of 1851 (msa 5.333 (A); MCLA 46.12 (a), as amended, State of Michigan. MERS is regulated under Act No. 427 of Public Acts of 1984, sections of which have been approved by the State Pension Commission. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the MERS at 1134 Municipal Way, Lansing, Michigan 48917-9755.

All full-time employees of the LMAS District Health Department are eligible to participate in the System. Benefits currently vested after ten years of service. LMAS employees listed after February 1997 who retire at or after age 60 with 10 years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to the sum of 1.7 percent times the member's 5 year final average compensation. The System also provides death and disability benefits. These benefit provisions and all other requirements are established by State statute and County ordinance.

Active employees with ten or more years of service, who become disabled, receive an amount equal to the same as would be received under the normal retirement requirements, except that the reduction for retirement before age 60 is not applied. If the disability is from service connected causes, the amount of retirement allowance shall not be less than 25% of the member's final average compensation.

If an active employee dies, the beneficiary receives a retirement allowance computed in the same manner as a service retirement allowance, but reduced to reflect an Option II (100% joint and survivor) election. An employee's surviving spouse will receive a retirement allowance equal to 85% of the deceased members or deceased vested former members accrued retirement allowance computed in the same manner as a service retirement allowance, based on service and final average compensation at time of death.

The most recent period of which actuarial data was available was for the fiscal year ended December 31, 2006.

Funding Policy - The obligation to contribute to and maintain the system for these employees was established by negotiation with the District Health Department's personnel policy, which requires employees to contribute -0- percent to the plan. The District Health Department is required to contribute at an actuarially determined rate. The contribution rate as a percentage of payroll at December 31, 2006 is as follows:

General	0.66%
Employee 2/97	7.32%

Luce-Mackinac-Alger-Schoolcraft District Health Department

Notes to Financial Statements
September 30, 2007

NOTE D - DEFINED BENEFIT PENSION PLAN: (Continued)

Annual Pension Cost – During the year ended September 30, 2007, the District Health Department’s contributions totaling \$164,138 were made in accordance with the contribution requirement determined by an actuarial valuation of the plan as of December 31, 2006. The employer contribution rate has been determined based on the entry age normal funding method. Under the entry age normal cost funding method, the total employer contribution is comprised of the normal cost plus the level annual percentage of payroll payment required to amortize the unfunded actuarial accrued liability over 30 years. The employer normal cost is, for each employee, the level percentage of payroll payment required to amortize the unfunded actuarial accrued liability over 30 years. The employer normal cost is, for each employee, the level percentage of payroll contribution (from entry age to retirement) required to accumulate sufficient assets at the members retirement to pay for his projected benefit. Significant actuarial assumptions used include a long-term investment yield rate of 8 percent and annual salary increases of 4.5 percent based on an age-related scale to reflect merit, longevity, and promotional salary increases.

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

	2004	2005	2006
Actuarial Value of Assets	\$ 6,387,158	\$ 6,716,767	\$ 7,188,329
Actuarial Accrued Liability	6,004,879	6,547,577	6,919,783
Unfunded AAL	(382,279)	(169,190)	(268,546)
Funded Ratio	106%	103%	104%
Covered Payroll	2,481,348	2,705,760	2,926,587
UAAL as a Percentage of Covered Payroll	0%	0%	0%

Year Ended Dec 31	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2004	\$ 43,144	100%	0%
2005	125,648	100%	0%
2006	173,810	100%	0%

NOTE E - CAPITAL ASSETS:

A summary of capital assets is as follows:

	Beginning Balance	Increases	Adjustments /Decreases	Ending Balance
<i>Capital assets being depreciated:</i>				
Furniture & equipment	\$ 274,397	\$ 9,858	\$ -	\$ 284,255
Building improvements	175,163	-	-	175,163
Subtotal	449,560	9,858	-	459,418

Luce-Mackinac-Alger-Schoolcraft District Health Department

Notes to Financial Statements
September 30, 2007

NOTE E - CAPITAL ASSETS: (Continued)

	Beginning Balance	Increases	Adjustments /Decreases	Ending Balance
<i>Less accumulated depreciation:</i>				
Furniture & equipment	(260,161)	(7,783)	-	(267,944)
Building improvements	(65,021)	(11,017)	-	(76,038)
Subtotal	(325,182)	(18,800)	-	(343,982)
Net Capital Assets Being Depreciated	\$ 124,378	\$ (8,942)	\$ -	\$ 115,436
Depreciation Expense:				
Health and Welfare			\$ 18,800	

NOTE F - ACCOUNTS RECEIVABLE:

The composition of the District Health Department's accounts receivable balance as reported on the balance sheet is summarized as follows:

	Gross Accounts Receivable 09/30/07	Credit Allowance	Net Accounts Receivable 09/30/07
Home Health:			
Medicare PPS	\$ 495,267	\$ (3,785)	\$ 491,482
Private Pay	49,445	(5,506)	43,939
Medicaid	13,314	(1,736)	11,578
Blue Cross/Blue Shield	51,241	(1)	51,240
Other	299,587	(668)	298,919
Sub-total	908,854	(11,696)	897,158
Environmental Health	8,153	(571)	7,582
Personal & Family Health	58,898	(1,401)	57,497
Substance Abuse	3,843	-	3,843
TOTALS	\$ 979,748	\$ (13,668)	\$ 966,080

For the government wide statement of net assets there was an adjustment of \$91,376 for the cost report settlement adjusting the accounts receivable balance to \$1,057,456.

NOTE G - COMMITMENTS AND CONTINGENCIES:

The 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 District 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 District Health Department at September 30, 2007.

Medicare - District Health services rendered to Medicare program beneficiaries are charged at prospectively determined rates per episode. Certain district health services are paid based on a cost reimbursement methodology. The District Health Department reports such activity through the submission of its annual cost reports, which are subject to audit by the Medicare fiscal intermediary. The District Health Department's classification of clients under the Medicare program and the appropriateness of their admission and visits are subject to a review by Medicare.

Medicaid - District Health services rendered to Medicaid program beneficiaries are paid at prospectively determined rates per visit. The District Health Department reports such activity through the submission of its annual cost reports which are subject to audit by the Medicaid fiscal intermediary. The District Health Department's classification of clients under the Medicaid program and the appropriateness of their admission and visits are subject to a review by Medicare.

Risk Management - The District Health 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 District Health Department was unable to obtain general liability insurance at a cost it considered to be economically justifiable. The LMAS District Health Department joined together with other governmental entities and created a public entity risk pool currently operating as a common risk management and insurance program. The District Health Department pays an annual premium to the pool for its general insurance coverage. The agreement provides that the pool will be self-sustaining through member premiums and will reinsure through commercial insurance.

The LMAS District Health Department continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The pooling agreement allows for the pool to make additional assessments to make the pool self-sustaining. The District Health Department is unable to provide an estimate of the amounts of additional assessments.

Luce-Mackinac-Alger-Schoolcraft District Health Department

Notes to Financial Statements
September 30, 2007

NOTE H - COMPENSATED ABSENCES:

The District Health Department has an accrued liability for accumulated vested vacation benefits payable and a contingent liability for accumulated sick leave benefits of its employees. As of September 30, 2007, the accumulated vacation and sick leave benefits were as follows:

	Account Balance 10/01/06	Additions	Deletions	Account Balance 09/30/07
Vacation	\$ 168,526	\$ 911	\$ -	\$ 169,437
Sick	98,426	-	(18,554)	79,872
TOTAL	\$ 266,952	\$ 911	\$ (18,554)	\$ 249,309

Vacation and Sick Leave Policy - Vacations are earned in varying amounts depending on the number of years of service and may be accumulated up to a maximum of 30 days.

Sick leave is paid at fifty percent of the employee's unused sick leave, up to a maximum of 480 hours, upon retirement, separation, or death after ten years of service. Payment shall be made at the employee's current rate of pay.

NOTE I - LEASE COMMITMENTS:

The District Health Department currently leases space for four units under signed, noncancelable, lease agreements.

Future annual obligations of the four leases are summarized below:

Year	Premises			
	St. Ignace Mackinac County	Newberry Luce County	Alger County	Manistique Schoolcraft County
2008	\$ 27,219	\$ 91,200	\$ 61,440	\$ 13,037
2009	27,219	91,200	61,440	-
2010	27,219	91,200	61,440	-
2011	24,950	60,800	61,440	-
2012	-	-	61,440	-
2013-2015	-	-	184,320	-
	This lease ends Aug. 2011	This lease ends May 2011	This lease ends Sept. 2015	This lease ends Dec. 2007

NOTE J - SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS:

The federal expenditures of the Department are included with the schedule of expenditures of federal awards of Luce County, Michigan.

Required Supplementary Information

Luce-Mackinac-Alger-Schoolcraft District Health Department

Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual For the Year Ended September 30, 2007

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget
	Original	Final		Positive (Negative)
Revenues:				
Intergovernmental				
Federal/State	\$ 1,798,745	\$ 1,806,019	\$ 1,738,212	\$ (67,807)
Local	55,100	93,894	112,700	18,806
Charges for Services	4,359,988	4,455,188	4,479,676	24,488
Interest and Rents	10,000	6,000	7,079	1,079
Other	138,270	83,858	79,038	(4,820)
Total Revenues	6,362,103	6,444,959	6,416,705	(28,254)
Expenditures:				
Current:				
Salaries and Wages	3,107,894	3,216,879	3,210,255	6,624
Fringes	843,793	873,383	832,873	40,510
Supplies and Materials	455,023	516,130	490,532	25,598
Training	12,475	13,295	9,562	3,733
Contractual	557,475	617,090	604,759	12,331
Communications	110,360	127,733	128,512	(779)
Travel	390,076	390,861	351,712	39,149
Space	376,838	373,625	371,089	2,536
Miscellaneous	386,951	365,775	323,287	42,488
Total Expenditures	6,240,885	6,494,771	6,322,581	172,190
Excess Revenues Over (Under) Expenditures	121,218	(49,812)	94,124	143,936
Other Financing Sources:				
County Appropriations	51,350	51,350	50,674	(676)
Cigarette Tax	15,730	15,730	15,730	-
Total Other Financing Sources	67,080	67,080	66,404	(676)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures	188,298	17,268	160,528	143,260
Fund Balance - Beginning of Year	1,020,116	1,020,114	1,176,171	(156,057)
Fund Balance - End of Year	<u>\$ 1,208,414</u>	<u>\$ 1,037,382</u>	<u>\$ 1,336,699</u>	<u>\$ (12,797)</u>

Other Supplementary Information

Luce-Mackinac-Alger-Schoolcraft District Health Department

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

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:			
Local Appropriations	\$ 51,350	\$ 50,674	\$ (676)
Administrative Overhead	120,878	137,264	16,386
Other Administrative Support	6,000	6,953	953
Cigarette Tax	15,730	15,730	-
Bioterrorism	209,093	206,175	(2,918)
Campgrounds	14,000	14,450	450
Beaches	9,476	9,476	-
Public/Spa Pools	10,314	15,615	5,301
Food Protection	246,963	245,791	(1,172)
Onsite Sewage	193,463	180,906	(12,557)
Private Groundwater	153,584	142,665	(10,919)
Type II Groundwater	50,480	49,135	(1,345)
Erosion Control	16,200	14,689	(1,511)
Other Environmental Health	-	9,430	9,430
Gen Comm Diseases	64,934	57,109	(7,825)
Immunization Clinics	318,246	305,210	(13,036)
Immunization Action Plan	11,070	11,070	-
Sexually Trans Diseases	10,650	17,162	6,512
Family Planning Services	150,288	155,265	4,977
MCH Child Health	33,213	35,907	2,694
Maternal Support Services	109,970	89,633	(20,337)
Infant Support Services	63,319	59,139	(4,180)
Childrens Special Health Care	24,185	25,369	1,184
Part H & At Risk Programs	26,350	25,335	(1,015)
Hearing Screening	6,450	6,313	(137)
Vision Screening	4,950	9,280	4,330
Breast/Cervical Cancer Program	65,631	69,538	3,907
WIC Food Coupon Program	140,155	137,662	(2,493)
EPSDT Screening	1,600	2,213	613
Medicaid Outreach	9,725	11,388	1,663
Community Projects	-	1,272	1,272
Tobacco Prevention	30,000	31,320	1,320
SIG Grant	9,300	3,276	(6,024)
Certified Home Health Services	3,388,000	3,337,867	(50,133)
Noncertified Home Health Services	84,700	108,760	24,060
Hospice Services	322,500	378,090	55,590
Addiction Treatment Services	312,972	296,930	(16,042)
Addiction Prevention Services	146,000	134,092	(11,908)
Corrections Programs	80,300	74,956	(5,344)
TOTAL REVENUES	\$ 6,512,039	\$ 6,483,109	\$ (28,930)

Luce-Mackinac-Alger-Schoolcraft District Health Department

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

	Budget	Actual	Variance Favorable (Unfavorable)
EXPENDITURES:			
Administrative Overhead	\$ 120,878	\$ 137,264	\$ (16,386)
Other Administrative Overhead	6,000	6,409	(409)
Bioterrorism	219,976	214,387	5,589
Radon Testing	-	2,327	(2,327)
Campgrounds	16,394	8,972	7,422
Beaches	9,394	9,892	(498)
Public/Spa Pools	10,558	12,708	(2,150)
Food Protection	256,973	249,463	7,510
Onsite Sewage	195,926	201,236	(5,310)
Private Groundwater	169,322	148,068	21,254
Type II Groundwater	63,040	58,092	4,948
Erosion Control	15,811	13,692	2,119
Other Environmental Health	-	6,290	(6,290)
Gen Comm Disease	64,151	57,126	7,025
Immunization Clinics	357,898	359,648	(1,750)
Immunization Action Plan	21,356	19,373	1,983
Sexually Trans Diseases	11,299	17,163	(5,864)
AIDS Prevention	-	876	(876)
Family Planning Services	228,555	220,072	8,483
MCH Child Health	33,050	38,164	(5,114)
Maternal Support Services	116,069	101,049	15,020
Infant Support Services	69,491	68,813	678
Childrens Special Health Care	30,648	27,527	3,121
Part H & At Risk Programs	27,343	26,820	523
Hearing Screening	6,684	6,313	371
Vision Screening	6,858	9,341	(2,483)
Breast/Cervical Cancer Program	89,029	86,682	2,347
WIC Food Coupon Program	180,298	181,582	(1,284)
EPSDT Screening	11,514	9,671	1,843
Medicaid Outreach	19,206	22,775	(3,569)
General Nursing Programs	-	348	(348)
Community Projects	-	1,247	(1,247)
Tobacco Reduction	29,504	31,669	(2,165)
SIG Grant	9,194	3,276	5,918
Certified Home Health Services	3,141,548	3,008,366	133,182
Noncertified Home Health	108,610	139,149	(30,539)
Hospice Services	162,007	179,977	(17,970)
Addiction Treatment Services	447,029	411,898	35,131
Addiction Prevention Services	143,653	134,164	9,489
Corrections Program	95,505	90,692	4,813
TOTAL EXPENDITURES	<u>\$ 6,494,771</u>	<u>\$ 6,322,581</u>	<u>\$ 172,190</u>

Luce-Mackinac-Alger-Schoolcraft District Health Department

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

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:			
Fees and Collections	\$ 629,588	\$ 623,386	\$ (6,202)
Federal/State Funding non MDCH	756,913	725,865	(31,048)
State Funding - MDCH CPBC	523,906	521,559	(2,347)
Local Funds	4,872	7,159	2,287
Miscellaneous Revenues	29,030	27,956	(1,074)
Total Revenues	<u>1,944,309</u>	<u>1,905,925</u>	<u>(38,384)</u>
EXPENDITURES:			
Health and Welfare:			
Salaries and wages	998,263	1,001,930	(3,667)
Fringe benefits	271,029	256,442	14,587
Supplies	283,575	284,376	(801)
Training	2,320	3,862	(1,542)
Contractual	27,375	23,852	3,523
Communications	57,931	51,956	5,975
Travel	101,611	83,869	17,742
Space costs	10,000	10,000	-
Administrative overhead costs	448,750	429,144	19,606
Other	29,990	33,040	(3,050)
Total Expenditures	<u>2,230,844</u>	<u>2,178,471</u>	<u>52,373</u>
EXCESS REVENUES OVER (UNDER) EXPENDITURES	<u>\$ (286,535)</u>	<u>(272,546)</u>	<u>\$ 13,989</u>
Required Departmental Transfers:			
Local MOE Required by MDCH		51,347	
Additional Local Funds Expended		<u>221,199</u>	
Total Transfers		<u>272,546</u>	
Net Operations After Transfers		<u>\$ -</u>	

Luce-Mackinac-Alger-Schoolcraft District Health Department

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

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:			
Fees and collections	\$ 3,787,200	\$ 3,814,707	\$ 27,507
Local Funds	8,000	10,010	2,010
Total Revenues	3,795,200	3,824,717	29,517
EXPENDITURES:			
Health and Welfare:			
Salaries and wages	1,390,348	1,383,306	7,042
Fringe benefits	377,479	361,278	16,201
Supplies	104,800	101,154	3,646
Training	5,800	734	5,066
Contractual	466,115	448,828	17,287
Communications	45,842	59,475	(13,633)
Travel	212,275	203,013	9,262
Space costs	61,025	58,269	2,756
Administrative overhead costs	625,005	594,954	30,051
Other	123,475	116,480	6,995
Total Expenditures	3,412,164	3,327,491	84,673
EXCESS REVENUES OVER (UNDER) EXPENDITURES	\$ 383,036	497,226	\$ 114,190
Fund Balance - October 1, 2006		1,473,194	
Fund Balance - September 30, 2007		\$ 1,970,420	

Luce-Mackinac-Alger-Schoolcraft District Health Department

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

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:			
Fees and collections	\$ 38,400	\$ 41,430	\$ 3,030
Federal/State Funding non MDCH	81,100	79,358	(1,742)
State Funding - MDCH CPBC	30,000	30,000	-
State Funding - MDCH non CPBC	414,100	381,430	(32,670)
Local funds	6,972	5,222	(1,750)
Miscellaneous Revenues	8,000	4,407	(3,593)
Total Revenues	578,572	541,847	(36,725)
EXPENDITURES:			
Salaries and wages	364,579	357,450	7,129
Fringe benefits	98,983	92,024	6,959
Supplies and materials	15,475	5,864	9,611
Training	3,775	3,219	556
Communications	10,447	7,131	3,316
Travel	57,325	47,450	9,875
Space costs (Rent)	10,410	2,000	8,410
Other	163,890	4,527	159,363
Administrative overhead costs	-	153,282	(153,282)
Total Expenditures	724,884	672,947	51,937
EXCESS REVENUES OVER (UNDER) EXPENDITURES	\$ (146,312)	(131,100)	\$ 15,212
Required Departmental Transfers:			
Additional Local Funds Expended		131,100	
Net Operations After Transfers		\$ -	

Luce-Mackinac-Alger-Schoolcraft District Health Department

Administration Statement of Revenues and Expenditures Budget and Actual For the Year Ended September 30, 2007

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Fees and Collections	\$ -	\$ 153	\$ 153
Local Funds	89,780	106,039	16,259
Miscellaneous Revenues	52,828	53,754	926
Total Revenues	142,608	159,946	17,338
Expenditures:			
Salaries and wages	463,689	467,570	(3,881)
Fringe benefits	125,892	123,129	2,763
Supplies and materials	112,280	99,138	13,142
Training	1,400	1,747	(347)
Contractual	123,600	132,079	(8,479)
Communications	13,513	9,950	3,563
Travel	19,650	17,380	2,270
Space	302,600	300,820	1,780
Other	201,900	169,239	32,661
Administrative overhead costs	(1,237,645)	(1,177,380)	(60,265)
Total Expenditures	126,879	143,672	(16,793)
EXCESS REVENUES OVER (UNDER) EXPENDITURES	15,729	16,274	545
Other Financing Sources:			
Appropriations:			
Luce	10,350	10,000	(350)
Mackinac	18,500	18,337	(163)
Alger	12,250	12,337	87
Schoolcraft	10,250	10,000	(250)
Total Other Financing Sources	51,350	50,674	(676)
Excess Revenues and Other Financing Sources Over Expenditures	\$ 67,079	66,948	\$ (131)
Required Departmental Transfers:			
Local MOE Required by MDCH		(51,347)	
Additional Local Funds Expended		(352,299)	
Total Transfers		(403,646)	
Net Operations After Transfers		(336,698)	
Fund Balance - October 1, 2006		(297,023)	
Fund Balance - September 30, 2007		\$ (633,721)	

Report on Compliance



ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

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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
Luce-Mackinac-Alger-Schoolcraft District Health Department
Newberry, MI 49868

We have audited the financial statements of the governmental activities and major fund of the Luce-Mackinac-Alger-Schoolcraft District Health Department (a component unit of Luce County, Michigan), as of and for the year ended September 30, 2007, which collectively comprise the Luce-Mackinac-Alger-Schoolcraft District Health Department's basic financial statements and have issued our report thereon, dated March 28, 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 Luce-Mackinac-Alger-Schoolcraft 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 Luce-Mackinac-Alger-Schoolcraft 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 that is required to be reported under *Government Auditing Standards*.

We noted other matters involving the internal control over financial reporting, which we have reported to management of the Luce-Mackinac-Alger-Schoolcraft District Health Department in a separate letter dated March 28, 2008

Conclusion

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



Anderson, Tackman & Company, PLC
Certified Public Accountants

March 28, 2008



ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

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REPORT TO MANAGEMENT

Members of the Board of
Luce-Mackinac-Alger-Schoolcraft
District Health Department
Newberry, MI 49868

We have audited the financial statements of Luce-Mackinac-Alger-Schoolcraft District Health Department, Michigan for the year ended September 30, 2007, and have issued our report thereon dated March 28, 2008. Our professional standards require that we make several communications to you, the purpose of which is to assist you with additional information regarding the scope and results of the audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

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 about whether the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting standards. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit we considered the internal control of the LMAS 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 LMAS District Health Department's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

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 of the appropriateness of the accounting policies and their application. The significant accounting policies used by the LMAS District Health Department are described in Note A. No new accounting policies were adopted and the application of existing policies was not changed during fiscal year 2007. We noted no transactions entered into by the LMAS 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.

Management's estimate of the allowance for uncollectible accounts receivable is an estimate. It is based on specific historical collection results and analysis of aged accounts. Cost settlements are also estimates based on preliminary cost report calculations. We evaluated the key factors and assumptions used to develop the allowance for uncollectible accounts receivable in determining that it is reasonable in relation to the financial statements taken as a whole.

Audit Adjustments

For purposes of this letter, professional standards define a significant 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 the LMAS 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 the LMAS District Health Department, either individually or in the aggregate, indicate matters that could have a significant effect on the LMAS District Health Department's financial reporting process.

Disagreement with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether 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.

Consultation with Other Independent Accountants

In some cases, management may decide to consult with other accountants about accounting and auditing matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the LMAS District Health Department's financial statements or a determination of the type of auditor's opinion to be expressed on those statements, our professional standards require the consulting accountant to advise us as 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 LMAS 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 the performance of 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, federal and 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

March 28, 2008