



Manistee County Board of Commissioners

Manistee County Courthouse • 415 Third Street • Manistee, Michigan 49660

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Marilyn Kliber
(231) 723-3331

CONTROLLER/ADMINISTRATOR

Thomas Kaminski
(231) 398-3500

WAYS & MEANS COMMITTEE

Friday, August 6, 2010
2:00 P.M.

Manistee County Courthouse & Government Center
Board of Commissioners Meeting Room

AGENDA

- 1) 2:00 P.M. - Finance Report - Jeri Lyn Prielipp, Financial Assistant
- 2) Review and consideration of funding options available under the Secure Rural Schools and Self-Determination Act. (APPENDIX A)
- 3)
 - A) Schedule meeting date for review and prioritization of grant applications which will be submitted through the County to the Manistee Local Revenue Sharing Board. County grants are due in the County Controller/Administrator's Office by 5:00 P.M. on August 27, 2010. Grant applications are due to be submitted to the Local Revenue Sharing Board by Friday, September 3, 2010 at 5:00 P.M.
 - B) Schedule meeting dates and times for 2010/11 budget hearings with departments/courts/agencies. These meetings usually take place approximately the first week of September and are scheduled over a two day period with one meeting in the morning and one scheduled in the afternoon.
- 4) Consideration of recommending the adoption of a resolution which would be sent to the Governor and the State Legislature proposing equitable funding for Community Mental Health organizations throughout the State of Michigan. (APPENDIX B)
- 5) Miscellaneous Information/Discussion Items.
 - A) Child Care Fund Budget.
 - B) Training Fund Deficit.
 - C) Bruce Schimke, Maintenance Supervisor, regarding Register of Deeds humidity issue.
 - D) FY 2010/11 Budget Discussion.
- 6) 2:30 P.M. - Review and discussion of the millage rates being levied for the operation of the Library, Medical Care Facility, 9-1-1/Central Dispatch, Dial-a-Ride, Council on Aging and County Operating for 2010. The Committee will review the financial statements of each of these entities before making a final recommendation on levying these millage rates in December 2010 and/or July 2011.

Letter and Current Millage Rates = APPENDIX C
9-1-1/Central Dispatch Financial Statements = APPENDIX D
Council on Aging Financial Statements = APPENDIX E
Library Financial Statements = APPENDIX F
Medical Care Facility Financial Statements = APPENDIX G
Dial-a-Ride Financial Statements = APPENDIX H
- 7) Other items from Committee members.
- 8) Adjournment.



STATE OF MICHIGAN

DEPARTMENT OF NATURAL RESOURCES & ENVIRONMENT

LANSING



JENNIFER M. GRANHOLM
GOVERNOR

REBECCA A. HUMPHRIES
DIRECTOR

(APPENDIX A-1)

July 7, 2010

RECEIVED
JUL 14 2010

County Board of Commissioners

SUBJECT: Payments to your County from National Forest Revenues

Dear County Board of Commissioners:

The Secure Rural Schools and Self-Determination Act of 2000 was passed in October of 2000. On October 3, 2008, H.R. 1424 became Public Law (P.L.) 110-343. Section 601 in Division C of H.R. 1424 reauthorized and amended the Secure Rural Schools and Community Self-Determination Act of 2000 as originally enacted in P.L. 106-393. This law has been extended through fiscal year 2011. At that time, your county was given the choice to receive the 25-percent payment or the State payment amount. Your county chose the state payment.

Background Information

State Payment Amount

Amount Paid to the County: To calculate a State payment, the "adjusted share" for each eligible county within the State is multiplied by the "full funding amount" for the fiscal year for which the payment is made. The State payment is the sum of these amounts. The full funding amount decreases each fiscal year.

How Funds can be Used:

- a. **Counties that receive under \$100,000 - MAY** set aside 15 to 20 percent of their share for the special projects described below, but are not required to do so. The remaining 80 to 85 percent must continue to be used for public schools and public roads (Title I funds).
- b. **Counties that receive over \$100,000 but less than \$350,000 - MUST** set aside 15 to 20 percent of their payment for special projects which includes one or a combination of the three areas below. The remaining 80 to 85 percent must continue to be used for public schools and public roads (Title I funds).
 - **Title II Projects (Federal Projects):** Funds are reserved by the Federal Treasurer and can be used by the USFS for a variety of land management projects on federal lands. Local resource advisory committees must be established to guide use of the funds by the USFS.

This is the category we fall under.

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- **Title III Projects (County Projects):** Funds are paid to the State and passed through to the county and must be used by the county for one or more of the following types of projects:
 - ✓ Carrying out Fire wise Community Programs
 - ✓ Developing community wildfire protection plans
 - ✓ Reimburse for emergency services paid for by counties and performed on Federal land (e.g. search and rescue, firefighting)
- **Return Money to the Federal Treasury**

c. **Counties that receive over \$350,000 - MUST** set aside 15 to 20 percent of their payment for special projects which includes one or a combination of the three areas below except that the allocation for Title III projects MAY NOT exceed 7%. The total of percentage amounts allocated to Title II and Title III combined must be no less than 15% and no greater than 20%. The remaining 80 to 85 percent must continue to be used for public schools and public roads (Title I funds).

- **Title II Projects (Federal Projects):** Funds are reserved by the Federal Treasurer and can be used by the USFS for a variety of land management projects on federal lands. Local resource advisory committees must be established to guide use of the funds by the USFS.
- **Title III Projects (County Projects):** Funds are paid to the State and passed through to the county and must be used by the county for one or more of the following types of projects:
 - ✓ Carrying out Fire wise Community Programs
 - ✓ Developing community wildfire protection plans
 - ✓ Reimburse for emergency services paid for by counties and performed on Federal land (e.g. search and rescue, firefighting)
- **Return Money to the Federal Treasury**

Enclosed please find a payment projection report for fiscal year 2010 which is broken down by each County for the State of Michigan. All of the information, including the determination of each county's share, is provided to the State by the U.S. Department of the Agriculture, Forest Service. If you have questions about payment amounts, please contact your local USFS office included below. Also, additional information about this program can be found at <http://www.fs.fed.us/srs/>.

Janel Crooks, Public Affairs Officer, Hiawatha National Forest
906-789-3329, jmcrooks@fs.fed.us

Ken Arbogast, Public Affairs Officer, Huron-Manistee National Forests
231-775-5023, ext. 8726, karbogast@fs.fed.us

Lisa Klaus, Public Affairs Officer, Ottawa National Forest
906-932-1330, ext. 328, lklaus@fs.fed.us

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Action Required:

- Since your county is a state payment county you must notify the Department of Natural Resources and Environment (DNRE) of your intentions for the following fiscal year under the state payment method no later than September 15 of each fiscal year. **If your county fails to notify the DNRE by this date, the county is deemed to have elected to expend 85 percent of the funds to be received in a ratio of 75 percent to local school districts for school purposes and 25 percent to townships for improvement of county roads and shall remit the balance to the Treasury of the United States.**
- You will be required to provide documentation and reports to the State of Michigan regarding your distribution and expenditure of the funds received, including detailed reports on the monies expended for Title III projects.

Please submit your letter with your decision of what percent of your payment will go to Title I, Title II, and Title III projects to the following address:

Office of Financial Services
Department of Natural Resources and Environment
P.O. Box 30028
Lansing, Michigan 48909-7925
ATTENTION: Amy Henderson

- **The DNRE will notify the Secretary of Agriculture of your decision. If we do not receive your response by September 15, 2010, the DNRE will assume you want to receive 85% of your payment as Title I funds and remit the 15% balance to the Treasury of the United States.**

If you have any questions, please contact Mr. Brandon Reed of the Fund and Revenue Accounting Section in the DNRE's Office of Financial Services. Mr. Reed can be reached at 517-335-3237.

Sincerely,

Amy Henderson

Amy Henderson, Manager
Fund and Revenue Accounting
Financial Services

cc: Ms. Kimberly Anderson, USFS
Ms. Janel Crooks, USFS
Ms. Lisa Klaus, USFS
Mr. Ken Arbogast, USFS
Mr. Brandon Reed, DNR

Enclosure

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Corrected 07/20/2009: Transition State projected county shares for 2009 and 2010.

		Full Funding Amount:						
		\$500,000,000	\$450,000,000	\$405,000,000	\$364,500,000			
State	Eligible County	Share of State's 25% Payment (7 year rolling average) FY2008	Projected County Shares of the State Payment*					Total
			Adjusted Share	FY2008	FY2009	FY2010	FY2011	
MI	Barry	0.0000%	\$12	\$11	\$10	\$9	\$42	
MI	Cheboygan	0.0000%	\$51	\$46	\$42	\$37	\$177	
MI	Chippewa	0.1365%	\$682,330	\$614,097	\$552,687	\$497,418	\$2,346,532	
MI	Crawford	0.0207%	\$103,478	\$93,131	\$83,818	\$75,436	\$355,862	
MI	Delta	0.0930%	\$464,761	\$418,285	\$376,456	\$338,811	\$1,598,313	
MI	Genesee	0.0000%	\$10	\$9	\$8	\$7	\$35	
MI	Gogebic	0.1494%	\$747,117	\$672,405	\$605,164	\$544,648	\$2,569,334	
MI	G. Traverse	0.0000%	\$2	\$2	\$1	\$1	\$6	
MI	Mackinac	0.0483%	\$241,351	\$217,216	\$195,495	\$175,945	\$830,008	
MI	Manistee	0.0391%	\$195,289	\$175,760	\$158,184	\$142,365	\$671,598	
MI	Marquette	0.0069%	\$34,573	\$31,115	\$28,004	\$25,203	\$118,895	
MI	Mecosta	0.0019%	\$9,666	\$8,700	\$7,830	\$7,047	\$33,242	
MI	Montcalm	0.0011%	\$5,643	\$5,078	\$4,571	\$4,114	\$19,405	
MI	Newaygo	0.0552%	\$275,920	\$248,328	\$223,495	\$201,146	\$948,890	
MI	Ogemaw	0.0115%	\$57,595	\$51,835	\$46,652	\$41,986	\$198,068	
MI	Ontonagon	0.1195%	\$597,415	\$537,674	\$483,906	\$435,516	\$2,054,511	
MI	Oscoda	0.0946%	\$473,238	\$425,914	\$383,322	\$344,990	\$1,627,464	
TOTALS			0.7777%	\$3,888,451	\$3,499,606	\$3,149,645	\$2,834,681	\$13,372,383



Manistee County Courthouse • 415 Third Street • Manistee, Michigan 49660

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OFFICE OF
CONTROLLER/
ADMINISTRATOR

231-398-3500 • Fax 231-723-1795

www.manisteecounty.net

September 1, 2009

Office of Financial Services
Department of Natural Resources
P.O. Box 30028
Lansing, MI 4898-7925
ATTN: Amy Henderson

*This is the
County's decision
It. sent last fall.*

RE: FY 2009/10 Decision for Use of Funds Under the Secure Rural Schools and Self-Determination Act of 2000

Dear Ms. Henderson:

On Thursday, August 20, 2009, the Manistee County Board of Commissioners determined that 85% of all funds received under the Secure Rural Schools and Self-Determination Act of 2000 would be set aside for Title I projects and 15% would be set aside for Title III projects. This decision was made as required in your correspondence of June 17, 2009.

It is our understanding that the State of Michigan will provide this information to the Secretary of Agriculture at the federal level.

If you have any questions or require additional information, please contact me.

Sincerely,

Thomas D. Kaminski
Manistee County Controller/Administrator

CC: Manistee County Commissioners
Russell Pomeroy, Manistee County Treasurer
James Thompson, Manistee District Forest Ranger



ANIFER M. GRANHOLM
GOVERNOR

STATE OF MICHIGAN

DEPARTMENT OF NATURAL RESOURCES

LANSING



REBECCA A. HUMPHRIES
DIRECTOR

October 31, 2008

*This is the
letter sent to us
for a decision.*

RECEIVED
NOV 10 2008

County Board of Commissioners
Manistee County
415 Third Street
Manistee, MI 49660

SUBJECT: Payments to your County from National Forest Revenues

Dear County Board of Commissioners:

The Secure Rural Schools and Self-Determination Act of 2000 was passed in October of 2000. At that time, your county was given the choice to receive the 25-percent payment or the State payment amount. Your county chose the 25-percent payment. This law has been extended through fiscal year 2011 and again you have the choice to continue with the 25-percent payment or change to the State payment amount. **Please review this letter carefully and make note of the information we are requesting from you on page 4. Your response to this letter is required by November 10, 2008 to determine the amount of funds you will receive under this program.**

Background Information

The United States Department of Agriculture – Forest Service (USFS) makes annual payments to the States based on 25 percent of revenues received from national forests, primarily revenues from timber sales. Under previous federal law, the funds were to be used solely for the benefit of public schools and public roads in the counties in which the national forests are located and, therefore, the States have passed the funds on to the appropriate counties. A federal law (PL 106-393 – the Secure Rural Schools and Self-Determination Act of 2000) was passed in October 2000 which gives the counties additional options for use of these funds.

On October 3, 2008, H.R. 1424 became Public Law (P.L.) 110-343. Section 601 in Division C of H.R. 1424 reauthorized and amended the Secure Rural Schools and Community Self-Determination Act of 2000 as originally enacted in P.L. 106-393. **Please review this letter carefully to make sure that you understand the new changes.**

Option 1: "25-Percent Payment Amount"

A county election to receive a share of the 25-percent payment is effective for 2 years, and, a county must again make the election to receive a share of the State payment or the State's 25-percent payment by August 1, 2010.

NATURAL RESOURCES COMMISSION

Keith J. Charters, Chair • Mary Brown • Hurley J. Coleman, Jr. • Darnell Earley • John Madigan • J. R. Richardson • Frank Wheatlake

STEVENS T. MASON BUILDING • P. O. BOX 30028 • LANSING, MICHIGAN 48909-7528
www.michigan.gov/dnr • (517) 373-2329

Great Lakes, Great Times, Great Outdoors!

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Amount Paid to the County: An annual payment based on the county's share of the State's 25 percent based on a 7 year rolling average as determined by the revenues received each fiscal year. Under this method, the payment amount varies from year to year.

How Funds can be Used: Solely for public roads and public schools.

Option 2: "State Payment Amount" (Formerly Full Payment Amount)

Amount Paid to the County: To calculate a State payment, the "adjusted share" for each eligible county within the State is multiplied by the "full funding amount" for the fiscal year for which the payment is made. The State payment is the sum of these amounts. The full funding amount decreases each fiscal year.

How Funds can be Used:

- a. **Counties that receive under \$100,000 - MAY** set aside 15 to 20 percent of their share for the special projects described below, but are not required to do so. The remaining 80 to 85 percent must continue to be used for public schools and public roads.
- b. **Counties that receive over \$100,000 but less than \$350,000 - MUST** set aside 15 to 20 percent of their payment for special projects which includes one or a combination of the three areas below. The remaining 80 to 85 percent must continue to be used for public schools and public roads.
 - **Title II Projects (Federal Projects):** Funds are reserved by the Federal Treasurer and can be used by the USFS for a variety of land management projects on federal lands. Local resource advisory committees must be established to guide use of the funds by the USFS.
 - **Title III Projects (County Projects):** Funds are paid to the State and passed through to the county and must be used by the county for one or more of the following types of projects:
 - ✓ Carrying out Fire wise Community Programs
 - ✓ Developing community wildfire protection plans
 - ✓ Reimburse for emergency services paid for by counties and performed on Federal land (e.g. search and rescue, firefighting)
 - **Return Money to the Federal Treasury**

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- c. **Counties that receive over \$350,000 - MUST** set aside 15 to 20 percent of their payment for special projects which includes one or a combination of the three areas below except that the allocation for Title III projects MAY NOT exceed 7%. The total of percentage amounts allocated to Title II and Title III combined must be no less than 15% and no greater than 20%. The remaining 80 to 85 percent must continue to be used for public schools and public roads.
- **Title II Projects (Federal Projects):** Funds are reserved by the Federal Treasurer and can be used by the USFS for a variety of land management projects on federal lands. Local resource advisory committees must be established to guide use of the funds by the USFS.
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 - ✓ Carrying out Fire wise Community Programs
 - ✓ Developing community wildfire protection plans
 - ✓ Reimburse for emergency services paid for by counties and performed on Federal land (e.g. search and rescue, firefighting)
 - **Return Money to the Federal Treasury**

Action Required by the County

Under the federal law, the county is required to determine if they want to receive the State payment amount or the 25 percent payment amount.

If you select the State payment amount:

- It will begin with your Fiscal Year 2008 payment and you will receive a single payment in early calendar year 2009.
- Your decision remains in place through Fiscal Year 2011. You will be on the State payment amount until this federal law sunsets.
- If you receive a payment over \$100,000 but less than \$350,000, you must set aside 15 to 20 percent of the annual payment for special projects as described earlier in this letter and you must indicate how you will use these funds prior to receiving your payment. With the exception of the money set-aside for special projects, you must continue to redistribute the money as you have done in the past, i.e., in a ratio of 75 percent to local school districts for school purposes and 25 percent to townships for the improvement of county roads within those townships.
- If you receive a payment of \$350,000 or more, you must set aside 15 to 20 percent of the annual payment for special projects as described earlier in this letter and the allocation for Title III projects may not exceed 7% and you must indicate how you will use these funds prior to receiving your payment. With the exception of the money set-aside for special projects, you must continue to redistribute the money as you have done in the past, i.e., in a ratio of 75 percent to local school districts for school purposes and 25 percent to townships for the improvement of county roads within those townships.

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- You will be required to provide documentation and reports to the State of Michigan regarding your distribution and expenditure of the funds received, including detailed reports on the monies expended for Title III projects.

If you select the 25 percent payment amount:

- As in past years, you will receive your payment in early calendar year 2009.
- Your decision remains in place for two fiscal years at which point you may elect to receive the State payment amount.
- There will be some variation in your payment from year to year and the amount of your payment will not be determined until the close of the federal fiscal year.
- As in past years, you must continue to redistribute the entire payment in a ratio of 75 percent to local school districts for school purposes and 25 percent to townships for the improvement of county roads within those townships.
- You will be required to provide reports and needed documentation to the State of Michigan regarding your distribution of the funds received.

Enclosed please find a payment projection report which is broken down by each County for the State of Michigan. Since the source of these funds is not the State of Michigan, we cannot provide you with definitive information regarding the amount of your annual payments under either option. If you have questions about the possible payment amounts under either option, please contact your local USFS office included below. Also, additional information about this program can be found at <http://www.fs.fed.us/srs/>.

Janel Crooks, Public Affairs Officer, Hiawatha National Forest
906-789-3329, jmcrooks@fs.fed.us

Ken Arbogast, Public Affairs Officer, Huron-Manistee National Forests
231-775-5023, ext. 8726, karbogast@fs.fed.us

Lisa Klaus, Public Affairs Officer, Ottawa National Forest
906-932-1330, ext. 328, lklaus@fs.fed.us

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[Handwritten scribbles]

To meet your obligations under this federal law and to enable the State of Michigan to provide necessary information to the Secretary of Agriculture, please provide the DNR with a letter by [redacted] indicating the following:

1. Your decision to receive the State payment amount (at least through fiscal year 2011) or to receive the 25 percent payment amount for at least the next two fiscal years.
2. If you select the State payment amount and your payment may be \$100,000 or more, indicate how much of your payment (15 percent to 20 percent) you will set aside and how you will allocate the set-aside funds among the three allowable options (Title II projects, Title III projects or return to the U.S. Treasury). If you do not indicate how the set-aside funds will be used, then you will automatically be required to return 15 percent to the U.S. Treasury.

Please submit your letter to the following address:

Office of Financial Services
Department of Natural Resources
P.O. Box 30028
Lansing, Michigan 48909-7925
ATTENTION: Amy Henderson

The Department of Natural Resources (DNR) will notify the Secretary of Agriculture of your decision. If we do not receive your response by November 10, 2008 the DNR will assume you are electing the State Payment amount and will notify the Secretary of Agriculture accordingly.

If you have any questions, please contact Mr. Brandon Reed of the Fund and Revenue Accounting Section in the DNR's Office of Financial Services. Mr. Reed can be reached at 517-335-3237.

Sincerely,

Amy Henderson

Amy Henderson, Manager
Fund and Revenue Accounting
Financial Services

cc: Ms. Kimberly Anderson, USFS
Ms. Janel Crooks, USFS
Ms. Lisa Klaus, USFS
Mr. Ken Arbogast, USFS
Mr. Brandon Reed, DNR

Enclosure

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Corrected 10/22/2008: Transition State projected county shares for 2009 and 2010.

	Share of State's 28% Pool (7 year rolling average)							
	FY2008		FY2009	FY2010	FY2011	FY2012	FY2013	FY2014
	\$80,834	0.0809%	\$304,302	\$273,872	\$248,484	\$221,838	\$1,048,484	
	\$107,129	0.0888%	\$342,830	\$308,547	\$277,893	\$249,923	\$1,178,994	
	\$40,955	0.0254%	\$128,822	\$114,140	\$102,726	\$92,463	\$438,142	
	\$7	0.0000%	\$12	\$11	\$10	\$9	\$41	
	\$27	0.0000%	\$50	\$45	\$41	\$37	\$173	
	\$203,184	0.1343%	\$871,289	\$804,142	\$543,728	\$488,355	\$2,308,493	
	\$27,073	0.0204%	\$101,809	\$91,828	\$82,488	\$74,219	\$350,122	
	\$201,274	0.0914%	\$457,228	\$411,504	\$370,353	\$333,318	\$1,572,402	
	\$5	0.0000%	\$10	\$9	\$8	\$7	\$35	
	\$285,408	0.1471%	\$738,311	\$661,780	\$585,802	\$536,042	\$2,528,734	
	\$1	0.0000%	\$2	\$2	\$1	\$1	\$8	
	\$142,851	0.0801%	\$400,443	\$380,389	\$324,398	\$291,923	\$1,377,125	
	\$80,354	0.0572%	\$285,788	\$257,209	\$231,488	\$208,339	\$982,824	
	\$183,249	0.0706%	\$382,871	\$317,584	\$285,825	\$257,243	\$1,213,522	
	\$72,253	0.0653%	\$328,656	\$293,980	\$264,591	\$238,132	\$1,123,389	
	\$126,679	0.0475%	\$237,438	\$213,893	\$192,323	\$173,091	\$816,544	
	\$88,380	0.0385%	\$182,282	\$173,038	\$155,733	\$140,159	\$681,191	
	\$16,021	0.0068%	\$34,023	\$30,821	\$27,599	\$24,803	\$117,007	
	\$39,009	0.0237%	\$118,591	\$108,732	\$98,058	\$88,463	\$407,833	
	\$2,223	0.0019%	\$8,501	\$8,551	\$7,698	\$6,928	\$32,673	
	\$1,131	0.0011%	\$5,558	\$5,000	\$4,500	\$4,050	\$19,108	
	\$8,083	0.0053%	\$28,558	\$23,902	\$21,512	\$19,381	\$91,333	
	\$71,071	0.0543%	\$271,628	\$244,464	\$220,017	\$198,015	\$934,122	
	\$34,285	0.0256%	\$128,004	\$115,203	\$103,683	\$93,315	\$440,205	
	\$14,228	0.0113%	\$58,887	\$51,000	\$45,900	\$41,310	\$194,878	
	\$282,428	0.1178%	\$587,891	\$528,102	\$478,191	\$428,572	\$2,021,758	
	\$108,983	0.0931%	\$468,587	\$419,010	\$377,109	\$339,398	\$1,601,083	
	\$3	0.0000%	\$8	\$5	\$4	\$4	\$19	
	\$102,044	0.0580%	\$290,119	\$281,107	\$234,996	\$211,497	\$997,719	
	\$82,241	0.0434%	\$217,103	\$195,383	\$175,853	\$158,268	\$748,617	
		1.3483%	\$8,748,318	\$8,871,678	\$8,484,811	\$4,918,088	\$23,200,588	



Manistee County Courthouse • 115 Grand Street • Manistee, Michigan 49660

OFFICE OF
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ADMINISTRATOR
231-398-3500 • Fax 231-723-1795
www.manisteecounty.net

A-12

*This is the
letter I sent to W&M
members last
fall explaining
the choices*

MEMORANDUM

TO: Ways & Means Committee Members - Ervin Kowalski, Chair; Glenn Lottle; Janice McCraner

FROM: Thomas D. Kaminski, County Controller/Administrator

DATE: November 4, 2008

RE: Secure Rural Schools and Community Self Determination Act

On Tuesday, October 28, 2008, the Board of Commissioners gave the Ways & Means Committee power to act in determining choices which must be given to the Federal Government for funding under the Secure Rural Schools and Community Self Determination Act. The new law recently signed by President Bush requires that counties must once again choose between receiving the traditional 25% Fund Payment or the Full Payment option based on a new formula that is determined in part on the county's per capita income levels.

Russ Pomeroy and I have spent considerable time and effort trying to understand what is best for Manistee County. I have spoken with Jim Thompson, Manistee District Forest Ranger, Ryan Yates from the National Association of Counties, Kenneth Arbogast, Public Affairs Officer for the United States Forest Service, and other counties who are struggling with the same decisions. Last week, the Forest Service scheduled a conference call with representatives from the regional office in Milwaukee, Wisconsin. However, the regional office never phoned in to the conference call, and as a result, those of us representing county government from across the state, which included mainly County Treasurers and County Administrators, discussed this issue in some detail. I will tell you, however, that we seem to have the best handle on this issue after speaking with Ryan Yates from the National Association of Counties.

The decision of whether to accept the traditional 25% Fund Payment or the Full Payment option is not difficult when looking at the financial charts downloaded off the Federal website. This is because under the new law, the projected Full Payment is much larger than the 25% Fund Payment. The issue that complicates the decision is that an increase in the County's Full Payment amount will decrease the county's Payment in Lieu of Taxes Payment that is deposited into the General Fund each year. What is really happening in this scenario is that in exchange for the schools and several townships receiving larger payments, the County is accepting a smaller PILT Payment, which affects General Fund revenues. In addition, if the County accepts the Full Payment amount, a portion of these funds must be used for Title II and Title III projects or returned to the Treasury of the United States. Under the 25% Traditional Payment, there are no Title II or Title III requirements.

I have enclosed information which further explains the Title II and Title III requirements for you to review prior to the Committee meeting. I have also enclosed information and a chart providing comparisons of revenues received under both payment plans for the County, eligible

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townships and the school districts. Russ and I will provide you with further information on this entire issue at the Committee meeting.

We have also had some discussion with representatives at the Federal level in charge of Payment in Lieu of Taxes and the Forest Service regarding the number of Federal acres eligible for PILT. It appears there is a discrepancy between what the Forest Service says Manistee County has in National Forest acres (87,704) and what the Federal government is using to calculate the County's PILT payment (59,582). We are working on getting this acreage verified to insure that we are getting credit for the proper PILT acres. There are several qualifications required for certain lands to be eligible for PILT payments.

This entire issue is very difficult to explain in this memorandum. Hopefully you will have the opportunity to review the enclosed material, and with further information provided to you at the Committee meeting, will be able to make a decision which is in the best interests of all Manistee County governments. Keep in mind that some of the information received from the Department of Natural Resources, as well as the information listed on the Forest Service website is somewhat contradictory. We have been told that some of the information provided by the State of Michigan is not correct. This makes it very difficult to make an informed decision.

Russ and I look forward to meeting with you later this week.

Enclosures

CC: All County Commissioners
Russ Pomeroy, County Treasurer

Jo
tion on this

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~~A-13~~ ~~D-13~~

2008 County PILT Formula (under the SRS 25% State Payment)

\$2.29 x 59,582 acres =	\$136,443
less SRS Payment to eligible townships for roads \$56,360 x 25% =	<u>(\$14,090)</u>
2008 PILT Payment to County =	<u>\$122,353</u>
(County received \$72,169 in June 2008)	
Under this formula, schools would receive their share of 75% of the SRS Payment (\$56,360 x 75%) =	<u>\$42,270</u>

2008 County PILT Formula (under the Full Payment Amount)

\$2.29 x 59,582 acres =	\$136,443
less SRS Payment to eligible townships for roads (\$192,000 x 25%) = (less 15% for Title II & III - see below)	<u>(\$48,000)</u>
2008 PILT Payment to County =	<u>\$88,443</u>
(County received \$72,169 in June 2008)	
The County would also receive 15% of SRS funds for Title II or Title III projects (\$192,000 x 15%) =	<u>\$28,800</u>
Under this formula, schools would receive their share of 75% of the SRS payment less 15% for Title II or III projects (\$192,000 x 85%) x (75%) =	<u>\$122,400</u>
Townships with Federal lands would receive their share of 25% of the SRS Payment less 15% for Title II or III projects (\$192,000 x 85%) x (25%) =	<u>\$40,800</u>
Under this formula, the amounts paid under the Full Payment Formula will decrease to \$173,036 in FY 09, \$155,733 in FY 10 and \$140,159 in FY 11.	

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ESTIMATED PAYMENT COMPARISON FOR THE COUNTY, SCHOOLS AND ELIGIBLE TOWNSHIPS UNDER BOTH PAYMENT PLANS:

MUNICIPALITY	FY 2008		FY 2009		FY 2010		FY 2011		TOTAL 25%/Full
	25% State Share	Full Payment							
TOTAL AMOUNT	\$56,360	\$192,000	\$56,360	\$173,036	\$56,360	\$155,733	\$56,360	\$140,159	
County PILT	\$122,353	\$88,443	\$122,353	\$93,184	\$122,353	\$97,510	\$122,353	\$101,403	\$489,412/ \$380,540
County Title II/III	-0-	\$28,800	-0-	\$25,955	-0-	\$23,360	-0-	\$21,024	-0-/ \$99,139
SUBTOTAL	\$122,353	\$117,243	\$122,353	\$119,139	\$122,353	\$120,870	\$122,353	\$122,427	\$489,412/ \$479,679
KND School District	\$36,128	\$104,615	\$36,128	\$94,283	\$36,128	\$84,854	\$36,128	\$76,368	\$144,512/ \$360,120
MAPS School District	\$4,633	\$13,417	\$4,633	\$12,092	\$4,633	\$10,883	\$4,633	\$9,795	\$18,532/ \$46,187
Onekama School District	\$154	\$446	\$154	\$402	\$154	\$362	\$154	\$326	\$616/ \$1,536
Freesoli School District	\$460	\$1,332	\$460	\$1,202	\$460	\$1,082	\$460	\$973	\$1,840/ \$4,589
Mesick School District	\$894	\$2,588	\$894	\$2,332	\$894	\$2,099	\$894	\$1,889	\$3,576/ \$8,908
TOTAL	\$42,269	\$122,398	\$42,269	\$110,311	\$42,269	\$99,280	\$42,269	\$89,351	\$169,076/ \$421,340
Brown Township	\$1,018	\$2,950	\$1,018	\$2,658	\$1,018	\$2,392	\$1,018	\$2,153	\$4,072/ \$10,153
Dickson Township	\$4,278	\$12,389	\$4,278	\$11,166	\$4,278	\$10,049	\$4,278	\$9,044	\$17,112/ \$42,648
Manistee Township	\$189	\$547	\$189	\$493	\$189	\$444	\$189	\$399	\$756/ \$1,883
Marilla Township	\$898	\$2,600	\$898	\$2,343	\$898	\$2,109	\$898	\$1,898	\$3,592/ \$8,950
Norman Township	\$4,079	\$11,812	\$4,079	\$10,646	\$4,079	\$9,581	\$4,079	\$8,623	\$16,316/ \$40,662
Stronach Township	\$3,626	\$10,501	\$3,626	\$9,464	\$3,626	\$8,518	\$3,626	\$7,667	\$14,504/ \$36,150
SUBTOTAL	\$14,088	\$40,799	\$14,088	\$36,770	\$14,088	\$33,093	\$14,088	\$29,784	\$56,352/ \$140,446
GRAND TOTAL	\$178,710	\$280,440	\$178,710	\$266,220	\$178,710	\$253,243	\$178,710	\$241,562	\$714,840/ \$1,041,465

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~~A-15~~

~~A-15~~

PROS AND CONS OF EACH CHOICE:

1. If the County chooses the 25% State Share Payment, General Fund receives PILT revenue totaling \$489,412 as compared to \$380,540 over a 4-year period. (Revenue loss of \$108,872.)
2. County does receive an additional \$99,139 over 4 years under the Full Payment method, however, these funds are restricted to Title II and/or Title III projects.
3. Under the Full Payment method, schools receive \$421,340 in funding as compared to \$169,076 under 25% Payment method. The school benefitting most is KND School District (+ \$215,608).
4. Under the Full Payment method, townships receive \$140,446 in funding as compared to \$56,352 under the 25% Payment method. (\$140,446 as compared to \$56,352 for 6 townships over a 4-year period. Funding must be earmarked for road improvements.)
5. County must manage Title III projects. Title II projects are managed by a RAC Commission and the U.S. Forest Service.
6. Under Full Payment method, the County must commit for a 4-year period. If 25% Payment is chosen, the County can change its decision in 2 years.
7. If the Full Payment method is chosen in 2008, the County will not realize a reduction in PILT revenue from previous years. This is because an act of Congress increased the PILT payment recently. Therefore, the Full Payment reduction will not fall below previous years PILT payments.
8. Because the SRC funding goes down each year under the Full Payment method, the County's General Fund PILT payment will increase each year.
9. If the 25% State Share Payment goes up each year, the County's PILT payment will be affected by this fluctuation in the same manner that PILT is affected by the Full Payment amount.

Manistee County
Michigan
11/6/08



OFFICE OF
CONTROLLER/
ADMINISTRATOR
231-398-3500 • Fax 231-723-1795
www.manisteecounty.net

A-16
A-17

November 6, 2008

*This is the County's
decision. It's sent
to fall in 2008.*

Amy Henderson
Office of Financial Services
Department of Natural Resources
P.O. Box 30028
Lansing, MI 48909-7925

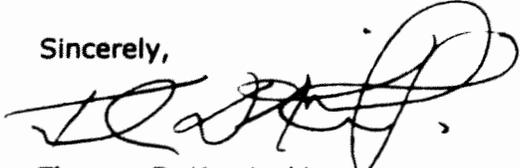
SENT VIA OVERNIGHT MAIL

RE: Secure Rural Schools and Self Determination Act Payment Decision

Dear Ms. Henderson:

On Tuesday, October 28, 2008, the Manistee County Board of Commissioners authorized its Ways & Means Committee to make a decision on funding to be received under the Secure Rural Schools and Self Determination Act. On Thursday, November 6, 2008, the Ways & Means Committee met and determined that it would accept the State payment amount (full payment) through Fiscal Year 2011. Since Manistee County's payment will be in excess of \$100,000, the Committee also determined that 15% will be set aside for Title III projects. This decision was made after lengthy discussion regarding what was best for all local school districts and local governments within Manistee County.

It is our understanding that the State of Michigan will provide this information to the Secretary of Agriculture at the Federal level. If you have any questions or require additional information, please contact me.

Sincerely,

Thomas D. Kaminski
Manistee County Controller/Administrator

CC: All Manistee County Commissioners
Russell Pomeroy, Manistee County Treasurer
James Thompson, Manistee District Forest Ranger

(APPENDIX B-1)

CHAIRPERSON
Allan O'Shea
VICE-CHAIRPERSON
Edward Haik

Ken Hilliard
Ervin Kowalski
Jim Krolczyk
Glenn Lottie
Carl Rutske

Manistee County Board of Commissioners

Manistee County Courthouse • 415 Third Street • Manistee, Michigan 49660

CLERK
Marilyn Kliber
(231) 723-3331
CONTROLLER/ADMINISTRATOR
Thomas Kaminski
(231) 398-3500

MANISTEE/BENZIE COMMUNITY MENTAL HEALTH EQUITABLE FUNDING RESOLUTION

At a regular meeting of the Manistee County Board of Commissioners held in the Manistee County Courthouse & Government Center, 415 Third Street, Manistee, Michigan, on the 18th day of August, 2010.

PRESENT:

ABSENT:

The following resolution was offered by _____ and seconded by _____:

WHEREAS, Manistee/Benzie Community Mental Health (MBCMH) has been serving the mental health needs of the citizens of Manistee County since 1972; and

WHEREAS, MBCMH is committed to meeting the needs of our community through our mission of enhancing freedom to lead a meaningful life through quality mental health care, leadership, and teamwork within our community; and

WHEREAS, MBCMH has received only 33% per capita funding for its population under general funds as compared to other Community Mental Health Services Programs (CMHSP) in other regions of the state for well over the better part of 15+ years and only 50% per capita funding of the average CMHSP when considering those at or below 200% of poverty during that same time span; and

WHEREAS, Fiscal Year 2011 Senate proposed continued use of the Michigan Department of Community Health's (MDCH) distribution method will help to bring equity in funding per capita; and

WHEREAS, Fiscal Year 2011 Senate proposed budget cuts will further erode our already inequitably funded general fund services; and

WHEREAS, we continue to encourage the MDCH to use the federally required actuarial studies to support Medicaid funding equity; and

WHEREAS, we feel that our citizens deserve and expect under equal protection the same equitable funding per capita as all other CMHSP statewide regardless of geographic location;

NOW, THEREFORE, BE IT RESOLVED, that the Manistee County Board of Commissioners hereby requests that Manistee and Benzie County State Senators and Representative not allow the continued inequitable funding of General Funds to be targeted at the citizens of Manistee and Benzie Counties; insist that the Michigan Department of Community Health implement the Medicaid funding formula as is required of it by the federal government; and

BE IT FURTHER RESOLVED, that the Manistee County Clerk is requested to forward copies of this adopted resolution to Governor Jennifer M. Granholm, the Michigan Department of Community Health, the Manistee/Benzie Community Mental Health Organization, and Manistee and Benzie Counties' delegation to the Michigan Legislature.

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STATE OF MICHIGAN)
)ss.
COUNTY OF MANISTEE)

I, Marilyn Kliber, County Clerk, do hereby certify that the foregoing is a true copy of a Resolution adopted by the Manistee County Board of Commissioners at its regular monthly meeting held on the 18th day of August, 2010, by the following vote:

- YEAS:
- NAYS:
- NOT VOTING:

I further certify that the foregoing Resolution is a true, correct and complete transcript of the original of said Resolution appearing on file and of record in my office. I further certify that the meeting was held and the minutes therefore were filed in compliance with Act No. 267 of the Public Acts of 1976.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the Seal of the County of Manistee this 18th day of August, 2010.

CLERK OF THE COUNTY COMMISSION
MANISTEE COUNTY, MICHIGAN

Marilyn Kliber, County Clerk



(APPENDIX C-1)

OFFICE OF
CONTROLLER/
ADMINISTRATOR

231-398-3500 • Fax 231-723-1795
www.manisteecountymi.gov

Manistee County Courthouse • 415 Third Street • Manistee, Michigan 49660

MEMORANDUM

TO: James Espvik, 9-1-1 Director/Central Dispatch; Charles Haemker, Library Administrator; Linda Duchon, Medical Care Facility Administrator; Richard Streyve, General Manager, Manistee County Transportation, Inc.; and Sandra Kittlaus, Director, Council on Aging

FROM: Thomas D. Kaminski, County Controller/Administrator

DATE: July 19, 2010

RE: Financial Statement Request

=====

For the past several years, the Manistee County Board of Commissioners has combined the adoption of the County budget and the truth in taxation process by holding one Public Hearing. The hearing, which this year will be held during the September meeting, allows the public to comment on the County's tentative budget and the 2010 levy of allocated and special millage. Immediately following this Public Hearing, the Board of Commissioners will adopt a fiscal year 2010/11 County budget and approve the 2010 levy of millage. A copy of the preliminary maximum allowable millage levy for 2010 is enclosed for your review. In an effort to make an informed decision on the 2010 levy of millage, the Ways & Means Committee is requesting that you please provide the following information no later than Monday, August 2, 2010.

- 1) Most recent completed audit.
- 2) Most recent month end balance sheet including fund balance.
- 3) A copy of your fiscal year 2010/11 tentative budget if completed. If not yet completed, an overview in letter form of anticipated revenue and expense projections is acceptable.

This information can be mailed to my attention at the Manistee County Courthouse, 415 Third Street, Manistee, Michigan 49660. It is the Committee's intention to review this financial information at the Ways & Means Committee meeting which is scheduled for Friday, August 6, 2010 at 2:00 P.M. in the Board of Commissioners meeting room. If you would like to attend and provide further explanation of your revenue needs and answer questions from the Committee, please contact me and I will schedule you for a specific time on the agenda.

On behalf of the Ways & Means Committee, thank you for your immediate attention to this matter. If you have any questions, please contact me.

Enclosure

cc: Manistee County Board of Commissioners
Roger Elbers, Equalization Director
Russell Pomeroy, County Treasurer
Jeri Lyn Prielipp, Finance Assistant

**2010 TAX RATE REQUEST
MILLAGE REQUEST REPORT TO COUNTY BOARD OF COMMISSIONERS**

County MANISTEE	2010 Taxable Value of ALL Properties in the Unit as of 5-24-10 1,090,633,264
Local Government Unit MANISTEE COUNTY	

**PLEASE READ THE
INSTRUCTIONS ON
THE REVERSE SIDE
CAREFULLY.**

You must complete this form for each unit of government for which a property tax is levied. Penalty for non-filing is provided under MCL Sec. 211.119.

The following tax rates have been authorized for levy on the 2010 tax roll.

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Source	Purpose of Millage	Date of Election	Millage Authorized by Election, Charter, etc. MCL 211.34d	2009 Millage Rate Permanently Reduced by Reduction	2010 Millage Rate Permanently Reduced by Reduction	2010 Millage Rate Permanently Reduced by Rollback	Sec. 211.34 Millage	Maximum Allowable Millage Levy*	Millage Requested to be Levied July 1	Millage Requested to be Levied Dec. 1	Expiration Date of Millage Authorized
ALLOCATION	OPERATING	08/06/06	5.5000	5.4615	1.0000	5.4615	1.0000	5.4615	5.4615	N/A	Dec-2011
VOTED	LIBRARY	08/05/08	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000		1.0000	Dec-2012
VOTED	MEDICAL CARE	08/08/06	0.5000	0.4965	1.0000	0.4965	1.0000	0.4965		0.4965	Dec-2010
VOTED	911	08/05/08	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000		0.8000	Dec-2012
VOTED	DIAL A RIDE	08/06/06	0.3300	0.3276	1.0000	0.3276	1.0000	0.3276		0.3276	Dec-2013
			COA	0.30	(.2906 last yr.)						

PRELIMINARY

Truth in Taxation procedure accomplished through annual budget process

Prepared by Roger Elbers	Title Equalization Director	Date 06/01/10
------------------------------------	---------------------------------------	-------------------------

As the representatives for the local government unit named above, we certify that these requested tax levy rates have been reduced, if necessary, to comply with the state constitution (Article 9, Section 31), and that the requested levy rates have also been reduced, if necessary, to comply with MCL Sections 211.24e, 211.34, and for LOCAL school districts which levy a Supplemental (Hold Harmless) Millage, MCL 380.1211(3).

<input checked="" type="checkbox"/> Clerk	Signature	Type Name	Date
<input type="checkbox"/> Secretary		Marilyn Kliber	
<input checked="" type="checkbox"/> Chairperson	Signature	Type Name	Date
<input type="checkbox"/> President		B. Allan O'Shea	

*Under Truth in Taxation, MCL Section 211.24e, the governing body may decide to levy a rate which will not exceed the maximum authorized rate allowed in column 9. A public hearing and determination is required for an operating levy which is larger than the base tax rate but not larger than the rate in column 9.

** IMPORTANT: See instructions on the reverse side for the correct method of calculating the millage rate in column (5).

(C-2)

Manistee County Central Dispatch / E911
Statement of Income and Expenses
June 2010

Revenues		2010 Revenues	Budget	Actual MTD	Actual YTD			
Manistee County	Tax Revenues		\$ 853,862.00		\$ 774,399.51			
Manistee County	Delinquent Taxes		\$ 50,000.00		\$ -			
National City Bank	Interest Income		\$ 3,000.00	\$ 118.61	\$ 781.31			
Forest Service	Service Fees		\$ 2,500.00		\$ -			
State of Michigan	Wireless 911		\$ 90,000.00		\$ 107,519.00			
Manistee County	PILT Payment		\$ 30,000.00		\$ -			
	Miscellaneous Income		\$ 4,000.00		\$ 135.00			
	Investment Interest		\$ 5,000.00	\$ 86.14	\$ 770.29			
	Revenues Available		\$ 1,038,362.00	\$ 204.75	\$ 883,605.11			
Expenses		Description	Current		YTD Total	%	2010 Budget	Budget Balance
		Radio Circuits Wellston Tower	\$ 506.20		\$ 4,418.40			
Ameritech		723-6241 / 1517 / 1581 / 1482	\$ 581.61		\$ 2,875.80			
		398-0090	\$ 121.02		\$ 1,188.77			
		398-0966 / 398-2796 Computers	\$ 76.10		\$ 461.35			
		723-0748	\$ 31.94		\$ 191.79			
		723-2843 / 723-3031 / 4511	\$ 197.91		\$ 1,166.21			
		Radio Circuits North Tower	\$ 3,588.12		\$ 31,363.02			
A T & T		Long Distance	\$ 140.38		\$ 1,644.43			
A T & T		Local Long Distance	\$ 12.19		\$ 209.75			
USA Mobility		Terminals and Pager			\$ 190.21			
					\$ -			
		Total to Phones/Towers	\$ 5,255.47		\$ 43,709.73	91%	\$ 47,800.00	\$ 4,090.27
Manistee County		Electric Usage Reimbursement	\$ 1,013.00		\$ 9,117.00			
Cherry Land Electric		9 Mile Tower			\$ 181.90			
DTE Energy		Gas For Boiler	\$ 344.20		\$ 1,654.77			
Ferrellgas		LP Gas for North Tower			\$ 38.16			
					\$ -			
		Total to Utilities	\$ 1,357.20		\$ 10,991.83	60%	\$ 18,450.00	\$ 7,458.17
					\$ 29.25			
Jim Espvik		Mileage	\$ 194.17		\$ 1,200.42			
PNC Bank		Training expense			\$ 138.03			
		Annual Dues			\$ 387.00			
		Total to Training /Mileage	\$ 194.17		\$ 1,754.70	23%	\$ 7,500.00	\$ 5,745.30

APPENDIX D

Manistee County Central Dispatch / E911
Statement of Income and Expenses
June 2010

Expenses	Discription	Current	YTD Total	%	2010 Budget	Budget Balance
Manistee County	Health	\$ 10,064.77	\$ 89,327.53			
	Workman's Comp	\$ 89.65	\$ 939.04			
	MERS	\$ 2,972.05	\$ 30,489.62			
	Employee HRA Accounts		\$ 13,750.00			
	Total to Fringe Benefits	\$ 13,126.47	\$ 134,506.19	84%	\$ 160,000.00	\$ 25,493.81
Manistee County	Administration Charges 3%	\$ 1,570.39	\$ 15,441.82			
	Total To County Administration	\$ 1,570.39	\$ 15,491.82	67%	\$ 23,000.00	\$ 7,508.18
	Wages	\$ 15,492.92	\$ 140,729.12			
	Wages	\$ 15,290.60	\$ 143,748.36			
			\$ 34,182.56			
Manistee County	FICA	\$ 1,348.14	\$ 11,887.51			
	FICA	\$ 1,325.31	\$ 11,449.48			
			\$ 2,606.95			
			\$ -			
	Total Wages	\$ 33,456.97	\$ 344,603.98	77%	\$ 450,000.00	\$ 105,396.02
Manistee County	Overtime Wages	\$ 1,748.94	\$ 11,053.44			
	Overtime Wages	\$ 1,922.04	\$ 7,039.11			
			\$ 663.90			
	Total to Overtime	\$ 3,670.98	\$ 18,756.45	75%	\$ 25,000.00	\$ 6,243.55
Manistee County	Holiday Pay	\$ 674.40	\$ 4,151.28			
	Holiday Pay	\$ 404.64	\$ 1,207.92			
		\$ -	\$ 134.88			
	Total to Holiday Pay	\$ 1,079.04	\$ 5,494.08	20%	\$ 27,000.00	\$ 21,505.92
			\$ -			
			\$ -			
			\$ -			
			\$ -			
	Total to Miscellaneous	\$ -	\$ -	0%	\$ 2,000.00	\$ 2,000.00
Expenses	Discription	Current	YTD Total	%	2010 Budget	Budget Balance
			\$ 3,515.65			

Manistee County Central Dispatch / E911
Statement of Income and Expenses
June 2010

				\$	13,852.00			
				\$	11,502.00			
				\$	2,490.00			
				\$	-			
		Total to Capital Expenditures		\$	-	\$	31,359.65	42% \$ 75,000.00 \$ 43,640.35
				\$	-			
				\$	-			
				\$	-			
		Total to Contingency Fund		\$	-	\$	-	0% \$ 53,312.00 \$ 53,312.00
				\$	-			
JackPine	Supplies		\$	65.46	\$	3,588.96		
Post Master	Stamps				\$	-		
PNC Bank	Credit Card		\$	7.56	\$	625.11		
Sams Club	Supplies		\$	155.69	\$	245.59		
Big K-Mart	Supplies				\$	-		
					\$	-		
					\$	-		
					\$	-		
		Total to Office Supplies		\$	228.71	\$	4,459.66	50% \$ 9,000.00 \$ 4,540.34
MMRMA	Liability Premium				\$	10,781.00		
		Total to Insurance		\$	-	\$	10,781.00	90% \$ 12,000.00 \$ 1,219.00
David Wilson	Audit				\$	1,700.00		
Manistee County	GIS Service		\$	1,970.00	\$	19,084.00		
GWSH	Attorney Fees		\$	90.00	\$	90.00		
		Total to Professional Fees		\$	2,060.00	\$	20,874.00	85% \$ 24,600.00 \$ 3,726.00
		Total to Equipment Purchases		\$	-	\$	1,645.47	22% \$ 7,500.00 \$ 5,854.53
Expenses	Description		Current		YTD Total	%	2010 Budget	Budget Balance
					\$	-		

Manistee County Central Dispatch / E911
Statement of Income and Expenses
June 2010

Manistee County	Mortgage Payment			\$ -				
				\$ -				
	Total to Debt Repayment		\$ -	\$ -	#####	\$ -	\$ -	
Anderson Heating	Heating / Cooling Service	\$ 149.00		\$ 1,388.20				
State of Michigan	LEIN Access Fees			\$ 4,200.00				
Manistee 211	Annual Membership	\$ 2,500.00		\$ 2,500.00				
Ameritech -SBC	Annual Service Agreement			\$ 5,720.00				
OSSI	Cad Service			\$ 11,137.36				
OSSI	Mobile Service			\$ -				
State of Michigan	800 MHZ Fees			\$ 29,624.39				
Core Technology	Annual Service Agreement			\$ -				
				\$ 100.00				
				\$ 186.00				
	Total to Maintenance Agreements	\$ 2,649.00		\$ 54,855.95	68%	\$ 81,000.00	\$ 26,144.05	
Grand Traverse Mobile	800 MHZ Base repairs	\$ 544.00		\$ 4,445.77				
				\$ 237.50				
				\$ -				
				\$ -				
				\$ -				
				\$ -				
	Total to Repair/Maintenance	\$ 544.00		\$ 4,683.27	47%	\$ 10,000.00	\$ 5,316.73	
				\$ -				
Dispatchers	Uniform Allowance			\$ 2,200.00				
Lands End	Uniforms			\$ 1,091.47				
	Total to Uniforms	\$ -		\$ 3,291.47	82%	\$ 4,000.00	\$ 708.53	
				\$ -				
				\$ -				
				\$ -				
	Total to Public Education	\$ -		\$ -	0%	\$ 1,200.00	\$ 1,200.00	
				\$ -				
	Total for the Month for 911	\$ 65,192.40		\$ 707,259.25	68%	\$ 1,038,362.00	\$ 331,102.75	

Bank Reconciliations National City Bank**911 Checking Account**

Starting Balance	\$	665,138.88
Total Checks	\$	65,192.40
Outstanding Checks	\$	-
Checks From last months		
Interest	\$	118.61
Deposits	\$	-
Outstanding Deposits	\$	-
Ending Balance	\$	600,065.09

Bank Reconiliations Huntington Bank**911 Investment Account CD**

Starting Balance	\$	299,440.96
Total Checks	\$	-
Outstanding Checks	\$	-
Interest	\$	86.14
Deposits	\$	-
Outstanding Deposits	\$	-
Ending Balance	\$	299,527.10

Account Number	Revenues	Proposed 2009	2009 approx		Proposed 2010
	\$ 1,067,328,084 x .0008	10-1-08 / 09-30-09	Income 7-31-09		10-1-09 / 09-30-10
277	Tax Revenues	\$ 853,862.00	\$ 676,270.01	79%	\$ 853,862.00
	Delinquent Taxes	\$ 50,000.00	\$ 88,375.62	177%	\$ 50,000.00
	Interest Income	\$ 6,000.00	\$ 1,594.96	27%	\$ 3,000.00
	Service Fees	\$ 2,500.00		0%	\$ 2,500.00
	Wireless 911	\$ 90,000.00	\$ 100,275.00	111%	\$ 90,000.00
	PILT Payment	\$ 40,000.00	\$ 39,895.16	100%	\$ 30,000.00
	Miscellaneous Income	\$ 5,000.00	\$ 215.00	4%	\$ 4,000.00
	Investment Interest	\$ 12,000.00	\$ 2,638.59	22%	\$ 5,000.00
	ETSC Training Fund				\$ -
	Total Anticipated Tax Revenues	\$ 1,059,362.00	\$ 232,994.33	22%	\$ 1,038,362.00
	Total Budgeted Revenues	\$ 1,059,362.00	\$ 909,264.34	86%	\$ 1,038,362.00
	Expenditures				
		Proposed 2009	2009 approx		Proposed 2010
	Phones and Towers	10-1-08 / 09-30-09	expenditures 7-31-09		10-1-09 / 09-30-10
	Wellston Tower	\$ 4,500.00	\$3,663.00	81%	\$ 4,500.00
	723-6241 / 1517 / 1581 / 1482	\$ 4,600.00	\$ 2,788.54	61%	\$ 3,500.00
	398-0090 ISDN Line	\$ 600.00	\$ 1,275.25	213%	\$ 600.00
	398-0966 / 398-2796 computer	\$ 600.00	\$ 481.25	80%	\$ 600.00
	723-0748 911 Cell Line	\$ 600.00	\$ 181.40	30%	\$ 600.00
	723-2843 / 3031 / 4511 office	\$ 2,200.00	\$ 1,216.02	55%	\$ 2,000.00
	906-R06-0045 9 Mile Tower	\$ 28,000.00	\$ 28,116.80	100%	\$ 32,000.00
	A T & T Long Distance	\$ 5,000.00	\$ 1,600.00	32%	\$ 2,500.00
	A T & T Local Long Distance	\$ 300.00	\$ 150.00	50%	\$ 1,000.00
	Arch Paging Terminal & Pager	\$ 720.00	\$ 234.26	33%	\$ 500.00
	Total For Phones and Towers	\$ 47,120.00	\$39,706.52	84%	\$ 47,800.00
	Utilities				
	Manistee County (Consumers)	\$ 15,000.00	\$ 10,130.00	68%	\$ 15,000.00
	DTE Gas	\$ 2,200.00	\$ 1,963.76	0%	\$ 2,500.00
	Cherry Land Electric (9 Mile tower)	\$ 742.00	\$ 214.56	29%	\$ 750.00
	Ferrellgas LP Gas at north tower	\$ 300.00	12.72		\$ 200.00
	Total Utilities	\$ 18,242.00	\$ 12,321.04	68%	\$ 18,450.00
	Maintenance Agreements				
	Heating and Cooling	\$ 2,000.00	\$ 1,490.00	75%	\$ 2,000.00
	Manistee County 211	\$ 2,500.00	\$ 2,500.00	100%	\$ 2,500.00
	LEIN Access Fee	\$ 6,500.00	\$ 11,100.00	171%	\$ 14,000.00
	SBC Ameritech	\$ 6,000.00	\$ 5,720.00	95%	\$ 6,000.00
	OSSI Cad System	\$ 12,000.00	\$ 10,709.00	89%	\$ 12,000.00
	OSSI Mobile System	\$ 15,000.00	\$ -	0%	\$ 15,000.00
	State of Michigan 800 MHZ Fees	\$ 30,000.00	\$ 18,800.00	63%	\$ 25,000.00
	Core Service	\$ 4,200.00	\$ -	0%	\$ 4,200.00
	Priority Dispatch Card sets	\$ 300.00	\$ 117.00	39%	\$ 300.00
	Total Maintenance Agreements	\$ 78,500.00	\$ 50,436.00	64%	\$ 81,000.00

Manistee County Central Dispatch 911

Proposed
2009 Budget

	Expenditures	Proposed 2009	2009 approx		Proposed 2010
		10-1-08 / 09-30-09	expenditures 7-31-09		10-1-09 / 09-30-10
	Miscellaneous Expenses	\$ 4,000.00	\$ 4,330.85	108%	\$ 2,000.00
	Total Miscellaneous Expenses	\$ 4,000.00		0%	\$ 2,000.00
	Office Supplies	\$ 9,000.00	\$ 5,864.78	65%	\$ 9,000.00
	Total Office Supplies	\$ 9,000.00	\$ 5,864.78	65%	\$ 9,000.00
	Repairs and Maintenance	\$ 10,000.00	\$ 695.11	7%	\$ 10,000.00
	Total Repair & Maintenance	\$ 10,000.00	\$ 695.11	7%	\$ 10,000.00
	Equipment Purchases	\$ 7,500.00	\$ -	0%	\$ 7,500.00
	Total Equipment Purchases	\$ 7,500.00	\$ -	0%	\$ 7,500.00
	Payroll				
708	Wages / FICA	\$ 410,000.00	\$ 359,641.90	88%	\$ 450,000.00
710	Overtime	\$ 35,000.00	\$ 26,136.85	75%	\$ 25,000.00
720	Holiday	\$ 20,000.00	\$ 10,151.76	51%	\$ 27,000.00
716	Fringe Benefits	\$ 150,000.00	\$ 122,810.67	82%	\$ 160,000.00
	County Administration Fees 3%	\$ 25,000.00	\$ 15,970.74	64%	\$ 23,000.00
	Total for Payroll	\$ 640,000.00	\$ 534,711.92	84%	\$ 685,000.00
	Uniforms				
	Cleaning Allowance	\$ 2,200.00	\$ 2,200.00	100%	\$ 2,200.00
	New Uniforms	\$ 1,800.00	\$ 1,233.30	69%	\$ 1,800.00
	Total Uniforms	\$ 4,000.00	\$ 3,433.30	86%	\$ 4,000.00

Manistee County Central Dispatch 911

Proposed
2009 Budget

Expenditures	Proposed 2009	2009 approx		Proposed 2010
	10-1-08 / 09-30-09	expenditures 7-31-09		10-1-09 / 09-30-10
Insurance				
MMRMA	\$ 12,000.00	\$ 10,752.00	90%	\$ 12,000.00
Total Insurance	\$ 12,000.00	\$ 10,752.00	90%	\$ 12,000.00
Training and Travel Expenses	\$ 7,500.00	\$ 5,517.10	74%	\$ 7,500.00
ETSC Training				\$ -
Total Training & Travel	\$ 7,500.00	\$ 5,517.10	74%	\$ 7,500.00
Audit	\$ 1,600.00	\$ -	0%	\$ 1,600.00
Attorney Fees	\$ 5,200.00	\$ 6,021.59	116%	\$ 2,500.00
Medical Expenses	\$ 500.00	\$ -		\$ 500.00
GIS Srevices				\$ 20,000.00
Total Professional Fees	\$ 7,300.00	\$ 6,021.59	82%	\$ 24,600.00
Capital Expenditures	\$ 125,000.00	\$ 120,697.49	97%	\$ 75,000.00
Total to Capital Expenditures	\$ 125,000.00	\$ 120,697.49	97%	\$ 75,000.00
Public Education	\$ 1,200.00	\$ 509.39	42%	\$ 1,200.00
Total Public Education	\$ 1,200.00	\$ 509.39	42%	\$ 1,200.00
Contingency Fund 3.5% (min)	\$ 88,000.00	\$ -	0%	\$ 53,312.00
Total Contingency Fund	\$ 88,000.00	\$ -	0%	\$ 53,312.00
Grand Total Expenditures	\$ 1,059,362.00	\$ 790,666.24	75%	\$ 1,038,362.00
Income Minus Expenditures	\$			-

MANISTEE COUNTY 9-1-1/CENTRAL DISPATCH

MANISTEE, MICHIGAN

AUDIT REPORT

For Year Ended
September 30, 2009

David E. Wilson CPA
PO Box 205
Interlochen, MI 49643
(231) 276-7668

MANISTEE COUNTY 9-1-1/CENTRAL DISPATCH

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Introductory Section

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

To the Manistee County 9-1-1 /Central Dispatch Board
Manistee, Michigan

We have audited the financial statements of the governmental of Manistee County 9-1-1/Central Dispatch, as of and for the year ended September 30, 2009, which collectively comprise the Manistee County 9-1-1/Central Dispatch's basic financial statements and have issued our report thereon dated December 10, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Manistee County 9-1-1/Central Dispatch'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 the Manistee County 9-1-1/Central Dispatch's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Manistee County 9-1-1/Central Dispatch's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Manistee County 9-1-1/Central Dispatch'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 Manistee County 9-1-1/Central Dispatch's financial statements that is more than inconsequential will not be prevented or detected by the Manistee County 9-1-1/Central Dispatch's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Manistee County 9-1-1/Central Dispatch's internal control.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Manistee County 9-1-1/Central Dispatch's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Manistee County 9-1-1/Central Dispatch, in a separate letter dated December 10, 2009.

This report is intended solely for the information and use of management, 9-1-1's Council, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

David E. Wilson, CPA

Interlochen, MI
January 06, 2010

Financial Section

INDEPENDENT AUDITOR'S REPORT

To the Manistee County 9-1-1/Central Dispatch Board
Manistee, Michigan

We have audited the accompanying financial statements of the governmental activities of Manistee County 9-1-1/Central Dispatch, Manistee County, Michigan, as of and for the year ended September 30, 2009, which collectively comprise the Dispatch's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Manistee County 9-1-1/Central Dispatch's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of Manistee County 9-1-1/Central Dispatch as of September 30, 2009, and the respective changes in financial position 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 December 10, 2009, on our consideration of the Manistee County 9-1-1/Central Dispatch'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 conjunction with this report in considering the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Manistee County 9-1-1/Central Dispatch's basic financial statements. The introductory section is presented for purposes of additional analysis and is not a required part of the basic financial statements. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

David E. Wilson, CPA

Interlochen, MI
December 10, 2009

Manistee County 9-1-1/Central Dispatch

Management Discussion and Analysis

This discussion and analysis provides an overview of the Central Dispatch's financial activities for the fiscal year ended September 30, 2009. Please read it in conjunction with the Central Dispatch's financial statements.

Financial Highlights:

- The Central Dispatch's net assets changed with a 0.3 percent decrease.

Using this Annual Report:

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Central Dispatch as a whole and present a longer-term view of the Central Dispatch's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Central Dispatch's operations in more detail than the government-wide financial statements.

The Fund Financial Statements present a short-term view; they tell us how the taxpayer's resources were spent during the year, as well as how much is available for future spending. Fund Financial Statements also report the Central Dispatch's operations in more detail than the Government-Wide Financial Statements by providing information about the Central Dispatch's most significant funds. The Fiduciary Fund Statements provide financial information about activities for which the Central Dispatch acts solely as a trustee or agent for the benefit of those outside of the government.

Reporting the Central Dispatch's Most Significant Funds:

1. Government Fund Types use modified accrual basis and include -

The *general funds* account for fiscal resources in use for general types of operations. The general fund is a budgeted fund and any fund balances are considered as resources available for use. Revenues are derived primarily from property taxes and state and federal distributions, grants and other intergovernmental revenues.

The Central Dispatch as a Whole:

The following table shows a comparison of current and previous year net assets:

Assets	2008	2009
Cash	1,004,662	1,085,046
Other Current Assets	2,706	2,690
Capital Assets Net	<u>313,217</u>	<u>228,996</u>
Total Assets	1,320,585	1,316,732

Liabilities and Net Assets		
Liabilities	80,831	80,721
Net Assets	<u>1,239,744</u>	<u>1,236,011</u>
 Total Liabilities and Net Assets	 1,320,575	 1,316,732

The Central Dispatch's combined net assets decreased .291% from a year ago - decreasing from \$1,320,575 to \$1,316,732.

Governmental Activities:

	2008	2009
Revenues		
Taxes	792,540	831,913
Charge for Services	114,178	135,134
Interest Earnings	26,137	6,698
Miscellaneous	<u>42,837</u>	<u>40,110</u>
Total Revenue	975,692	1,013,855
 Expenditure	 863,309	 933,377
Transfers	<u>0</u>	<u>0</u>
 Excess Revenue	 112,383	 80,478

The Central Dispatch's real governmental revenues increased by approximately \$38,163. This increase, which represents 3.9 percent, was primarily due to increases in most revenue line items.

The activities expenses increased by \$70,068, or 8.1 percent, due in part to a combination of increased phone/tower, maintenance, and capital expenditures costs.

General Fund Budgetary Highlights:

Over the course of the year the Central Dispatch Board was able to maintain the Central Dispatch departments within their prescribed budgets except for phone/tower costs.

Capital Asset and Debt Administration:

Capital Assets

The Central Dispatch made a capital improvement with the addition of technical equipment including new computers, monitors, and equipment.

	Asset	Depreciation	Accumulated Depreciation
General Fixed Assets			
Building	3,000	77	1,039
Equipment	<u>1,081,698</u>	<u>116,851</u>	<u>854,663</u>
Total General Fixed Assets	1,084,698	116,928	855,702

Debt

The Central Dispatch acquired no additional debt in 2009 and has no debt.

Economic Factors and Next Year's Budgets and Rates:

Manistee Central Dispatch's 2009 budget calls for the allocated millage. With this millage we are able to fund the majority of services.

General Overview of the Accomplishments of Manistee Central Dispatch in the 2009 Fiscal Year:

The Central Dispatch finances have been managed very closely in 2009. This is reflected in maintaining the General Fund balance. The Central Dispatch is in a very healthy state as a whole.

Contacting the Central Dispatch's Management:

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Central Dispatch's finances and to show the Central Dispatch's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact our office at (231) 723-2843.

MANISTEE COUNTY 9-1-1/CENTRAL DISPATCH
STATEMENT OF NET ASSETS
September 30, 2009

ASSETS		
Cash, investments and cash equivalents	\$1,085,046	
Receivables (net)	0	
Prepaid Expenditures	2,690	
Internal balances	0	
Inventories		
Capital Assets, net	<u>228,996</u>	
Total Assets		<u><u>1,316,732</u></u>
LIABILITIES		
Accounts payable	80,721	
Due to Other Agencies	0	
Noncurrent liabilities (Note 2):		
Due within one year	0	
Due in greater than one year	<u>15,170</u>	
Total Liabilities		95,891
NET ASSETS		
Restricted for:		
Capital projects		
Debt Service		
Unrestricted (deficit)	<u>1,220,841</u>	
Total Net Assets		<u>1,220,841</u>
Total Liabilities and Net Assets		<u><u>\$1,316,732</u></u>

The footnotes are an integral part of these Financial Statements

MANISTEE COUNTY 9-1-1/CENTRAL DISPATCH
Statement of Activities
For Year Ended September 30, 2009

Functions/Programs	Expenses	Charges for Services	Program Revenues Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets Primary Government
Primary government					
Governmental activities:					
Public safety	\$900,660	\$135,134	\$40,110		(\$725,416)
Other	116,928				(116,928)
Interest on Long Term Debt	0				0
Total Governmental Activities	1,017,588	135,134	40,110	0	(842,344)
Business Type Activities					
Proprietary Funds					
Total Primary Government	1,017,588	135,134	40,110	0	(842,344)
General revenues:					
Taxes					
Property Taxes-general					831,913
Property Taxes-debt service					0
State-Shared Revenues					0
Unrestricted Investment Earnings					6,698
Franchise taxes					0
Miscellaneous					0
Transfers					0
Total General Revenues-Special Items and Transfers					838,611
Changes in Net Assets					(3,733)
Changes in Accrued Compensated Absences					724
Net Assets - Beginning					1,223,850
Net Assets - Ending					\$1,220,841

The footnotes are an integral part of these Financial Statements

MANISTEE COUNTY 9-1-1/CENTRAL DISPATCH
 Reconciliation of Statement of Revenues and
 Statement of Activities
 For the Twelve Months Ended September 30, 2009

Net Income (loss) Per Fund Income Statement		\$80,478
Add:		
Capital Outlay	32,717	
Principal Payments	<u>0</u>	
Total Additions	32,717	
Subtractions		
Depreciation	<u>116,928</u>	
Total Differences		<u>(84,211)</u>
Net Change in Activities		<u><u>(3,733)</u></u>

Reconciliation of Government Funds Balance Sheet
 With the Statement of Net Assets
 For the Twelve Months Ended September 30, 2009

Fund Balance - Governmental Funds		1,007,015
Capital Assets - Net	228,996	
Long Term Debt	<u>(15,170)</u>	
Net Assets		<u><u>\$1,220,841</u></u>

The footnotes are an integral part of these Financial Statements

MANISTEE COUNTY 9-1-1/CENTRAL DISPATCH

Fund Balance Sheet
As Of September 30, 2009

	<u>Governmental Fund Type</u>
	<u>General</u>
<u>Assets</u>	
Cash	\$1,085,046
Prepaid Exp	\$2,690
Machinery & Equipment	
Total Assets	<u>\$1,087,736</u>
<u>Liabilities and Fund Balance</u>	
Liabilities	
Accounts Payable	\$27,495
Accrued Payroll & Tax	53,226
Due to Manistee County	
Long Term Debt	<u>0</u>
Total Liabilities	80,721
Fund Equity	
Investment in Fixed Assets	0
Fund Balance - Unreserved	<u>1,007,015</u>
Total Fund Equity	1,007,015
Total Liabilities and Fund Balance	<u>\$1,087,736</u>

The footnotes are an integral part of these Financial Statements

MANISTEE COUNTY 9-1-1/CENTRAL DISPATCH

Combined Statement of Revenues, Expenditures and Changes in Fund Balance
All Governmental Fund Types
For the Twelve Months Ended September 30, 2009

<u>Revenues</u>	<u>Governmental Fund Types</u>
	<u>General Fund</u>
Taxes	\$831,913
Misc Revenue	40,110
Interest Income	6,698
Wireless 911	135,134
Total Revenues	<u>1,013,855</u>
<u>Expenditures</u>	
Current	
Personnel & benefits	613,956
Training	6,120
Electricity	14,768
Repairs & Maintenance	8,688
Professional Costs	7,622
Admin Fees	21,291
Insurance	13,464
Office Supply	7,623
Maint Contract/Lease	73,558
Uniforms	3,433
Phone/Tower Utilities	51,439
Capital Expenditures	98,800
Public Education	1,022
Contingency	11,593
Total Expenditures	<u>933,377</u>
Excess Revenue (Expenditures)	80,478
Less	
Payment of Long Term Debt	0
Interest	0
Excess Revenue (Expenditure)	<u>80,478</u>
Fund Balance - Beginning of Year	926,537
Prior Period Adjustment to Fund Balance	0
Fund Balance - End of Year	<u><u>\$1,007,015</u></u>

The footnotes are an integral part of these Financial Statements

MANISTEE COUNTY 9-1-1/CENTRAL DISPATCH
 Budgeted Statement of Revenues and Expenditures
 General Fund
 For the Twelve Months Ended September 30, 2009

	Original Budget	Budget	General Fund Actual	Variance
<u>Revenues</u>				
Taxes	\$ 903,862	\$ 903,862	\$ 831,913	\$ (71,949)
Misc Revenue	\$ 45,000	\$ 45,000	40,110	(4,890)
Service Fees	\$ 2,500	\$ 2,500	0	(2,500)
Interest Income	\$ 18,000	\$ 18,000	6,698	(11,302)
Wireless 911	\$ 90,000	\$ 90,000	135,134	45,134
Total Revenues	<u>1,059,362</u>	<u>1,059,362</u>	<u>1,013,855</u>	<u>(45,507)</u>
<u>Expenditures</u>				
Current				
Personnel & Benefits	615,000	615,000	613,956	1,044
Training	7,500	7,500	6,120	1,380
Phone and Towers	47,120	47,120	51,439	(4,319)
Miscellaneous	4,000	4,000	2,231	1,769
Admin Fees	25,000	25,000	21,291	3,709
Electrical Service/Util	18,242	18,242	14,768	3,474
Insurance	12,000	12,000	13,464	(1,464)
Office Supply	9,000	9,000	7,623	1,377
Maint Agreements	78,500	78,500	73,558	4,942
Repairs and Maint	10,000	10,000	1,991	8,009
Equipment Replacement & Misc	7,500	7,500	4,466	3,034
Professional Fees	7,300	7,300	7,622	(322)
Uniforms/Cleaning	4,000	4,000	3,433	567
Public Education	1,200	1,200	1,022	178
Capital Expenditures	125,000	125,000	98,800	26,200
Contingency Fund	88,000	88,000	11,593	76,407
Total Expenditures	<u>1,059,362</u>	<u>1,059,362</u>	<u>933,377</u>	<u>125,985</u>
Excess Revenue (Expenditures)	<u>\$0</u>	<u>\$0</u>	<u>\$80,478</u>	<u>\$80,478</u>

The footnotes are an integral part of these Financial Statements

MANISTEE COUNTY 9-1-1/CENTRAL DISPATCH

Statement of Changes in Fixed Assets

All Governmental Fund Types

September 30, 2009

	Balance 10/01/08	Additions	Deletions	Balance 09/30/09
ASSETS				
Buildings	\$3,000	\$0	\$0	\$3,000
Equipment	1,048,981	32,717	0	1,081,698
Total	<u>1,051,981</u>	<u>32,717</u>	<u>0</u>	<u>1,084,698</u>
ACCUMULATED DEPRECIATION				
Buildings	962	77	0	1,039
Equipment	737,812	116,851	0	854,663
Total	<u>\$738,774</u>	<u>\$116,928</u>	<u>\$0</u>	<u>\$855,702</u>

The footnotes are an integral part of these Financial Statements

MANISTEE COUNTY 9-1-1/CENTRAL DISPATCH

Notes to Financial Statements

September 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Manistee County 9-1-1/Central Dispatch (911) is a component unit of Manistee County created to serve the needs of the 9-1-1/Central dispatch and 911 requirements of the County. The governing body is the Advisory Board which was designated to provide uniform services to all area agencies. As such, 911 is a blended component unit of Manistee County and reported as a special revenue fund in the Manistee County financial statements.

The financial statements of the Manistee County 9-1-1/Central Dispatch do not include any separately administered organizations that are controlled by or dependent on the Manistee County 9-1-1/Central Dispatch for financial support. Control or dependence is based on such items as budgetary control, taxing authority, appointment of controlling or governing boards, and other criteria as outlined in GASB Statement #14.

No other organizations or governmental entities are considered using these definitions.

B. Basis of Presentation

The accounts of the government are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements.

During the year ended September 30, 2008 all Manistee County Agencies converted to GASB 34 as required. As such additional presentations are made for the GASB 34 required statements and certain areas such as the group of accounts are no longer presented. The government-wide financial statements report information on all of the nonfiduciary activities of the primary government. The effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely significantly on fees and charges for support.

The statement of activities demonstrates the degree direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or recipients who purchase, use, or benefit from the goods and services provided by the various 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 as general revenue.

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

C. Basis of Accounting

Basis of Accounting refers to how revenue and expenditures or expenses are recognized in the account and reported in the financial statements. The basis of accounting, as required under generally accepted accounting principles, varies for each fund.

General, special revenue, debt service, capital projects and trust and agency funds should be accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenue is recognized in the accounting period in which it becomes available and measurable. Expenditures are recognized in the accounting period in which the related fund liability is incurred, if measurable.

Enterprise funds should be accounted for using the accrual basis of accounting. Under the accrual basis of accounting, revenue is recognized in the accounting period in which it is earned and becomes measurable. Expenses are recognized in the accounting period incurred, if measurable.

The accounting policies of Manistee County 9-1-1/Central Dispatch conform to generally accepted accounting principles and include the following fund types

1. Government Fund Types use modified accrual basis and include -

The *general funds* account for fiscal resources in use for general types of operations. The general fund is a budgeted fund and any fund balances are considered as resources available for use. Revenues are derived primarily from property taxes and state and federal distributions, grants and other intergovernmental revenues.

The *debt service funds* account for the accumulation of resources for, and the payment of, general long-term debt principal and interest recorded in the General Long-Term Debt Account Group.

D. Use of Estimates

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

E. Measurement Focus

The accounting and reporting treatment applied to a fund is determined by the current reporting standards of measurement focus. Thus all governmental funds are accounted for on a financial flow measurement basis. This means that only current assets and liabilities are presented on the Balance Sheets and operating statements measure increases and decreases in these net current assets.

F. Budgets

The fund is under formal budgetary control. Budgets shown in the financial statements are prepared on a modified accrual basis and consist of those amounts which were approved during the formal budget process and amended by the Manistee County 9-1-1/Central Dispatch Board.

G. Fixed Assets

This includes all assets which are considered of value to the Manistee County 9-1-1/Central Dispatch. The modified accrual basis makes no provision for the depreciation of these assets. All assets are valued at cost and GASB 34 makes provision for the depreciation on the entity wide statements.

H. Long Term Debt

The Central Dispatch paid off the debt to the Manistee County during the fiscal year ending September 30, 2008 and acquired no additional debt during this fiscal year.

I. Property Taxes

Properties are assessed as of December 31 and the related property taxes become a lien the following July 1 and/or December 31. Real property taxes are collected by the Manistee County Treasurer and then transferred to the County Manistee County 9-1-1/Central Dispatch Funds. Any delinquent taxes are also collected by the County Treasurer.

NOTE 2 - BUDGET APPROPRIATIONS

Public Act 621 of 1978, Section 18, provides that a local unit shall not incur expenditures in excess of the amount appropriated. Given the amendments actually approved, the bulk of the excess expenditures are related to the accruals and payables of items paid for or transferred in and hence are carried as either Accounts Payable or Due to Other Units in the Balance Sheet of the General Fund. There were no material violations of the Public Act 621.

NOTE 3 - DEPOSITS WITH FINANCIAL INSTITUTIONS

A. Legal Provisions

Act 20, Public Acts of 1943, as amended by Act 217, Public Acts of 1982, states that the Manistee County 9-1-1/Central Dispatch, by resolution, may authorize the County Treasurer to invest surplus funds as follows:

1. In bonds and other direct obligations of the United States or an agency or instrument of the United States.
2. In certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation or a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation or a credit union which is insured by the National Credit Union Administration, but only if the bank, savings and loan association, or credit union complies with subsection (2).
3. In commercial paper rate at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after date of purchase. Not more than 50% of any fund may be invested in commercial paper at any time.

4. In United States government or federal agency obligation repurchase agreements.
5. In bankers' acceptances of United States banks.
6. In mutual funds composed of investment vehicles which are legal for direct investment units of government in Michigan.

NOTE 4 - TYPES OF DEPOSITS AND INVESTMENTS

The Manistee County 9-1-1/Central Dispatch has balances of cash and investments insured as follows:

	Per Books	Bank Balance
Insured	\$1,085,046	\$1,085,046
Uninsured	<u>0</u>	<u>0</u>
Total	\$1,085,046	\$1,085,046

NOTE 5 - COMPENSATED ABSENCES

There are compensated absences to the extent that sick pay is accrued and payable upon retirement. The total accrued and payable for employees of the Manistee County 9-1-1/Central Dispatch is \$15,170.

NOTE 6 - INVENTORIES

No material parts or supply inventories are maintained by the Manistee County 9-1-1/Central Dispatch.

NOTE 7 - PENSION PLANS

Manistee County 9-1-1/Central Dispatch's employees participate in the Manistee County deferred compensation plan under Internal Revenue Service Code Section 457. The plan, available to all employees, permits them to defer a portion of their current earnings until the employee's termination, retirement, death or unforeseeable emergency.

Under the terms of recent changes to the tax law, specifically the Tax Payer Relief Act of 1997, All amounts of compensation deferred under the plan, all property and rights purchased with such amounts, and all income attributable to such amounts, property or rights are no longer solely the property and rights of the County and are not subject to the claims of general creditors.

Employees rights created under the plan are equivalent to those of general creditors of the board and only in an amount equal to the fair market value of the deferred account maintained with respect to each employee.

The plan's assets have been used for no purpose other than to pay benefits and administrative costs.

There are no post employment benefits.

NOTE 10 - PAYABLE DUE TO OTHER UNITS

All payroll is paid by Manistee County and the Manistee County 9-1-1/Central Dispatch is billed for the payroll by the County. As of year end, \$53,226 was payable to the County for payroll expenses incurred in 2008-09.

NOTE 11 - FIXED ASSETS

All fixed assets are based on historical cost for all assets. 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
Infrastructure	5 to 10 years
Equipment	5 to 30 years

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January 6, 2010

To the Board of Directors
Manistee County 9-1-1/Central Dispatch

We have audited the financial statements of Manistee County 9-1-1/Central Dispatch for the year ended September 30, 2009. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and OMB Circular A-133), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you December 10, 2009. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Manistee County 9-1-1/Central Dispatch are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2009. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

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

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

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.

We have requested certain representations from management that are included in the management representation letter dated December 10, 2009.

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

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

This information is intended solely for the use of the board and management of Manistee County 9-1-1/Central Dispatch and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

David E Wilson CPA

MANISTEE COUNTY COUNCIL ON AGING
Balance Sheet
July 31, 2010

(APPENDIX E)

ASSETS

Current Assets		
Cash in Bank - General	\$	205,493.19
Cash in Bank-Savings PNC		15,038.94
Cash in Bank-Savings-NW		15,100.78
Cash in Bank - CD (Note 1)		45,000.00
Cash in Bank - CD (Note 2)		4,506.66
Cash in Bank - CD Honor SB		102,023.38
Cash in Bank - CD NW		50,903.92
Cash Food Bank CD-Honor SB		50,624.66
Prepaid Expenses		412.00
		489,103.53
Total Current Assets		
Property and Equipment		
Building Improvement		61,564.00
Furniture & Fixtures		20,948.50
Vehicles		15,410.00
Equipment - General		25,354.54
Building		191,800.00
Accum. Deprec.- General		(174,775.00)
		140,302.04
Total Property and Equipment		
Other Assets		
		0.00
Total Other Assets		
		629,405.57
Total Assets		

LIABILITIES AND CAPITAL

Current Liabilities		
State W/H Tax Payable - Gen.	\$	747.11
MESC Tax Payable - General		2.87
AFLAC Payable - General		(36.09)
Prescription Program payable		3.00
Compens. Absence Payable		10,136.51
Restricted Savings - Gen.		216.00
		11,069.40
Total Current Liabilities		
Long-Term Liabilities		
		0.00
Total Long-Term Liabilities		
		11,069.40
Total Liabilities		
Capital		
Fund Balance - Title IIIB		11,397.00
Fund Balance - General		547,380.61
Fund Balance - SCS		475.00
Net Income		59,083.56
		618,336.17
Total Capital		
		629,405.57
Total Liabilities & Capital		

Unaudited - For Management Purposes Only

**Manistee County Council on Aging
2010-2011 Proposed Budget**

2010-2011

Revenue:

Manistee County Millage	\$325,000
Newsletter Income	300
Lease Agreement - NWMHS	7,800
Donations	7,500
Net Trip Income	4,000
Food Bank	2,000
Interest	3,000
Fema	1,929
Homemaker Donations	12,000
Homechore Donations	10,000
Miscellaneous	2,000
Swim Aerobics	2,400
Senior Dining	3,000
Fund Balance Transfer	25,800
Revenue Total	<u><u>\$406,729</u></u>

Expenses:

NWMHS (Mileage)	8,000
Salaries & Wages	230,000
Payroll Expense	18,600
Advertising	1,200
Health Insurance	50,000
Disability/Life Insurance	4,500
Worker's Comp Insurance	3,700
Office Supplies/Postage	5,000
Food Bank	5,000
Supplies	2,500
Fema	1,929
Emergency Fund	1,500
Gas	4,000
Electric	5,800
Water	800
Building & Equipment	12,000
Alltel & AT&T	2,600
Avaya & Charter Internet	3,400
Capital Outlay	2,500
Liability/Property Insurance	1,800
Mileage Expense	10,500
Homechore Equipment	3,000
Truck Expense	2,100
Legal & Accounting (Audit)	3,000
Contract Labor	7,500
Senior Dining	6,000
Swim Aerobics	2,300
Miscellaneous	7,500

Expense Total

\$406,729

Manistee County Library
Preliminary Budget October 1, 2010 - September 30, 2011

(APPENDIX F)

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		Budget 10/01/09 - 09/30/10	Budget 10/01/10 - 09/30/11
Income			
Court Income			
	655.01 - Penal Fines	\$ 270,000.00	\$ 270,000.00
	655.03 - County Law Library	3,500.00	3,500.00
	Total Court Income	\$ 273,500.00	\$ 273,500.00
Fees			
	651.02 - Extended Use (Over dues)	10,000.00	10,000.00
	651.03 - Lost/Damaged Materials	1,200.00	1,200.00
	Total Fees	\$ 11,200.00	\$ 11,200.00
Interest Income			
	665.00 - Interest Income	\$ 5,000.00	\$ 5,000.00
	665.01 - Interest - Selma Johnson	400.00	100.00
	Total Interest Income	\$ 5,400.00	\$ 5,100.00
Other Income			
	675.01 - Funds for Investment	2,200.00	\$ 2,200.00
	675.02 - Designated Gifts	4,000.00	3,000.00
	690.00 - Selma Johnson Income	36,500.00	0.00
	699.40 - Designated FB - Selma	51,165.00	
	699.50 - Budget Stabilization	54,073.00	
	Total Other Income	\$ 147,938.00	\$ 5,200.00
Sales			
	642.02 - Daily Book Sales	\$ 2,300.00	\$ 2,000.00
	642.03 - Sales - Used	200.00	100.00
	642.04 - Sales - New	150.00	100.00
	Total Sales	\$ 2,650.00	\$ 2,200.00
Services			
	626.01 - Photocopy Services	\$ 5,000.00	\$ 4,300.00
	626.02 - Postage Received/ILL	\$ 175.00	
	626.03 - Extended Searching	100.00	100.00
	626.04 - New Library Cards - Patron	450.00	350.00
	626.05 - Fax Services	3,200.00	2,000.00
	626.06 - Equipment Rental	10.00	10.00
	Total Services	\$ 8,935.00	\$ 6,760.00
State Funds			
	569.01 - Reimbursable Salary	\$ 1,500.00	\$ 1,200.00
	569.02 - State Aid to Libraries	7,450.00	7,450.00
	Total State Funds	\$ 8,950.00	\$ 8,650.00
Tax Income			
	403.00 - Current Property Taxes	\$ 975,059.00	\$ 980,534.00
	407.00 - Delinquent Real Taxes	100,000.00	100,000.00
	431.00 - Payment in Lieu of Taxes	24,000.00	24,000.00
	Total Tax Income	\$ 1,099,059.00	\$ 1,104,534.00
	Total Income	\$ 1,557,632.00	\$ 1,417,144.00

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Expenses

A-V Materials

770.01 - Audio Books - Adult	\$	17,000.00	\$	19,100.00
770.02 - Audio Books - Y		1,500.00		1,000.00
770.03 - Audio Books - J		5,000.00		5,000.00
770.04 - Videos - Adult		17,000.00		18,500.00
770.06 - Videos - J		6,320.00		4,000.00
770.07 - Microfilm		600.00		800.00
770.08 - CDs - Adult		3,000.00		3,000.00
770.10 - CDs - J		1,200.00		800.00
770.13 - CD-ROM - J		500.00		500.00
770.17 - Play a Ways - A		6,500.00		8,000.00
770.18 - Play a Ways - J		4,060.00		4,000.00
Total A-V Materials	\$	62,680.00	\$	64,700.00

Advertising/PR (Inc. Printing)

901.00 - Advertising/PR	\$	2,000.00	\$	1,500.00
901.03 - Other PR	\$	2,000.00	\$	1,500.00
Total Advertising/PR (Inc. Printing)	\$	4,000.00	\$	3,000.00

Books

750.01 - Books - Adult	\$	51,500.00	\$	49,000.00
750.02 - Books - Juvenile		32,000.00		30,544.00
750.03 - Books - Young Adult		7,000.00		6,500.00
750.04 - Books - Reference		2,500.00		2,000.00
750.05 - Books - Large Print		13,900.00		15,000.00
750.07 - Books - Professional Collection		1,200.00		1,061.00
Total Books	\$	108,100.00	\$	104,105.00

Branches

740.03 - Branch Mileage	\$	2,500.00	\$	2,300.00
740.05 - Kaleva Utilities		6,000.00		5,500.00
740.07 - Arcadia Utilities		3,000.00		3,000.00
740.08 - Onekama Utilities		6,000.00		5,000.00
740.09 - Bear Lake Utilities		6,000.00		5,700.00
740.10 - Wellston Utilities		3,500.00		2,100.00
740.11 - Branch Supplies/Miscellaneous		200.00		200.00
740.12 - Selma Capital - Kaleva		3,060.00		
740.14 - Selma Capital - Bear Lake		5,210.00		
740.15 - Selma Capital - Wellston		2,560.00		
740.16 - Selma Capital - Arcadia		23,800.00		
740.17 - Selma Capital - Onekama		2,070.00		
740.20 - Kaleva Expenses		3,500.00		4,400.00
740.21 - Arcadia Expenses		5,000.00		3,000.00
740.22 - Onekama Expenses		3,000.00		2,825.00
740.23 - Bear Lake Expenses		6,000.00		3,175.00
740.24 - Wellston Expenses		6,000.00		5,000.00
Total Branches	\$	87,400.00	\$	42,200.00

Building/Grounds

930.01 - Elevator - Contract	\$	5,425.00	\$	5,750.00
930.02 - Elevator - Other	\$	200.00		0
930.03 - Snow Removal		1,000.00	\$	1,500.00
930.04 - Insurance		17,000.00		21,000.00
930.05 - Grounds Maintenance/Services		4,000.00		3,000.00
930.06 - Custodial/Cleaning Supplies		2,500.00		2,200.00
930.07 - Tools		400.00		400.00
930.08 - Maintenance Supplies		800.00		1,000.00
930.10 - HVAC System		4,500.00		4,500.00
Total Building/Grounds	\$	35,825.00	\$	39,350.00

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<u>Capital Outlay</u>				
967.10	- Children's Room		1,000.00	\$ -
967.11	- HVAC System		0.00	0.00
970.01	- Equipment		5,800.00	0.00
970.02	- Equipment Repair		200.00	
	HVAC Capital Replacement Fund			500.00
	Fiber Optic Conversion Fund			0.00
	Roof Capital Replacement Fund			500.00
970.10	- Building Exterior Maintenance		36,000.00	0.00
970.12	- Building/Technology Improvement		28,725.00	490.00
970.13	- Parking Lot Repair & Maint.		14,000.00	1,000.00
970.15	- Library Annex		3,500.00	4,500.00
970.16	- 92 Poplar Street Expenses		11,000.00	0.00
	Total Capital Outlay	\$	100,225.00	\$ 6,990.00
<u>Computers</u>				
790.01	- Software	\$	2,000.00	\$ 2,450.00
790.03	- Hardware		16,000.00	13,000.00
790.04	- Repairs/Adjustments		500.00	500.00
790.07	- New ILS Support		44,350.00	47,000.00
790.08	- New ILS Start Up Cost		3,475.00	600.00
790.10	- Web Services		750.00	1,800.00
920.05	- Internet Services		1,700.00	
	Total Computers	\$	68,775.00	\$ 65,350.00
<u>Fees/Services</u>				
800.01	- MMLL	\$	7,450.00	\$ 7,500.00
800.06	- Professional Fee/Services		9,000.00	5,000.00
800.09	- Outsourced Processing		6,000.00	6,000.00
800.11	- Memberships		1,400.00	1,500.00
801.00	- Audit & Accounting Services		5,950.00	6,500.00
801.01	- Accounting Services		18,000.00	20,000.00
802.00	- Administrative Fee/County		26,273.00	26,000.00
812.00	- MEL Delivery		0.00	
813.00	- Copier Maintenance		5,000.00	3,500.00
	Total Fees/Services	\$	79,073.00	\$ 76,000.00
<u>Miscellaneous</u>				
814.00	- Bank Charges	\$	175.00	\$ 100.00
955.01	- Patron/ILL Costs		200.00	150.00
955.02	- Grant to Law Library		3,500.00	3,500.00
955.04	- Property Tax Cancelled		2,500.00	
955.05	- Miscellaneous Expenses		500.00	200.00
	Designated Gifts			500.00
	Total Miscellaneous	\$	6,875.00	\$ 4,450.00
<u>Personnel</u>				
570.02	- Training/Conferences	\$	6,500.00	\$ 3,400.00
570.09	- Personnel - Miscellaneous		1,500.00	900.00
701.00	- Board Per Diem		3,000.00	3,000.00
702.00	- Salaries		121,799.89	124,100.00
703.00	- Wages - Staff		486,406.58	490,895.00
703.50	- Temp Position/Upgrade Costs		258.00	0.00
704.00	- Wages - Pages		11,652.00	11,400.00
704.50	- Wages - Branch Pages		3,262.50	3,300.00
716.00	- FICA - Employers Share		45,665.03	46,895.00
716.02	- Health Insurance		166,048.00	137,500.00
716.04	- Life Insurance		496.80	684.00
716.08	- Workers' Compensation		3,015.90	1,778.00
716.10	- Unemployment		2,984.64	3,055.00
716.12	- Retirement		63,139.66	72,010.00
	Short-term Disability			8,067.00
	HRA			17,500.00
860.00	- Meetings/Seminars		2,000.00	500.00
	Total Personnel	\$	917,729.00	\$ 924,984.00

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Programs (Inc. Printing)					
	880.01 - Juvenile Audience	\$	12,000.00	\$	12,000.00
	880.02 - Young Adult Audience		1,100.00		1,100.00
	880.03 - Adult Audience		2,500.00		2,000.00
	880.04 - General Audience		1,000.00		1,000.00
	880.05 - School Programs		500.00		
	Total Programs (Inc. Printing)	\$	17,100.00	\$	16,100.00
Subscriptions					
	760.01 - Adult Magazines	\$	3,000.00	\$	3,300.00
	760.02 - Juvenile Magazines		200.00		250.00
	760.03 - Young Adult Magazines		300.00		350.00
	760.04 - Branch Magazines - Adult		3,500.00		3,800.00
	760.05 - Branch Magazines - Y		200.00		350.00
	760.06 - Branch Magazines - J		500.00		600.00
	760.07 - Newspapers - Main		2,900.00		3,200.00
	760.08 - Newspapers - Branch		2,000.00		2,100.00
	760.09 - Other Subscriptions		800.00		1,050.00
	760.10 - Online Subscriptions		4,000.00		6,000.00
	Total Subscriptions	\$	17,400.00	\$	21,000.00
Supplies					
	726.04 - Library Operating	\$	3,750.00	\$	3,000.00
	727.00 - Office Supplies		2,700.00		1,200.00
	728.00 - Postage		4,000.00		3,700.00
	Total Supplies	\$	10,450.00	\$	7,900.00
Utilities - Main					
	850.00 - Phone Lines	\$	3,200.00	\$	3,000.00
	850.03 - Computer Phone Lines		200.00		
	850.05 - Phone Lines/Maintenance		1,600.00		1,200.00
	920.01 - Heat/Natural Gas		10,000.00		9,800.00
	920.02 - Water		750.00		750.00
	920.03 - Electricity		15,000.00		16,000.00
	Total Utilities - Main	\$	30,750.00	\$	30,750.00
Vehicle					
	743.00 - Gasoline	\$	2,000.00	\$	1,515.00
	860.02 - Vehicle Maintenance		1,250.00		750.00
	860.03 - Trans. To Capital Replacement Fc		8,000.00		8,000.00
	Total Vehicle	\$	11,250.00	\$	10,265.00
	Total Expenses	\$	1,557,632.00	\$	1,417,144.00

MANISTEE COUNTY LIBRARY
COMPILED FINANCIAL STATEMENTS

June 30, 2010

**KALCHER
VANDERWAL
& TORREY, P.C.**

DALE L. VANDERWAL, C.P.A.
LEE W. TORREY, C.P.A.
JOHN A. SPRATTO, C.P.A.
DAVID L. RICHARDS, C.P.A., A.B.V.

TRAVERSE CITY
MANISTEE

CERTIFIED PUBLIC ACCOUNTANTS

Of Counsel:
LEONARD R. KALCHER, C.P.A.

July 22, 2010

Board of Trustees
Manistee County Library
Manistee, Michigan 49660

We have compiled the accompanying Balance Sheets of the General and Capital Improvement Funds of the Manistee County Library as of June 30, 2010 and the Statements of Revenues and Expenditures – Budget and Actual for the nine months then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or any other form of assurance on them.

Management has elected to omit substantially all of the disclosures and the statement of cash flows required by generally accepted accounting principles. If the omitted disclosures and statement of cash flows were included in the financial statements, they might influence the user's conclusions about the Library's financial position, change in net assets, and cash flows. Accordingly, these financial statements are not designed for those who are not informed about such matters.

We are not independent with respect to Manistee County Library.

Kalcher, Vanderwal & Torrey, P.C.

Certified Public Accountants

Manistee County Library
Balance Sheet
As of June 30, 2010

Jun 30, 10

ASSETS

Current Assets

Checking/Savings

1003.00 · Selma Johnson Fund-Nat'l City	26,644.80
1004.00 · Imprest Cash	610.00
1009.00 · Northwestern Checking	508.87
1010.00 · Northwestern - Sweep	409,332.59
1018.00 · CD Maturing 08/26/10 - 167 Day	200,000.00
1019.00 · CD Maturing 09/15/10 - 160 Day	330,000.00

Total Checking/Savings 967,096.26

Other Current Assets

1028.00 · Penal Fines Receivable	22,834.57
----------------------------------	-----------

Total Other Current Assets 22,834.57

Total Current Assets 989,930.83

TOTAL ASSETS 989,930.83

LIABILITIES & EQUITY

Liabilities

Current Liabilities

Accounts Payable

2002.00 · Accounts Payable	25,889.35
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Total Accounts Payable 25,889.35

Other Current Liabilities

2004.00 · Accrued Salaries	29,796.34
----------------------------	-----------

2005.00 · AP-Manistee County	50,176.43
------------------------------	-----------

2006.00 · Accrued Sick Leave	500.00
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Total Other Current Liabilities 80,472.77

Total Current Liabilities 106,362.12

Total Liabilities 106,362.12

Equity

3900.00 · Retained Earnings	545,720.32
-----------------------------	------------

3905.00 · Designated Fund Balance	
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3905.10 · TES Litigation	5,000.00
--------------------------	----------

3905.20 · Sick Leave	17,948.16
----------------------	-----------

3905.30 · Short Term Disability	5,000.00
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Total 3905.00 · Designated Fund Balance 27,948.16

Net Income 309,900.23

Total Equity 883,568.71

TOTAL LIABILITIES & EQUITY 989,930.83

Manistee County Library
Statement of Revenues & Expenditures Budget vs. Actual
For the Nine Months Ended June 30, 2010

	Oct '09 - Jun 10	Budget	% of Budget
Income			
Court Income			
655.01 · Penal Fines	222,696.36	270,000.00	82.5%
655.03 · County Law Library	0.00	3,500.00	0.0%
Total Court Income	222,696.36	273,500.00	81.4%
Fees			
651.02 · Extended Use (Overdues)	5,657.33	10,000.00	56.6%
651.03 · Lost/Damaged Materials	459.43	1,200.00	38.3%
Total Fees	6,116.76	11,200.00	54.6%
Interest Income			
665.00 · Interest Income	4,757.58	5,000.00	95.2%
665.01 · Interest - Selma Johnson	65.53	400.00	16.4%
Total Interest Income	4,823.11	5,400.00	89.3%
Other Income			
675.01 · Funds for Investment	2,253.71	2,200.00	102.4%
675.02 · Designated Gifts	2,859.05	4,000.00	71.5%
690.00 · Selma Johnson Income	36,500.00	36,500.00	100.0%
699.40 · Designated FB - Selma	0.00	51,165.00	0.0%
699.90 · Allocated Fund Balance	0.00	54,073.00	0.0%
Total Other Income	41,612.76	147,938.00	28.1%
Sales			
642.02 · Dally Book Sales	1,442.66	2,300.00	62.7%
642.03 · Sales - Used	168.00	200.00	84.0%
642.04 · Sales - New	57.88	150.00	38.6%
Total Sales	1,668.54	2,650.00	63.0%
Services			
626.01 · Photocopy Services	3,612.58	5,000.00	72.3%
626.02 · Postage Received/ILL	10.64	175.00	6.1%
626.03 · Extended Searching	48.00	100.00	48.0%
626.04 · New Library Cards - Patron	265.89	450.00	59.1%
626.05 · Fax Services	1,391.09	3,200.00	43.5%
626.06 · Equipment Rental	6.00	10.00	60.0%
Total Services	5,334.20	8,935.00	59.7%
State Funds			
569.01 · Reimbursable Salary	471.13	1,500.00	31.4%
569.02 · State Aid to Libraries	0.00	7,450.00	0.0%
Total State Funds	471.13	8,950.00	5.3%
Tax Income			
403.00 · Current Property Taxes	967,226.12	975,059.00	99.2%
407.00 · Delinquent Real Taxes	108,340.97	100,000.00	108.3%
431.00 · Payment in Lieu of Taxes	0.00	24,000.00	0.0%
Total Tax Income	1,075,567.09	1,099,059.00	97.9%
Total Income	1,358,289.95	1,557,632.00	87.2%
Expense			
A-V Materials			
770.01 · Audio Tapes - Adult	15,997.29	17,000.00	94.1%
770.02 · Audio Tapes - Y	733.91	1,500.00	48.9%
770.03 · Audio Tapes - J	3,095.95	5,000.00	61.9%
770.04 · Videos - Adult	14,703.84	17,000.00	86.5%
770.06 · Videos - J	5,873.59	6,320.00	92.9%
770.07 · Microfilm	361.54	600.00	60.3%
770.08 · CDs - Adult	2,236.60	3,000.00	74.6%
770.10 · CDs - J	882.98	1,200.00	73.6%
770.13 · CD-ROM - J	0.00	500.00	0.0%
770.17 · Play a Way A	4,420.62	6,500.00	68.0%
770.18 · Play a Way J	2,432.95	4,060.00	59.9%
Total A-V Materials	50,739.27	62,680.00	80.9%

Manistee County Library
Statement of Revenues & Expenditures Budget vs. Actual
For the Nine Months Ended June 30, 2010

	Oct '09 - Jun 10	Budget	% of Budget
Advertising/PR (Inc. Printing)			
901.00 · Advertising/PR	1,447.81	2,000.00	72.4%
901.03 · Other PR	314.02	2,000.00	15.7%
Total Advertising/PR (Inc. Printing)	1,761.83	4,000.00	44.0%
Books			
750.01 · Adult Books	38,882.28	51,500.00	75.5%
750.02 · Juvenile Books	22,629.76	32,000.00	70.7%
750.03 · Young Adult Books	5,605.57	7,000.00	80.1%
750.04 · Reference Books	1,004.19	2,500.00	40.2%
750.05 · Large Print Books	11,719.03	13,900.00	84.3%
750.07 · Professional Collection	919.95	1,200.00	76.7%
Total Books	80,760.78	108,100.00	74.7%
Branches			
740.03 · Branch Mileage	972.61	2,500.00	38.9%
740.05 · Kaleva Utilities	3,624.29	6,000.00	60.4%
740.07 · Arcadia Utilities	1,695.51	3,000.00	56.5%
740.08 · Onekama Utilities	3,234.52	6,000.00	53.9%
740.09 · Bear Lake Utilities	3,674.29	6,000.00	61.2%
740.10 · Wellston Utilities	1,447.58	3,500.00	41.4%
740.11 · Branch Supplies/Miscellaneous	0.00	200.00	0.0%
740.12 · Selma Branch - Kaleva Allocated	2,746.36	3,060.00	89.8%
740.14 · Selma Capital - Bear Lake	12,254.36	5,210.00	235.2%
740.15 · Selma Capital - Wellston	594.27	2,560.00	23.2%
740.16 · Selma Capital - Arcadia	2,439.55	23,800.00	10.3%
740.17 · Selma Capital - Onekama	2,011.75	2,070.00	97.2%
740.20 · Kaleva Expenses	1,250.60	3,500.00	35.7%
740.21 · Arcadia Expenses	2,095.44	5,000.00	41.9%
740.22 · Onekama Expense	654.30	3,000.00	21.8%
740.23 · Bear Lake Expenses	1,063.74	6,000.00	17.7%
740.24 · Wellston Expenses	4,621.04	6,000.00	77.0%
Total Branches	44,380.21	87,400.00	50.8%
Building/Grounds			
930.01 · Elevator - Contract	5,421.71	5,425.00	99.9%
930.02 · Elevator - Other	0.00	200.00	0.0%
930.03 · Snow Removal	992.50	1,000.00	99.3%
930.04 · Insurance	9,692.05	17,000.00	57.0%
930.05 · Grounds Maintenance/Services	836.71	4,000.00	20.9%
930.06 · Custodial/Cleaning Supplies	2,013.50	2,500.00	80.5%
930.07 · Tools	139.99	400.00	35.0%
930.08 · Maintenance Supplies	1,112.61	800.00	139.1%
930.10 · HVAC System	3,132.06	4,500.00	69.6%
Total Building/Grounds	23,341.13	35,825.00	65.2%
Capital Outlay			
967.10 · Children's Room	0.00	1,000.00	0.0%
967.11 · HVAC System	0.00	0.00	0.0%
970.01 · Equipment	4,561.63	5,800.00	78.6%
970.02 · Equipment Repair	215.00	200.00	107.5%
970.10 · Building Exterior Maintenance	22,373.32	36,000.00	62.1%
970.12 · Building/Technology Improvement	11,322.55	28,725.00	39.4%
970.13 · Parking Lot Rep. & Maintenance	0.00	14,000.00	0.0%
970.15 · 388 First Street Expenses	3,077.99	3,500.00	87.9%
970.16 · 92 Poplar Street Expenses	10,412.59	11,000.00	94.7%
Total Capital Outlay	51,963.08	100,225.00	51.8%
Computers			
790.01 · Software	702.80	2,000.00	35.1%
790.03 · Hardware	11,705.66	16,000.00	73.2%
790.04 · Repairs/Adjustments	213.96	500.00	42.8%
790.07 · New ILS Support	0.00	44,350.00	0.0%
790.08 · New ILS - Start Up Cost	3,475.00	3,475.00	100.0%
790.10 · Web Services	657.52	750.00	87.7%
920.05 · Internet Services	1,079.91	1,700.00	63.5%
Total Computers	17,834.85	68,775.00	25.9%

Manistee County Library
Statement of Revenues & Expenditures Budget vs. Actual
For the Nine Months Ended June 30, 2010

	Oct '09 - Jun 10	Budget	% of Budget
Fees/Services			
800.01 · MMLL	0.00	7,450.00	0.0%
800.06 · Professional Fees/Services	4,304.83	9,000.00	47.8%
800.09 · Outsourced Processing	4,652.20	6,000.00	77.5%
800.11 · Memberships	1,081.00	1,400.00	77.2%
801.00 · Audit Expense	5,950.00	5,950.00	100.0%
801.01 · Accounting Services	13,135.00	18,000.00	73.0%
802.00 · Administrative Fee/County	14,775.81	26,273.00	56.2%
812.00 · Mel Delivery	0.00	0.00	0.0%
813.00 · Copier Maintenance	1,838.60	5,000.00	36.8%
Total Fees/Services	45,737.44	79,073.00	57.8%
Miscellaneous			
814.00 · Bank Charges	34.37	175.00	19.6%
955.01 · Patron/ILL Costs	78.90	200.00	39.5%
955.02 · Grant to Law Library	0.00	3,500.00	0.0%
955.04 · Property Tax Cancelled	0.00	2,500.00	0.0%
955.05 · Miscellaneous Expenses	0.00	500.00	0.0%
Total Miscellaneous	113.27	6,875.00	1.6%
Personnel			
570.02 · Training/Conferences	2,729.26	6,500.00	42.0%
570.09 · Personnel - Miscellaneous	633.50	1,500.00	42.2%
701.00 · Board Per Diem	1,640.00	3,000.00	54.7%
702.00 · Salaries	92,515.96	121,799.89	76.0%
703.00 · Wages / Staff	370,422.56	486,406.58	76.2%
703.50 · Temp Position/Upgrade Costs	258.00	258.00	100.0%
704.00 · Wages - Pages	8,282.76	11,652.00	71.1%
704.50 · Wages - Branch Pages	357.00	3,262.50	10.9%
716.00 · FICA - Employers Share	35,440.65	45,665.03	77.6%
716.02 · Health Insurance	114,136.08	166,048.00	68.7%
716.04 · Life Insurance	259.70	496.80	52.3%
716.05 · Short Term Disability	-3,229.84		
716.08 · Workers' Compensation	978.00	3,015.90	32.4%
716.10 · Unemployment	0.00	2,984.64	0.0%
716.12 · Retirement	41,600.07	63,139.66	65.9%
860.00 · Meetings and Seminars	851.92	2,000.00	42.6%
Total Personnel	666,875.62	917,729.00	72.7%
Programs (Inc. Printing)			
880.01 · Juvenile Audience	14,176.95	12,000.00	118.1%
880.02 · Young Adult Audience	715.59	1,100.00	65.1%
880.03 · Adult Audience	727.72	2,500.00	29.1%
880.04 · General Audience	442.60	1,000.00	44.3%
880.05 · School Programs	0.00	500.00	0.0%
Total Programs (Inc. Printing)	16,062.86	17,100.00	93.9%
Subscriptions			
760.01 · Adult Magazines	3,053.50	3,000.00	101.8%
760.02 · Juvenile Magazines	203.56	200.00	101.8%
760.03 · Young Adult Magazines	223.20	300.00	74.4%
760.04 · Branch Magazines - Adult	3,615.17	3,500.00	103.3%
760.05 · Branch Magazines - Y	204.64	200.00	102.3%
760.06 · Branch Magazines	444.13	500.00	88.8%
760.07 · Newspapers - Main	2,097.61	2,900.00	72.3%
760.08 · Newspapers - Branch	817.35	2,000.00	40.9%
760.09 · Other Subscriptions	868.92	800.00	108.6%
760.10 · Online Subscriptions	2,164.00	4,000.00	54.1%
Total Subscriptions	13,692.08	17,400.00	78.7%
Supplies			
726.04 · Library Operating	1,816.40	3,750.00	48.4%
727.00 · Office Supplies	1,326.73	2,700.00	49.1%
728.00 · Postage	1,780.59	4,000.00	44.5%
Total Supplies	4,923.72	10,450.00	47.1%

Manistee County Library
Statement of Revenues & Expenditures Budget vs. Actual
For the Nine Months Ended June 30, 2010

	Oct '09 - Jun 10	Budget	% of Budget
Utilities - Main			
850.00 · Phone Lines	2,061.24	3,200.00	64.4%
850.03 · Computer Phone Lines	0.00	200.00	0.0%
850.05 · Phone Lines/Maintenance	569.30	1,600.00	35.6%
920.01 · Heat/Natural Gas	6,711.26	10,000.00	67.1%
920.02 · Water	533.40	750.00	71.1%
920.03 · Electricity	10,835.13	15,000.00	72.2%
Total Utilities - Main	20,710.33	30,750.00	67.4%
Vehicle			
743.00 · Gasoline	1,191.22	2,000.00	59.6%
860.02 · Vehicle Maintenance	302.03	1,250.00	24.2%
860.03 · Trans to Capital Replacement Fd	8,000.00	8,000.00	100.0%
Total Vehicle	9,493.25	11,250.00	84.4%
Total Expense	1,048,389.72	1,557,632.00	67.3%
Net Income	309,900.23	0.00	100.0%

Manistee County Library Capital Improvement Fund
Balance Sheet
As of June 30, 2010

	Jun 30, 10
ASSETS	
Current Assets	
Checking/Savings	
100.00 · WSB Capital Improvement	16,042.42
Total Checking/Savings	16,042.42
Total Current Assets	16,042.42
TOTAL ASSETS	<u>16,042.42</u>
LIABILITIES & EQUITY	
Equity	
320.00 · Retained Earnings	8,000.11
Net Income	8,042.31
Total Equity	16,042.42
TOTAL LIABILITIES & EQUITY	<u>16,042.42</u>

Manistee County Library Capital Improvement Fund
Statement of Revenues & Expenditures Budget vs. Actual
For the Nine Months Ended June 30, 2010

	Oct '09 - Jun 10	Budget	% of Budget
Income			
400.00 · Transfer In - General Fund	8,000.00	8,000.00	100.0%
410.00 · Interest Income	42.31		
Total Income	8,042.31	8,000.00	100.5%
Expense	0.00		
Net Income	8,042.31	8,000.00	100.5%

MANISTEE COUNTY LIBRARY
REPORT ON FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2009

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HARRIS GROUP

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

December 17, 2009

Board of Trustees
Manistee County Library
Manistee, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of Manistee County Library as of and for the year ended September 30, 2009, which collectively comprise the Library's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the Library's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Manistee County Library as of September 30, 2009, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 17, 2009 on our consideration of Manistee County Library's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The managements discussion and analysis and required budgetary comparison information identified in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Certified Public Accountants

Manistee County Library
Management Discussion and Analysis
For the year ended September 30, 2009

This section of Manistee County Library's annual financial report presents its discussion and analysis of the Library's financial performance during the fiscal year ending September 30, 2009.

Financial Highlights

The Library had higher than originally budgeted revenues in property taxes, penal fines, state aid, and interest income. Total revenues decreased from last year by \$36,247. This decrease can be accounted for primarily by a drop in penal fine revenue of \$13,392, and by a decrease in grants applied for and awarded of \$12,755. Total general fund expenditures for the year increased by \$424,262 from the previous year. The largest part of the increase was \$190,487 paid for the acquisition of land and a building at First and Poplar Street. There were additional increases in capital outlay as follows: \$9,199 for carpet and vinyl replacement, \$27,290 for exterior building maintenance, \$10,769 for a sprinkler system, and \$84,866 for building and technology improvements. Other major expense categories that saw a large increase from the prior year were personnel costs, which increased by \$66,967, and library books and materials used by the patrons, which increased by \$38,108. The current year change in the library's fund balance was a decrease of \$169,419, whereas in the prior year there was an increase of \$291,090. The current year change was due to the major planned expenditures as listed above.

Overview of the Financial Statements

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

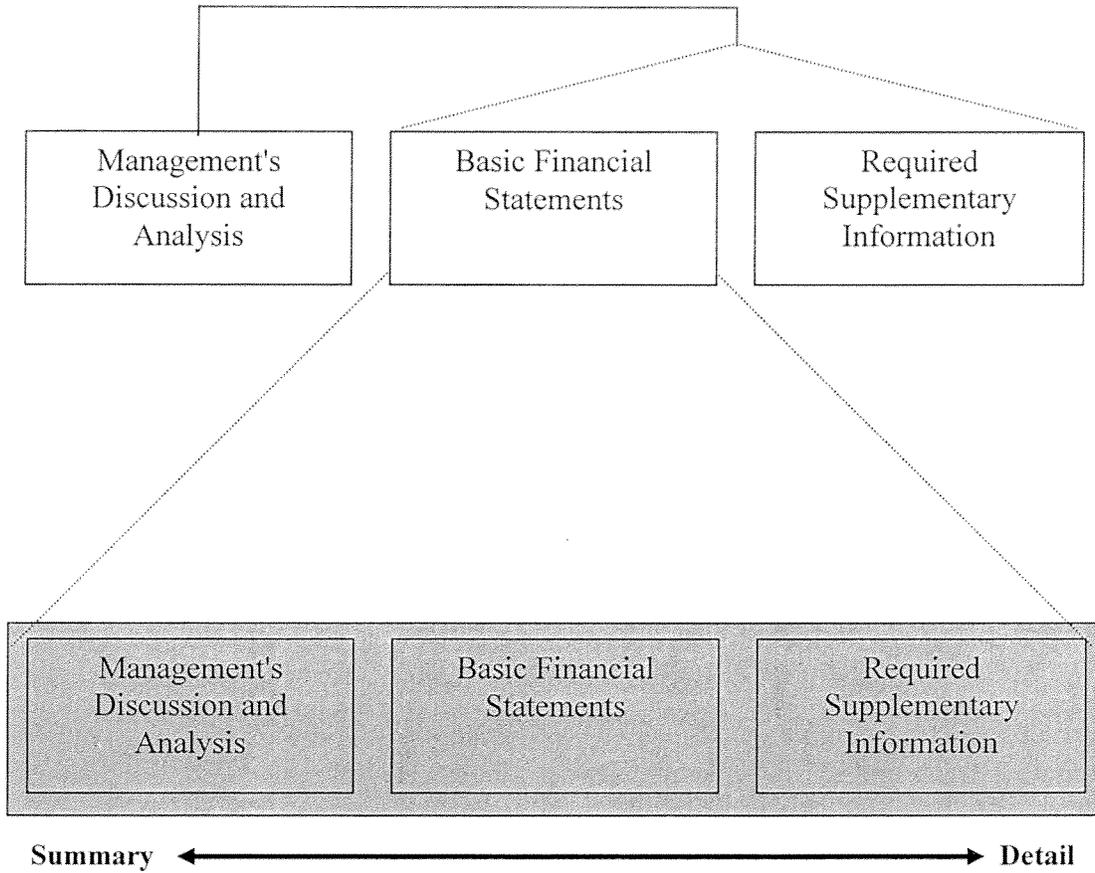
- The first two statements are *Library-wide financial statements* that provide both *short-term* and *long-term* information about the Library's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the Library, reporting the Library's operations in more detail than the Library-wide statements.
- The *governmental funds statements* tell how basic services were financed in the short term as well as what remains for future spending.
- Capital Projects Funds statements provide information about capital projects during the year.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the Library's budget for the year. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

Manistee County Library
Management Discussion and Analysis
For the year ended September 30, 2009

Figure A-1

Organization of Manistee County Library Annual Financial Report



Manistee County Library
Management Discussion and Analysis
For the year ended September 30, 2009

Library-wide Statements

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

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

- Over time, increases or decreases in the Library's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the Library's overall health, you need to consider additional non-financial factors such as changes in the Library's property tax base and the condition of buildings and other facilities.

Fund Financial Statements

The fund financial statements provide more detailed information about the Library's funds, focusing on its most significant or "major" funds: not the Library as a whole. Funds are accounting devices the Library uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by state law.
- The Library establishes other funds to control and manage money for particular purposes or to show that it is properly using certain revenues.

The Library has one kind of fund:

- *Governmental funds*: Most of the Library's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Library's programs. Because this information does not encompass the additional long-term focus of the Library-wide statements, this report includes reconciliation schedules that explain the relationship (or differences) between the Library-wide Statements and the Fund Financial Statements.

**Manistee County Library
Management Discussion and Analysis
For the year ended September 30, 2009**

Financial Analysis of the Library as a Whole

Net assets. The Library's combined net assets were \$1,553,856 on September 30, 2009, a decrease of 3.56% from the prior year. Figure A-2 illustrates the valuation of net assets on September 30, 2009 and 2008.

Figure A-2

Condensed Statement of Net Assets

	9/30/09	9/30/08
Assets		
Current	\$ 695,545	\$ 935,427
Non-Current	1,037,881	919,342
	\$ 1,733,426	\$ 1,854,769
Liabilities		
Current	\$ 179,570	\$ 228,527
Non-Current		15,000
	179,570	243,527
Net Assets		
Invested in capital assets, net of assets, net of related debt	1,031,881	919,342
Reserved for capital asset expenditures	8,000	
Unrestricted	513,975	691,900
	1,553,856	1,611,242
Liabilities and Net Assets	\$ 1,733,426	\$ 1,854,769

Changes in net assets. The Library's total expenditures of \$1,525,059 exceeded revenues; decreasing net assets by \$57,386(see Figure A-3).

The Library's approximately \$1,525,000 of expenses is predominantly related to personnel (54.0 percent).

**Manistee County Library
Management Discussion and Analysis
For the year ended September 30, 2009**

Figure A-3

Changes in Net Assets from Operating Results

	2008-09	2007-08
REVENUES:		
Property taxes	\$ 1,098,625	\$ 1,092,367
Penal fines	267,485	280,876
State aid	17,379	18,007
Contributions	48,132	69,162
Interest income	15,644	22,197
Fines	12,006	11,971
Gain (Loss) on sale of fixed assets		(2,829)
Other services	8,402	8,249
	<u>1,467,673</u>	<u>1,500,000</u>
EXPENDITURES:		
Salaries and fringe benefits	823,672	758,167
Materials	261,512	7,717
Supplies	9,309	8,915
Professional and contractual services	65,975	64,720
Branch expenses	85,011	85,161
Conferences, workshops and travel	6,322	3,387
Utilities	30,584	30,766
Building repairs and maintenance	28,938	39,022
Depreciation	207,193	198,556
Other expenditures	6,543	7,387
	<u>1,525,059</u>	<u>1,203,798</u>
INCREASE (DECREASE) IN NET ASSETS	<u>\$ (57,386)</u>	<u>\$ 296,202</u>

Financial Analysis of the Library's Funds

The strong financial performance of the Library as a whole is reflected in its governmental funds. As the Library completed the year, its governmental fund reported a fund balance of \$559,458.

**Manistee County Library
Management Discussion and Analysis
For the year ended September 30, 2009**

General Fund Budgetary Highlights

Over the course of the year, the Library revised the annual operating budget twice. The significant items causing budget adjustments are enumerated below.

- Higher than expected revenue from property taxes, penal fines, and interest income.
- Lower than expected expenditures for salaries.

Although the Library's final budget for the general fund anticipated that expenditures would exceed revenues by \$261,093, the actual results for the year shows a \$169,419 deficiency. The chart presented in Figure A-4 compares the general fund budgets and actual expenditures, primarily by object.

Figure A-4

General Fund Expenditures - Budget versus Actual

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Salaries and Benefits	\$ 848,937	\$ 805,201	\$ 43,736
Supplies	11,600	9,309	2,291
Library books and materials	225,935	218,920	7,015
Professional and Contractual Services	77,600	73,975	3,625
Branch Expenses	97,414	85,011	12,403
Conferences, Workshops, and Travel	8,500	6,322	2,178
Utilities	36,300	30,584	5,716
Building Repairs and Grounds	32,450	28,938	3,512
Capital Outlay	369,995	363,473	6,522
Other Expenditures	7,475	6,543	932
	<u>\$ 1,716,206</u>	<u>\$ 1,628,276</u>	<u>\$ 87,930</u>

**Manistee County Library
Management Discussion and Analysis
For the year ended September 30, 2009**

Capital Asset and Debt Administration

Capital Assets

By the end of 2009, the Library had invested approximately \$3.04 million in a broad range of capital assets, including buildings improvements, books, computer and audio-visual equipment. Total depreciation expense for the year exceeded \$207,000. Figure A-5 details the historical costs, accumulated depreciation, and book value of the Library's capital assets.

Figure A-5

Statement of Capital Assets

	Beginning of year	Additions	Retirements/ Reclassifications	End of year
Leasehold improvements	\$ 276,216	\$ 42,483	\$	\$ 318,699
Furniture and fixtures	152,919	33,154		186,073
Computer and related equipment	148,981	54,560		203,541
Library Books	2,143,215	189,535		2,332,750
	<u>2,721,331</u>	<u>319,732</u>		<u>3,041,063</u>
Accumulated Depreciation	<u>1,801,989</u>	<u>\$ 207,193</u>	<u>\$</u>	<u>2,009,182</u>
Net capital assets	<u>\$ 919,342</u>			<u>\$ 1,031,881</u>

Debt administration

The following is a summary of the changes in long-term liabilities for the year ended September 30, 2009:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within one year
Termination benefits	\$ 18,977	\$	\$ 1,029	\$ 17,948	\$ 500
Total long-term liabilities	<u>\$ 18,977</u>	<u>\$</u>	<u>\$ 1,029</u>	<u>\$ 17,948</u>	<u>\$ 500</u>

**Manistee County Library
Management Discussion and Analysis
For the year ended September 30, 2009**

Factors Bearing on the Library's Future

At the time these financial statements were prepared and audited, the Library was aware of four circumstances that could significantly affect its financial health in the future:

- The current facilities will need major capital improvements and maintenance.
- The Library is in the beginning stages of developing a Master plan for the future.
- The Library plans on providing library service to areas of Manistee County that currently do not have services within their local area.
- The outcome of labor contract negotiation will also have an effect on the Library's financial health in the future.

Contacting the Library's Financial Management

This financial report is designed to provide the Library's citizens, taxpayers, customers with a general overview of the Library's finances and to demonstrate the Library's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Manistee County Library Business Office, 95 Maple Street, Manistee, Michigan.

Basic Financial Statements

**MANISTEE COUNTY LIBRARY
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2009**

ASSETS

Current Assets:	
Cash and cash equivalents	\$ 425,072
Restricted cash	7,747
Due from other governmental units	203,926
Receivables:	
Interest	1,965
Accounts	2,149
Penal fines	51,531
Taxes	1,155
Current portion of prepaid assets	<u>2,000</u>
Total current assets	<u>695,545</u>
Noncurrent assets:	
Noncurrent portion of prepaid assets	6,000
Capital assets, net of accumulated depreciation	<u>1,031,881</u>
Total noncurrent assets	<u>1,037,881</u>
	<u><u>\$ 1,733,426</u></u>

LIABILITIES AND NET ASSETS

Current liabilities:	
Accounts payable	\$ 50,559
Due to other governmental units	30,000
Accrued expenses	<u>99,011</u>
Total current liabilities	<u>179,570</u>
Net assets:	
Invested in capital assets, net of related debt	1,031,881
Reserved for capital asset expenditures	8,000
Unrestricted	<u>513,975</u>
Total net assets	<u>1,553,856</u>
	<u><u>\$ 1,733,426</u></u>

The notes to the financial statements are an integral part of this statement.

MANISTEE COUNTY LIBRARY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2009

Functions/Programs	Expenses	Charges for Services	Program Revenues		Net (expenses) And changes in Net assets
			Operating Grants and Contributions	Capital Grants and Contributions	Total
Governmental activities:	\$ 1,525,059	\$ 20,408	\$ 65,511	\$	\$ (1,439,140)
 General revenues:					
Property taxes, levied for general purposes					1,098,625
Penal fines					267,485
Interest and investment earnings					15,644
Total General revenues					1,381,754
 CHANGES IN NET ASSETS					
Net assets – beginning of year					1,611,242
Net assets – end of year					\$ 1,553,856

The notes to the financial statements are an integral part of this statement.

**MANISTEE COUNTY LIBRARY
BALANCE SHEETS
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2009**

	General Fund	Non-Major Governmental Fund Capital Improvement Fund	Total
ASSETS			
Cash and cash equivalents	\$ 417,072	\$ 8,000	\$ 425,072
Restricted cash	7,747		7,747
Due from other governmental units	203,926		203,926
Receivables:			
Accounts	2,149		2,149
Penal fines	51,531		51,531
Taxes	1,155		1,155
	<u>\$ 683,580</u>	<u>\$ 8,000</u>	<u>\$ 691,580</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 50,559	\$	\$ 50,559
Accrued expenses	81,563		81,563
Total liabilities	<u>132,122</u>	<u></u>	<u>132,122</u>
Fund balances:			
Unreserved:			
Designated:			
TES litigation	5,000		5,000
Short term disability	5,000		5,000
Sick leave	17,948		17,948
Capital expenditures		8,000	8,000
Undesignated	523,510		523,510
Total fund balances	<u>551,458</u>	<u>8,000</u>	<u>559,458</u>
	<u>\$ 683,580</u>	<u>\$ 8,000</u>	<u>\$ 691,580</u>

The notes to the financial statements are an integral part of this statement.

MANISTEE COUNTY LIBRARY
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
WITH THE STATEMENT OF NET ASSETS
SEPTEMBER 30, 2009

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

Total Fund Balance - Governmental Funds	\$	559,458
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds:</p>		
Cost of capital assets		3,041,063
Accumulated depreciation		(2,009,182)
<p>Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:</p>		
Prepaid subscription fees	8,000	
Accrued interest receivable	1,965	9,965
<p>Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:</p>		
HRA contributions payable to Manistee County	(30,000)	
Compensated absences not currently due are included as a liability	(17,448)	(47,448)
Total net assets - governmental activities	\$	<u>1,553,856</u>

The notes to the financial statements are an integral part of this statement.

MANISTEE COUNTY LIBRARY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2009

	General Fund	Non-Major Governmental Fund Capital Improvement Fund	Total
REVENUES:			
Property taxes	\$ 1,098,625	\$	\$ 1,098,625
Penal fines	267,485		267,485
State aid	17,379		17,379
Contributions and grants	48,132		48,132
Interest income	13,679		13,679
Fines	12,006		12,006
Book sales	1,149		1,149
Other services	8,402		8,402
	<u>1,466,857</u>		<u>1,466,857</u>
EXPENDITURES:			
Salaries and fringe benefits	805,201		805,201
Supplies	9,309		9,309
Library books and materials	218,920		218,920
Professional and contractual services	73,975		73,975
Branch expenses	85,011		85,011
Conferences, workshops and travel	6,322		6,322
Utilities	30,584		30,584
Building repairs and maintenance	28,938		28,938
Capital outlay	363,473		363,473
Other expenditures	6,543		6,543
	<u>1,628,276</u>		<u>1,628,276</u>
Excess of revenues over (under) expenditures	<u>(161,419)</u>		<u>(161,419)</u>
OTHER FINANCING SOURCES (USES)			
Operating transfers in		8,000	8,000
Operating transfers (out)	(8,000)		(8,000)
	<u>(8,000)</u>	<u>8,000</u>	
NET CHANGES IN FUND BALANCES	(169,419)	8,000	(161,419)
FUND BALANCES:			
Beginning of year	<u>720,877</u>		<u>720,877</u>
End of year	<u>\$ 551,458</u>	<u>\$ 8,000</u>	<u>\$ 559,458</u>

The notes to the financial statements are an integral part of this statement.

**MANISTEE COUNTY LIBRARY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE TO THE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

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

Total net change in fund balances – governmental funds		\$ (161,419)
Increase in accrual for long-term compensated absences reported as an expenditure in the statement of activities, but not in the fund statements		(3,471)
Increase in amount payable to Manistee County for HRA contributions, reported as an expenditure in the statement of activities, but not in the fund statements		(15,000)
Increase in long-term assets reported as expenditures in the fund statements, but accrued in the statement of activities		
	Prepaid subscription fees	8,000
	Accrued interest receivable	1,965
		9,965
Capital outlays to purchase capital assets and books are recorded in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net assets and depreciated over their estimated useful lives as annual depreciation in the statement of activities.		
This amount by which depreciation exceeded capital outlays in the period.		
	Capital outlays	319,732
	Depreciation expense	(207,193)
		112,539
Change in net assets of governmental activities		\$ (57,386)

The notes to the financial statements are an integral part of this statement.

**MANISTEE COUNTY LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Manistee County Library (the Library) have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied 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 Library's accounting policies are described below.

A. Reporting Entity

Manistee County Library is operated as a Special Revenue Fund and Capital Projects Fund of the County of Manistee. Manistee County Library is located in Manistee, Michigan, with branch libraries on Onekama, Arcadia, Bear Lake, Kaleva and Wellston, Michigan.

In evaluating how to define the Library, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP, currently GASB Statement #14, *The Financial Reporting Entity*.

Based on the application of these criteria, the financial statements of Manistee County Library contain all the funds controlled by the Library's Board as no other entity meets the criteria to be considered a blended component unit or a discretely presented component unit of the Library.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the Library. For the most part, the effect of the 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. The Library has no business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. 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 and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. The library has no responsibility for any fiduciary funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

MANISTEE COUNTY LIBRARY
NOTES TO FINANCIAL STATEMENTS

C. **Measurement Focus, Basis of Accounting and Basis of Presentation**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provided 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 library considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when a payment is due.

The Library reports the following major governmental funds:

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

The Library reports the following non-major governmental funds:

The *capital projects fund* is use for specific capital purchases for the library.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

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

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Property taxes, penal fines, interest and charges for services are susceptible to accrual. Other receipts and taxes become measurable and available when cash is received by the Library and are recognized as revenue at that time.

**MANISTEE COUNTY LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Assets, Liabilities and Equity

1. Cash and investments

Cash includes amounts in demand deposits and certificates of deposit.

The Library reports its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* and GASB Statement No. 40, *Deposit and Investment Risk Disclosure*. 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 Library intends to hold the investment until maturity.

State statutes authorize the Library 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, or credit union, which is a member of the Federal Deposit 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 Library 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.

2. Short-term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet in the governmental fund financial statements.

3. Property Taxes

Property taxes levied by the Library are collected by Manistee County and periodically remitted to the Library. The taxes are levied as of December 1 and are due upon receipt of the billing by the taxpayer and become a lien on the first day of the levy year. The actual due date is February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity. Library property tax revenues are recognized when levied to the extent that they result in current receivables (collected within sixty days after year end). Amounts received subsequent to November 14 are recognized as revenue when collected.

**MANISTEE COUNTY LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Assets, Liabilities and Equity (continued)

For the year ended September 30, 2009, the Library levied the following amounts per \$1,000 of taxable valuation:

Fund	Mills
General Fund	.1000

4. Capital Assets

The furnishings and equipment purchased by the municipalities in which the branch libraries are located are the property of these municipalities unless indicated in the agreements with the municipalities. All other purchases of equipment made and all other assets currently being used by the Manistee County Library are the property of Manistee County. The library has the right to use this equipment as long as the library is in operations.

Capital assets, which include property, plant, equipment are reported in the government-wide financial statements. Capital assets are defined by the Library as assets with an initial individual cost of more than \$500 and an estimated useful life of more than one year. 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 donations.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Property and equipment of the Library is depreciated using the straight line method over the following estimated useful lives:

Leasehold improvements	20 yrs
Books	7 yrs
Furniture and fixtures	20 yrs
Computer equipment	10 yrs

**MANISTEE COUNTY LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Assets, Liabilities and Equity (continued)

5. Compensated Absences

Prior Library policy permitted employees to accumulate earned unused sick pay benefits. All sick pay is accrued in the government-wide financial statement. A liability for these amounts is reported in governmental funds only if they are expected to be liquidated with expendable available resources (generally sixty days). Current policy does not allow employees to carryover unused sick pay.

6. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets.

For governmental fund types, bond premiums and discounts, as well as issuance costs, are recognized during the current period. Bond proceeds are reported as other financing sources net of applicable premium or discount. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures.

7. Fund Balance

In the fund financial statements, the unreserved fund balances for governmental funds represent the amount available for budgeting future operations. The reserved fund balances for governmental funds represent the amount that has been legally identified for specific purposes or indicates that a component of assets does not constitute “available spendable resources.” The designated fund balances for governmental funds represent tentative plans for future use of financial resources.

8. Use of Estimates

The process of preparing general purpose financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

**MANISTEE COUNTY LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary information

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriations budgets are adopted for the general, special revenue and debt service funds. All annual appropriations lapse at fiscal year end.

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

1. The Library Administrator submits to the Board of Trustees a proposed operating budget for the fiscal year commencing on October 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth in the combined statement of revenues, expenditure and changes in fund balances – budget and actual – GAAP basis – general funds.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to October 1, the budget is legally adopted by the Board of Trustees resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, or in excess of the amount appropriated.
4. The Administrator is authorized to transfer budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the Board of Trustees.
5. Formal budgetary integration is employed as a management control device during the year for the general fund.
6. The budget as presented, has been amended. Supplemental appropriations were made during the year with the last one approved prior to September 30th.

**MANISTEE COUNTY LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 3 – DEPOSITS, INVESTMENTS AND CREDIT RISK

Cash and cash equivalents are held separately in the name of the Library by each of the Library's funds.

Deposits

At year-end, the carrying amount of the Library's deposits, including certificates of deposits of \$403,209, was \$432,819 and the bank balance was \$496,207 of which \$342,997 was covered by federal depository insurance and \$153,210 was uninsured and uncollateralized. The Library has \$550 in petty cash on hand.

The library has no investments as of September 30, 2009. The library has the following risk disclosures:

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

Credit Risk - State statutes authorize the library 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 library 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. The library has no investment policy that would further limit its investment choices. As of September 30, 2009, the library has no investments that meet the above criteria.

Concentration of Credit Risk – The library places no limit on the amount the district may invest in any one issuer.

NOTE 4 – BRANCH CONTRACTS

Manistee County Library has entered into contracts with five local governments to provide locations for branch libraries. Manistee County Library operates the branch libraries within facilities owned and maintained by the governmental unit. All contracts specify reimbursements, renewal and termination procedures. Total expenditures under branch contracts for the fiscal year ended September 30, 2009, were \$85,011.

**MANISTEE COUNTY LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 5 – RECEIVABLES

Receivables at September 30 consist of the following:

	<u>General fund</u>
Accounts	\$ 2,149
Penal fines	51,532
Taxes	1,155
Due from other governmental unit	203,926
	\$ 258,762

Because of the Library's favorable collection experience, no allowance for doubtful accounts has been recorded.

NOTE 6 – LONG-TERM DEBT

At September 30, 2009, long-term debt and other long-term obligations currently outstanding are as follows:

Termination benefits	\$ 17,948
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The following is a summary of the changes in long-term liabilities for the year ended September 30, 2009:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due within one year</u>
Termination benefits	\$ 18,977	\$	\$ 1,029	\$ 17,948	\$ 500
Total long-term liabilities	\$ 18,977	\$	\$ 1,029	\$ 17,948	\$ 500

**MANISTEE COUNTY LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 – DISCLOSURE OF INFORMATION ABOUT CAPITAL ASSETS

Capital asset balances and activity for the year ended September 30, 2009 were as follows:

	<u>Beginning of year</u>	<u>Additions</u>	<u>Retirements/ Reclassifications</u>	<u>End of year</u>
Leasehold improvements	\$ 276,216	\$ 42,483	\$	\$ 318,699
Furniture and fixtures	152,919	33,154		186,073
Computer and related equipment	148,981	54,560		203,541
Library Books	<u>2,143,215</u>	<u>189,535</u>		<u>2,332,750</u>
	2,721,331	319,732		3,041,063
Accumulated Depreciation	<u>1,801,989</u>	<u>\$ 207,193</u>	<u>\$</u>	<u>2,009,182</u>
Net capital assets	<u>\$ 919,342</u>			<u>\$ 1,031,881</u>

**MANISTEE COUNTY LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 – EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PLAN

Manistee County Library employees are covered under the Manistee County retirement program.

Plan Description – Manistee County participates in the Municipal Employees Retirement System of Michigan (MERS), a public employer and employee retirement system. MERS operates as an independent public nonprofit organization. The county retirement system also includes employees of the Sheriff Department and the Medical Care Facility. A separate account is maintained by MERS for these departments. Substantially all employees are covered by the MERS retirement system.

The benefits and conditions outlined below are for general information only.

Mandatory retirement: None

Deferred Retirement: Termination of membership before age 60, other than by retirement or death, after 8 years of credited service. Retirement allowance begins upon application and satisfaction of normal retirement requirements. The retirement allowance is computed in the same manner as a service retirement with the applicable benefit program being determined as of the date of termination of membership.

Right to an allowance is forfeited if a member's accumulated contributions are withdrawn.

Benefits are computed based on a five year average of final compensation multiplied by a factor of 2.5%, multiplied by the number of years of service. Death and disability benefits are also provided. Total contributions made to MERS for the year ended September 30, 2009 was \$60,926.

The funded status of the library's portion of the retirement plan is unavailable.

NOTE 9 – TRUST FUND BENEFICIARY

Manistee County Library was designated as an income beneficiary upon the death of a patron on August 31, 1996. As stated in the patron's trust agreement, the first 20 years of income, which will be distributed at least annually, is to be used for capital improvements to any branch library located in Manistee County other than the main branch located in the City of Manistee. Although the monies may be administered through the main branch of the Manistee County Library, the funds should be directed so that the money distributed is segregated from the general funds, being earmarked specifically for branch funding. After the first 20 years from the date of the patron's death, the trust income shall be used for capital improvements of any Manistee County Library branches, including the main branch in Manistee, Michigan. These distributions will continue for the next 66 years, ending August 31, 2086.

**MANISTEE COUNTY LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 10 – CAFETERIA PLAN

On March 18, 1997, Manistee County adopted a Section 125 Cafeteria Plan effective June 1, 1997. The purpose of the plan is to provide the employees with a choice between cash and benefit coverages under various plans which are maintained by Manistee County. The plan year runs from January 1 to December 31.

NOTE 11 – NEW GOVERNMENTAL FUND

On September 22, 2009, the Board of Directors voted to establish a Capital Improvement Fund to accumulate funds for the purchase of a new vehicle. Prior to September 30, 2009, \$8,000 was transferred from the General Fund to establish this governmental fund.

NOTE 12 - PRIOR PERIOD ADJUSTMENT

During the year it was determined that Manistee County had not invoiced the Library for contributions made by the County on behalf of Library employees. At September 30, 2008 the liability for HRA contributions was \$15,000 in the government wide financial statements. Since the liability is not expected to be paid until January of 2010, it has no effect on the fund financial statements. The net effect of this transaction is to decrease governmental net assets by \$15,000 at September 20, 2008

It was also determined that land acquired by the Library in 2003 and capitalized was actually deeded to Manistee County at the time of purchase. As a result of this, the carrying balance of fixed assets has been overstated in prior years. The effect of this is to decrease beginning governmental net assets by \$68,837 at October 1, 2008.

NOTE 13 – CAPITAL OUTLAY

During the year ended September 30, 2009, the Library purchased land and a building for \$190,487. The expenditure was classified as capital outlay. The Library subsequently deeded this property to the County, who will retain legal ownership of the property for the Library.

REQUIRED SUPPLEMENTARY INFORMATION

**MANISTEE COUNTY LIBRARY
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL – GAAP BASIS
YEAR ENDED SEPTEMBER 30, 2009**

	Budgeted Amounts		Actual	Variance with Final Budget- Favorable (unfavorable)
	Original	Final		
REVENUES:				
Property taxes	\$ 1,088,466	\$ 1,089,788	\$ 1,098,625	\$ 8,837
Penal fines	258,500	274,230	267,485	(6,745)
State aid	17,300	18,025	17,379	(646)
Contributions	51,139	50,500	48,132	(2,368)
Interest income	9,800	9,450	13,679	4,229
Fines	10,500	11,700	12,006	306
Book sales	150	1,150	1,149	(1)
Other services	7,945	8,270	8,402	132
Total revenues	<u>1,443,800</u>	<u>1,463,113</u>	<u>1,466,857</u>	<u>3,744</u>
EXPENDITURES:				
Salaries and fringe benefits	849,932	848,937	805,201	43,736
Supplies	11,600	11,600	9,309	2,291
Library books and materials	208,150	225,935	218,920	7,015
Professional and contractual services	75,075	77,600	73,975	3,625
Branch expenses	86,018	97,414	85,011	12,403
Conferences, workshops and travel	7,500	8,500	6,322	2,178
Utilities	34,300	36,300	30,584	5,716
Building repairs and maintenance	38,350	32,450	28,938	3,512
Capital outlay	226,400	369,995	363,473	6,522
Other expenditures	10,475	7,475	6,543	932
Total expenditures	<u>1,547,800</u>	<u>1,716,206</u>	<u>1,628,276</u>	<u>87,930</u>
Excess of revenues over (under) expenditures	<u>(104,000)</u>	<u>(253,093)</u>	<u>(161,419)</u>	<u>91,674</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers out	<u>(8,000)</u>	<u>(8,000)</u>	<u>(8,000)</u>	
NET CHANGES IN FUND BALANCES	<u>\$ (112,000)</u>	<u>\$ (261,093)</u>	<u>(169,419)</u>	<u>\$ 91,674</u>
FUND BALANCES:				
Beginning of year			<u>720,877</u>	
End of year			<u>\$ 551,458</u>	

* The Board of Trustees intended to use unrestricted fund balance to make up for the budgeted revenue shortfall.



HARRIS GROUP

Certified Public Accountants

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

December 17, 2009

To the Board of Trustees
Manistee County Library
Ludington, Michigan

We have audited the financial statements of the governmental activities of Manistee County Library as of and for the year ended September 30, 2009, which collectively comprise Manistee County Library basic financial statements and have issued our report thereon dated December 17, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Manistee County Library'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 Manistee County Library internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Manistee County Library internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Manistee County Library 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 Manistee County Library financial statements that is more than inconsequential will not be prevented or detected by Manistee County Library internal control.

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

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

Compliance and other matters

As part of obtaining reasonable assurance about whether Manistee County Library's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

Certified Public Accountants

Manistee County MCF
Balance Sheet

06/30/10

ASSETS

Current Assets

Cash

Cash - County 291 Operating Fund	\$459,554.16
T.C.D/Depr. Fund County	\$607,670.11
Cash - Patient Trust	\$9,101.14
Cash - Petty - Patient Trust	\$200.00
Cash - Diversional Activity Dept.	\$5.00
Cash - Petty - Diversional Dept.	\$40.00
Cash - Petty - Facility	\$150.00
Depr Fund 291.1 / Operations	\$649,069.42
T.C.D. / Operations	\$957,581.68
T.C.D - Funded Sick / Vacation	\$164,543.51
Mileage Fund Cash	\$702,885.45
Cash - Restricted Donations	\$11,420.58
Total Cash	\$3,562,221.05

A/R - Operations

A/R - Private Pay	\$726,322.70
A/R - Medicare A	\$224,928.01
A/R - Medicare B	\$11,461.27
A/R - Medicare A Co-Insurance	\$21,092.48
A/R - Medicare B Co-Insurance	(\$1,759.63)
A/R - HMO	\$202.19
A/R - Blue Cross	\$41,295.17
A/R - Other Insurance	\$69,195.79
A/R - Medicaid	\$611,974.14
A/R - Hospice - Private	\$10,642.70
A/R - Hospice - Medicaid	\$76,229.94
A/R - Prebill Private	(\$197,286.00)
A/R - Prebill Basic	\$6,906.78
Allowance for Doubtful Accounts	(\$149,999.88)
Cost Report Rec/Pay	(\$88,374.59)
A/R - QAS Receivable	\$215,513.90
Total A/R - Operations	\$1,578,344.97

Prepaid Expenses

Inventory	\$36,431.84
Prepaid Comp. Ins.	(\$9,780.26)
Prepaid Insurance Fire/Liability	(\$3,957.09)
Total Prepaid Expenses	\$22,694.49
Total Current Assets	\$5,163,260.51

Fixed Assets

Property, Plant & Equipment	\$2,021,647.58
Prop. Plant & Equip Improvement	\$176,798.27
Accumulated Depreciation	(\$3,235,443.74)
Prop/Plant/Equip Purchase YTD	\$649,636.30
Current Year Capital Purchases	\$707,419.78
Building Renovation	\$2,161,154.91
Computer Equipment	\$10,178.75
Total Fixed Assets	<u>\$2,491,391.85</u>
Total ASSETS	<u>\$7,654,652.36</u>

LIABILITIES & EQUITY**Current Liabilities**

Accounts Payable	\$0.00
Patient Trust Liability	\$9,101.14
Patient Refund	\$91.00
Accrued Payroll	\$173,681.00
Accrued Vacation/Sick	\$418,825.25
Withholding Liability	\$0.00
State Liability	\$15,892.39
FICA Liability	\$0.00
Medicare W/H Liability	\$0.00
Cu Deduction Liability	\$0.00
Union Dues	\$0.00
Union Dues	\$0.00
Dental Insurance Deduction Service	\$0.00
Dental Ins Deduction Admin	\$0.00
Dental Ins Deduction Prof	\$0.00
Hospital Ins. Deduction-Union	\$0.00
Hospital Ins Deduction Option 2 Plan	\$0.00
Hospital Ins. Deduction Non-Union	\$0.00
Benefits For Life	\$0.00
Cancer Ins. Deduction	\$1,520.14
457 PENSION PLAN	\$0.00
United Way Of Manistee County	\$0.00
Garnishment Deduction Liability	\$0.00
MERS Deduction Retirement	\$34,429.49
ME Accrued MOE	\$36,371.00
Third Party Settlements	\$125,000.00
QAS - Provider Tax Liability	\$15,143.06
Total Current Liabilities	\$830,054.47

Equity

Fund Balance	\$5,771,874.25
MF Fund Balance	\$445,563.12
Transfer Out of R.D Fund Balance	(\$67,968.25)
Contributions Rest. Donations	\$1,416.00
Profit/Loss YTD	\$673,712.77
Total Equity	\$6,824,597.89
Total LIABILITIES & EQUITY	\$7,654,652.36

MANISTEE COUNTY MEDICAL CARE FACILITY
BUDGET 2010 - 2011

REVENUE:

MEDICARE PART A	1,513,956.00	
MEDICAID	5,281,587.00	
PRIVATE	1,229,584.00	
HOSPICE MEDICAID	525,696.00	
	1861327.00	\$ 8,550,823.00

OTHER INCOME	<u>\$ 1,861,327.00</u>	<u>\$ 1,861,327.00</u>
--------------	------------------------	------------------------

TOTAL INCOME:

\$ 10,412,150.00

EXPENDITURES:

ADMINISTRATION	\$ 3,535,896.00
MAINTENANCE	753,932.00
LAUNDRY	166,969.00
HOUSEKEEPING	235,813.00
DIETARY	795,626.00
PHARMACY	168,624.00
NURSING	3,980,158.00
REHAB THERAPY	117,907.00
C.N.A. TESTING/LICENSE FEES	3,287.00
DIVERSIONAL THERAPY	249,683.00
VEHICLES	2,499.00
PROFESSIONAL SERVICES	156,037.00
DEPRECIATION EXPENSE	<u>245,719.00</u>

TOTAL EXPENDITURES:

\$ 10,412,150.00

NET REVENUE (LOSS)

0.00

Please note this a tentative budget and has not yet been approved by the DHS Board of Directors.

Manistee County Medical Care Facility

**Financial Report
with Additional Information
September 30, 2009**

plante
m
moran

Manistee County Medical Care Facility

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Independent Auditor's Report

To the Manistee County Department of
Human Services Board
Manistee County Medical Care Facility

We have audited the accompanying basic financial statements of Manistee County Medical Care Facility (a component unit of Manistee County, Michigan) (the "Facility") as of and for the years ended September 30, 2009 and 2008 as listed in the table of contents. These financial statements are the responsibility of the Facility's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Manistee County Medical Care Facility at September 30, 2009 and 2008 and the changes in financial position and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on Manistee County Medical Care Facility's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The accompanying financial statements do not present a management's discussion and analysis, which would be an analysis of the financial performance for the years ended September 30, 2009 and 2008. The Governmental Accounting Standards Board has determined that this analysis is necessary to supplement, although not required to be a part of, the basic financial statements.

Plante & Moran, PLLC

January 27, 2010

Manistee County Medical Care Facility

Statement of Revenue, Expenses, and Changes in Net Assets

	Year Ended	
	September 30, 2009	September 30, 2008
Operating Revenue		
Net service revenue	\$ 9,004,198	\$ 8,951,046
Quality assurance assessment revenue	1,020,603	891,190
Other operating revenue	451,076	469,075
Total operating revenue	10,475,877	10,311,311
Operating Expenses		
Salaries	5,384,348	5,527,318
Other expenses	4,724,893	4,995,384
Total operating expenses	10,109,241	10,522,702
Operating Income (Loss)	366,636	(211,391)
Nonoperating Income	42,838	144,863
Excess of Revenue Over (Under) Expenses	409,474	(66,528)
Transfer from County	313,723	310,556
Increase in Net Assets	723,197	244,028
Net Assets - Beginning of year	5,426,271	5,182,243
Net Assets - End of year	\$ 6,149,468	\$ 5,426,271

Manistee County Medical Care Facility

Statement of Cash Flows

	Year Ended September 30	
	2009	2008
Cash Flows from Operating Activities		
Cash received from residents and third-party payors	\$ 9,655,846	\$ 9,830,715
Cash paid to employees and suppliers	(10,102,927)	(10,445,654)
Other operating receipts	451,076	469,075
Net cash provided by (used in) operating activities	3,995	(145,864)
Cash Flows from Noncapital Financing Activities		
Resident trust (withdrawals) deposits	(705)	1,578
Transfer from County	-	287,306
Net cash (used in) provided by noncapital financing activities	(705)	288,884
Cash Flows from Investing Activities		
(Sale) purchase of assets limited as to use	(184,918)	231,467
Interest received	42,838	144,863
Net cash (used in) provided by investing activities	(142,080)	376,330
Cash Flows from Capital Financing Activities - Purchase of property and equipment	(82,743)	(150,607)
Net (Decrease) Increase in Cash and Cash Equivalents	(221,533)	368,743
Cash and Cash Equivalents - Beginning of year	466,658	97,915
Cash and Cash Equivalents - End of year	\$ 245,125	\$ 466,658
Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities		
Operating income (loss)	\$ 366,636	\$ (211,391)
Adjustments to reconcile operating income (loss) to net cash from operating activities:		
Depreciation	245,848	244,693
Provision for bad debts	63,867	6,503
Changes in assets and liabilities:		
Accounts receivable	(356,615)	(29,444)
Other receivables	(6,207)	(18,927)
Inventories	(3,353)	4,419
Accounts payable	(49,127)	34,982
Other accrued expenses	(187,054)	(176,699)
Third-party settlements	(70,000)	-
Net cash provided by (used in) operating activities	\$ 3,995	\$ (145,864)

There were no significant noncash activities during the years ended September 30, 2009 and 2008.

See Notes to Financial Statements.

Manistee County Medical Care Facility

**Notes to Financial Statements
September 30, 2009 and 2008**

Note I - Nature of Business and Significant Accounting Policies

Manistee County Medical Care Facility (the "Facility") is a component unit of the County of Manistee (the "County").

The Facility is a 122-bed, long-term medical care unit owned and operated by Manistee County. It is governed by the Manistee County Department of Human Services Board. The board consists of three members, two of whom are appointed by the Manistee County Board of Commissioners and one of whom is appointed by the Michigan governor. Further, the Manistee County Department of Human Services Board approves the budget for the Facility and submits a copy to the Manistee County Board of Commissioners.

The accounting policies of the Facility conform to accounting principles generally accepted in the United States of America as applicable to local governmental units. Because the Facility provides a service to citizens that is financed primarily by a user charge, the Facility uses Enterprise Fund accounting. Revenues and expenses are recognized on the accrual basis using the economic resources measurement focus.

Basis of Presentation - The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, issued in June 1999. The Facility follows the business-type activities reporting requirements of GASB Statement No. 34, which provides a comprehensive look at the Facility's financial activities. As permitted by Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, as amended, the Facility has elected not to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB), including those issued after November 30, 1989. No component units are required to be reported in the Facility's financial statements.

Proprietary Fund Accounting - The Facility utilizes the proprietary fund method of accounting whereby revenue and expenses are recognized in the full accrual basis.

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

Cash and Cash Equivalents - Cash and cash equivalents include certain investments in highly liquid debt instruments with original maturities of three months or less, excluding those amounts included in assets limited as to use.

Manistee County Medical Care Facility

Notes to Financial Statements September 30, 2009 and 2008

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

Assets Limited as to Use - Assets limited as to use primarily include assets set aside by the Manistee County Department of Human Services Board (the "Board") for future capital improvements over which the Board retains control and may, at its discretion, subsequently use for other purposes.

Property and Equipment - All property and equipment purchases are recorded at cost. Donated property and equipment are recorded at the estimated fair market value at the time of donation. Depreciation on such fixed assets is charged as an expense on the straight-line basis over the estimated useful lives of the assets. Costs of maintenance and repairs are charged to expense when incurred.

Resident Trust Liability - The Michigan Department of Treasury requires facilities to administer and account for monies of residents. The resident trust liability on the balance sheet represents patient trust fund deposits.

Compensated Absences - Sick and vacation pay is charged to operations when earned. Unused benefits are recorded as a current liability in the financial statements. Hours carried over from year to year are limited based on anniversary date. Employees with hours that exceed this limit are paid out the difference in December of each year.

Service Revenue - The Facility's principal activity is operating a long-term healthcare facility for the elderly. Revenue is derived from participation in the Medicaid and Medicare programs, as well as from private-pay residents. Amounts earned under the Medicaid and Medicare programs are subject to review and audit by the third-party payors and make up a significant portion of revenue earned during each year as follows:

	Percent	
	2009	2008
Percent of revenue:		
Medicaid	68	62
Medicare	20	23

The payment methodology and amounts earned related to these programs are based on cost and clinical assessments that are subject to review and final approval by Medicaid and Medicare. Any adjustment that is a result of this final review and approval will be recorded in the period in which the adjustment is made. In the opinion of management, adequate provision has been made for any adjustments that may result from such third-party review.

Manistee County Medical Care Facility

**Notes to Financial Statements
September 30, 2009 and 2008**

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

Services rendered to Medicare program beneficiaries are paid at prospectively determined rates based upon clinical assessments completed by the Facility that are subject to review and final approval by Medicare.

Medicaid reimburses the Facility for resident routine service costs, on a per diem basis, prospectively determined.

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. Management believes it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoings. While no such regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation, as well as significant regulatory action including fines, penalties, and exclusion from the Medicare and Medicaid programs.

The Medicare program has initiated a Recovery Audit Contractor (RAC) initiative, whereby claims subsequent to October 1, 2007 will be reviewed by contractors for validity, accuracy, and proper documentation. A demonstration project completed in several other states resulted in the identification of potential significant overpayments. The RAC program began for Michigan in 2009. The Facility is unable to determine if it will be audited and, if so, the extent of liability for overpayments, if any. If selected for audit, the potential exists for significant overpayment of claims liability for the Facility at a future date.

Net Assets - Net assets of the Facility are classified in two components. Net assets invested in capital assets - net of related debt consists of capital assets net of accumulated depreciation and are reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. Unrestricted net assets are the remaining net assets that do not meet the definition of invested in capital.

Subsequent Events - The financial statements and related disclosures include evaluation of events up through and including January 27, 2010, which is the date the financial statements were available to be issued.

Operating Revenue and Expenses - The statement of revenue, expenses, and changes in net assets distinguishes between operating and nonoperating revenues and expenses. Operating revenue results from exchange transactions associated with providing healthcare services - the Facility's principal activity. Nonoperating activity, including interest income, expenses, and donations, are reported as nonoperating. Operating expenses are all expenses incurred to provide healthcare services, other than financing costs.

Manistee County Medical Care Facility

Notes to Financial Statements September 30, 2009 and 2008

Note 2 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. A local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Facility is required to hold all cash or investments under the county treasurer. The County is responsible for adopting an investment policy to be in accordance with Public Act 196 of 1997.

Because the Facility's cash and investments are limited to bank deposits held by the County, they are primarily subject to custodial credit risk, which is examined in more detail below:

Custodial Credit Risk of Bank Deposits - Custodial credit risk is the risk that in the event of a bank failure, the Facility's deposits may not be returned to it. The Facility does not have a specific deposit policy for custodial credit risk. The federal depository insurance coverage pertains to all of the deposits of the County; hence, the specific coverage pertaining to the Facility's deposits is not determinable.

Note 3 - Due from County

The amount due from the County consists of the Millage Fund established to collect property taxes and pay maintenance of effort for the Facility. The Facility has a 0.50 mill levy for maintenance of effort (MOE). The taxes are levied on December 1 of each year. On February 28 of each year, the taxes collected are transferred to the Millage Fund. MOE is a county obligation to the State of Michigan. Every month, the County receives a bill from the State of Michigan for each Medicaid resident day approved by the State during that month. The County pays the MOE directly to the State from the Millage Fund. After all MOE payments are made, the excess property tax revenue at September 30 is transferred to the Facility's Operating Fund and set aside by the Manistee County Department of Human Services Board for future capital purchases or other Facility needs.

Manistee County Medical Care Facility

Notes to Financial Statements September 30, 2009 and 2008

Note 4 - Resident Accounts Receivable

The details of resident accounts receivable are set forth below:

	<u>2009</u>	<u>2008</u>
Resident accounts receivable	\$ 1,552,696	\$ 1,290,352
Less allowance for uncollectible accounts	<u>(150,000)</u>	<u>(80,000)</u>
Net resident accounts receivable	<u>\$ 1,402,696</u>	<u>\$ 1,210,352</u>

The Facility provides services without collateral to its residents, most of whom are local residents and insured under third-party payor agreements. The mix of receivables from residents and third-party payors is as follows:

	<u>Percent</u>	
	<u>2009</u>	<u>2008</u>
Medicare	17	32
Medicaid	60	46
Other payors	<u>23</u>	<u>22</u>
Total	<u>100</u>	<u>100</u>

Note 5 - Assets Limited as to Use

Assets limited as to use consist of deposits held at the County and are designated for the following:

	<u>2009</u>	<u>2008</u>
By Manistee County Department of Human Services Board:		
For future capital purchases	\$ 2,209,946	\$ 1,969,027
For funded compensated absences	164,544	160,880
For various future expenditures	<u>10,492</u>	<u>70,157</u>
Total assets limited as to use	<u>\$ 2,384,982</u>	<u>\$ 2,200,064</u>

Manistee County Medical Care Facility

Notes to Financial Statements September 30, 2009 and 2008

Note 6 - Property and Equipment

The cost of capital assets and related depreciable lives for September 30, 2009 are summarized below:

	2008	Additions	Transfers	Retirements	2009	Depreciable Life - Years
Building and improvements	\$ 3,906,207	\$ 57,684	\$ -	\$ -	\$ 3,963,891	10-40
Equipment	1,328,788	25,059	-	-	1,353,847	5-20
Total	5,234,995	82,743	-	-	5,317,738	
Less accumulated depreciation:						
Building and improvements	1,801,925	169,927	-	-	1,971,852	
Equipment	1,003,383	75,921	-	-	1,079,304	
Total	2,805,308	245,848	-	-	3,051,156	
Net carrying amount	\$ 2,429,687	\$ (163,105)	\$ -	\$ -	\$ 2,266,582	

The cost of capital assets and related depreciable lives for September 30, 2008 are summarized below:

	2007	Additions	Transfers	Retirements	2008	Depreciable Life - Years
Building and improvements	\$ 3,843,655	\$ 62,552	\$ -	\$ -	\$ 3,906,207	10-40
Equipment	1,240,733	88,055	-	-	1,328,788	5-20
Total	5,084,388	150,607	-	-	5,234,995	
Less accumulated depreciation:						
Building and improvements	1,638,736	163,189	-	-	1,801,925	
Equipment	921,879	81,504	-	-	1,003,383	
Total	2,560,615	244,693	-	-	2,805,308	
Net carrying amount	\$ 2,523,773	\$ (94,086)	\$ -	\$ -	\$ 2,429,687	

Manistee County Medical Care Facility

Notes to Financial Statements September 30, 2009 and 2008

Note 7 - Defined Benefit Pension Plan

Plan Description - Manistee County participates in the Michigan Municipal Employees' Retirement System (MMERS), an agent multiple-employer defined benefit pension plan that covers all employees of the County. The Facility provides retirement, disability, and death benefits to plan members and their beneficiaries. MMERS issues a publicly available financial report that includes financial statements and required supplementary information for MMERS. That report may be obtained by writing to MMERS at 447 North Canal Road, Lansing, Michigan 48917. At December 31, 2008, the date of the most recent actuarial valuation, the Facility membership consisted of 68 retirees and beneficiaries currently receiving benefits, 26 terminated employees entitled to benefits but not yet receiving them, and 151 current active employees.

Funding Policy - The obligation to contribute to and maintain the system for covered employees was established in the Manistee County Pension Plan, as amended January 1, 1985, and requires a contribution from the Facility equal to the normal cost plus the level annual percentage of payroll payment required to amortize the unfunded actuarial accrued liability over 30 years. The Facility's contributions to the plan for the years ended September 30, 2009, 2008, and 2007 were \$507,261, \$514,075, and \$503,965, respectively.

Annual Pension Cost - For the year ended September 30, 2009, the County's annual pension cost was \$1,244,964 and the Facility's annual pension cost was \$558,282. The Facility's actual annual contribution of \$507,261 was less than the annual required contribution. The pension costs for the three most recent years are as follows:

The County's Annual Pension Cost:

Fiscal Year Ended September 30:		
2009	2008	2007
\$ 1,244,964	\$ 1,131,750	\$ 1,014,849

The Facility's Annual Pension Cost:

Fiscal Year Ended September 30:		
2009	2008	2007
\$ 558,282	\$ 502,536	\$ 440,223

Actuarial Methods and Assumptions - The annual required contribution was determined as part of an actuarial valuation at December 31, 2008 using the entry age normal cost funding method. Significant actuarial assumptions used include (a) an 8 percent investment rate of return, (b) projected salary increases of 4.5 percent per year, and (c) no cost of living adjustments. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a 10-year period.

Manistee County Medical Care Facility

Notes to Financial Statements September 30, 2009 and 2008

Note 7 - Defined Benefit Pension Plan (Continued)

The County's actuarial liability exceeds the actuarial value of net assets available for benefits by \$8,015,141 and \$7,130,234 (the Facility's liability was \$3,192,790 and \$2,811,041) as of December 31, 2008 and 2007, respectively.

Note 8 - Risk Management

The Facility is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Facility has purchased commercial insurance for malpractice and general liability claims, workers' compensation, and employee medical benefit claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Facility is insured against potential professional liability claims under an occurrence-basis policy, whereby all claims resulting from incidents that occur during the policy period are covered up to insured limits, regardless of when the claims are reported to the insurance carrier. There are no known outstanding or pending claims at September 30, 2009 and 2008.

Note 9 - Medicaid Quality Assurance Assessment Program

The Facility's Medicaid revenue has been partially funded by a program called Quality Assurance Assessment Program (QAAP). During the fiscal year ended September 30, 2009, the Facility received Medicaid revenue related to QAAP of approximately \$1,020,000 and was assessed a "provider tax" of approximately \$600,000 based on the number of non-Medicare resident days of service provided during the base year. During the fiscal year ended September 30, 2008, the Facility received Medicaid revenue related to QAAP of approximately \$890,000 and was assessed a "provider tax" of approximately \$700,000 based on the number of non-Medicare resident days of service provided during the base year (two years prior).

Additional Information

Manistee County Medical Care Facility

Schedule of Net Service Revenue

	Year Ended September 30	
	2009	2008
Skilled Nursing Services		
Daily net room revenue:		
Medicaid	\$ 7,062,723	\$ 6,414,508
Medicare	1,161,213	1,279,395
Private pay and other	1,099,587	1,363,800
Total daily net room revenue	9,323,523	9,057,703
Ancillary revenue:		
Pharmacy	253,478	242,371
Therapy services	405,540	565,383
Other ancillary services	51,526	67,676
Total ancillary revenue	710,544	875,430
Total skilled nursing services revenue	10,034,067	9,933,133
Revenue Deductions		
Provision for contractual discounts	(966,002)	(975,584)
Bad debt expense	(63,867)	(6,503)
Total revenue deductions	(1,029,869)	(982,087)
Net Service Revenue	\$ 9,004,198	\$ 8,951,046

Manistee County Medical Care Facility

Schedule of Operating Expenses

	Year Ended September 30			
	2009		2008	
	Salaries	Other	Total	Total
Fringe benefits	\$ -	\$ 1,755,267	\$ 1,755,267	\$ 1,737,484
Administration	399,704	352,069	751,773	726,419
Plant operations	267,404	135,998	403,402	423,476
Utilities	-	443,179	443,179	468,492
Laundry	120,069	21,429	141,498	137,770
Housekeeping	172,690	27,831	200,521	223,678
Dietary	489,756	336,431	826,187	867,989
Medical records	-	24,588	24,588	20,000
Social services	128,410	-	128,410	154,334
Diversional therapy	237,849	17,550	255,399	255,335
Other ancillary services	-	42,556	42,556	47,728
Therapy services	71,394	164,275	235,669	341,186
Pharmacy	-	207,204	207,204	202,920
Nursing	3,497,072	349,868	3,846,940	3,999,286
Custom Line	-	600,800	600,800	671,912
Depreciation and amortization	-	245,848	245,848	244,693
2009 total	<u>\$ 5,384,348</u>	<u>\$ 4,724,893</u>	<u>\$ 10,109,241</u>	
2008 total	<u>\$ 5,527,318</u>	<u>\$ 4,995,384</u>		<u>\$ 10,522,702</u>

MANISTEE COUNTY TRANSPORTATION, INC.
REVENUE AND EXPENSE
JUNE, 2010

(APPENDIX H)

REVENUE	THIS MONTH	LAST MONTH	THIS YEAR	BUDGET	VARIANCE
PASSENGER FARES	\$ 7,818	10,535	94,526	77,400	22.13 %
CONTRACT FARES	7,490	27,156	221,708	203,400	9.00
ROOM RENTAL	25	100	5,205	4,320	20.49
MISC. INCOME	31	44	1,409	3,150	(55.27)
INTEREST INCOME	150	130	1,777	2,700	(34.19)
LOCAL ASSISTANCE - ACCRUED	30,643	30,643	275,786	275,786	0.00
STATE ASSISTANCE - ACCRUED	38,403	43,173	392,903	397,212	(1.08)
FEDERAL ASSISTANCE - ACCRUED	17,511	19,685	179,152	181,117	(1.08)
TOTAL REVENUE	\$ 102,071	131,466	1,172,466	1,145,085	2.39 %

EXPENSE

VEHICLE OPERATORS WAGES	\$ 24,412	34,250	302,404	287,100	5.33 %
DISPATCH WAGES	5,414	6,622	58,615	60,750	(3.51)
MAINTENANCE WAGES	7,584	7,779	78,145	79,200	(1.33)
MANAGEMENT WAGES	11,208	11,207	107,546	107,100	0.42
FRINGE BENEFITS	36,805	36,145	333,557	365,400	(8.71)
PROFESSIONAL SERVICES	364	321	14,045	10,350	35.70
MAINTENANCE SERVICES	235	0	3,920	5,850	(32.99)
FUEL AND LUBRICANTS	11,902	12,256	92,716	81,900	13.21
TIRES AND TUBES	0	0	6,000	6,000	0.00
VEHICLE MAINTENANCE	1,535	4,139	21,005	22,500	(6.64)
OFFICE SUPPLIES	219	657	4,502	5,850	(23.04)
OTHER MATERIAL AND SUPPLIES	447	512	3,267	3,150	3.71
UTILITIES	1,178	1,321	17,371	16,200	7.23
PHONE	726	735	7,155	7,650	(6.47)
CASUALTY AND LIABILITY - ACCRUED	6,544	6,544	58,896	58,896	0.00
DUES AND SUBSCRIPTIONS	0	0	2,102	1,710	22.92
TRAVEL AND MEETINGS	523	358	3,053	5,400	(43.46)
ADVERTISING	347	0	2,697	3,375	(20.09)
MISCELLANEOUS	0	189	2,706	3,600	(24.83)
TOTAL EXPENSE	\$ 109,443	123,035	1,119,702	1,131,981	(1.08) %

NET SURPLUS \$ (7,372) 8,431 52,764 13,104 302.66 %

BANK BALANCE \$ 836,380 810,111

**MANISTEE COUNTY TRANSPORTATION, INC.
FY 2011 BUDGET**

REVENUE

PASSENGER FARES	\$ 115,000
CONTRACT FARES	240,000
ROOM RENTAL	5,760
MISC. INCOME	3,000
INTEREST	3,000
LOCAL ASSISTANCE	365,000
STATE ASSISTANCE	540,438
FEDERAL ASSISTANCE	247,265
TOTAL REVENUE	\$ 1,519,463

EXPENSE

VEHICLE OPERATORS WAGES	\$ 392,800
DISPATCH WAGES	83,000
MAINTENANCE WAGES	108,600
MANAGEMENT WAGES	144,800
FRINGE BENEFITS	467,200
PROFESSIONAL SERVICES	15,800
MAINTENANCE SERVICES	7,800
FUEL AND LUBRICANTS	129,200
TIRES AND TUBES	8,000
VEHICLE MAINTENANCE	27,100
OFFICE SUPPLIES	6,800
OTHER MATERIAL AND SUPPLIES	4,200
UTILITIES	21,600
PHONE	10,200
CASUALTY AND LIABILITY	80,528
DUES AND SUBSCRIPTIONS	2,280
TRAVEL AND MEETINGS	6,200
ADVERTISING	4,500
MISCELLANEOUS	4,800
TOTAL EXPENSE	\$ 1,525,408

SURPLUS (SHORTFALL) \$ (5,945)

MANISTEE COUNTY TRANSPORTATION, INC.

MANISTEE COUNTY, MICHIGAN

AUDITED FINANCIAL STATEMENTS

SEPTEMBER 30, 2009

MANISTEE COUNTY TRANSPORTATION, INC.
MANISTEE, MICHIGAN
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KALCHER
VANDERWAL
& TORREY, P.C.

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TRAVERSE CITY
MANISTEE

CERTIFIED PUBLIC ACCOUNTANTS

Of Counsel:
LEONARD R. KALCHER, C.P.A.

INDEPENDENT AUDITOR'S REPORT

January 7, 2010

Board of Directors
Manistee County Transportation, Inc.
180 Memorial Drive
Manistee, Michigan 49660

We have audited the accompanying financial statements of Manistee County Transportation, Inc. (a non-profit Michigan Corporation) as of and for the year ended September 30, 2009, as listed in the Table of Contents. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the Michigan Department of Treasury "Audit Guide for Transportation Authorities and Agencies in Michigan." Those standards, and audit guide, require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Manistee County Transportation, Inc., at September 30, 2009, and the results of its operations and its cash flows 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 January 7, 2010 on our consideration of Manistee County Transportation, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Manistee County Transportation, Inc.'s basic financial statements. The accompanying supplemental material presented in Schedules 1 through 6 has been subjected to the audit procedures applied in connection with our audit of those financial statements. This information, while not considered necessary for the fair presentation of the financial statements, results of operations and cash flows of the corporation, is, in our opinion, fairly stated in all material respects when considered in relation to the financial statements taken as a whole.

Kulcher, Vanderhoff & Toney, P.C.

Certified Public Accountants

MANISTEE COUNTY TRANSPORTATION, INC.
MANAGEMENT DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED SEPTEMBER 30, 2009

Our discussion and analysis of the Manistee County Transportation, Inc. (MCTI) financial statements presents management's overview of our financial performance for the fiscal year ended September 30, 2009. This section should be read in conjunction with the financial statements which follow this section.

Financial Highlights

Total Assets at September 30, 2009 were \$2,082,066, a decrease of \$101,842 from September 30, 2008.

Operating revenue decreased 6.6% from the previous year.

The unrestricted portion of Total Net Assets increased by \$82,180.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to our basic financial statements. The notes to the financial statements also contain more detail on some of the information presented in the financial statements. The financial statements report information using accounting methods similar to those used by private sector companies. These statements offer short-term and long-term financial information about our activities. The Statement of Net Assets presents information on all of our assets and liabilities, with the difference between the two reported as net assets. Over time, increases and decreases in net assets may serve as a useful indicator of whether the financial position of MCTI is improving or deteriorating. The Statement of Revenues, Expenses and Changes in Net Assets presents information showing how our net assets changed during the 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 recorded in this statement for some items that will only result in cash flows in future fiscal periods.

Financial Analysis

For the year ended September 30, 2009, assets exceeded liabilities by \$1,961,795. The following is a summary of MCTI's net assets.

MANISTEE COUNTY TRANSPORTATION, INC.
MANAGEMENT DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED SEPTEMBER 30, 2009

Summary Statement of Net Assets

	2009	2008
Assets:		
Current Assets	\$ 1,106,485	\$ 1,052,529
Capital Assets (Net)	975,581	1,131,379
Total Assets	\$ 2,082,066	\$ 2,183,908
Liabilities:		
Current Liabilities	\$ 71,379	\$ 92,352
Long-term Liabilities	48,892	56,143
Total Liabilities	\$ 120,271	\$ 148,495
Net Assets:		
Invested in Capital Assets	\$ 975,581	\$ 1,131,379
Unrestricted	986,214	904,034
Total Net Assets	\$ 1,961,795	\$ 2,035,413
Total Liabilities and Net Assets	\$ 2,082,066	\$ 2,183,908

Both Current Assets and Current Liabilities were relatively unchanged from the previous year.

Total Net Assets for MCTI decreased by \$73,618 during fiscal year 2009.

The following is a summary Statement of Revenues, Expenses and Changes in Net Assets.

MANISTEE COUNTY TRANSPORTATION, INC.
MANAGEMENT DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED SEPTEMBER 30, 2009

Summary Statement of Revenues, Expenses and Changes in Net Assets

	2009	2008
Operating Revenue	\$ 354,445	\$ 379,551
Operating Expenses	1,636,324	1,655,564
Operating Loss	\$ (1,281,879)	\$ (1,276,013)
Taxes	\$ 358,709	\$ 349,750
Other Nonoperating Revenue	770,470	779,253
Total Nonoperating Revenue	\$ 1,129,179	\$ 1,129,003
Net (Loss)	\$ (152,700)	\$ (147,010)
Capital Grants	52,212	73,939
Change in Net Assets	\$ (100,488)	\$ (73,071)

Operating revenue decreased 6.6% from the previous year. These results were due mainly to decreases in farebox revenue. Farebox revenue decreases were related to a drop in contracted services. Operating expense decreased by 1.2%, including a 40% decrease in fuel costs.

MANISTEE COUNTY TRANSPORTATION, INC.
MANAGEMENT DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED SEPTEMBER 30, 2009

Operating Revenues

The following table shows 2009 revenue compared to 2008:

<u>REVENUES</u>	<u>2009 AMOUNT</u>	<u>2009 PERCENT OF TOTAL</u>	<u>2008 AMOUNT</u>	<u>2008 PERCENT OF TOTAL</u>
Operating Revenue	\$ 354,445	23.89%	\$ 379,551	25.16%
Interest Income	4,315	0.29%	16,240	1.08%
Revenue Sharing - Manistee County	16,337	1.10%	17,469	1.16%
Other Grant - Manistee County	5,670	0.38%	6,035	0.40%
Property Tax	358,709	24.18%	349,750	23.18%
Federal Assistance	228,509	15.40%	228,072	15.12%
State Assistance	506,641	34.15%	511,437	33.90%
Gain on Disposal of Assets	8,998	0.61%	-	0.00%
Total Revenue	<u>\$ 1,483,624</u>	<u>100.00%</u>	<u>\$ 1,508,554</u>	<u>100.00%</u>
 <u>CAPITAL CONTRIBUTIONS</u>				
Federal	\$ 44,744	85.70%	\$ 59,151	80.68%
State	7,468	14.30%	14,788	19.32%
	<u>\$ 52,212</u>	<u>100.00%</u>	<u>\$ 73,939</u>	<u>100.00%</u>

The federal reimbursement rate remained the same at 16% for eligible expenditures in 2009. The State reimbursement rate was 35.6166% for fiscal year 2009, down from 36.1508% in 2008, and compared with 60% eleven years ago.

MANISTEE COUNTY TRANSPORTATION, INC.
 MANAGEMENT DISCUSSION AND ANALYSIS
 FOR FISCAL YEAR ENDED SEPTEMBER 30, 2009

Operating Expenses

MCTI's expenses may be reviewed in two formats:

Operating Expense by Department - The department describes the major function areas, and includes:

Operations - Responsible for all on-street services, including operators and dispatchers.

Maintenance - Responsible for providing vehicles (including fuel, parts and cleaning) and facilities.

Administration - All other functions including management, planning, marketing, information systems, purchasing and finance.

The following table shows the expenses for 2009 compared to 2008 by department:

<u>DEPARTMENT</u>	<u>2009 AMOUNT</u>	<u>2009 PERCENT OF TOTAL</u>	<u>2008 AMOUNT</u>	<u>2008 PERCENT OF TOTAL</u>
Operations	\$ 1,175,892	71.86%	\$ 1,134,920	68.55%
Maintenance	204,973	12.53%	189,467	11.44%
Administration	255,459	15.61%	331,177	20.01%
Total Expenses	<u>\$ 1,636,324</u>	<u>100.00%</u>	<u>\$ 1,655,564</u>	<u>100.00%</u>

MANISTEE COUNTY TRANSPORTATION, INC.
MANAGEMENT DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED SEPTEMBER 30, 2009

Operating Expense by Object - The object is the classification of expenses by type of item. The following table shows expenses for 2009 compared to 2008 by object:

<u>OBJECT</u>	<u>2009 AMOUNT</u>	<u>2009 PERCENT OF TOTAL</u>	<u>2008 AMOUNT</u>	<u>2008 PERCENT OF TOTAL</u>
Wages and Benefits	\$ 1,129,498	69.02%	\$ 1,094,487	66.11%
Services	21,040	1.29%	21,657	1.31%
Supplies and Materials	179,799	10.99%	185,607	11.21%
Utilities	30,618	1.87%	30,624	1.85%
Casualty and Liability	77,828	4.76%	71,411	4.31%
Miscellaneous	13,252	0.81%	11,407	0.69%
Taxes and Fees	90	0.00%	20	0.00%
Depreciation	184,199	11.26%	240,351	14.52%
	<u>\$ 1,636,324</u>	<u>100.00%</u>	<u>\$ 1,655,564</u>	<u>100.00%</u>

The decrease in the Supplies and Materials line item is due to the before mentioned decrease in fuel costs during 2009.

Capital Assets

MCTI's investment in capital assets as of September 30, 2009, amounted to \$975,581 net of accumulated depreciation. Capital assets consist of buses, land, buildings, other vehicles and equipment.

Additional information on MCTI's capital assets can be found in the notes to the financial statements.

MANISTEE COUNTY TRANSPORTATION, INC.
MANAGEMENT DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED SEPTEMBER 30, 2009

Economic Factors and Future Outlook

At the time these financial statements were prepared and audited, MCTI was aware of the following items that could significantly affect its financial health in the future:

With the current economic condition in the country, and especially in the State of Michigan, uncertainty surrounds the level at which federal and state operating assistance grants will be funded. Continued decreases will present considerable operating obstacles in the future.

As with other employers, MCTI continues to face increases in rates paid for various employee benefits.

MCTI has a contract with the vehicle operators, represented by the United Steelworkers, which runs through January 10, 2010.

Wildly fluctuating fuel prices will continue to provide MCTI with both operational challenges and ridership opportunities.

Request for Information

This financial report is designed to provide a general overview of MCTI's finances for all those who have an interest in our finances. Questions concerning any of the information presented in this report or requests for additional financial information should be addressed to Manistee County Transportation, Inc., 180 Memorial Drive, Manistee, Michigan 49660

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts Payable	\$ 23,929
Due to Other Governments	9,212
Accrued Salaries and Wages	37,418
Various Payroll Withholdings	820
Total Current Liabilities	<u>\$ 71,379</u>

Long-term Liabilities

Compensated Absences	\$ 48,892
Total Long-term Liabilities	<u>\$ 48,892</u>

Total Liabilities	<u>\$ 120,271</u>
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Net Assets

Invested in Capital Assets	\$ 975,581
Unrestricted	986,214
Total Net Assets	<u>\$ 1,961,795</u>

TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 2,082,066</u></u>
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The notes to the financial statements are an integral part of these statements.

MANISTEE COUNTY TRANSPORTATION, INC.
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED SEPTEMBER 30, 2009

<u>Operating Revenues: (Schedule 1)</u>		\$ 354,445
<u>Operating Expenses: (Schedule 2)</u>		<u>(1,636,324)</u>
<u>Operating Loss</u>		\$ (1,281,879)
<u>Non-Operating Revenues (Schedule 3)</u>		<u>1,129,179</u>
Loss before Capital Contributions		<u>(152,700)</u>
<u>Capital Contributions</u>		
Federal Financial Assistance		\$ 44,744
State of Michigan		<u>7,468</u>
Total Capital Contributions		<u>\$ 52,212</u>
<u>Decrease in Net Assets</u>		\$ (100,488)
<u>Net Assets - October 1, 2008</u>	\$ 2,035,413	
Prior Period Adjustments	<u>26,870</u>	
<u>Adjusted Net Assets - October 1, 2008</u>		<u>2,062,283</u>
<u>Net Assets - September 30, 2009</u>		<u>\$ 1,961,795</u>

The notes to the financial statements are an integral part of these statements.

MANISTEE COUNTY TRANSPORTATION, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2009

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

Cash Flows from Operating Activities:	
Cash Received from Customers	\$ 361,925
Cash Payments to Suppliers for Goods and Services	(713,523)
Cash Payments to Employees for Services	<u>(751,551)</u>
Net Cash Used by Operating Activities	<u>\$ (1,103,149)</u>
Cash Flows from Non-Capital Financing Activities:	
Tax Levy Proceeds	\$ 390,289
State Operating Grants Received	555,846
Federal Operating Grants Received	<u>179,514</u>
Net Cash Provided by Non-Capital Financing Activities	<u>\$ 1,125,649</u>
Cash Flows from Capital and Related Financing Activities:	
Acquisition of Capital Assets	\$ (28,775)
Proceeds from Sale of Capital Assets	9,370
Capital Grants Received	<u>72,572</u>
Net Cash Provided for Capital and Related Financing Activities	<u>\$ 53,167</u>
Cash Flows from Investing Activities:	
Interest Received	<u>\$ 4,315</u>
Net Cash Provided by Investing Activities	<u>\$ 4,315</u>
Net Increase in Cash and Cash Equivalents	\$ 79,982
<u>CASH AND CASH EQUIVALENTS</u> - Beginning of Year	<u>542,515</u>
<u>CASH AND CASH EQUIVALENTS</u> - End of Year	<u><u>\$ 622,497</u></u>

The notes to the financial statements are an integral part of these statements.

MANISTEE COUNTY TRANSPORTATION, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2009

RECONCILIATION OF OPERATING INCOME
TO NET CASH PROVIDED BY OPERATING ACTIVITIES:

Operating Loss	<u>\$ (1,281,879)</u>
Adjustments to Reconcile Operating Income	
To Net Cash Provided by Operating Activities	
Depreciation	\$ 184,199
Prior Period Adjustment	17,706
(Increase) Decrease in Current Assets:	
Accounts Receivable	7,480
Inventories	409
Prepaid Expense	(31,833)
Increase (Decrease) in Current Liabilities:	
Accounts Payable	6,668
Accrued Liabilities	1,352
Compensated Absences	<u>(7,251)</u>
Total Adjustments	<u>\$ 178,730</u>
NET CASH USED BY OPERATING ACTIVITIES	<u><u>\$ (1,103,149)</u></u>

The notes to the financial statements are an integral part of these statements.

MANISTEE COUNTY TRANSPORTATION, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

Note 1 - Description of Operations

Manistee County Transportation, Inc. was established March 3, 1975, as a Michigan non-profit corporation. The Company contracts with the County of Manistee, Michigan, to provide public transportation services to the residents of the County of Manistee, Michigan, under the joint auspices of the Urban Mass Transportation Division of the Federal Department of Transportation and the Michigan Department of Transportation. The entity is governed by a seven (7) member board which in turn appoints the executive director.

Note 2 - Summary of Significant Accounting Policies

The basic financial statements of Manistee County Transportation, Inc. have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The following is a summary of the significant accounting policies of Manistee County Transportation, Inc.

Basis of Accounting

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

The Authority utilizes one enterprise fund to account for its business-type activities.

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 government has elected not to follow subsequent private-sector guidance.

Enterprise funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a enterprise fund's principal ongoing operations. The principal operating revenues of the Authority enterprise fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

MANISTEE COUNTY TRANSPORTATION, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

Note 2 - Summary of Significant Accounting Policies - continued

Basis of Accounting - continued

Enterprise funds are used to account for those operations that are financed and operated in a manner similar to private business or where the board has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

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

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 non-fiduciary activities of Manistee County Transportation, Inc. The government-wide financial statements categorize primary activities as either governmental or business type. Manistee County Transportation, Inc. activities are classified as business-type activities.

In the government-wide statement of net assets, the business-type activity is reported on a full accrual, economic resource basis, which recognizes long-term assets and receivables as well as long-term debt and obligations. Manistee County Transportation, Inc.'s net assets are reported in two parts - invested in capital assets and unrestricted net assets. Manistee County Transportation, Inc. does not have any outstanding debt obligations.

This government-wide focus is more on the sustainability of the Manistee County Transportation, Inc. as an entity and the change in its net assets resulting from the current year's activities.

Inventories

Inventories of replacement parts are valued at the lower of cost or market using the first-in, first-out method. Office supplies are expensed when purchased and therefore are not included in inventories.

Capital Assets and Depreciation

Capital Assets are defined by the transit authority as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Costs relating to maintenance and repairs are charged to expense, whereas those for renewal, and betterments, when significant in amount, are capitalized.

Land is shown at cost.

All vehicles are shown at cost. Depreciation is computed on the straight-line method with useful lives of four (4) years for the service vehicles and five (5) to twelve (12) years for the buses.

MANISTEE COUNTY TRANSPORTATION, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

Note 2 - Summary of Significant Accounting Policies - continued

Capital Assets and Depreciation - continued

Leasehold improvements and equipment are shown at cost. Depreciation is computed on the straight-line method with useful lives of from five (5) to twelve (12) years for equipment and ten (10) years for leasehold improvements in accordance with the Michigan Department of Transportation "Replacement Schedule for transit agencies."

The eligible depreciation of \$2,130 (\$184,199 total depreciation less ineligible depreciation of \$182,069) includes only the depreciation of assets purchased with local funds and where the useful life of the asset purchased has been approved by the Bureau of Passenger Transportation.

Use of 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.

Cash Equivalents

For purposes of the statement of cash flows, the corporation considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Advertising

The Corporation uses advertising to promote its operations. The cost of advertising is expensed as incurred. During the year ended September 30, 2009, advertising cost totaled \$3,806.

Note 3 - Concentration of Credit Risk

The carrying amounts of the corporation's deposits as reflected in the accounts of the banks (without recognition of checks written but not yet cleared or of deposits in transit) were \$ 641,164 at September 30, 2009 all of which was covered by federal depository insurance.

State statutes permit surplus public funds to be invested as follows:

- a. In bonds and other direct obligations of the United States or an Agency or instrumentality of the United States.
- b. In certificates of deposits, savings accounts, or depository receipts of a bank, but only if the financial institution complies with certain requirements included within the act.
- c. In commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase.

MANISTEE COUNTY TRANSPORTATION, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

Note 3 - Concentration of Credit Risk - continued

- d. Obligations of the State of Michigan or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
- e. Mutual funds registered under the Investment Company Act of 1940, Title I Chapter 686.54 Stat.739, 15 U.S.C. 80a-1 and 80a-3 and 80a-4 with authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- f. Obligations described in subdivision 9(a) through (g) if purchased through an inter-local agreement under the Urban Cooperation Act of 1967, 1967 PA 7, MCL 124.501 to 124.512.
- g. Investment pools organized under the Surplus Funds Investment Pool Act, 1982 PA 367, MCL 129.11 to 129.118.
- h. Investment pools organized under the Local Government Investment Pool Act, 1985 PA 121, MCL 129.141 to 129.150.

Note 4 - Due To/From Other Governmental Units

At year end the corporation had grants receivable from Federal and State agencies as follows:

MDOT No. 2002-0063/Z9 - Capital Grant	\$ 14,872
MDOT No. 2007-0250/Z6 - Capital Grant	37,340
Federal Operating Assistance - Fiscal Year 2007	2,455
Federal Operating Assistance - Fiscal Year 2008	14,816
Federal Operating Assistance - Fiscal Year 2009	69,500
	<u>\$ 138,983</u>

At year end the corporation had grants payable to Federal and State agencies as follows:

State Operating Assistance - Fiscal Year 2007	\$ 1,193
State Operating Assistance - Fiscal Year 2009	8,019
	<u>\$ 9,212</u>

MANISTEE COUNTY TRANSPORTATION, INC.
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2009

Note 5 - Changes in Capital Assets

Capital Asset Activity for the year ended September 30, 2009 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities				
Capital Assets Not Being Depreciated:				
Land	\$ 55,038	\$ -	\$ -	\$ 55,038
Capital Assets Being Depreciated				
Leasehold Improvements	180,884	21,072	929	201,027
Buses and Vehicles	2,836,182	-	737,020	2,099,162
Equipment	134,574	7,703	21,149	121,128
Total Capital Assets Being Depreciated:	\$ 3,151,640	\$ 28,775	\$ 759,098	\$ 2,421,317
Less: Accumulated Depreciation For:				
Leasehold Improvements	50,417	9,273	557	59,133
Buses and Vehicles	1,905,741	169,660	737,020	1,338,381
Equipment	119,143	5,266	21,149	103,260
Total Accumulated Depreciation	\$ 2,075,301	\$ 184,199	\$ 758,726	\$ 1,500,774
Net Capital Assets Being Depreciated	1,076,339	(155,424)	372	920,543
Net Capital Assets of Business Type Activities	\$ 1,131,377	\$ (155,424)	\$ 372	\$ 975,581

MANISTEE COUNTY TRANSPORTATION, INC.
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2009

Note 5 - Changes in Capital Assets - continued

Major classes of property and equipment consist of the following:

	Purchased With Local Authority Funds	Purchased With Capital Grants	Total
Land	\$ -	\$ 55,038	\$ 55,038
Leasehold Improvements	25,110	175,917	201,027
Buses and Vehicles	5,866	2,093,296	2,099,162
Equipment	8,611	112,517	121,128
	<u>\$ 39,587</u>	<u>\$ 2,436,768</u>	<u>\$ 2,476,355</u>
Less: Accumulated Depreciation	(34,363)	(1,466,411)	(1,500,774)
Net Property and Equipment	<u>\$ 5,224</u>	<u>\$ 970,357</u>	<u>\$ 975,581</u>

Disposition of assets acquired with Federal and State money require prior approval from the Michigan Department of Transportation.

Note 6 - Commitments

The physical premises occupied by Manistee County Transportation, Inc. are owned by the County of Manistee. The deed states that the building is to be used exclusively by Manistee County Transportation, Inc. There is currently no lease cost incurred for the use of the building however, Manistee County Transportation, Inc., is responsible for the operation and maintenance of the building.

The property was originally purchased in 1979 by the County of Manistee with a grant from the Michigan Department of Transportation (MDOT). Under the terms of the grant the property is to be used exclusively for public transportation with MDOT retaining its proportionate interest in the property in the event the property is sold or ceased to be used for public transportation.

Note 7 - County Tax Levy

Manistee County voters approved a five year millage request in 1996 which provides a tax levy of .33 mills based on the County equalized valuation to be used for the operations of Manistee County Transportation, Inc.

In August 2006 this millage was renewed by the Manistee County voters for a seven year period covering the years 2006 through 2013.

MANISTEE COUNTY TRANSPORTATION, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

Note 8 - Contingent Liability

In 1996, TES Filer City Station (Tondu) a Manistee County taxpayer, filed a petition with the Michigan Tax Tribunal contesting the 1993, 1994, 1995 and 1996 assessed value, State equalized value and taxable value of its industrial location in Filer Township, Manistee County, Michigan. Tondu has since contested the years 1997 - 2001. If this appeal would have been successful, all of the taxing jurisdictions which benefit from tax dollars generated by Tondu would have been required to pay back these funds and incur a loss of future revenue.

It has been estimated by the County's Equalization director that the potential revenue payback, would have resulted in Manistee County Transportation, Inc., returning \$74,543 for the years 1993 through 2001.

In January of 2004, the Michigan Tax Tribunal ruled against Tondu. During the prior fiscal year, the original petition filed for the years 1993 - 1996 was settled. The subsequent years have not been settled as of the date of these financial statements.

Note 9 - Vacation and Sick Leave

Vacation and Sick Leave accumulated during the year is recorded as current fringe benefit expense. As of September 30, 2009, the accumulated sick leave benefits computed for the employees of Manistee County Transportation, Inc., was \$ 48,892. Accumulated vacation pay included in accrued wages is \$ 13,962.

Full-time employees and part-time employees receive credit for six discretionary days on January first of each year. Beginning January 1, 1999, these days may not be carried over from one year to the next. Any accumulated discretionary days as of January 1, 1999 may be used, or kept, the same as in the past. However, beginning January 1, 1999 all days must be used in the year they are earned. An employee with an existing accumulation of discretionary days will have the option once each year, to convert any employer specified number of discretionary days to cash at 85% of current value. Employees receive one hundred (100%) percent of sick leave upon retirement or death.

All employees are entitled to vacation time off, with pay, during each year of employment. Holidays, discretionary days, and vacation days shall be deemed as days worked for vacation purposes. Vacation time allowed is based on years of service as follows:

<u>Years of Service</u>	<u>Vacation</u>
1 year but less than 3	1 week
3 years or more but less than 5	2 weeks
5 years but less than 8	3 weeks
8 or more years	4 weeks

Employees shall take vacation if the transportation schedule permits. If the schedule cannot accommodate the requested time off for the employees vacation, the employee shall receive vacation pay for all vacation time earned by December 31. Management may, at its discretion based on scheduling needs, grant employees who have less than one year of service, vacation time-off.

MANISTEE COUNTY TRANSPORTATION, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

Note 10 - Risk Management

Manistee County Transportation, Inc., is exposed to various risk of loss related to torts; theft of; damage to; and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Corporation is insured through the Michigan Municipal Risk Management Authority which is a public risk pool currently operating as a common risk management and insurance program for Michigan Municipalities. The Corporation pays an annual premium to the Michigan Municipal Risk Management Authority for its insurance coverage.

Note 11 - Informational Summary of Projected Revenues, Expenditures and Method of Financing Capital Projects

Manistee County Transportation, Inc. has prepared and made available for inspection, the informational summary of projected revenues, expenditures and capital projects costs recommended in section 15, subsection 1 (h), PA 1978, as amended, (MCIA 141 435) MSA 5.3228 (35) and as required in Act 51, 10e (1) (d) (vii).

Note 12 - Prior Period Adjustments

During the year ended September 30, 2009 the following adjustment were made to unrestricted net assets:

State Operating Assistance -

Fiscal Year 2007 Reconciliation	\$ 9,912
Fiscal Year 2008 Reconciliation	9,144

Federal Operating Assistance -

Fiscal Year 2002 Reconciliation	(13,155)
Fiscal Year 2003 Reconciliation	7,656
Fiscal Year 2004 Reconciliation	696
Fiscal Year 2005 Reconciliation	2,859
Fiscal Year 2006 Reconciliation	(7,948)

MMRMA - Distribution of Excess Net Assets as of June 30, 2007	<u>17,706</u>
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Net Prior Period Adjustments	<u>\$ 26,870</u>
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Note 13 - Cost Allocation Plan

The Michigan Department of Transportation, Bureau of Passenger Transportation has approved the following cost allocation plan for Manistee County Transportation, Inc:

Conference Room Rental

The cost allocation plan was adhered to in the preparation of the financial statements.

SUPPLEMENTAL
SCHEDULES

MANISTEE COUNTY TRANSPORTATION, INC.
OPERATING REVENUES
FOR THE YEAR ENDED SEPTEMBER 30, 2009

SCHEDULE 1

Operating Revenues:

Demand-Response (Farebox)	\$ 353,381
Auxiliary Transportation Revenue	<u>1,064</u>
	<u>\$ 354,445</u>

MANISTEE COUNTY TRANSPORTATION, INC.
 OPERATING EXPENSES
 FOR THE YEAR ENDED SEPTEMBER 30, 2009

SCHEDULE 2

	Operations	Maintenance	General Administration	Total System
<u>Labor</u>				
Operator's Salaries and Wages	\$ 409,885	\$ -	\$ -	\$ 409,885
Other Salaries and Wages	79,411	119,644	136,499	335,554
<u>Fringe Benefits</u>	258,847	71,535	53,677	384,059
<u>Audit Costs</u>	-	-	6,800	6,800
<u>Services</u>	-	7,542	6,698	14,240
<u>Material and Supplies Consumed</u>				
Fuel and Lubricants	90,663	-	-	90,663
Other Materials and Supplies	75,059	6,252	7,825	89,136
<u>Utilities</u>	-	-	30,618	30,618
<u>Casualty and Liability Costs</u>				
Premiums for Public Liability and Property Damage Insurance	77,828	-	-	77,828
<u>Taxes and Fees</u>	-	-	90	90
<u>Miscellaneous Expense</u>				
Travel and Meetings	-	-	8,821	8,821
Association Dues and Subscriptions	-	-	2,167	2,167
Other Miscellaneous	-	-	2,260	2,260
<u>Interest on Short-Term Debt</u>	-	-	4	4
<u>Depreciation and Amortization</u>	184,199	-	-	184,199
Total Expenses	\$ 1,175,892	\$ 204,973	\$ 255,459	\$ 1,636,324

MANISTEE COUNTY TRANSPORTATION, INC.
SCHEDULE OF NON-OPERATING REVENUES
FOR THE YEAR ENDED SEPTEMBER 30, 2009

SCHEDULE 3

Local Sources

Local Operating Grants

Taxes - Manistee County	\$ 358,709
Revenue Sharing - Manistee County	16,337
Other Grant - Manistee County - Rental of Conference Room	5,670
Total Local Services	<u>\$ 380,716</u>

State and Federal Sources

State Operating Grants

Operating Assistance	<u>\$ 506,641</u>
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Federal Operating Grants

R-TAP	\$ 1,999
D.O.T. Operating Grant - MDOT No. 2007-0250-Z5	226,510
Total Federal Operating Grants	<u>\$ 228,509</u>

Total State and Federal Sources	<u>\$ 735,150</u>
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Other Sources

Gain on Sale of Assets	\$ 9,370
Interest Income	4,315
Loss on Disposal of Assets	(372)
Total Other Sources	<u>\$ 13,313</u>

Total Non-Operating Revenues	<u><u>\$ 1,129,179</u></u>
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MANISTEE COUNTY TRANSPORTATION, INC.
EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2009

SCHEDULE 4

<u>Federal and State Grantor/Pass-Through</u>	<u>Federal CFDA Number</u>	<u>Grant Number</u>	<u>Program Award Amount</u>	<u>Current Year's Expenditures</u>			<u>Prior Years' Expenditur</u>	<u>Award Amount Remaining</u>
				<u>Total</u>	<u>Federal</u>	<u>State</u>		
Passed Through Michigan Department of Transportation								
Operating Assistance - Section 5311	20.509	2007-0250-Z5	\$ 226,510	\$ 226,510	\$ 226,510	\$ -	\$ -	\$ -
Rural Transit Assistance Program (RTAP)	20.509	N/A	1,999	1,999	1,999	-	-	-
Federal Transit Capital Grants								
Capital Grant -- Section 5311 (100/0)	20.509	2002-0063/Z9	43,200	14,872	11,898	2,974	26,357	1,971
Capital Grant -- Section 5311 (80/20)	20.509	2007-0250/Z6	37,340	37,340	29,872	7,468	-	-
Michigan Department of Transportation								
Non - Urban Operating Assistance	N/A	N/A	506,641	506,641	-	506,641	-	-
			<u>\$ 815,690</u>	<u>\$ 787,362</u>	<u>\$ 270,279</u>	<u>\$ 517,083</u>	<u>\$ 26,357</u>	<u>\$ 1,971</u>

MANISTEE COUNTY TRANSPORTATION, INC.
 SCHEDULE OF EXPENSES BY CONTRACT AND GENERAL OPERATIONS
 FOR THE YEAR ENDED SEPTEMBER 30, 2009

SCHEDULE 5

	<u>R-Tap</u>	<u>Operations</u>	<u>Total</u>
Labor	\$ -	\$ 745,439	\$ 745,439
Fringe Benefits	-	384,059	384,059
Audit Costs	-	6,800	6,800
Services	-	14,240	14,240
Material and Supplies	-	179,799	179,799
Utilities	-	30,618	30,618
Casualty and Liability Costs	-	77,828	77,828
Taxes and Fees	-	90	90
Miscellaneous	1,999	11,249	13,248
Interest on Short-Term Debt	-	4	4
Depreciation	-	184,199	184,199
	<u>\$ 1,999</u>	<u>\$ 1,634,325</u>	<u>\$ 1,636,324</u>

MANISTEE COUNTY TRANSPORTATION, INC.
NET ELIGIBLE COSTS COMPUTATIONS OF GENERAL OPERATIONS
FOR THE YEAR ENDED SEPTEMBER 30, 2009

SCHEDULE 6

<u>Expenses</u>	<u>Federal Section 5311</u>	<u>State Operating Assistance</u>
Labor	\$ 745,439	\$ 745,439
Fringe Benefits	384,059	384,059
Audit Costs	6,800	6,800
Services	14,240	14,240
Materials and Supplies	179,799	179,799
Utilities	30,618	30,618
Casualty and Liability Costs	77,828	77,828
Taxes and Fees	90	90
Miscellaneous	13,248	13,248
Interest on Short-Term Debt	4	4
Depreciation	184,199	184,199
Total Expenses	<u>\$ 1,636,324</u>	<u>\$ 1,636,324</u>
<u>Less: Ineligible Expenses</u>		
Audit Costs	\$ 6,800	\$ -
Bad Debt	254	254
Depreciation	182,069	182,069
R-Tap Reimbursements	1,999	1,999
Allocated Cost - Meeting Room	182	182
Materials & Supplies Paid for Under Capital Contracts	29,005	29,005
Entertainment	226	226
Lobbying Expenses - MPTA Dues	103	103
Total Ineligible Expenses	<u>\$ 220,638</u>	<u>\$ 213,838</u>
<u>Net Eligible Expenses</u>	<u>\$ 1,415,686</u>	<u>\$ 1,422,486</u>
Maximum Section 5311 Reimbursement (16.0%)	<u>\$ 226,510</u>	
Maximum State Operating Assistance (35.6166%)		<u>\$ 506,641</u>

**KALCHER
VANDERWAL
& TORREY, P.C.**

DALE L. VANDERWAL, C.P.A.
LEE W. TORREY, C.P.A.
JOHN A. SPRATTO, C.P.A.
DAVID L. RICHARDS, C.P.A., A.B.V.

TRAVERSE CITY
MANISTEE

CERTIFIED PUBLIC ACCOUNTANTS

Of Counsel:
LEONARD R. KALCHER, C.P.A.

January 7, 2010

Board of Directors
Manistee County Transportation, Inc.
180 Memorial Drive
Manistee, Michigan 49660

As required by the Michigan Department of Transportation, schedules of mileage, vehicle hours and number of passengers transported for the year ended September 30, 2009, are included in this report. The accompanying supplemental information contained in schedules seven (7) and eight (8), for the year ended September 30, 2009, is presented for analytical purposes only and has been compiled by us from information that is the representation of management, without audit or review, and we accordingly do not express an opinion or any other form of assurance on such information.

Kalcher, Vanderwal & Torrey, P.C.
Certified Public Accountants

MANISTEE COUNTY TRANSPORTATION, INC.
MILEAGE DATA
FOR THE YEAR ENDED SEPTEMBER 30, 2009

SCHEDULE 7

	Public Transportation Mileage	Charter/School Bus Mileage	Demonstration Project Mileage
<u>Demand/Response</u>			
1st Quarter	104,012	-	-
2nd Quarter	105,356	-	-
3rd Quarter	97,387	-	-
4th Quarter	80,267	-	-
Total Operations	<u>387,022</u>	<u>-</u>	<u>-</u>

Note: Manistee County Transportation, Inc., operates all of its buses on a demand response basis. There are no buses run on a strict line-haul basis.

The methodology used for compiling mileage has been reviewed by us and found to be an adequate and reliable method for recording vehicle mileage.

See Accountant's Compilation Report.

MANISTEE COUNTY TRANSPORTATION, INC.
 PASSENGERS AND VEHICLE HOURS
 FOR THE YEAR ENDED SEPTEMBER 30, 2009

SCHEDULE 8

	<u>1st</u> <u>Quarter</u>	<u>2nd</u> <u>Quarter</u>	<u>3rd</u> <u>Quarter</u>	<u>4th</u> <u>Quarter</u>	<u>Total</u> <u>Operations</u>
<u>Demand - Response</u>					
Regular	18,751	21,681	17,982	9,556	67,970
Senior	2,820	3,017	2,641	3,100	11,578
Handicapped	8,149	8,207	8,201	6,994	31,551
Handicapped Senior	720	577	768	874	2,939
Total	<u>30,440</u>	<u>33,482</u>	<u>29,592</u>	<u>20,524</u>	<u>114,038</u>
<u>Vehicle Hours</u>	<u>6,405</u>	<u>6,879</u>	<u>6,163</u>	<u>5,322</u>	<u>24,769</u>

See Accountant's Compilation Report.

**KALCHER
VANDERWAL
& TORREY, P.C.**

DALE L. VANDERWAL, C.P.A.
LEE W. TORREY, C.P.A.
JOHN A. SPRATTO, C.P.A.
DAVID L. RICHARDS, C.P.A., A.B.V.

TRAVERSE CITY
MANISTEE

CERTIFIED PUBLIC ACCOUNTANTS

Of Counsel:
LEONARD R. KALCHER, C.P.A.

REPORT ON COMPLIANCE AND 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

January 7, 2010

Board of Directors
Manistee County Transportation, Inc.
180 Memorial Drive
Manistee, Michigan 49660

We have audited the financial statements of Manistee County Transportation, Inc. as of and for the year ended September 30, 2009, and have issued our report thereon dated January 7, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Manistee County Transportation, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Manistee County Transportation, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Manistee County Transportation, Inc.'s internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Manistee County Transportation, Inc.'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 Manistee County Transportation, Inc.'s financial statements that is more than inconsequential will not be prevented or detected by Manistee County Transportation, Inc.'s internal control. We consider the following deficiency to be a significant deficiency in internal control:

Preparation of Financial Statements in Accordance with GAAP

All Michigan Transportation Authorities are required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). This is a responsibility of the Authority's management. The preparation of financial statements in accordance with GAAP requires internal control over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal books and records), and (2) reporting financial statements, including the related footnotes (i.e., external financial reporting).

As in the case with many smaller and medium-sized transportation authorities, the Authority historically relied on its independent external auditors to assist in the preparation of the financial statements and footnotes as part of its external financial reporting process. Accordingly, the Authority's ability to prepare financial statements in accordance with GAAP is based, in part, on its *external* auditors, who cannot by definition be considered a part of the Authority's *internal* controls.

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

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

Management's Response

The Authority has evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interests of the Authority 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.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph in this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, we believe that the significant deficiency described above is not a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Manistee County Transportation, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

Kalcher, Vanderwal & Toney, P.C.

Certified Public Accountants