

KALKASKA COUNTY
REPORT ON FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

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FINANCIAL SECTION



Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Kalkaska County, as of and for the year ended December 31, 2011, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Kalkaska County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the component-unit financial statements of the County Road Commission which statements reflect 100 percent of the assets, net assets and revenues, of the discretely presented component unit. Those statements were audited by other auditors, whose report thereon have been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included for the County Road Commission, are based solely upon the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 our audit and the report of other auditors, provides a reasonable basis for our opinions.

In our opinion, and based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Kalkaska County, as of December 31, 2011, and the respective changes in financial position, and cash flows, 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 August 21, 2012, on our consideration of Kalkaska County'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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required budgetary comparison on pages 3 through 9 and pages 48 through 50, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Kalkaska County's, basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Certified Public Accountants
August 21, 2012

**Kalkaska County
Management's Discussion and Analysis
December 31, 2011**

This section of Kalkaska County's annual financial report presents its discussion and analysis of the government's financial performance during the year ending December 31, 2011 and 2010.

Financial Highlights

The assets of Kalkaska County exceed its liabilities at the close of fiscal year 2011, by \$10,765,934. Of this amount \$6,761,233 (unassigned net assets) may be used to meet the government's ongoing obligations to citizens and creditors.

- At December 31, 2011, the County's governmental funds reported combined ending fund balances of \$4,851,037.
- At December 31, 2011, unreserved fund balance for the General Fund was \$853,962 or 13.48% of General Fund expenditures.
- Governmental fund revenues and expenditures were \$9,493,182 and \$9,482,999 respectively.
- Total long-term debt in the Governmental Activities was \$-0- at December 31, 2011.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the County financial statements. The County basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

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

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement of some items that will only result in cash flows in future fiscal periods (e.g. accrued interest expense).

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues from other functions that are intended to recover all or a significant portion of their costs through user fees and charges. The governmental activities of the County include legislative, judicial, general government, public safety, public works, health and welfare, and recreation and culture. The business-type activities of the County include delinquent property tax collection and Sportsplex.

The government-wide financial statements include not only the County itself (known as the primary government), but also a legally separate Road Commission unit for which the County is financially accountable. Financial information for the component unit is reported separately from the financial information presented for the primary government itself.

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

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

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

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

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

The County adopts an annual appropriated budget for its general and special revenue funds. Budgetary comparison statements or schedules have been provided herein to demonstrate compliance with those budgets for the County's major fund.

The basic governmental fund financial statements can be found on page 12-15 of this report.

PROPRIETARY FUNDS. The County maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The County uses enterprise funds to account for its delinquent taxes and the sportsplex.

The basic proprietary fund financial statements can be found on pages 16-19 of this report.

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

The basic fiduciary fund financial statements can be found on page 20 of this report.

NOTES TO THE FINANCIAL STATEMENT. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 21-47 of this report.

Kalkaska County
Management's Discussion and Analysis
December 31, 2011

OTHER INFORMATION. The combining statements referred to earlier in connection with non-major governmental funds are presented following the notes to the financial statement. Combining statements and schedules can be found on pages 51-62 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Kalkaska County, assets exceeded liabilities by \$10,765,934 as of December 31, 2011, compared with \$10,561,228 for the year ended December 31, 2010. A large portion of the County's net assets reflects its investment in capital assets (e.g. land, buildings, vehicles, and equipment); less any related debt used to acquire those assets that are still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The County's net assets increased by \$204,706 during the year.

KALKASKA COUNTY
NET ASSETS
DECEMBER 31, 2011 AND 2010

	2011			2010		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Current and other assets	\$ 7,401,910	\$ 4,161,314	\$ 11,563,224	\$ 8,014,243	\$ 4,046,790	\$ 12,061,033
Capital assets	2,841,948	5,049,655	7,891,603	3,129,201	5,148,161	8,277,362
Total assets	\$ 10,243,858	\$ 9,210,969	\$ 19,454,827	\$ 11,143,444	\$ 9,194,951	\$ 20,338,395
Long-term liabilities outstanding	\$ 786,172	\$ 3,595,000	\$ 4,381,172	\$ 792,116	\$ 4,035,000	\$ 4,827,116
Other liabilities	2,550,873	1,756,848	4,307,721	3,264,340	1,685,711	4,950,051
Total liabilities	3,337,045	5,351,848	8,688,893	4,056,456	5,720,711	9,777,167
Net assets:						
Invested in capital assets, net of related debt	2,841,948	1,014,655	3,856,603	3,129,201	763,161	3,892,362
Non-spendable	141,237	-	141,237	176,080	-	176,080
Restricted	6,861	-	6,861	6,861	-	6,861
Committed	-	-	-	-	-	-
Assigned	-	-	-	-	-	-
Unassigned	3,916,767	2,844,466	6,761,233	3,774,846	2,711,079	6,485,925
Total net assets	6,906,813	3,859,121	10,765,934	7,086,988	3,474,240	10,561,228
Total liabilities and net assets	\$ 10,243,858	\$ 9,210,969	\$ 19,454,827	\$ 11,143,444	\$ 9,194,951	\$ 20,338,395

Kalkaska County
Management's Discussion and Analysis
December 31, 2011

KALKASKA COUNTY
CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	2011			2010		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Revenues:						
Program revenues:						
Charges for services	\$ 2,524,805	\$ 749,925	\$ 3,274,730	\$ 2,670,248	\$ 769,862	\$ 3,440,110
Operating grants and contributions	1,276,965	-	1,276,965	1,761,344	-	1,761,344
Capital grants and contributions	-	-	-	-	-	-
General revenues:	-	-	-			
Property taxes	4,825,722	701,147	5,526,869	4,852,680	755,104	5,607,784
Other	864,926	34,879	899,805	867,814	53,625	921,439
Total revenues	9,492,418	1,485,951	10,978,369	10,152,086	1,578,591	11,730,677
Expenses:						
Governmental activities:						
Legislative	146,346	-	146,346	136,549	-	136,549
Judicial	1,159,846	-	1,159,846	1,247,968	-	1,247,968
General government	2,075,591	-	2,075,591	2,190,714	-	2,190,714
Public safety	3,723,999	-	3,723,999	3,794,413	-	3,794,413
Public works	83,480	-	83,480	84,507	-	84,507
Health and welfare	1,481,715	-	1,481,715	1,794,434	-	1,794,434
Recreation and culture	339,864	751,928	1,091,792	333,994	849,212	1,183,206
Other	752,703	-	752,703	668,654	-	668,654
Delinquent property tax	-	258,191	258,191	-	362,701	362,701
Total expenses	9,763,544	1,010,119	10,773,663	10,251,233	1,211,913	11,463,146
Change in net assets before transfers	(271,126)	475,832	204,706	(99,147)	366,678	267,531
Transfers in (out)	90,951	(90,951)	-	263,500	(263,500)	-
Increase (decrease) in net assets	(180,175)	384,881	204,706	164,353	103,178	267,531
Net assets, beginning	7,086,988	3,474,240	10,561,228	6,922,635	3,371,062	10,293,697
Net assets, ending	\$ 6,906,813	\$ 3,859,121	\$ 10,765,934	\$ 7,086,988	\$ 3,474,240	\$ 10,561,228

The primary reason for the increase in net assets was interest and other penalties paid on delinquent taxes in 2011. The millage for the Sportsplex Facility provides for the operation of the Sportsplex.

Financial Analysis of the Government's Funds

As noted earlier, Kalkaska County uses fund accounting to insure and demonstrate compliance with finance-related requirements.

Government funds. The focus of Kalkaska County's governmental funds is to provide information on near-term inflows, outflows, and balances of spend able resources. Such information is useful in assessing Kalkaska County's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of December 31, 2011, Kalkaska County's governmental funds reported combined ending balances of \$4,851,037. Approximately 97% of this total constitutes unassigned fund balance, which is available for spending at Kalkaska County's discretion. The remainder of the fund balance is reserved for specific commitments.

The general fund is the chief operating fund of Kalkaska County. As of December 31, 2011, unassigned fund balance of the general fund was \$726,233.

The fund balance of Kalkaska County's general fund decreased by \$23,127 during the current fiscal year.

Proprietary funds. Kalkaska County's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the proprietary funds at December 31, 2011 were \$3,859,121. With a majority of the net assets in the Tax Payment Fund of \$2,641,643.

General Fund Budgetary Highlights

Significant differences between the original budget and the final amended budget of the major funds can be briefly summarized as follows:

Revenue:

The County increased the budget in May 2011 due to higher than projected taxable SEV; the increase to the General Fund Budget was \$263,450.00.

Expense:

County Government activity increased by	\$19,321.
Public Safety activity increased by	\$66,454
Public Works activity increased by	\$6,312.
Community and Economic Development decreased by	\$17,815.
Other appropriation activity increased by	\$186,478.
Appropriation to other Funds activity increased by	\$2,700.

**Kalkaska County
Management's Discussion and Analysis
December 31, 2011**

Capital Asset and Debt Administration

Capital assets. Kalkaska County's investment in capital assets for its governmental and business type activities as of December 31, 2011, amount to \$7,891,603 (net of accumulated depreciation). This investment in capital assets includes land, land improvements, buildings, vehicles, and machinery and equipment.

Major capital asset events during the current fiscal year included the following:

- | | |
|---------------------------------|-----------|
| 1. One police vehicle | \$33,187. |
| 2. One Commission On Aging van | \$22,055. |
| 3. Heating and Cooling Upgrades | \$39,193 |

**KALKASKA COUNTY
CAPITAL ASSETS (net of accumulated depreciation)
DECEMBER 31, 2011**

	Governmental Activities	Business-type Activities	Total
Land	\$ 281,327	\$ -	\$ 281,327
Buildings	1,707,177	5,017,690	6,724,867
Land Improvements	99,561	-	99,561
Machinery and equipment	753,883	31,965	785,848
	<u>\$ 2,841,948</u>	<u>\$ 5,049,655</u>	<u>\$ 7,891,603</u>

Long-term debt. At December 31, 2011, Kalkaska County had total bonded debt outstanding of \$4,280,479.

**KALKASKA COUNTY
OUTSTANDING DEBT
DECEMBER 31, 2011**

	Governmental Activities	Business-type Activities	Total
General obligation	\$ -	\$ 3,942,093	\$ 3,942,093

Kalkaska County's total debt decreased by \$338,386 during the year ended December 31, 2011.

Economic Factors and Next Year's Budgets and Rates

- Taxable SEV with a small decline in 2012 fiscal year
- Declining revenue from Other Units of Governments
- The high cost of energy; heat; electric and gasoline
- The increased cost of fringe benefits on wages; health insurance and retirement costs
- The County anticipates a steady or small decline of revenue in 2012.

All of these factors were considered in preparing Kalkaska County's budget for the 2012 fiscal year.

Request for Information

This financial report is designed to provide a general overview of the County finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be referred to the Kalkaska County Controller, 605 N Birch Street, Kalkaska, MI 49646.

**KALKASKA COUNTY
STATEMENT OF NET ASSETS
DECEMBER 31, 2011**

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Kalkaska County Road Commission
ASSETS				
Cash	\$ 4,242,442	\$ 1,678,043	\$ 5,920,485	\$ 371,608
Receivables:				
Taxes	1,194,010	1,829,807	3,023,817	-
Accounts	979,028	12,952	991,980	541,747
Interest	3,365	-	3,365	-
Due from State	106,149	-	106,149	-
Due from other government units	5,676	-	5,676	-
Due from other funds	730,003	443,642	1,173,645	-
Inventories	-	2,009	2,009	503,316
Prepaid expenses	141,237	194,861	336,098	69,775
Capital assets (net of accumulated depreciation)				
Land	281,327	-	281,327	-
Other capital assets	2,560,621	5,049,655	7,610,276	16,458,537
TOTAL ASSETS	10,243,858	9,210,969	19,454,827	17,944,983
LIABILITIES:				
Current Liabilities:				
Accounts payable	192,771	16,432	209,203	170,529
Checks written in excess of deposits	11,580	-	11,580	-
Current portion of bonds and interest payable	-	484,475	484,475	-
Accrued liabilities	134,437	34,625	169,062	27,597
Due to other governmental units	12,897	-	12,897	-
Due to other funds	682,292	491,353	1,173,645	-
Deferred revenues	1,516,896	729,963	2,246,859	-
Total Current Liabilities	2,550,873	1,756,848	4,307,721	198,126
Non-Current liabilities:				
Bonds payable	-	3,595,000	3,595,000	-
Sick and vacation payable	179,569	-	179,569	135,965
OPEB obligation liability	606,603	-	606,603	1,700,789
Advances	-	-	-	-
Installment purchase agreement payable	-	-	-	-
Total Non-Current Liabilities	786,172	3,595,000	4,381,172	1,836,754
TOTAL LIABILITIES	3,337,045	5,351,848	8,688,893	2,034,880
NET ASSETS:				
Invested in capital assets, net of related debt	2,841,948	1,014,655	3,856,603	16,458,537
Net Assets:				
Non-spendable	141,237	-	141,237	(548,434)
Restricted	6,861	-	6,861	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	3,916,767	2,844,466	6,761,233	-
TOTAL NET ASSETS	\$ 6,906,813	\$ 3,859,121	\$ 10,765,934	\$ 15,910,103

The accompanying notes are an integral part of these statements.

**KALKASKA COUNTY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2011**

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental activities:				
Legislative	\$ 146,346	\$ -	\$ -	\$ -
Judicial	1,159,846	516,353	525,635	-
General Government	2,075,591	334,522	140,968	-
Public Safety	3,723,999	864,468	459,872	-
Public Works	83,480	-	-	-
Health and Welfare	1,481,715	635,209	140,273	-
Recreation and culture	339,864	174,253	10,217	-
Other	752,703	-	-	-
Total governmental activities	<u>9,763,544</u>	<u>2,524,805</u>	<u>1,276,965</u>	<u>-</u>
Business-type activities:				
Tax payment	258,191	417,404	-	-
Sportsplex	751,928	332,521	-	-
Total business-type activities	<u>1,010,119</u>	<u>749,925</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 10,773,663</u>	<u>\$ 3,274,730</u>	<u>\$ 1,276,965</u>	<u>\$ -</u>
Component Unit:				
Road Commission	<u>\$ 4,182,070</u>	<u>\$ 240,459</u>	<u>\$ 3,387,734</u>	<u>\$ 452,370</u>

General Revenues:
Property Taxes
State Shared Revenue
Unrestricted investment earnings
Rents
Miscellaneous revenues
Gain (loss) on disposal of assets
Transfers

Total general revenues and transfers

Change in net assets

Net assets – beginning

Net assets – ending

The accompanying notes are an integral part of these statements.

Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	Kalkaska County Road Commission
\$ (146,346)	\$ -	\$ (146,346)	\$ -
(117,858)	-	(117,858)	-
(1,600,101)	-	(1,600,101)	-
(2,399,659)	-	(2,399,659)	-
(83,480)	-	(83,480)	-
(706,233)	-	(706,233)	-
(155,394)	-	(155,394)	-
(752,703)	-	(752,703)	-
<u>(5,961,774)</u>	<u>-</u>	<u>(5,961,774)</u>	<u>-</u>
-	159,213	159,213	-
<u>-</u>	<u>(419,407)</u>	<u>(419,407)</u>	<u>-</u>
-	(260,194)	(260,194)	-
<u>(5,961,774)</u>	<u>\$ (260,194)</u>	<u>\$ (6,221,968)</u>	<u>\$ -</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (101,507)</u>
\$ 4,825,722	\$ 701,147	\$ 5,526,869	\$ -
392,503	-	392,503	-
148,315	9,094	157,409	-
145,986	-	145,986	-
178,886	25,785	204,671	-
(764)	-	(764)	-
<u>90,951</u>	<u>(90,951)</u>	<u>-</u>	<u>-</u>
<u>5,781,599</u>	<u>645,075</u>	<u>6,426,674</u>	<u>-</u>
(180,175)	384,881	204,706	(101,507)
<u>7,086,988</u>	<u>3,474,240</u>	<u>10,561,228</u>	<u>16,011,610</u>
<u>\$ 6,906,813</u>	<u>\$ 3,859,121</u>	<u>\$ 10,765,934</u>	<u>\$ 15,910,103</u>

**KALKASKA COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2011**

	General	Housing Fund	Revenue Sharing Reserve Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash	\$ 227,659	\$ 26,919	\$ 1,289,022	\$ 2,698,842	\$ 4,242,442
Receivables:					
Taxes	468,865	-	-	725,145	1,194,010
Accounts	61,389	778,424	-	139,215	979,028
Interest	-	-	3,365	-	3,365
Due from State	45,868	-	-	60,281	106,149
Due from other government units	5,676	-	-	-	5,676
Due from other funds	656,780	-	-	73,223	730,003
Prepaid expenses	120,868	-	-	20,369	141,237
	<u>\$ 1,587,105</u>	<u>\$ 805,343</u>	<u>\$ 1,292,387</u>	<u>\$ 3,717,075</u>	<u>\$ 7,401,910</u>
LIABILITIES & FUND EQUITY					
LIABILITIES:					
Accounts payable	\$ 153,859	\$ 599	\$ -	\$ 38,313	\$ 192,771
Checks written in excess of deposits	-	-	-	11,580	11,580
Accrued liabilities	95,245	-	-	39,192	134,437
Due to other funds	471,142	-	75,000	136,150	682,292
Due to other governmental units	12,897	-	-	-	12,897
Deferred revenues	-	778,534	-	738,362	1,516,896
	<u>733,143</u>	<u>779,133</u>	<u>75,000</u>	<u>963,597</u>	<u>2,550,873</u>
FUND EQUITY:					
Fund balances:					
Non-spendable	120,868	-	-	20,369	141,237
Restricted	6,861	-	-	-	6,861
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	726,233	26,210	1,217,387	2,733,109	4,702,939
	<u>853,962</u>	<u>26,210</u>	<u>1,217,387</u>	<u>2,753,478</u>	<u>4,851,037</u>
TOTAL FUND EQUITY	<u>\$ 1,587,105</u>	<u>\$ 805,343</u>	<u>\$ 1,292,387</u>	<u>\$ 3,717,075</u>	<u>\$ 7,401,910</u>

The accompanying notes are an integral part of these statements.

KALKASKA COUNTY
RECONCILIATION OF TOTAL GOVERNMENT FUND BALANCE
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2011

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

Total Governmental Fund Balances	\$	4,851,037
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:		
Capital assets		10,467,527
Accumulated depreciation		(7,625,579)
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:		
Compensated absences payable		(179,569)
Post-retirement benefits payable		(606,603)
		(606,603)
Net Assets of Governmental Activities	\$	6,906,813

The accompanying notes are an integral part of these statements.

KALKASKA COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011

	General	Housing Fund	Revenue Sharing Reserve Fund	Other Governmental Funds	Total Governmental Funds
REVENUES:					
Taxes	\$ 4,097,040	\$ -	\$ -	\$ 728,682	\$ 4,825,722
Licenses and permits	39,252	-	-	206,046	245,298
Federal grants	153,373	3,488	-	216,343	373,204
State grants	849,943	-	-	341,943	1,191,886
Other governmental revenue	-	-	-	109,403	109,403
Charges for services	856,432	-	-	1,134,467	1,990,899
Fines and forfeitures	5,450	-	-	192,421	197,871
Interest earned	89,282	28	5,498	53,507	148,315
Rents received	122,641	-	-	23,345	145,986
Other	95,723	59,887	-	108,988	264,598
TOTAL REVENUES	6,309,136	63,403	5,498	3,115,145	9,493,182
EXPENDITURES:					
Current:					
Legislative	146,346	-	-	-	146,346
Judicial	884,069	-	-	238,698	1,122,767
General government	1,770,147	-	-	133,997	1,904,144
Public safety	2,713,525	-	-	925,320	3,638,845
Public works	83,480	-	-	-	83,480
Health and welfare	382,771	37,306	-	1,061,616	1,481,693
Recreation & cultural	-	-	-	353,024	353,024
Other	356,532	-	396,168	-	752,700
TOTAL EXPENDITURES	6,336,870	37,306	396,168	2,712,655	9,482,999
EXCESS OF REVENUES OVER (UNDER)					
EXPENDITURES	(27,734)	26,097	(390,670)	402,490	10,183

	General	Housing Fund	Revenue Sharing Reserve Fund	Other Governmental Funds	Total Governmental Funds
OTHER FINANCING SOURCES (USES):					
Operating transfers in	346,283	-	-	270,326	616,609
Operating transfers (out)	(341,676)	-	-	(183,982)	(525,658)
 TOTAL OTHER FINANCING SOURCES (USES)	 4,607	 -	 -	 86,344	 90,951
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES					
	(23,127)	26,097	(390,670)	488,834	101,134
FUND BALANCE, beginning	877,089	113	1,608,057	2,264,644	4,749,903
FUND BALANCE, ending	<u>\$ 853,962</u>	<u>\$ 26,210</u>	<u>\$ 1,217,387</u>	<u>\$ 2,753,478</u>	<u>\$ 4,851,037</u>

The accompanying notes are an integral part of these statements.

KALKASKA COUNTY
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2011

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

Net change in fund balance – total governmental funds	\$	101,134
<p>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 and reported as depreciation expense.</p>		
Capital outlay recorded as a capital expense		124,726
Depreciation recorded as an expense		(411,215)
Basis of assets disposed		(764)
<p>In the Statement of Activities, certain vacation and sick time benefits are measured by amounts earned during the year. In the Governmental funds, however, expenditures for these items are measured by essentially the amounts actually paid. The current year adjustment included in the statement of activities is:</p>		
		7,404
<p>In the statement of activities, post retirement benefits are measured by amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by essentially the amounts actually paid. The current year adjustment included in the statement of activities is:</p>		
		<u>(1,460)</u>
Change in net assets of governmental activities	\$	<u>(180,175)</u>

The accompanying notes are an integral part of these statements.

**KALKASKA COUNTY
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2011**

	Tax Payment	Sportsplex	Total (Memorandum Only)
ASSETS			
Cash	\$ 1,099,535	\$ 578,508	\$ 1,678,043
Receivables:			
Taxes	1,133,668	696,139	1,829,807
Accounts	-	12,952	12,952
Interest	-	-	-
Due from other funds	443,642	-	443,642
Inventories	-	2,009	2,009
Prepaid expenses	100,749	94,637	195,386
Buildings & improvements	-	6,661,782	6,661,782
Machinery & equipment	-	273,044	273,044
Accumulated depreciation	-	(1,885,171)	(1,885,171)
	\$ 2,777,594	\$ 6,433,900	\$ 9,211,494
LIABILITIES & FUND EQUITY			
Liabilities:			
Accounts payable	\$ -	\$ 16,432	\$ 16,432
Accrued expenses	-	6,546	6,546
Accrued interest payable	-	28,079	28,079
Due to other funds	90,951	400,402	491,353
Bonds payable	45,000	4,035,000	4,080,000
Deferred revenue	-	729,963	729,963
	135,951	5,216,422	5,352,373
Fund Equity:			
Investment in capital assets, net of related debt	-	1,014,655	1,014,655
Retained earnings:			
Unreserved	2,641,643	202,823	2,844,466
	2,641,643	1,217,478	3,859,121
TOTAL LIABILITIES & FUND EQUITY	\$ 2,777,594	\$ 6,433,900	\$ 9,211,494

The accompanying notes are an integral part of these statements.

KALKASKA COUNTY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Tax Payment</u>	<u>Sportsplex</u>	<u>Total (Memorandum Only)</u>
OPERATING REVENUES:			
Charges for services	\$ 133,235	\$ 332,521	\$ 465,756
Interest and penalties on taxes	<u>284,169</u>	<u>-</u>	<u>284,169</u>
TOTAL OPERATING REVENUES	<u>417,404</u>	<u>332,521</u>	<u>749,925</u>
OPERATING EXPENSES:			
Salary expense	-	163,363	163,363
Fringe benefit expense	-	52,760	52,760
Other	254,608	261,638	516,246
Depreciation	<u>-</u>	<u>148,362</u>	<u>148,362</u>
TOTAL OPERATING EXPENSES	<u>254,608</u>	<u>626,123</u>	<u>880,731</u>
OPERATING INCOME (LOSS)	<u>162,796</u>	<u>(293,602)</u>	<u>(130,806)</u>
NON-OPERATING REVENUES (EXPENSES):			
Taxes	-	701,147	701,147
Interest income	8,904	190	9,094
Interest expense	(3,583)	(125,805)	(129,388)
Other	<u>1,893</u>	<u>23,892</u>	<u>25,785</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>7,214</u>	<u>599,424</u>	<u>606,638</u>
TRANSFERS			
Transfers from other funds	-	-	-
Transfers to other funds	<u>(90,951)</u>	<u>-</u>	<u>(90,951)</u>
TOTAL TRANSFERS	<u>(90,951)</u>	<u>-</u>	<u>(90,951)</u>
NET INCOME (LOSS)	79,059	305,822	384,881
RETAINED EARNINGS, beginning	<u>2,562,584</u>	<u>911,656</u>	<u>3,474,240</u>
RETAINED EARNINGS, ending	<u>\$ 2,641,643</u>	<u>\$ 1,217,478</u>	<u>\$ 3,859,121</u>

The accompanying notes are an integral part of these statements.

**KALKASKA COUNTY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Tax Payment</u>	<u>Sportsplex</u>	<u>Total (Memorandum Only)</u>
Cash Flow From Operating Activities:			
Cash received from customers	\$ 864,327	\$ 345,716	\$ 1,210,043
Cash payments for goods and services	(275,679)	(257,354)	(533,033)
Cash received from penalties and interest on delinquent taxes	-	-	-
Cash payments to employees for services/fringe benefits	-	(215,556)	(215,556)
	<u>588,648</u>	<u>(127,194)</u>	<u>461,454</u>
Net Cash Provided By (Used In) Operating Activities			
Cash Flows From Non-capital Financing Activities:			
Local tax levy received	-	701,147	701,147
Payments received (paid) to other funds	(150,049)	4,008	(146,041)
Transfer in (out)	(90,951)	-	(90,951)
	<u>(241,000)</u>	<u>705,155</u>	<u>464,155</u>
Net Cash Provided By Noncapital Financing Activities			
Cash Flows From Capital And Related Financing Activities:			
Acquisition of capital assets	-	(49,856)	(49,856)
Proceeds from bonds	-	-	-
Principal paid on bonds	(104,475)	(350,000)	(454,475)
Interest paid on bonds	(3,583)	(127,555)	(131,138)
	<u>(108,058)</u>	<u>(527,411)</u>	<u>(635,469)</u>
Net Cash Provided By (Used In) Capital and Related Financing Activities			
Cash Flows From Investing Activities:			
Interest on investments	10,797	24,082	34,879
NET INCREASE IN CASH	250,387	74,632	325,019
CASH AND CASH EQUIVALENTS, beginning of year	849,148	503,876	1,353,024
CASH AND CASH EQUIVALENTS, ending of year	<u>\$ 1,099,535</u>	<u>\$ 578,508</u>	<u>\$ 1,678,043</u>

The accompanying notes are an integral part of these statements.

**KALKASKA COUNTY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

	<u>Tax Payment</u>	<u>Sportsplex</u>	<u>Total (Memorandum Only)</u>
Reconciliation Of Net Operating Income To Net Cash Provided By Operating Activities:			
Net operating income (loss)	\$ 162,796	\$ (293,602)	\$ (130,806)
Adjustments To Reconcile Net Operating Income (Loss) To Net Cash Provided By Operating Activities:			
Depreciation	-	148,362	148,362
(Increase) decrease in:			
Receivables	446,923	1,369	448,292
Prepaid expenses	(14,511)	11,722	(2,789)
Increase (decrease) in:			
Accounts payable	(6,560)	(7,438)	(13,998)
Accrued liabilities	-	567	567
Deferred revenue	-	11,826	11,826
Total adjustments	425,852	166,408	592,260
Net Cash Provided By (Used In) Operating Activities	\$ 588,648	\$ (127,194)	\$ 461,454

The accompanying notes are an integral part of these statements.

**KALKASKA COUNTY
STATEMENT OF FIDUCIARY NET ASSETS
AGENCY FUNDS
DECEMBER 31, 2011**

ASSETS

Cash	\$ 634,078
	<hr/>
TOTAL ASSETS	\$ 634,078
	<hr/> <hr/>

LIABILITIES

Due to other government units	\$ 60,345
Undistributed collections	476,524
Other liabilities	<hr/> 97,209
	<hr/>
TOTAL LIABILITIES	\$ 634,078
	<hr/> <hr/>

The accompanying notes are an integral part of these statements.

**KALKASKA COUNTY
NOTES TO FINANCIAL STATEMENTS**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

DESCRIPTION OF COUNTY OPERATIONS AND FUND TYPES

The County of was organized in 1871 and covers an area of approximately 576 square miles with the County seat located in Kalkaska, Michigan. The County operates under an elected Board of Commissioners of seven (7) members and provides services, assistance and care to its more than 16,500 residents, primarily from the operations of its General Fund and Special Revenue Funds. The County's services, assistance and care includes the (1) general county departments, boards and commissions; (2) court system administration; (3) law enforcement and corrections; (4) assistance and/or institutional care to the aged, needy, wards of the court and neglected children, public and mental health recipients; (5) libraries, and (6) recreation.

The financial statements of the County have been prepared in conformity with generally accepted accounting principles as applies to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the County's accounting policies are described below.

REPORTING ENTITY

The accompanying financial statements present the only the primary government of the County and entities for which the government is considered to be financially accountable. Discretely presented component units have not been included in the financial presentation.

The Governmental Accounting Standards Board (GASB) Statement No. 14 "The Financial Reporting Entity" and the State of Michigan Department of Treasury established criteria for governmental organizations to be considered to be part of the County for financial reporting purposes. The criteria included oversight responsibility, fiscal dependency and whether the statements would be misleading if data were not included.

The financial statements of certain governmental organizations are not included in the financial statements of the County: (1) Education services which are provided to citizens through the several local school districts that are separate governmental entities. The Transportation Authority is considered a separate reporting entity and therefore not included in this report.

DISCRETELY PRESENTED COMPONENT UNITS

The Kalkaska County Road Commission is considered a component unit of the County. It's financial statement is discretely presented in the County combined financial statements as required by accounting principles generally accepted in the United States of America revised under GASB 14. The road commission data is shown in the column entitled road commission and is discretely presented to emphasize that the road commission has its own board, elected by the voters of the County, and acts, under Michigan Statue as a separate board. Complete financial statements of the Road Commission Component Unit can be obtained directly from the Road Commission office at 1049 Island Lake Rd., Kalkaska, Michigan 49646.

KALKASKA COUNTY
NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

JOINTLY GOVERNED ORGANIZATIONS

The North Country Community Mental Health Authority consists of the counties of Otsego, Emmet, Charlevoix, Cheboygan, and Kalkaska. Financial records for this Authority are maintained by the mental health authority and are audited separately from any of the member counties. A copy of a financial statement and audit report would be available at the Authority office located at 1 MacDonald Drive, Suite A, Petoskey, Michigan 49770.

The funding formula for the Community Mental Health operations is in accordance with an agreement approved by all of the member counties and the local contribution was frozen, by statute, at the amount contributed in year 2002. For 2011 Kalkaska County's local match was \$61,875. Their financial statements are not required, under GASB No. 14, to be included in the Kalkaska County report.

The 46th Judicial Trial Court has responsibilities for Kalkaska, Crawford, and Otsego Counties. The funding formula is based upon the previous year's caseload. For the year ended December 31, 2011 the funding was as follows:

	<u>Circuit Division</u>
Crawford County	26.10%
Kalkaska County	30.07%
Otsego County	43.83%

For the year ended December 31, 2011 each County is responsible for the court budget as it related to its own court expenses. The remaining expenses that are shared by Kalkaska, Crawford and Otsego Counties are incurred by and paid by Crawford County with the two other counties appropriating funds based on the funding formula.

Kalkaska County appropriated \$31,108 for the 46th Circuit Trial court in 2011.

KALKASKA COUNTY
NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Indirect expenses are charged based upon a countywide cost allocation plan, which allocates costs based upon the number of full time equivalents, number of transactions, and other pertinent information. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from the goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. After March 1 of the year for which they are levied, the Delinquent Tax Revolving Fund pays the County for any outstanding taxes as of that date. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Grant revenues are considered to be available when all eligibility requirements imposed by the provider have been met. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Property taxes, intergovernmental revenue, charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the County.

**KALKASKA COUNTY
NOTES TO FINANCIAL STATEMENTS**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

The government reports the following major governmental funds:

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

HOUSING FUND This fund provides housing assistance in the form of low or zero interest loans to low income citizens within the county to provide housing or housing repairs.

REVENUE SHARING RESERVE FUND This fund was established by the Michigan Treasury as a means to smooth funding for governmental units. This fund annually appropriates an amount equal to the State of Michigan revenue sharing to be used by the general fund.

The County reports the following major enterprise funds:

SPORTS COMPLEX FUND – This fund is operating an ice arena/swimming pool facility.

DELINQUENT PROPERTY TAX FUND – This fund is used to pay each local governmental unit, including the County General Fund, the respective amount of taxes not collected as of March 1 of each year. Financing is provided by subsequent collection of delinquent property taxes by the County Treasurer.

Additionally, the County reports the following fund types:

SPECIAL REVENUE FUNDS – These funds are used to account for specific revenues derived primarily from specific sources (other than major capital projects) and related expenditures which are restricted for specific purposes by administrative action or law.

CAPITAL PROJECTS FUNDS – The Capital Projects Funds are used to account for the acquisition or construction of major capital facilities other than those financed by enterprise funds or special assessments.

AGENCY FUNDS – are used to account for assets held on behalf of outside parties, including other governments.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The County has elected not to follow subsequent private-sector guidelines.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

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

KALKASKA COUNTY
NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are interest and penalties on delinquent taxes and charges for services provided. The principal operating revenues of the County's internal service funds include the cost of services (including claims), administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY

BANK DEPOSITS AND INVESTMENTS – Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are state at fair market value.

The County reports its investments in accordance with GASB Statements No. 40, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Under these standards, certain investments are valued at fair value as determined by quoted market prices, or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, such as certificates of deposit, and the county intends to hold the investment until maturity.

State statutes authorize the county to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, saving and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or Nation Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which mature not more than 270 days after the date of purchase. The county is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

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

CURRENT PROPERTY TAX LEVY – The County property tax is levied as of July 1 on the state equalized valuation of property located in the County as of the preceding December 31 and attach an enforceable lien on the property.

KALKASKA COUNTY
NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

The 2010 taxable value of Kalkaska County amounted to \$730,838,805 and the 2011 taxable value was \$724,144,938. The County levied 5.4562 mills for County operating purposes, .5000 mills for Commission on Aging operations, .25 mills for animal control and recycling operations, .25 mills for the library, .71 mills for Debt Service operations, and .25 mills for Sportsplex operations. In addition, specific taxes are levied under the Industrial Facilities Tax Act and Commercial Forest Reserve Act.

TAXES RECEIVABLE – DELINQUENT – The taxes receivable of \$1,133,668 which are recorded in the Enterprise 100% Tax Payment Fund, consist of the unpaid delinquent real property taxes which were purchased from all of the taxing units in Kalkaska County by the County’s 100% Tax Payment Fund.

INVENTORIES AND PREPAID ITEMS – Inventories consisting of supplies of \$2,009 and prepaid expenses of \$336,098, are recognized using the consumption method (inventories are recorded as expenditures when they are used). Inventories are recorded at cost which approximates market.

CAPITAL ASSETS – Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the activities column in the government-wide financial statements as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

GASB 34 requires major networks and major subsystems of infrastructure assets acquired, donated, constructed, or substantially rehabilitated since fiscal years ending after June 30, 1980 be inventoried and capitalized by the fourth anniversary of the mandated date of adoption of the other provisions of GASB 34. These infrastructure assets are the responsibility of the Kalkaska County Road Commission, and they have reported the infrastructure in their statement of net assets. The Road Commission has retroactively capitalized the major infrastructure assets as of December 31, 2011, as permitted by GASB 34.

PRIMARY GOVERNMENT – Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

Buildings	40 to 60 years
Building Improvements	15 to 30 years
Water and Sewer Lines	50 to 75 years
Roads	10 to 30 years
Other Infrastructure	8 to 50 years
Vehicles	3 to 5 years
Office Equipment	5 to 7 years
Computer Equipment	3 to 7 years

KALKASKA COUNTY
NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

DISCRETE COMPONENT UNIT – Depreciation is computed on the sum-of-the-years'-digits method for road equipment and straight-line method for all other capital assets. The deprecation rates are designed to amortize the cost of the asset over their estimated useful lives as follows:

Buildings	30 to 50 years
Road Equipment	5 to 8 years
Shop Equipment	10 years
Engineering Equipment	4 to 10 years
Office Equipment	4 to 10 years
Infrastructure – Road	8 to 30 years
Infrastructure – Bridges	12 to 50 years

DEFERRED REVENUE – Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period or for resources that have been received, but not yet earned.

LONG-TERM OBLIGATIONS – In the government-wide financial statements and proprietary fund type statements, the long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. For new bond issuances after the implementation of GASB Statement No. 34, material bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt used is reported as other financing sources. Premiums received on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

ACCRUED VACATION AND SICK – In accordance with contracts negotiated with the various employee groups employees have a vested right upon termination to receive compensation for accumulated sick and vacation leave under formulas and conditions specified in the contracts.

ESTIMATES - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

FUND EQUITY –Beginning with fiscal year 2011, the County implemented GASB Statement No. 54, “*Fund Balance Reporting and Governmental Fund Type Definitions*”. This Statement provided more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government’s fund balances more transparent.

KALKASKA COUNTY
NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Fund balances are now reported in the following classifications: *Nonspendable*, includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. *Restricted*, includes amounts that are restricted to specific purposes, or imposed by law through constitutional provisions or enabling legislation. *Committed*, are amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Board of Commissioners. *Assigned*, amounts that are constrained by the fiscal officer to be used for specific purposes, but are neither restricted nor committed. *Unassigned fund balance* is the residual classification for the general fund. It represents amounts that have not been restricted, committed or assigned to a specific purpose. The County would typically use restricted fund balance first, followed by committed resources, and then assigned resources as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these classified funds.

NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary information

Annual operating budgets are adopted by the County Commission for the General and Special Revenue Funds in accordance with Public Act 621 of 1978.

The County follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. During the month of July, budget worksheets, which list their last year's budget along with their expenditures for the last six months, are sent to each department. Each department prepares their budget and returns it to the County Controller. The Controller totals and puts all the budgets in order and then turns the budgets over to the Commissioners. Then, the respective committees, which are each made up of three Commissioners, meet with the various department heads to discuss any changes to their particular budget.
- b. Public hearings are conducted at the County Building to obtain taxpayer comments.
- c. Prior to December 31st, the budget is legally enacted on a departmental (activity) basis through passage of a resolution.
- d. Budget amendments are made by the County Commission as the need arises during the year.
- e. Formal budgetary integration is employed as a management control device during the year for all budgetary funds. Also, all budgets are adopted on a basis consistent with generally accepted accounting principles.
- f. Budget appropriations lapse at year end.
- g. The original budget was amended during the year in compliance with the County procedures and applicable state laws. The budget to actual expenditures in the financial statements represent the final budgetary expenditures as amended by the County Commission.

The budgets for some funds are administered and amended throughout the year as necessary by separate boards or authorities other than the County Commission.

**KALKASKA COUNTY
NOTES TO FINANCIAL STATEMENTS**

NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY – continued

B. Excess of expenditures over appropriations

P.A. 621 of 1978, Section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the County's actual expenditures and budget expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the County for these budgetary funds were adopted to the activity level.

During the year ended December 31, 2011, the County incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated, as follows:

Discrete Component Unit:

Activity	Total Appropriations	Amount of Expenditures	Budget Variance
Equipment Expense-Net	\$ (25,000)	\$ 169,248	\$ (194,248)
Administrative Expense-Net	460,000	472,093	(12,093)
Net Capital Outlay	73,000	90,012	(17,012)

KALKASKA COUNTY
NOTES TO FINANCIAL STATEMENTS

NOTE 3: CASH AND INVESTMENTS

The captions on the accompanying balance sheet related to cash and investments are as follows:

	<u>Imprest Cash</u>	<u>Cash/Checking And Savings</u>	<u>Certificates of Deposit</u>	<u>Total</u>
Primary Government				
Governmental Activities	\$ 8,146	\$ 3,336,047	\$ 886,669	\$ 4,230,862
Business-type Activities	1,479	1,352,126	324,438	1,678,043
Agency Funds	-	603,004	31,074	634,078
	<hr/>	<hr/>	<hr/>	<hr/>
Total Primary Government	<u>\$ 9,625</u>	<u>\$ 5,291,177</u>	<u>\$ 1,242,181</u>	<u>\$ 6,542,983</u>
Discrete Component Unit:				
Road Commission	<u>\$ 7,250</u>	<u>\$ 364,358</u>	<u>\$ -</u>	<u>\$ 371,608</u>

Interest Rate Risk – The County will minimize interest rate risk by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity. Also, the County will invest operating funds primarily in shorter-term securities, money market funds, or similar investment pools and limiting the average maturity of the portfolio in accordance with its policy.

Credit Risk - State statutes authorize the county to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, saving and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or Nation Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which mature not more than 270 days after the date of purchase. The County is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers’ acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

Concentration of Credit Risk – With the exception of US Treasury securities and authorized pools, no more than 25 percent of the total investment portfolio will be invested in a single security type or with a single financial institution.

Deposits

Primary Government - At year-end, the carrying amount of the County’s deposits was \$5,899,280 and the bank balance of \$6,606,046 was classified as to risk as follows:

Insured	\$ 446,326
Uninsured – Uncollateralized	<u>5,578,022</u>
	<hr/>
Total	<u>\$ 6,160,080</u>

Discrete Component Unit – The bank balance of the Road Commission’s deposits is \$559,266, of which \$250,000 is covered by Federal Depository insurance.

**KALKASKA COUNTY
NOTES TO FINANCIAL STATEMENTS**

NOTE 4: RECEIVABLES/DEFERRED REVENUE

Receivables as of year-end for the government's individual major and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General	Housing Fund	Revenue Sharing Reserve Fund	Other Governmental Funds	Total
Taxes receivable	\$ 468,865	\$ -	\$ -	\$ 725,145	\$ 1,194,010
Accounts receivable	61,389	-	-	139,215	200,604
Housing Fund Mortgages	-	778,424	-	-	778,424
Interest	-	-	3,365	-	3,365
Intergovernmental	51,544	-	-	60,281	111,825
	<u>\$ 581,798</u>	<u>\$ 778,424</u>	<u>\$ 3,365</u>	<u>\$ 924,641</u>	<u>\$ 2,288,228</u>

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	Unavailable	Unearned	Total
Delinquent Property Taxes	\$ 725,145	\$ -	\$ 725,145
Housing Fund Mortgages	-	778,424	778,424
	<u>\$ 725,145</u>	<u>\$ 778,424</u>	<u>\$ 1,503,569</u>

KALKASKA COUNTY
NOTES TO FINANCIAL STATEMENTS

NOTE 5: CAPITAL ASSETS

A summary of the changes in the capital assets of the primary government follows:

Primary Government	Balance 01/01/11	Increases	Decreases/ Transfers	Balance 12/31/11
Governmental Activities:				
Capital assets, not being depreciated				
Land	\$ 281,327	\$ -	\$ -	\$ 281,327
Total capital assets not being depreciated	281,327	-	-	281,327
Capital assets, being depreciated				
Buildings	6,424,135	9,317	-	6,433,452
Land improvements	273,141	4,771	-	277,912
Machinery & equipment	3,396,235	110,638	32,037	3,474,836
Total capital assets being depreciated	10,093,511	124,726	32,037	10,186,200
Less accumulated depreciation for:				
Buildings	4,563,965	162,310	-	4,726,275
Land improvements	169,694	8,657	-	178,351
Machinery & equipment	2,511,978	240,248	31,273	2,720,953
Total accumulated depreciation	7,245,637	411,215	31,273	7,625,579
Total capital assets, being depreciated, net	2,847,874	(286,489)	(764)	2,560,621
Governmental activities capital assets, net	<u>\$ 3,129,201</u>	<u>\$ (286,489)</u>	<u>\$ (764)</u>	<u>\$ 2,841,948</u>

A summary of the changes in the capital assets of the business-type activities follows:

Sportsplex	Balance 01/01/11	Increases	Decreases	Balance 12/31/11
Business-type activities:				
Capital assets, being depreciated				
Buildings & improvements	\$ 6,611,926	\$ 49,856	\$ -	\$ 6,661,782
Furniture, fixtures & equipment	273,044	-	-	273,044
Total capital assets being depreciated	6,884,970	49,856	-	6,934,826
Less accumulated depreciation for:				
Buildings & improvements	1,508,799	135,294	-	1,644,093
Machinery & equipment	228,010	13,068	-	241,078
Total accumulated depreciation	1,736,809	148,362	-	1,885,171
Business-type activities capital assets, net	<u>\$ 5,148,161</u>	<u>\$ (98,506)</u>	<u>\$ -</u>	<u>\$ 5,049,655</u>

KALKASKA COUNTY
NOTES TO FINANCIAL STATEMENTS

NOTE 5: CAPITAL ASSETS - continued

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

Governmental Activities:	
Judicial	\$ 37,079
General government	234,145
Public Safety	131,096
Recreation and culture	<u>8,895</u>
 Total depreciation expense – governmental activities	 <u>\$ 411,215</u>
 Business-type activities:	
Sportsplex	<u>\$ 148,362</u>

A summary of the changes in the capital assets of the Road Commission follows:

Road Commission	Balance 01/01/11	Increases	Decreases/ Transfers	Balance 12/31/11
Capital assets, not being depreciated				
Land and Improvements	\$ 95,964	\$ -	\$ -	\$ 95,964
Infrastructure Land Improvements	<u>4,092,003</u>	<u>-</u>	<u>-</u>	<u>4,092,003</u>
Total capital assets not being depreciated	<u>4,188,967</u>	<u>-</u>	<u>-</u>	<u>4,188,967</u>
Capital assets, being depreciated				
Buildings and Improvements	597,135	9,165	-	606,300
Road Equipment	3,989,137	195,241	-	4,184,378
Shop Equipment	46,678	14,847	-	61,525
Office Equipment	63,378	1,397	-	64,775
Infrastructure – Bridges	1,174,634	222,516	-	1,397,150
Infrastructure – Roads	<u>19,497,979</u>	<u>775,926</u>	<u>222,362</u>	<u>20,051,543</u>
Total capital assets being depreciated	<u>25,368,941</u>	<u>1,219,092</u>	<u>222,362</u>	<u>26,365,671</u>
Less accumulated depreciation for:				
Land and Improvements	64,195	1,403	-	65,598
Buildings and Improvements	536,092	13,948	-	550,040
Road Equipment	3,717,521	108,071	-	3,825,592
Shop Equipment	35,512	4,627	-	40,139
Office Equipment	55,069	2,589	-	57,658
Infrastructure – Bridges	473,792	32,408	-	506,200
Infrastructure – Roads	<u>8,297,285</u>	<u>975,951</u>	<u>222,362</u>	<u>9,050,874</u>
Total accumulated depreciation	<u>13,179,466</u>	<u>1,138,997</u>	<u>222,362</u>	<u>14,096,101</u>
Total capital assets, being depreciated, net	<u>12,189,475</u>	<u>80,095</u>	<u>-</u>	<u>12,269,570</u>
Governmental activities capital assets, net	<u>\$ 16,378,442</u>	<u>\$ 80,095</u>	<u>\$ -</u>	<u>\$ 16,458,537</u>

**KALKASKA COUNTY
NOTES TO FINANCIAL STATEMENTS**

NOTE 6: INTERFUND RECEIVABLES, PAYABLE AND TRANSFERS

Following is a description of the basic types of inter-fund transactions and the related accounting policy:

Transactions for services rendered or facilities provided; these transactions are recorded as revenue in the receiving fund and expenditures in the disbursing fund.

Transactions to transfer revenue or contributions from the fund budgeted to receive them to the fund budgeted to expend them; these transactions are recorded as transfers in and transfers out.

Interfund transactions are not eliminated for financial presentation purposes.

The amounts of inter-fund receivables and payables, and long-term advances are as follows:

Fund	Inter-fund/ Advances Receivable	Fund	Inter-fund Advances Payable
General Fund	\$ 656,780	Sportsplex	\$ 400,402
County Library Building Fund	46,150	Tax Payment Fund	90,951
Building Improvement Fund	27,073	Revenue Sharing Reserve	75,000
Tax Payment Fund	443,642	General Fund	471,142
		County Building Fund	90,000
		County Library Fund	46,150
	\$ 1,173,645		\$ 1,173,645

Interfund transfers:

	Operating Transfer In	Operating Transfer Out	Total
General fund	\$ 346,283	\$ 341,676	\$ 4,607
Other governmental funds	270,326	183,982	86,344
Tax payment fund	-	90,951	(90,951)
	\$ 616,609	\$ 616,609	\$ -

KALKASKA COUNTY
NOTES TO FINANCIAL STATEMENTS

NOTE 7: LONG-TERM DEBT

Governmental activities – Following is a summary of information concerning the County’s long-term debt:

Outstanding debt description and change in long-term debt:

	Beginning Balance	Additions	Reductions	Ending Balance
Termination benefits	\$ 186,973	\$ -	\$ 7,404	\$ 179,569

Business-type activities - Following is a summary of information concerning the County’s long-term debt:

General obligation debts and other long-term obligations currently outstanding are as follows:

Refunding Bonds were issued by the county to refinance Sports Complex Bonds, which were issued by the County to provide for acquiring, constructing, furnishing and equipping a new recreational facility/sports complex.

\$4,035,000 2011 Refunding Bonds, due in annual installments of \$440,000 to \$495,000 through April, 2020; interest at 2.0% to 3.603%, secured by the full faith and credit of the County. \$ 4,035,000

The annual requirements to amortize long-term obligations outstanding as of December 31, 2011 including interest of \$578,309 are as follows:

	Principal amount	Interest Amount	Total
Year ending June 30:			
2012	\$ 440,000	\$ 107,916	\$ 547,916
2013	435,000	99,166	534,166
2014	425,000	90,035	515,035
2015	415,000	79,807	494,807
2016	400,000	68,985	468,985
2017 – 2020	1,920,000	132,400	2,052,400
	\$ 4,035,000	\$ 578,309	\$ 4,613,309

KALKASKA COUNTY
NOTES TO FINANCIAL STATEMENTS

NOTE 7: LONG-TERM DEBT - continued

The following is a summary of the changes in liabilities reported in the long-term debt of the business-type activities:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due within One year</u>
Business-type Activities:					
Bonds payable:					
Refunding	\$ 4,385,000	\$ -	\$ (350,000)	\$ 4,035,000	\$ 440,000
Issuance costs	(104,521)	-	11,614	(92,907)	-
Total bonds payable	<u>\$ 4,280,479</u>	<u>\$ -</u>	<u>\$ (338,386)</u>	<u>\$ 3,942,093</u>	<u>\$ 440,000</u>

Discrete Component Unit: – Following is a summary of information concerning the Road Commission’s changes in long-term debt:

	<u>Beginning Balance</u>	<u>Additions (Reductions)</u>	<u>Ending Balance</u>	<u>Due within One year</u>
Vested employee benefits – Sick leave benefits	<u>\$ 130,974</u>	<u>\$ 4,991</u>	<u>\$ 135,965</u>	<u>\$ -</u>

NOTE 8 – NOTE PAYABLE

At December 31, 2011 the County has outstanding a \$45,000 revenue note (general obligation limited tax note) dated May 27, 2011. The note, which has an interest rate of 1.55%, matures June 1, 2012. The note is secured by the full faith and credit of the County. The short term note is used to facilitate cash flow needs.

The following is a summary of the changes in short-term liabilities for the year ended December 31, 2011:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Note payable	<u>\$ 149,475</u>	<u>\$ 1,000,000</u>	<u>\$ 1,104,475</u>	<u>\$ 45,000</u>

KALKASKA COUNTY
NOTES TO FINANCIAL STATEMENTS

NOTE 9: PENSION PLANS

PRIMARY GOVERNMENT

Plan Description – Kalkaska County participates in a defined benefit retirement plan administered by the Municipal Employee's Retirement System (MERS). The plan covers substantially all full-time employees.

The Municipal Employees Retirement System of Michigan (MERS) is a multiple-employer statewide public employee retirement plan created by the State of Michigan to provide retirement, survivor and disability benefits, on a voluntary basis to the State's local government employees in the most efficient and effective manner possible. As such, MERS is a non-profit entity that has the responsibility of administering the law in accordance with the expressed intent of the Legislature and bears a fiduciary obligation to the State of Michigan, the taxpayers and the public employees who are its beneficiaries.

The passage of HB-5525/Act No. 220, with enactment on May 28, 1996, allowed the members of MERS to vote on and determine if MERS should become an independent public corporation. The vote resulted in approval to become independent of State control and MERS began to operate as an independent public corporation effective August 15, 1996. MERS issues a financial report, available to the public, that includes financial statements and required supplementary information for the system. A copy of the report may be obtained by writing to MERS at 1134 Municipal Way, Lansing, Michigan 48817.

All full time County employees are eligible to participate in the system. Benefits vest after ten years of service. General County employees who retire at or after age 55 with 25 years credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 2.5% percent of the member's 5-year final average compensation. The Sheriff Department participating employees and dispatchers who retire with 25 years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 2.5% of the member's 5-year final average compensation or three year average in the case of command office members. The system also provides death and disability benefits which are established by State Statute.

Participating General County employees are required to contribute 1.0% to 3% of their annual salary to the system. The county is required to contribute the remaining amounts necessary to fund the Michigan Municipal Employees retirement System using the actuarial basis specified by statute.

Actuarial Accrued Liability – The actuarial accrued liability was determined as part of an actuarial valuation of the plan as of December 31, 2010. Significant actuarial assumptions used in determining the investment of present and future assets of 8.0%, (a) inflation, and (b) additional projected salary increases of 0.0% to 4.5% per year, depending on age, attributable to seniority/merit and (c) the assumption that benefits will increase 2.5% annually after retirement.

All entries are based on the actuarial methods and assumption that were used in the December 31, 2010 actuarial valuation to determine the annual employer contribution amounts. The entry age normal actuarial method was used to determine the entries at disclosure.

KALKASKA COUNTY
NOTES TO FINANCIAL STATEMENTS

NOTE 9: PENSION PLANS - continued

GASB 25 INFORMATION (as of 12/31/10)

Actuarial Accrued Liability:	
Retirees and beneficiaries currently receiving benefits	\$ 7,409,714
Terminated employees not yet receiving benefits	494,323
Non-vested terminated employees	39,960
Current employee:	
Accumulated employee contributions including allocated investment income	376,332
Employer financed	<u>7,205,868</u>
Total actuarial accrued liability	15,526,197
Net Assets Available for Benefits, at actuarial value (Market Value is \$11,513,652)	<u>13,389,467</u>
Unfunded (over funded) actuarial accrued liability	<u><u>\$ 2,136,730</u></u>

GASB 27 INFORMATION (as of 12/31/10)

Fiscal year beginning	January 1, 2011
Annual required contribution (ARC)	\$ 520,176
Amortization factor used – underfunded liabilities (28 years)	0.055889
Amortization factor used – overfunded liabilities (10 years)	0.119963

**KALKASKA COUNTY
NOTES TO FINANCIAL STATEMENTS**

NOTE 9: PENSION PLANS - continued

Contributions Required and Contributions Made

MERS funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. The normal cost and amortization payment for the fiscal year ended December 31, 2011 were determined using the entry age normal actuarial funding method. Unfunded actuarial accrued liabilities, if any, were amortized as a level percent of payroll over a period of 30 years. The following table provides a schedule of contribution amounts and percentages for recent years.

Aggregate Accrued Liabilities – Comparative Schedule of Funding Progress

	Fiscal year ended December 31:		
	2010	2009	2008
Annual Pension cost	\$ 520,176	\$ 541,324	\$ 432,537
Actuarial value of assets	13,389,467	12,710,495	11,581,579
Actuarial accrued liability	15,526,197	14,710,195	12,724,234
(Unfunded) / Overfunded AAL	(2,136,730)	(1,999,700)	(1,142,655)
Percent of funded AAL	86.2%	86.4%	91.0%
Covered payroll	3,738,523	3,678,155	3,499,935
UAAL as a % of covered payroll	57.2%	54.4%	32.6%

For actuarial valuation purposes, the actuarial value of assets is determined on the basis of a calculation method that assumes the fund earns the expected rate of return (8%), and includes an adjustment to reflect market value.

The funding method was last revised as of December 31, 2010 to reflect the results of the study plan experience covering the period from December 31, 2003 through December 31, 2008.

The actuarial report for December 31, 2011 was not available for inclusion in this report.

COUNTY ROAD COMMISSION

A. Description of Plan and Plan Assets

The Kalkaska County Road Commission is in an agent multiple-employer defined benefit pension plan with the Municipal Employees' Retirement System (MERS). The system provides the following provisions: normal retirement, deferred retirement, service retirement allowance, disability retirement allowance, non-duty connected death and post-retirement adjustments to plan members and their beneficiaries. The service requirement is computed using credited service at the time of termination of membership multiplied by the sum of 2.5% times the final average compensation (FAC). The most recent period for which actuarial data was available was for the calendar year ended December 31, 2010.

MERS was established in 1946 under Public Act 135 of 1945 and granted independence from the State of Michigan pursuant to Public Act 220 of 1996, effective August 15, 1996. MERS is regulated under Public Act 427 of 1984, sections of which have been approved by the State Pension Commission. MERS issues a publicly available financial report that included financial statements and required supplementary information for the system. That report may be obtained by writing to MERS at 1134 Municipal Way, Lansing, MI 48917.

**KALKASKA COUNTY
NOTES TO FINANCIAL STATEMENTS**

NOTE 9: PENSION PLANS - continued

B. Funding Policy

The Road Commission does not obligate employees to contribute any portion of their salary to the plan. The Road Commission is required to contribute at an actuarially determined rate which was 35.21% of the annual payroll for the union, and 24.29% for administration based on the 2008 actuarial valuation beginning on January 1, 2010.

C. Annual Pension Cost

During the fiscal year ended December 31, 2010, the Road Commission's contributions totaling \$323,730 were made in accordance with contribution requirements determined by an actuarial valuation of the plan as of December 31, 2010. 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 amortizing the unfunded actuarial accrued liability over thirty years. The employer normal cost is, for each employee, the level percentage of payroll contribution (from entry age to retirement) required to accumulate sufficient assets at the member's retirement to pay for his or her projected benefit. Significant actuarial assumptions used include a long-term investment yield rate of 4% and annual salary increases of 4.5% based on an age-related scale to reflect merit, longevity, and promotional salary increases.

D. Three-year Trend Information for GASB Statement No. 27

Year Ended December 31	Annual Pension Cost (APC)	Percentage Of APC Contributed	Net Pension Obligation
2008	\$ 280,440	100%	\$ -
2009	322,738	100%	-
2010	323,730	100%	-

E. Required Supplementary Information for GASB Statement No. 27

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Underfunded (Overfunded) AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as A Percent Of Covered Payroll
12/31/2008	\$4,828,169	\$8,923,505	\$ 4,095,336	54%	\$1,035,260	396%
12/31/2009	4,688,322	8,573,071	3,884,749	55%	1,023,422	380%
12/31/2010	4,621,053	8,740,462	4,119,409	53%	992,354	415%

**KALKASKA COUNTY
NOTES TO FINANCIAL STATEMENTS**

NOTE 10: POST EMPLOYMENT HEALTH CARE BENEFITS

Primary Government

Plan Description

The Kalkaska County Retiree Medical Plan is a single-employer defined benefit healthcare plan administered by the Kalkaska County and can be amended at its discretion. The Plan provides post-employment health care benefits to employees who retired from the Kalkaska County. Eligibility is based on the following: Commission on Aging, Kaliseum and other Teamsters may be eligible at age 55 with 25 years of service or age 60 with 15 years of service. Sheriff employees may be eligible with 25 years of service or age 60 with 15 years of service. Beginning in 2011, GASB Statement No. 45, "Post-Employment Benefits Other Than Pensions" (OPEB), has been implemented prospectively.

Funding Policy

The contribution requirements of Kalkaska County plan members are established and may be amended by the Kalkaska County. At December 31, 2011, membership of the plan consisted of the following:

Active plan members	87
Retirees and beneficiaries receiving benefits	<u>12</u>
Total plan members	<u>99</u>

**KALKASKA COUNTY
NOTES TO FINANCIAL STATEMENTS**

NOTE 10: POST EMPLOYMENT HEALTH CARE BENEFITS-continued

Active members are not obligated to make contributions to the Plan at this time. Currently, the Kalkaska County has not yet decided to make contributions to the Plan that is in excess of the benefits due in the current year. The current contributions for the plan consist of the Kalkaska County paying the monthly health insurance premium for teamsters with 25 years of service, employer pays per-65 premium up to \$500 per month; for employees age 60 with 15 years of service at retirement, employer pays 50% of pre-65 single premium up to \$250 per month. Sheriff employees with 25 years of service, at retirement, employer pays per-65 premium up to \$500 per month; for employees age 60 with 15 years of service at retirement, employer pays 50% of pre-65 single premium up to \$250 per month. At December 31, 2011 the amount of the contribution was \$51,519.

Annual OPEB Cost and Net OPEB Obligation

The Kalkaska County's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the Kalkaska County's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the net OPEB obligation to the plan:

Annual required contribution	\$ 52,979	
Contributions made	(51,519)	
Increase/decrease in net OPEB obligation	1,460	
Net OPEB Obligation (Beginning of Year)	605,143	
Net OPEB obligation (end of year)	\$ 606,603	

The Kalkaska County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2011:

Calendar Year Ended	Annual OPEB Cost	Amount Of Contribution	Percentage Of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/2009	\$ 53,231	\$ 55,998	105%	\$ 619,540
12/31/2010	54,427	68,824	126%	605,143
12/31/2011	52,979	51,519	97%	606,603

Funded Status and Funding Progress

As of December 31, 2011, the plan was 0 percent funded. The actuarial accrued liability for benefits was \$606,603, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$606,603. The covered payroll (annual payroll of active employees covered by the plan) was \$3,903,061, and the ratio of the UAAL to the covered payroll was 15.54 percent.

KALKASKA COUNTY
NOTES TO FINANCIAL STATEMENTS

NOTE 10: POST EMPLOYMENT HEALTH CARE BENEFITS-continued

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, expected future working life and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Actuarial Methods and Assumptions

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

In the December 31, 2010, valuation was based on the Alternate Method as provided under GASB Statement No. 45, with a discount rate of 4.0 percent. The actuarial assumptions included a post-retirement interest rate of 4 percent, salary increase of 2 percent and an annual healthcare cost trend rate based on the NIH National Health Expenditure Projects, 2007-2017. The UAAL is being amortized as a level percentage of projected payrolls on an open basis. The remaining amortization period at December 31, 2011 was thirty years.

DISCRETE COMPONENT UNIT –

Plan Description

The Road Commission Retiree Medical Plan (Plan) is a single-employer defined benefit healthcare plan administered by the Road Commission and can be amended at its discretion. The Plan provides post-employment health care benefits to employees who retired from the Road Commission. There were several retirement windows open to employees during the last several years. In fiscal year 2006, there was a retirement window that gave employees the opportunity to retire at age 55 with 20 or more years of service. During calendar year 2007, there was a window from June 1 to July 31, 2007 that allowed union employees to retire after reaching a combined age and years of service of 75, regardless of age. All other employees may retire on or after attaining age 60 with 20 or more years of service, or those who retire under a valid disability claim regardless of age.

Funding Policy

The contribution requirements of Road Commission Plan members are established and may be amended by the Road Commission. At December 31, 2011, membership of the Plan consisted of the following:

Active plan members	27
Retirees and beneficiaries receiving benefits	<u>18</u>
Total plan members	<u><u>45</u></u>

**KALKASKA COUNTY
NOTES TO FINANCIAL STATEMENTS**

NOTE 10: POST EMPLOYMENT HEALTH CARE BENEFITS-continued

Active members are not obligated to make contributions to the Plan at this time. Currently, the Road Commission has not yet decided to make contributions to the Plan that is in excess of the benefits due in the current year. The current contributions for the plan consist of the Road Commission paying the monthly health insurance premium for union and nonunion employees until death (or until the retiree is covered under a health insurance policy from another employer) and for a period of three years after retirement for spouses (when retiree is 62-65) on a pay-as-you-go financing. At December 31, 2011 the amount of the contribution was \$157,582.

Annual OPEB Cost and Net OPEB Obligation

The Road Commission's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the Road Commission's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the net OPEB obligation to the plan:

Annual required contribution	\$ 317,530
Interest on net OPEB obligation	33,891
Contributions made	<u>(157,582)</u>
Increase/decrease in net OPEB obligation	193,839
Net OPEB Obligation (Beginning of Year)	<u>1,506,950</u>
Net OPEB obligation (end of year)	<u><u>\$ 1,700,789</u></u>

The Road Commission's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2011:

Calendar Year Ended	Annual OPEB Cost	Amount Of Contribution	Percentage Of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/2009	\$ 678,764	\$ 168,360	25%	\$ 994,669
12/31/2010	678,764	166,483	25%	1,506,950
12/31/2011	351,421	157,582	45%	1,700,789

Funded Status and Funding Progress

The funded status of the Plan as of the most recent alternative measurement method date December 31, 2008 is presented in the Schedule of Funding Progress as follows:

**KALKASKA COUNTY
NOTES TO FINANCIAL STATEMENTS**

NOTE 10: POST EMPLOYMENT HEALTH CARE BENEFITS-continued

Actuarial Valuation Date	Actuarial Value of Assets	Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	Percent of Covered Payroll
12/31/2009	\$ -	\$ 5,449,968	\$ 5,449,968	0%	\$1,137,947	478.93%
12/31/2010	-	5,449,968	5,449,968	0%	1,127,924	483.19%

The funded status of the Plan as of the most recent alternative measurement method date December 31, 2011 is presented in the Schedule of Funding Progress as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	Percent of Covered Payroll
12/31/2011	\$ -	\$ 3,300,192	\$ 3,300,192	0%	\$991,498	332.85%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, expected future working life and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Actuarial Methods and Assumptions

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

The December 31, 2011, valuation was based on the Alternate Method as provided under GASB Statement No. 45, with a discount rate of 4.8 percent. The actuarial assumptions included a post-retirement interest rate of 7 percent, salary increase of 3 percent and an annual healthcare cost trend rate based on the NIH National Health Expenditure Projects, 2009-2019. The UAAL is being amortized as a level percentage of projected payrolls on an open basis. The remaining amortization period at December 31, 2011 was thirty years.

NOTE 11: RISK MANAGEMENT

PRIMARY GOVERNMENT - The County is exposed to risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The government manages its risk exposures and provides certain employee benefits through a combination of self-insurance programs, risk management pools and commercial insurance and excess coverage policies. Following is a summary of these self-insurance programs and risk management pool participation.

The county participates in the Michigan Municipal Risk Management Authority (MMRMA) for general and automobile liability, motor vehicle physical damage and property damage coverage. The MMRMA was established in January 1980, pursuant to laws of the State of Michigan that authorize local units of government to jointly exercise any power, privilege or authority which each might exercise separately. The purpose of the authority is to provide cooperative and comprehensive risk financing and risk control services. The MMRMA provides risk management, underwriting, reinsurance, and claim review and processing services for all member governments pursuant to its charter.

KALKASKA COUNTY
NOTES TO FINANCIAL STATEMENTS

NOTE 11: RISK MANAGEMENT - continued

The government makes annual contributions to MMRMA based on actuarial studies using historical data and insurance industry statistics. These contributions are paid from the general fund (i.e., the Insurance Fund) using premiums paid into it by other funds of the government. Such contributions as received by MMRMA are allocated between its general and member retention funds. Economic resources in the MMRMA's general fund are expended for reinsurance coverage, claim payments and certain general and administrative costs. The County is a State pool member and has deductibles that differ for each type of coverage.

Employee Benefits-Commercial Insurance Provider-Workers' Compensation

The County has insurance coverage for workers' compensation provided by an independent insurance company licensed in the State of Michigan.

At December 31, 2011, there were no claims that exceeded insurance coverage. The county had no significant reduction in insurance coverage from previous years.

Road Commission

The Road Commission is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries, as well as medical benefits provided to employees. The Road Commission is a member of the Michigan County Road Commission Self Insurance Pool (Pool) established pursuant to the laws of the State of Michigan which authorizes contracts between municipal corporations (inter-local agreements) to form group self-insurance pools, and to prescribe conditions for the performance of these contracts.

The Pool was established for the purpose of making a self-insurance pooling program available which includes, but is not limited to, general liability coverage, auto liability coverage, property insurance coverage, stop loss insurance protections, claims administration and risk management, and loss control services pursuant to Michigan Public Act 138 of 1982.

The Road Commission pays an annual premium to the Pool for property (buildings and contents) coverage, automobile and equipment liability, trunkline liability, errors and omissions and bodily injury, property damage and personal injury liability. The agreement of the Pool provides that it will be self-sustaining through member premiums and will purchase both specific and aggregate stop-loss insurance to the limits determined necessary by the Pool Board.

The Road Commission also has self-insurance for workers' compensation as a member of the County Road Association Self-Insurance Fund.

At December 31, 2011, there were no claims that exceeded insurance coverage. The Road Commission did not have any significant reduction in insurance coverage from previous years. Settled claims for the Road Commission have not exceeded the amount of insurance coverage in any of the past 3 years.

**KALKASKA COUNTY
NOTES TO FINANCIAL STATEMENTS**

NOTE 12: LITIGATION

In the normal course of its activities, the County is a party to various legal actions and subject to certain asserted claims and assessments. Although actions have been brought, the County has not experienced any additional significant losses or costs. It is the County's opinion that the outcome of any ending actions will not have a material effect on the County's financial position or results of operations.

NOTE 13: SUBSEQUENT EVENT

Primary Government

Management has evaluated events and transactions subsequent to December 31, 2011 for potential recognition and disclosure through August 21, 2012, the date of the financial statements were available to be issued.

Road Commission

In the first five months of 2012, the Road Commission purchased a 2012 GMC Sierra Pick Up Truck, a Brush Chipper, a 2006 Dump Truck, and miscellaneous small equipment totaling \$134,825.

NOTE 14: FUND BALANCE RECLASSIFICATION

Beginning January 1, 2011, the County adopted GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which redefined the definition of a special revenue fund. As a result, several funds are now included in the general fund rather than as separate funds. The reclassification of the beginning fund balance is as follows:

		<u>General Fund</u>
Fund balance, as previously stated	\$	71,050
Adoption of GASB 54 (Elections fund balance)		8,395
Adoption of GASB 54 (Computer fund balance)		60,534
Adoption of GASB 54 (County Equipment fund balance)		46,055
Adoption of GASB 54 (Office Furniture fund balance)		77,309
Adoption of GASB 54 (Copier Replacement/Repair fund balance)		9,304
Adoption of GASB 54 (Budget Stabilization fund balance)		351,088
Adoption of GASB 54 (Equipment Heating & Cooling fund balance)		47,883
Adoption of GASB 54 (Retiree Retirement fund balance)		193,443
Adoption of GASB 54 (RX fund balance)		2,000
Adoption of GASB 54 (Sick Time Buyout fund balance)		5,071
Adoption of GASB 54 (Veterans Relief fund balance)		4,957
		<hr/>
Fund balance, as restated	\$	<u><u>877,089</u></u>

REQUIRED SUPPLEMENTARY INFORMATION

**KALKASKA COUNTY
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
- BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Original Budget	Final Budget	Actual	Variance with Final Budget - Favorable (Unfavorable)
REVENUES:				
Taxes	\$ 3,741,616	\$ 4,055,066	\$ 4,097,040	\$ 41,974
Licenses and permits	45,370	43,270	39,252	(4,018)
Federal grants	91,300	91,300	153,373	62,073
State grants	919,923	919,923	849,943	(69,980)
Charges for services	906,391	900,591	856,432	(44,159)
Fines and forfeits	4,000	4,000	5,450	1,450
Interest earned	97,450	97,450	89,282	(8,168)
Rents	119,915	119,915	122,641	2,726
Other	245,750	245,750	95,723	(150,027)
TOTAL REVENUES	<u>6,171,715</u>	<u>6,477,265</u>	<u>6,309,136</u>	<u>(168,129)</u>
EXPENDITURES:				
Current:				
Legislative	108,825	118,225	146,346	(28,121)
Judicial	906,506	906,506	884,069	22,437
General government	1,863,450	1,873,371	1,770,147	103,224
Public safety	2,751,651	2,818,105	2,713,525	104,580
Public works	81,518	87,830	83,480	4,350
Health and welfare	416,758	398,943	382,771	16,172
Other	341,636	528,114	356,532	171,582
TOTAL EXPENDITURES	<u>6,470,344</u>	<u>6,731,094</u>	<u>6,336,870</u>	<u>394,224</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(298,629)</u>	<u>(253,829)</u>	<u>(27,734)</u>	<u>226,095</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers in	701,173	651,173	346,283	(304,890)
Operating transfers (out)	(387,044)	(389,744)	(341,676)	48,068
TOTAL OTHER FINANCING SOURCES (USES)	<u>314,129</u>	<u>261,429</u>	<u>4,607</u>	<u>(256,822)</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>\$ 15,500</u>	<u>\$ 7,600</u>	<u>(23,127)</u>	<u>\$ (30,727)</u>
FUND BALANCE, beginning			<u>877,089</u>	
FUND BALANCE, ending			<u>\$ 853,962</u>	

**KALKASKA COUNTY
HOUSING FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
- BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Original Budget	Final Budget	Actual	Variance with Final Budget - Favorable (Unfavorable)
REVENUES:				
Federal grants	\$ 160,400	\$ 160,400	\$ 3,488	\$ (156,912)
Interest and rents	10	10	28	18
Other	30,000	30,000	59,887	29,887
TOTAL REVENUES	<u>190,410</u>	<u>190,410</u>	<u>63,403</u>	<u>(127,007)</u>
EXPENDITURES:				
Current:				
Health and welfare	205,880	205,880	37,306	168,574
TOTAL EXPENDITURES	<u>205,880</u>	<u>205,880</u>	<u>37,306</u>	<u>168,574</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(15,470)</u>	<u>(15,470)</u>	<u>26,097</u>	<u>41,567</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers in	15,470	-	-	-
Operating transfers (out)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>15,470</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>\$ -</u>	<u>\$ 15,470</u>	26,097	<u>\$ 41,567</u>
FUND BALANCE, beginning			<u>113</u>	
FUND BALANCE, ending			<u>\$ 26,210</u>	

**KALKASKA COUNTY
REVENUE SHARING RESERVE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
- BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Favorable (Unfavorable)</u>
REVENUES:				
Taxes	\$ -	\$ -	\$ -	\$ -
Interest	<u>50,000</u>	<u>50,000</u>	<u>5,498</u>	<u>(44,502)</u>
TOTAL REVENUES	<u>50,000</u>	<u>50,000</u>	<u>5,498</u>	<u>(44,502)</u>
EXPENDITURES:				
Current:				
Other	<u>386,287</u>	<u>386,287</u>	<u>396,168</u>	<u>(9,881)</u>
TOTAL EXPENDITURES	<u>386,287</u>	<u>386,287</u>	<u>396,168</u>	<u>(9,881)</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>\$ (336,287)</u>	<u>\$ (336,287)</u>	(390,670)	<u>\$ (54,383)</u>
FUND BALANCE, beginning			<u>1,608,057</u>	
FUND BALANCE, ending			<u>\$ 1,217,387</u>	

SUPPLEMENTARY DATA SECTION

**KALKASKA COUNTY
COMBINING BALANCE SHEETS
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2011**

Special Revenue Funds

	Bullet Proof Vest Fund	911 Equipment Fund	Parks and Recreation	Log Lake Park	Police Corps	Reserve Officers	Child Passenger Safety	Friend Of the Court	Animal Control Donation
ASSETS									
Cash	\$ 8,173	\$ 44,475	\$ 15,736	\$ 11,423	\$ 2,585	\$ 4,745	\$ 2,983	\$ -	\$ 52,647
Accounts receivable	-	-	135	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-	-	-	-
Due from State	-	-	-	-	-	-	-	34,157	-
Due from other governmental units	-	-	-	-	-	-	-	-	-
Prepaid expenses	-	-	-	-	-	-	-	1,959	-
TOTAL ASSETS	<u>\$ 8,173</u>	<u>\$ 44,475</u>	<u>\$ 15,871</u>	<u>\$ 11,423</u>	<u>\$ 2,585</u>	<u>\$ 4,745</u>	<u>\$ 2,983</u>	<u>\$ 36,116</u>	<u>\$ 52,647</u>
LIABILITIES & FUND BALANCE									
Liabilities:									
Accounts payable	\$ -	\$ -	\$ 1,447	\$ 11	\$ -	\$ -	\$ -	\$ 3,060	\$ -
Checks written in excess of deposits	-	-	-	-	-	-	-	7,875	-
Accrued expenses	-	-	-	-	-	-	-	6,407	-
Due to other funds	-	-	-	-	-	-	-	-	-
Due to other governmental units	-	-	-	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-	-	-	-
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>1,447</u>	<u>11</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,342</u>	<u>-</u>
Fund Balance:									
Non-spendable	-	-	-	-	-	-	-	1,959	-
Restricted	-	-	-	-	-	-	-	-	-
Committed	-	-	-	-	-	-	-	-	-
Assigned	8,173	44,475	14,424	11,412	2,585	4,745	2,983	16,815	52,647
TOTAL FUND BALANCE	<u>8,173</u>	<u>44,475</u>	<u>14,424</u>	<u>11,412</u>	<u>2,585</u>	<u>4,745</u>	<u>2,983</u>	<u>18,774</u>	<u>52,647</u>
TOTAL LIABILITIES & FUND BALANCE	<u>\$ 8,173</u>	<u>\$ 44,475</u>	<u>\$ 15,871</u>	<u>\$ 11,423</u>	<u>\$ 2,585</u>	<u>\$ 4,745</u>	<u>\$ 2,983</u>	<u>\$ 36,116</u>	<u>\$ 52,647</u>

**KALKASKA COUNTY
COMBINING BALANCE SHEETS
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2011**

Special Revenue Funds

	Extension Strong Family Safe Child	State Domestic Preparedness	Central Purchasing	GIS Mapping/ Broadband Fund	Vehicle Replacement Fund	Courthouse Preservation	Sheriff Equipment Fund	Building Inspection Fund	Workers Comp Self Insurance
<u>ASSETS</u>									
Cash	\$ 2,275	\$ 2,942	\$ 8,177	\$ 2,000	\$ 21,978	\$ 151,884	\$ 16,327	\$ 38,617	\$ 280,212
Accounts receivable	1,451	-	-	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-	-	-	-
Due from State	-	-	-	-	-	-	-	-	-
Due from other governmental units	-	-	-	-	-	-	-	-	-
Prepaid expenses	-	-	8,584	-	-	-	-	120	-
TOTAL ASSETS	<u>\$ 3,726</u>	<u>\$ 2,942</u>	<u>\$ 16,761</u>	<u>\$ 2,000</u>	<u>\$ 21,978</u>	<u>\$ 151,884</u>	<u>\$ 16,327</u>	<u>\$ 38,737</u>	<u>\$ 280,212</u>
<u>LIABILITIES & FUND BALANCE</u>									
Liabilities:									
Accounts payable	\$ 3,726	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,819	\$ 1,179	\$ 1,785
Checks written in excess of deposits	-	-	-	-	-	-	-	-	-
Accrued expenses	-	-	-	-	-	-	-	4,846	-
Due to other funds	-	-	-	-	-	-	-	-	-
Due to other governmental units	-	-	-	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-	-	-	-
TOTAL LIABILITIES	<u>3,726</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,819</u>	<u>6,025</u>	<u>1,785</u>
Fund Balance:									
Non-spendable	-	-	8,584	-	-	-	-	120	-
Restricted	-	-	-	-	-	-	-	-	-
Committed	-	-	-	-	-	-	-	-	-
Assigned	-	2,942	8,177	2,000	21,978	151,884	14,508	32,592	278,427
TOTAL FUND BALANCE	<u>-</u>	<u>2,942</u>	<u>16,761</u>	<u>2,000</u>	<u>21,978</u>	<u>151,884</u>	<u>14,508</u>	<u>32,712</u>	<u>278,427</u>
TOTAL LIABILITIES & FUND BALANCE	<u>\$ 3,726</u>	<u>\$ 2,942</u>	<u>\$ 16,761</u>	<u>\$ 2,000</u>	<u>\$ 21,978</u>	<u>\$ 151,884</u>	<u>\$ 16,327</u>	<u>\$ 38,737</u>	<u>\$ 280,212</u>

**KALKASKA COUNTY
COMBINING BALANCE SHEETS
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2011**

Special Revenue Funds

	Building Improvement	911 Central Dispatch	Tower Repair	Rod Equipment/ Technology	Sheriff's Computer Fund	Snap-Ed Grant	Recycling Fund	Corrections Officers Training Fund	Community Corrections Plan
<u>ASSETS</u>									
Cash	\$ 49,026	\$ 300,379	\$ 4,906	\$ 25,457	\$ 11,646	\$ 2,324	\$ 74,963	\$ 1,889	\$ 9,603
Accounts receivable	-	133,619	-	-	-	-	88,593	-	-
Due from other funds	27,073	-	-	-	-	-	-	-	-
Due from State	-	16,128	-	-	-	-	-	-	-
Due from other governmental units	-	-	-	-	-	-	-	-	-
Prepaid expenses	-	3,835	-	-	-	-	978	-	-
TOTAL ASSETS	<u>\$ 76,099</u>	<u>\$ 453,961</u>	<u>\$ 4,906</u>	<u>\$ 25,457</u>	<u>\$ 11,646</u>	<u>\$ 2,324</u>	<u>\$ 164,534</u>	<u>\$ 1,889</u>	<u>\$ 9,603</u>
<u>LIABILITIES & FUND BALANCE</u>									
Liabilities:									
Accounts payable	\$ -	\$ 3,034	\$ -	\$ -	\$ -	\$ -	\$ 1,266	\$ -	\$ -
Checks written on excess of deposits	-	-	-	-	-	-	-	-	-
Accrued expenses	-	10,031	-	-	-	-	2,051	-	-
Due to other funds	-	-	-	-	-	-	-	-	-
Due to other governmental units	-	-	-	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-	86,203	-	-
TOTAL LIABILITIES	<u>-</u>	<u>13,065</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>89,520</u>	<u>-</u>	<u>-</u>
Fund Balance:									
Non-spendable	-	3,835	-	-	-	-	978	-	-
Restricted	-	-	-	-	-	-	-	-	-
Committed	-	-	-	-	-	-	-	-	-
Assigned	76,099	437,061	4,906	25,457	11,646	2,324	74,036	1,889	9,603
TOTAL FUND BALANCE	<u>76,099</u>	<u>440,896</u>	<u>4,906</u>	<u>25,457</u>	<u>11,646</u>	<u>2,324</u>	<u>75,014</u>	<u>1,889</u>	<u>9,603</u>
TOTAL LIABILITIES & FUND BALANCE	<u>\$ 76,099</u>	<u>\$ 453,961</u>	<u>\$ 4,906</u>	<u>\$ 25,457</u>	<u>\$ 11,646</u>	<u>\$ 2,324</u>	<u>\$ 53 164,534</u>	<u>\$ 1,889</u>	<u>\$ 9,603</u>

**KALKASKA COUNTY
COMBINING BALANCE SHEETS
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2011**

Special Revenue Funds

	Voice Verification	Animal Control	K-9 Fund	Law Library	County Library	Inmate Programs & Services	PBT Fund	Police Hiring Supplement	TNT Grant
ASSETS									
Cash	\$ 10,343	\$ 9,267	\$ 3,177	\$ 5,307	\$ 340,706	\$ 5,194	\$ 71,433	\$ -	\$ 17,709
Accounts receivable	-	96,626	77	-	181,286	-	-	-	-
Due from other funds	-	-	-	-	-	-	-	-	-
Due from State	-	-	-	-	-	-	-	-	-
Due from other governmental units	-	-	-	-	-	-	-	-	-
Prepaid expenses	-	668	-	-	1,951	-	-	1,297	-
TOTAL ASSETS	\$ 10,343	\$ 106,561	\$ 3,254	\$ 5,307	\$ 523,943	\$ 5,194	\$ 71,433	\$ 1,297	\$ 17,709
LIABILITIES & FUND BALANCE									
Liabilities:									
Accounts payable	\$ 40	\$ 1,434	\$ -	\$ 553	\$ 4,923	\$ -	\$ -	\$ 346	\$ -
Checks written in excess of deposits	-	-	-	-	-	-	-	3,705	-
Accrued expenses	-	2,872	-	-	6,993	-	-	3,576	-
Due to other funds	-	-	-	-	46,150	-	-	-	-
Due to other governmental units	-	-	-	-	-	-	-	-	-
Deferred revenue	-	98,386	-	-	184,590	-	-	-	-
TOTAL LIABILITIES	40	102,692	-	553	242,656	-	-	7,627	-
Fund Balance:									
Non-spendable	-	668	-	-	1,951	-	-	1,297	-
Restricted	-	-	-	-	-	-	-	-	-
Committed	-	-	-	-	-	-	-	-	-
Assigned	10,303	3,201	3,254	4,754	279,336	5,194	71,433	(7,627)	17,709
TOTAL FUND BALANCE	10,303	3,869	3,254	4,754	281,287	5,194	71,433	(6,330)	17,709
TOTAL LIABILITIES & FUND BALANCE	\$ 10,343	\$ 106,561	\$ 3,254	\$ 5,307	\$ 523,943	\$ 5,194	\$ 71,433	\$ 1,297	\$ 17,709

**KALKASKA COUNTY
COMBINING BALANCE SHEETS
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2011**

Special Revenue Funds

	Child Care Fund	Veterans Trust	Marine Clearwater Township	Commission On Aging	Total
<u>ASSETS</u>					
Cash	\$ 135,921	\$ 1,228	\$ 9,000	\$ 621,889	\$ 2,378,546
Accounts receivable	-	-	-	362,573	864,360
Due from other funds	-	-	-	-	27,073
Due from State	2,000	1,397	-	6,599	60,281
Due from other governmental units	-	-	-	-	-
Prepaid expenses	977	-	-	-	20,369
TOTAL ASSETS	<u>\$ 138,898</u>	<u>\$ 2,625</u>	<u>\$ 9,000</u>	<u>\$ 991,061</u>	<u>\$ 3,350,629</u>
<u>LIABILITIES & FUND BALANCE</u>					
Liabilities:					
Accounts payable	\$ 13,574	\$ 116	\$ -	\$ -	\$ 38,313
Checks written in excess of deposits	-	-	-	-	11,580
Accrued expenses	2,416	-	-	-	39,192
Due to other funds	-	-	-	-	46,150
Due to other governmental units	-	-	-	-	-
Deferred revenue	-	-	-	369,183	738,362
TOTAL LIABILITIES	<u>15,990</u>	<u>116</u>	<u>-</u>	<u>369,183</u>	<u>873,597</u>
Fund Balance:					
Non-spendable	977	-	-	-	20,369
Restricted	-	-	-	-	-
Committed	-	-	-	-	-
Assigned	121,931	2,509	9,000	621,878	2,456,663
TOTAL FUND BALANCE	<u>122,908</u>	<u>2,509</u>	<u>9,000</u>	<u>621,878</u>	<u>2,477,032</u>
TOTAL LIABILITIES & FUND BALANCE	<u>\$ 138,898</u>	<u>\$ 2,625</u>	<u>\$ 9,000</u>	<u>\$ 991,061</u>	<u>\$ 3,350,629</u>

**KALKASKA COUNTY
COMBINING BALANCE SHEETS
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2011**

	Capital Project Funds				
	County Building Fund	County Library Building Fund	County Building Authority	Total	Total Nonmajor Funds
<u>ASSETS</u>					
Cash	\$ 73,581	\$ 242,391	\$ 4,324	\$ 320,296	\$ 2,698,842
Accounts receivable	-	-	-	-	864,360
Due from other funds	-	46,150	-	46,150	73,223
Due from State	-	-	-	-	60,281
Due from other governmental units	-	-	-	-	-
Prepaid expenses	-	-	-	-	20,369
TOTAL ASSETS	<u>\$ 73,581</u>	<u>\$ 288,541</u>	<u>\$ 4,324</u>	<u>\$ 366,446</u>	<u>\$ 3,717,075</u>
<u>LIABILITIES & FUND BALANCE</u>					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 38,313
Checks written in excess of deposits	-	-	-	-	11,580
Accrued expenses	-	-	-	-	39,192
Due to other funds	90,000	-	-	90,000	136,150
Due to other governmental units	-	-	-	-	-
Deferred revenue	-	-	-	-	738,362
TOTAL LIABILITIES	<u>90,000</u>	<u>-</u>	<u>-</u>	<u>90,000</u>	<u>963,597</u>
Fund Balance:					
Non-spendable	-	-	-	-	20,369
Restricted	-	-	-	-	-
Committed	-	-	-	-	-
Assigned	(16,419)	288,541	4,324	276,446	2,733,109
TOTAL FUND BALANCE	<u>(16,419)</u>	<u>288,541</u>	<u>4,324</u>	<u>276,446</u>	<u>2,753,478</u>
TOTAL LIABILITIES & FUND BALANCE	<u>\$ 73,581</u>	<u>\$ 288,541</u>	<u>\$ 4,324</u>	<u>\$ 366,446</u>	<u>\$ 3,717,075</u>

KALKASKA COUNTY
COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011

Special Revenue Funds

	Bullet Proof Vest Fund	911 Equipment Fund	Parks and Recreation	Log Lake Park	Police Corps	Reserve Officers	Child Passenger Safety	Friend Of the Court	Animal Control Donation
REVENUES:									
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
License and permits	-	-	-	-	-	-	-	-	-
Federal grants	-	-	-	-	-	-	-	170,639	-
State grants	-	-	-	-	-	-	-	-	-
Other governmental revenue	-	-	-	-	-	-	-	9,481	-
Charges for services	-	-	18,314	122	-	-	-	12,211	-
Fines & forfeits	-	-	-	-	-	-	-	-	-
Interest & rents	-	-	4,473	18,872	-	-	-	-	-
Other	1,250	-	1,209	-	-	6,306	-	-	3,027
TOTAL REVENUES	1,250	-	23,996	18,994	-	6,306	-	192,331	3,027
EXPENDITURES:									
Judicial	-	-	-	-	-	-	-	226,077	-
General government	-	-	-	-	-	-	-	-	-
Public safety	-	6,344	-	-	-	1,863	-	-	706
Health & welfare	-	-	-	-	-	-	-	-	-
Recreational & cultural	-	-	29,744	16,831	-	-	-	-	-
TOTAL EXPENDITURES	-	6,344	29,744	16,831	-	1,863	-	226,077	706
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	1,250	(6,344)	(5,748)	2,163	-	4,443	-	(33,746)	2,321
OTHER FINANCING SOURCES (USES):									
Operating transfers in	-	-	2,700	-	-	-	-	36,655	-
Operating transfers (out)	-	-	-	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES	-	-	2,700	-	-	-	-	36,655	-
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	1,250	(6,344)	(3,048)	2,163	-	4,443	-	2,909	2,321
FUND BALANCE, beginning	6,923	50,819	17,472	9,249	2,585	302	2,983	15,865	50,326
FUND BALANCE, ending	\$ 8,173	\$ 44,475	\$ 14,424	\$ 11,412	\$ 2,585	\$ 4,745	\$ 2,983	\$ 18,774	\$ 52,647

KALKASKA COUNTY
COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011

	Special Revenue Funds								
	Ext Strong Family Safe Child	State Domestic Preparedness	Central Purchasing	GIS Mapping/ Broadband Fund	Vehicle Replacement Fund	Courthouse Preservation	Sheriff Equipment Fund	Building Inspection Fund	Workers Comp Self Insurance
REVENUES:									
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
License and permits	-	-	-	-	-	-	-	206,046	-
Federal grants	-	-	-	-	-	-	-	-	-
State grants	58,185	-	-	-	-	-	-	-	-
Other governmental revenue	-	-	-	-	-	-	-	-	-
Charges for services	-	-	16,882	-	-	-	-	-	138,823
Fines & forfeits	-	-	-	-	-	40,710	-	-	-
Interest & rents	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	3,973	-	10,561	-	-
TOTAL REVENUES	<u>58,185</u>	<u>-</u>	<u>16,882</u>	<u>-</u>	<u>3,973</u>	<u>40,710</u>	<u>10,561</u>	<u>206,046</u>	<u>138,823</u>
EXPENDITURES:									
Judicial	-	-	-	-	-	5,272	-	-	-
General government	-	-	13,040	2,852	-	-	-	-	-
Public safety	58,185	-	-	-	-	-	3,586	207,520	-
Health & welfare	-	-	-	-	-	-	-	-	74,773
Recreational & cultural	-	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	<u>58,185</u>	<u>-</u>	<u>13,040</u>	<u>2,852</u>	<u>-</u>	<u>5,272</u>	<u>3,586</u>	<u>207,520</u>	<u>74,773</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>-</u>	<u>3,842</u>	<u>(2,852)</u>	<u>3,973</u>	<u>35,438</u>	<u>6,975</u>	<u>(1,474)</u>	<u>64,050</u>
OTHER FINANCING SOURCES (USES):									
Operating transfers in	-	-	-	1,932	-	-	-	-	-
Operating transfers (out)	-	-	-	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,932</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>-</u>	<u>-</u>	<u>3,842</u>	<u>(920)</u>	<u>3,973</u>	<u>35,438</u>	<u>6,975</u>	<u>(1,474)</u>	<u>64,050</u>
FUND BALANCE, beginning	<u>-</u>	<u>2,942</u>	<u>12,919</u>	<u>2,920</u>	<u>18,005</u>	<u>116,446</u>	<u>7,533</u>	<u>34,186</u>	<u>214,377</u>
FUND BALANCE, ending	<u>\$ -</u>	<u>\$ 2,942</u>	<u>\$ 16,761</u>	<u>\$ 2,000</u>	<u>\$ 21,978</u>	<u>\$ 151,884</u>	<u>\$ 14,508</u>	<u>\$ 32,712</u>	<u>\$ 278,427</u>

KALKASKA COUNTY
COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011

Special Revenue Funds

	Building Improvement	911 Central Dispatch	Tower Repair	Rod Equipment/ Technology	Sheriff's Computer Fund	Snap-Ed Grant	Recycling Fund	Corrections Officers Training Fund	Community Corrections Plan
REVENUES:									
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 84,475	\$ -	\$ -
License and permits	-	-	-	-	-	-	-	-	-
Federal grants	-	-	-	-	-	-	-	-	-
State grants	-	175,879	-	-	-	-	-	-	27,629
Other governmental revenue	-	-	-	-	275	2,973	-	-	-
Charges for services	-	480,313	-	-	-	-	37,449	3,645	-
Fines & forfeits	-	-	-	-	-	-	-	-	-
Interest & rents	50,479	280	-	-	-	-	-	-	-
Other	-	-	-	30,850	-	-	-	-	-
TOTAL REVENUES	50,479	656,472	-	30,850	275	2,973	121,924	3,645	27,629
EXPENDITURES:									
Judicial	-	-	-	-	-	-	-	-	-
General government	90,017	-	1,400	26,688	-	-	-	-	-
Public safety	-	424,317	-	-	3,747	-	-	9,408	-
Health & welfare	-	-	-	-	-	1,825	87,559	-	-
Recreational & cultural	-	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	90,017	424,317	1,400	26,688	3,747	1,825	87,559	9,408	-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(39,538)	232,155	(1,400)	4,162	(3,472)	1,148	34,365	(5,763)	27,629
OTHER FINANCING SOURCES (USES):									
Operating transfers in	-	-	-	-	-	-	-	-	-
Operating transfers (out)	-	(89,634)	-	-	-	-	-	-	(32,798)
TOTAL OTHER FINANCING SOURCES	-	(89,634)	-	-	-	-	-	-	(32,798)
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(39,538)	142,521	(1,400)	4,162	(3,472)	1,148	34,365	(5,763)	(5,169)
FUND BALANCE, beginning	115,637	298,375	6,306	21,295	15,118	1,176	40,649	7,652	14,772
FUND BALANCE, ending	\$ 76,099	\$ 440,896	\$ 4,906	\$ 25,457	\$ 11,646	\$ 2,324	\$ 75,014	\$ 1,889	\$ 9,603

KALKASKA COUNTY
COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011

Special Revenue Funds

	Voice Verification	Animal Control	K-9 Fund	Law Library	County Library	Inmate Programs & Services	PBT Fund	Police Hiring Supplement	TNT Grant
REVENUES:									
Taxes	\$ -	\$ 96,433	\$ -	\$ -	\$ 183,202	\$ -	\$ -	\$ -	\$ -
License and permits	-	-	-	-	-	-	-	-	-
Federal grants	-	-	2,125	-	-	-	-	-	-
State grants	-	-	-	-	10,217	-	-	-	-
Other governmental revenue	-	-	-	-	-	-	-	70,474	-
Charges for services	7,110	3,380	-	-	7,086	9,382	10,082	-	-
Fines & forfeits	-	-	-	2,980	148,731	-	-	-	-
Interest & rents	-	-	-	-	1,615	-	-	-	-
Other	-	-	-	-	1,314	-	-	-	-
TOTAL REVENUES	7,110	99,813	2,125	2,980	352,165	9,382	10,082	70,474	-
EXPENDITURES:									
Judicial	-	-	-	7,349	-	-	-	-	-
General government	-	-	-	-	-	-	-	-	-
Public safety	2,196	105,395	312	-	-	-	1,736	100,005	-
Health & welfare	-	-	-	-	-	3,455	-	-	2,731
Recreational & cultural	-	-	-	-	305,412	-	-	-	-
TOTAL EXPENDITURES	2,196	105,395	312	7,349	305,412	3,455	1,736	100,005	2,731
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	4,914	(5,582)	1,813	(4,369)	46,753	5,927	8,346	(29,531)	(2,731)
OTHER FINANCING SOURCES (USES):									
Operating transfers in	-	-	-	2,500	-	-	-	19,565	-
Operating transfers (out)	(7,900)	-	-	-	(46,150)	(2,500)	(5,000)	-	-
TOTAL OTHER FINANCING SOURCES	(7,900)	-	-	2,500	(46,150)	(2,500)	(5,000)	19,565	-
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(2,986)	(5,582)	1,813	(1,869)	603	3,427	3,346	(9,966)	(2,731)
FUND BALANCE, beginning	13,289	9,451	1,441	6,623	280,684	1,767	68,087	3,636	20,440
FUND BALANCE, ending	\$ 10,303	\$ 3,869	\$ 3,254	\$ 4,754	\$ 281,287	\$ 5,194	\$ 71,433	\$ (6,330)	\$ 17,709

KALKASKA COUNTY
COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011

Special Revenue Funds

	Child Care Fund	Veterans Trust	Marine Clearwater Township	Commission On Aging	Total
REVENUES:					
Taxes	\$ -	\$ -	\$ -	\$ 364,572	\$ 728,682
License and permits	-	-	-	-	206,046
Federal grants	-	-	-	43,579	216,343
State grants	70,033	-	-	-	341,943
Other governmental revenue	15,000	5,200	6,000	-	109,403
Charges for services	-	-	-	389,668	1,134,467
Fines & forfeits	-	-	-	-	192,421
Interest & rents	-	-	-	520	76,239
Other	-	-	-	6,400	64,890
TOTAL REVENUES	85,033	5,200	6,000	804,739	3,070,434
EXPENDITURES:					
Judicial	-	-	-	-	238,698
General government	-	-	-	-	133,997
Public safety	-	-	-	-	925,320
Health & welfare	167,906	4,306	-	711,186	1,053,741
Recreational & cultural	-	-	-	-	351,987
TOTAL EXPENDITURES	167,906	4,306	-	711,186	2,703,743
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(82,873)	894	6,000	93,553	366,691
OTHER FINANCING SOURCES (USES):					
Operating transfers in	160,824	-	-	-	224,176
Operating transfers (out)	-	-	-	-	(183,982)
TOTAL OTHER FINANCING SOURCES	160,824	-	-	-	40,194
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	77,951	894	6,000	93,553	406,885
FUND BALANCE, beginning	44,957	1,615	3,000	528,325	2,070,147
FUND BALANCE, ending	<u>\$ 122,908</u>	<u>\$ 2,509</u>	<u>\$ 9,000</u>	<u>\$ 621,878</u>	<u>\$ 2,477,032</u>

KALKASKA COUNTY
COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011

	Capital Projects Funds				Total Nonmajor Funds
	County Building Fund	County Library Building Fund	County Building Authority	Total	
	Fund	Building Fund	Authority	Total	
REVENUES:					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 728,682
License and permits	-	-	-	-	206,046
Federal grants	-	-	-	-	216,343
State grants	-	-	-	-	341,943
Other governmental revenue	-	-	-	-	109,403
Charges for services	-	-	-	-	1,134,467
Fines & forfeits	-	-	-	-	192,421
Interest & rents	-	607	6	613	76,852
Other	42,003	2,095	-	44,098	108,988
TOTAL REVENUES	<u>42,003</u>	<u>2,702</u>	<u>6</u>	<u>44,711</u>	<u>3,115,145</u>
EXPENDITURES:					
Judicial	-	-	-	-	238,698
General government	-	-	-	-	133,997
Public safety	-	-	-	-	925,320
Health & welfare	7,875	-	-	7,875	1,061,616
Recreational & cultural	-	1,037	-	1,037	353,024
TOTAL EXPENDITURES	<u>7,875</u>	<u>1,037</u>	<u>-</u>	<u>8,912</u>	<u>2,712,655</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>34,128</u>	<u>1,665</u>	<u>6</u>	<u>35,799</u>	<u>402,490</u>
OTHER FINANCING SOURCES (USES):					
Operating transfers in	-	46,150	-	46,150	270,326
Operating transfers (out)	-	-	-	-	(183,982)
TOTAL OTHER FINANCING SOURCES	<u>-</u>	<u>46,150</u>	<u>-</u>	<u>46,150</u>	<u>86,344</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	34,128	47,815	6	81,949	488,834
FUND BALANCE, beginning	<u>(50,547)</u>	<u>240,726</u>	<u>4,318</u>	<u>194,497</u>	<u>2,264,644</u>
FUND BALANCE, ending	<u>\$ (16,419)</u>	<u>\$ 288,541</u>	<u>\$ 4,324</u>	<u>\$ 276,446</u>	<u>\$ 2,753,478</u>



**Report on Internal Control over Financial Reporting and on Compliance and
Other Matters Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards***

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

We have audited the basic financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of Kalkaska County as of and for the year ended December 31, 2011, which collectively comprise Kalkaska County's basic financial statements and have issued our report thereon dated August 21, 2012. 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

Management of Kalkaska County is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Kalkaska County, Michigan's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Kalkaska County, Michigan's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Kalkaska County, Michigan's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be assurance that all deficiencies, significant deficiencies or material weaknesses have been identified. However, we identified certain deficiencies in internal control over financial reporting, that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the findings below to be material weaknesses.

A *significant deficiency* is a deficiency or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

FINDING 2011-01

Material Weakness in Internal Control Over Financial Reporting –Preparation of Financial Statements

Criteria: All Michigan governments are required to prepare financial statements in accordance with generally accepted accounting principals (GAAP). This is a responsibility of the County's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing and summarizing accounting data (i.e., maintaining internal books and records), and (2) reporting government-wide and fund financial statements, including related footnotes. (i.e., external financial reporting.)

Conditions: As is the case with many governmental units, the County has historically relied on its independent external auditors to assist in the preparation of the government-wide financial statements and footnotes as part of its external financial reporting process. Accordingly, the County's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its *external* auditors, who cannot by definition be considered a part of the County's *internal* controls.

Cause: This condition was caused by the County's decision that it is more cost effective to outsource the preparation of its annual financial statements to the auditors that to incur the time and expense of obtaining necessary training and expertise required for the County to perform this task internally.

Effect: As a result of this condition, the County lacks internal controls over the preparation of financial statements in accordance with GAAP, and instead relies, in part, on its external auditors for assistance with this task.

View of Responsible Officials:

The County has evaluated the cost vs. benefit of establishing internal controls over the preparation of its annual financial statements in accordance with GAAP, and determined that it is in the best interest of the County to outsource this task to its external auditors, and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their content and presentation.

FINDING 2011-02

Material Weakness in Internal Control Over Financial Reporting -Material Audit Adjustments

Criteria: Management is responsible for maintaining its accounting records in accordance with generally accepted accounting principles (GAAP).

Condition: During our audit, we identified and proposed several material adjustments (which were approved and posted by management) to adjust the County's general ledger to the appropriate balances. These adjustments included entries to record prior year audit adjustments, to agree balance sheet accounts to supporting detail, and to correct other entries for conformity with GAAP.

Cause: This condition was the result of a change in staff in the controller's office.

Effect: As result of this condition, The County's accounting records were initially misstated by amounts material to the financial statements.

Recommendation:

We recommend that County staff continue in receive training in governmental accounting and reconcile all general ledger accounts to subsidiary detail at least on an annual basis in order to have a more accurate financial picture throughout the year.

View of Responsible Officials:

Management has determined that with continual training and education the County employees will continue to improve be able to reconcile all accounts in a timely basis.

Compliance and other matters

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

FINDING 2011-03

Noncompliance Material to Financial Statements Compliance Reports – Timely filing of audit reports

Criteria: Kalkaska County is required to file its audit report by six months after its year end with the State of Michigan.

Condition: The County did not file required reports in a timely manner.

Cause: Management did not provide requested audit documentation in a timely manner resulting in a delay in the completion of the 2011 audit until eight months after year-end.

Effect: As a result of this condition, the County is exposed to the risk that State Funding may be reduced or denied, which would significantly impact revenue and receivables reported in the financial statements.

Recommendation:

We recommend the County file required reports as soon as possible and implement controls to ensure reporting deadlines are met in the future.

View of Responsible Officials:

Management is aware of the risks associated with this condition, and plans to implement controls to ensure the annual audit and required reports are completed timely.

We noted certain other matters that we reported to the management of Kalkaska County in a separate letter dated August 21, 2012.

We did not audit Kalkaska County's response to the above findings and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Commissioners, management, the Michigan Department of Treasury and is not intended to be and should not be used by anyone other than these specific parties.

Certified Public Accountants
August 21, 2012



August 21, 2012

Honorable Chairman and Members
Of the Board of Commissioners
Kalkaska County
Kalkaska, MI

In planning and performing our audit of the primary governments financial statements of Kalkaska County for the year ended December 31, 2011, in accordance with auditing standards generally accepted in the United States of America, we considered Kalkaska County's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions in the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Governmental Unit's internal control. Accordingly, we do not express an opinion on the effectiveness of the Governmental Unit's internal control.

Our consideration of internal controls was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.

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 a combination of control deficiencies, that adversely affects the entity'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 entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

Bank Reconciliations

When we arrived for fieldwork on April 30, 2012, cash reconciliations were not yet completed for October and later. We received the final bank reconciliations through December on June 12, 2012. Bank reconciliations needs to be completed on a timely basis. Cash and investments are the most important assets of the County and timely reconciliation is the most important safeguarding control available.

Housing fund

The contract with Antrim County for shared accounting services for the Housing Fund was canceled in May of 2011 per a board action at the 5/11/2011 board meeting. We found little to no work had been done with respect to tracking the loans made in the Housing fund. No reconciliation of the outstanding amounts was immediately available. It is vital that this responsibility be given to someone to track when loan payments are received, and to maintain compliance with this program.

Kaliseum

During our audit we were asked to review the cash handling procedures at the Kaliseum. The following are our recommendations:

We recommend that two employees be present to verify the cash count when deposits are prepared. Currently, only one employee is involved. Both employees should sign the deposit list, signifying that they each agree with the count and the Z tape reconciliation. Additionally, the deposit list should reconcile to the Z tape. Currently, it often does not reconcile if there are funds that have not been rung through the register – such as other sales.

We recommend that other (beer) sales and similar proceeds be rung through the register so they are reflected on the Z tape. These sales are not currently run through the register.

We recommend that the County Board prepare, approve and implement a “conflict of interest” policy. Such a policy might include a requirement to simply notify the Board when an employee or employee’s relative wishes to rent the facility. It should also state that an unrelated employee must receive the funds for the rental.

Currently employees are reimbursed through the cash register for small purchases. We recommend that employees are not reimbursed this way. Each employee should turn in an expense reimbursement to account for anything they have purchased for the Kaliseum.

Currently, there are two types of gate receipts. Either the Kaliseum receives the total receipts or it only receives a percentage of the collection. We recommend that a line item be added to the budget reflecting the proceeds received from its share of gate receipts when that alternative is used, instead of lumping it in with the flat rate rental fees.

We also noted that receipts are not being timely deposited with the County treasurer. We recommend that funds are deposited with the Treasurer daily. This should be supported by a Board policy.

We can assist in the implementation of the above recommendations should you desire our assistance.

This report is intended solely for the information and use of the Board of Commissioners, management, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.



August 21, 2012

To the Board of Commissioners
Kalkaska County

We have audited the financial statements of Kalkaska County for the year ended December 31, 2011, and have issued our report thereon dated August 21, 2012. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *governmental Auditing Standards*. As well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter dated December 23, 2011. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Kalkaska County are described in Note 1 to the financial statements. The County did adopt the provisions of GASB Statement #54 during the year and the application of existing policies was not changed during 2011. We noted no transactions entered into by the County during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

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.

Depreciation is based on the estimated useful life of the County's assets. We evaluated the key factors and assumptions used to develop the amount of depreciation charged in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent and clear.

Difficulties Encountered in Performing the Audit

The completion of our audit was delayed due to not receiving client schedules in a timely manner.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements.

The following material misstatements detected as a result of audit procedures were corrected by management:

To adjust interest payable on bond at December 31, 2011	\$28,079.07
To adjust prepaid expenses at December 31, 2011	\$35,166.00
To write off prior year receivables	\$15,653.20
To adjust accounts for prior year entries in the Debt service fund	\$153,215.09

In total we proposed 25 journal entries to management, which they agreed to post.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated August 21, 2012.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

This information is intended solely for the use of Board of Commissioners and management of Kalkaska County and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Certified Public Accountants