

**MASON COUNTY, MICHIGAN**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**AND INDEPENDENT AUDITORS' REPORT**  
**DECEMBER 31, 2011**

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# Layton & Richardson, P.C.

Certified Public Accountants

## INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners  
of Mason County  
Ludington, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Mason, Michigan, as of and for the year ended December 31, 2011, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the County of Mason, Michigan. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Mason County Road Commission. The Mason County Road Commission represents 92% of the assets and 83% of the revenues of the component unit fund type. Those financial statements were audited by another auditor whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Mason County Road Commission, is based solely on the report of the other auditor.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Mason, Michigan, as of December 31, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

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

*Layton & Richardson, P.C.*

*Certified Public Accountants*

East Lansing, Michigan  
May 21, 2012

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the County of Mason, we offer this narrative overview and analysis of the financial activities of the County, including limited information pertaining to the separately audited Road Commission for the year ended December 31, 2011. For more detailed information, the Road Commission's separately issued financial statements may be obtained from their administrative office. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the accompanying basic financial statements.

### Financial Highlights

- \* The assets of the County primary government exceeded its liabilities at the close of fiscal year by \$46,678,741.49 (*net assets*). Of this amount \$16,174,110.88 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- \* The County's total net assets increased by \$4,825,884.69 compared to 2010.
- \* At the close of the current fiscal year, the County's governmental funds (this includes the general fund, special revenue funds, debt service and capital projects funds) reported combined ending fund balances of \$20,011,594.48 an increase of \$1,054,284.79 in comparison with the prior year. Of the fund balance amount, \$15,551,218.90 is *available for spending* at the government's discretion (*unassigned and assigned fund balance*).
- \* The general fund had an excess of revenues over expenditures and other financing uses of \$413,082.04 for 2011. At the end of the year, unreserved fund balance for the general fund was \$1,643,453.06 or approximately 14% of total general fund expenditures and net operating transfers out. Total fund balance for the general fund was \$6,169,654.19.
- \* The County's total bonded debt decreased by \$3,290,414.97 during the current fiscal year.

### 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 County as a whole (government-wide financial statements) and present a longer-term view of the County'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 County's operations in more detail than the government-wide statements providing information about the County's most significant funds.

The remaining statements provide financial information about activities for which the County acts solely as a trustee or agent for the benefit of those outside of the government. The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

### Reporting the County as a Whole

One of the most important questions asked about the County's finances is, "Is the County as a whole better off or worse off as a result of this year's activities?" The Statement of Net Assets and the Statement of Activities report information about the County as a whole and about its activities in a way that helps answer this question. These statements include *all* assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the County's *net assets* and changes in them. One can think of the County's net assets – the difference between assets and liabilities – as one way to measure the County's financial health or *financial position*. Over time, *increases or decreases* in the County's net assets are an indicator of whether its *financial health* is improving or deteriorating. During 2011, the net assets of the County increased by \$4,825,884.69.

The Statement of Net Assets and the Statement of Activities present information about the following:

**Governmental activities.** All of the County's basic services are considered to be governmental activities, including legislative, judicial, general government administration, public safety, public works, health and welfare, recreation and cultural, and other activities. Property taxes, intergovernmental revenue, and charges for services finance most of these activities.

**Business-type activities.** Other functions of the County that are intended to recover all or a significant portion of their costs through user fees and charges are considered to be business-type activities. These include delinquent tax collections, airport, and the sewer system.

**Component units.** The County includes three legally separate entities in its financial statements: the Mason County Drain Commission, Lake Improvement Districts and the Mason County Road Commission. Although legally separate, these "component units" are important because the County is financially accountable for them.

Financial Statements for these *component units* are reported separately from the financial information presented for the primary government itself. The Mason County Department of Public Works and the Mason County Building Authority, although legally separate, function for all practical purposes as departments of the County, and therefore have been included as an integral part of the primary government.

The government-wide statement of Net Assets and Statement of Activities can be found on pages 12-15 of this report.

#### Reporting the County's Most Significant Funds

**Fund Financial Statement.** The fund financial statements provide detailed information about the most significant funds – not the County as a whole. Some funds are required to be established by State law and by bond covenants. However, the County establishes many other funds to help control and manage money for particular purposes or to show it is meeting legal responsibilities for using certain taxes, grants, and other money. The County's two primary kinds of funds – *governmental and proprietary* – use different accounting approaches.

**Governmental funds.** Most of the County's basic services are reported in governmental funds, which focus on how money flows in to and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called the *modified accrual* basis of accounting, which measures cash and all other *financial* assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term* view of the County's general governmental operations and the basic services it provides.

Governmental fund information helps one determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs. Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions.

Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The County maintains 37 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statements of revenues, expenditures, and changes in fund balances for the general fund, jail operations, senior citizens, state revenue sharing reserve, the landfill perpetual care, equipment replacement, and public improvement, each of which are considered to be major funds. Data for the other 30 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in the report.

**Proprietary funds.** The County maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The County uses enterprise funds to account for delinquent tax operations, airport, public works, medical care facility, and park operations. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the County's various functions. The County uses internal service funds to account for payroll fringe benefits and insurance costs. Because these services predominantly benefit governmental rather than

business-type functions, they have been included within the *governmental activities* in the government-wide financial statements. At the end of the current fiscal year, the County is able to report positive balances in all three categories (invested in capital assets-net of related debt, restricted and unrestricted) of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

**Mason County's Changes in Net Assets**

	<u>Governmental Activities</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	<u>Total</u>
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 1,323,258.78	\$10 ,628,997.15	\$10,843,063.73	\$769,452.91	\$12,166,322.51	\$ 11,398,450.06
Operating grants and contributions	1,610,389.58	1,620,795.75	26,404.97	26,194.33	1,636,794.55	1,646,990.08
Capital grants and contributions	0.00	0.00	865,414.10	0.00	865,414.10	0.00
General revenues:						
Property taxes and special assessments	9,568,852.90	11,798,360.00	1,450,275.93	0.00	11,019,128.83	11,798,360.00
State shared revenue	0.00	0.00	0.00	0.00	0.00	0.00
Investment earnings	1,337,842.38	1,111,880.54	72,447.43	58,147.89	1,410,289.81	1,170,028.43
Gain (Loss) on sale of fixed assets	( 6,126.50)	17,127.75	0.00	0.00	( 6,126.50)	17,127.75
Other revenues	1,195,033.88	418,558.20	616,255.42	501,744.27	1,811,289.30	920,302.47
Transfers	( 390,948.64)	( 683,593.75)	390,948.64	683,593.75	0.00	0.00
Total revenues	<u>14,638,302.38</u>	<u>24,912,125.64</u>	<u>14,264,810.22</u>	<u>2,039,133.15</u>	<u>28,903,112.601</u>	<u>26,951,258.79</u>
<b>Expenses</b>						
Legislative	381,550.64	374,978.87	0.00	0.00	381,550.64	374,978.87
Judicial	1,894,463.49	1,858,770.33	0.00	0.00	1,894,463.49	1,858,770.33
General government administration	3,183,794.08	2,929,952.60	0.00	0.00	3,183,794.08	2,929,952.60
Public safety	4,958,846.72	4,730,546.50	0.00	0.00	4,958,846.72	4,730,546.50
Public works	42,279.50	37,007.36	0.00	0.00	42,279.50	37,007.36
Health and welfare	1,588,207.12	11,707,473.65	0.00	0.00	1,588,207.12	11,707,473.65
Parks, recreation, and cultural	101,446.45	1,003,682.66	0.00	0.00	101,446.45	1,003,682.66
Miscellaneous	295,978.69	215,502.96	0.00	0.00	295,978.69	215,502.96
Interest on long-term debt	44,550.00	127,314.59	0.00	0.00	44,550.00	127,314.59
Delinquent tax collections and other Business-type activities	0.00	0.00	11,571,968.27	848,208.29	11,571,968.27	848,208.29
Total Expenses	<u>12,491,116.69</u>	<u>22,985,229.52</u>	<u>11,571,968.27</u>	<u>848,208.29</u>	<u>24,063,084.96</u>	<u>23,833,437.81</u>
Increase in net assets	2,147,185.69	1,926,896.12	2,692,841.95	1,190,924.86	4,840,027.64	3,117,820.98
Net assets, beginning of year	25,786,922.81	31,212,443.87	16,065,933.99	8,088,017.12	41,852,856.80	39,300,460.99
Prior Period adjustment	333,996.15	( 51,966.63)	( 348,139.10)	( 230.72)	( 14,142.95)	( 52,197.35)
Total Net Assets, end of year	<u>\$28,268,104.65</u>	<u>\$33,087,373.36</u>	<u>\$18,410,636.84</u>	<u>\$9,278,711.26</u>	<u>\$46,678,741.49</u>	<u>\$42,366,084.62</u>

The comparison of the 2010 governmental activities and business-type activities totals to the 2011 governmental activities and business-type activities totals are difficult due to the restatements of the medical care facility and the district library as explained in footnote 29.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the public works and airport operations. Conversely, all internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

#### Reporting the County's Fiduciary Responsibilities

The County is the trustee, or *fiduciary*, for certain amounts on behalf of others. Fiduciary funds are used to account for the resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of these funds are *not* available to support the County's own programs. Amounts held by the County's fiduciary funds are reported in a separate Combining Balance Sheet of Fiduciary Funds. The accounting used in fiduciary funds is much like that used for proprietary funds. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

#### Additional Information

The notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The combining statements referred to earlier in connection with nonmajor governmental, enterprise and internal service funds are presented as listed in the table of contents.

#### Mason County's Net Assets

	<u>Governmental Activities</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Business- type Activities</u>	<u>Total</u>	<u>Total</u>
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Current and other assets	\$26,671,911.07	\$31,380,708.18	\$14,972,115.79	\$10,528,911.58	\$41,644,026.86	\$41,909,619.76
Capital assets	<u>12,554,744.03</u>	<u>17,684,793.43</u>	<u>10,591,921.36</u>	<u>2,668,441.47</u>	<u>23,146,665.39</u>	<u>20,353,234.90</u>
Total Assets	<u>39,226,655.10</u>	<u>49,065,501.61</u>	<u>25,564,037.15</u>	<u>13,197,353.05</u>	<u>64,790,692.25</u>	<u>62,262,854.66</u>
General obligation bonds and notes	1,000,000.00	3,050,000.00	2,590,000.00	3,830,414.97	3,590,000.00	6,880,414.97
Other liabilities	<u>9,958,550.45</u>	<u>12,928,128.25</u>	<u>4,563,400.31</u>	<u>88,226.82</u>	<u>14,521,950.76</u>	<u>13,016,355.07</u>
Total liabilities	<u>10,958,550.45</u>	<u>15,978,128.25</u>	<u>7,153,400.31</u>	<u>3,918,641.79</u>	<u>18,111,950.76</u>	<u>19,896,770.04</u>
Net Assets:						
Invested in capital assets, net of related debt	11,548,181.53	14,609,305.93	7,975,223.02	2,012,812.30	19,523,404.55	16,622,118.23
Restricted	10,981,226.06	189,313.28	0.00	0.00	10,981,226.06	189,313.28
Unrestricted	<u>5,738,697.06</u>	<u>18,288,754.15</u>	<u>10,435,413.82</u>	<u>7,265,898.96</u>	<u>16,174,110.88</u>	<u>25,554,653.11</u>
Total Net Assets	<u>\$28,268,104.65</u>	<u>\$33,087,373.36</u>	<u>\$18,410,636.84</u>	<u>\$9,278,711.26</u>	<u>\$46,678,741.49</u>	<u>\$42,366,084.62</u>

A portion of the County's net assets, \$19,523,404.55 (42 percent), is its investment in capital assets (i.e. land, buildings, vehicles, equipment, and infrastructure), net of any related debt used to acquire those assets that is still outstanding. The County used these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the County's assets, \$10,981,226.06 (23 percent), represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets*, \$16,174,110.88 (35 percent), may be used to meet the government's ongoing obligations to citizens and creditors.

The County's net assets increased by \$4,825,884.69 during the current fiscal year - \$2,481,181.84 increase for governmental activities and a \$2,344,702.85 increase for business-type activities.

**Governmental activities.** Governmental activities increased the County's net assets by \$2,481,181.84. Key elements of this increase are as follows:

- The General Fund and a number of Special Revenue Funds had expenditures that were less than the final budget.
- The self funded internal service funds had operating losses that were less than the amounts appropriated to those funds.
- The General Fund and a number of Special Revenue Funds received two payments as the result of the closing of two tax increment financing authorities.

**Business-type activities.** Net assets of the County's business-type activities increased \$2,344,702.85. This increase in net assets reflects good operating results in the Medical Care Facility, Park Operations and Public Works Operation and Maintenance Funds, operating income of over \$776,000.00 in the Delinquent Tax Revolving and Delinquent Tax Foreclosure Funds and operating transfers in of \$441,750.00 to the Delinquent Tax Revolving Fund.

As noted earlier, Mason County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

As of the year ended December 31, 2011, the County's governmental funds reported combined ending fund balances of \$20,011,594.48; an increase of \$1,054,284.79 in comparison with the prior year. Of the fund balance amount, \$15,551,218.90 constitutes *unassigned and assigned fund balance*, which is available for spending at the government's discretion.

The general fund is the chief operating fund of the County. At the end of the year, unassigned fund balance of the general fund was \$1,643,453.06, while total fund balance was \$6,169,654.19.

As a measure of the general fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. Unreserved fund balance represents 14 percent of the total general fund expenditures.

The fund balance of the County's general fund increased by \$752,867.08 during the current fiscal year. This is primarily attributable to departments keeping their expenditures under budgeted amounts in addition to the closing of two tax increment financing authorities.

The fund balance of the Building Authority Operations Fund increased by \$502,051.37 due to the settlement of a lawsuit with the State of Michigan.

The continuing of the phase out of the Revenue Sharing Reserve Fund decreased the fund balance by \$553,306.71.

The fund balance of the Ambulance Fund decrease by \$116,331.12 due to the purchase of two ambulances.

The Public Improvement Fund added \$179,911.04, as the County earmarked funds for future construction projects.

The Equipment Replacement Fund added \$196,262.65, as the County earmarked funds for future equipment purchases.

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

Unrestricted net assets of the delinquent tax foreclosure, delinquent tax revolving, airport, public works operation and maintenance, medical care facility and park operations funds at the end of the year amounted to \$509,576.78, \$5,571,826.70, \$2,193,467.33, \$2,265,182.20, \$7,649,238.52, and \$221,345.31, respectively. Factors concerning the finances of the delinquent tax fund have already been addressed in the discussion of the County's business-type activities.

#### **General Fund Budgetary Highlights**

Revenues in the general fund (including transfers in) increased by \$997,625.00 from the original to the final budget. This increase is primarily the result of property tax collections.

The revised budget was supported by net expenditure (including transfers out) savings of \$218,066.88 as a result of expenditure savings in several departments and offices including contingency.

#### **Capital Asset and Debt Administration**

**Capital Assets.** As of December 31, 2011, the County's investment in capital assets for its governmental activities amounted to \$12,554,744.03 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, vehicles, equipment, and infrastructure. The total increase in the County's investment in governmental capital assets for the current fiscal year was 1 percent. The County's business-type activities' net capital assets increased by \$372,365.44.

#### **Mason County's Capital Assets**

		<b><u>Governmental</u></b>	<b><u>Activities</u></b>
		<b><u>2011</u></b>	<b><u>2010</u></b>
Land and Improvements		\$ 483,716.67	\$ 483,716.67
Buildings and Improvements		17,209,530.29	16,809,544.29
Equipment and Vehicles		1,827,907.19	1,778,974.19
Subtotal		19,521,154.15	19,072,235.15
Less: Accumulated Depreciation		( 6,966,410.12)	( 6,560,434.62)
Total		<b><u>\$12,554,744.03</u></b>	<b><u>\$12,511,800.53</u></b>

**Long-term debt.** At December 31, 2011, the County had total bonded debt outstanding of \$3,590,000.00. Governmental fund debt accounts for \$1,000,000.00 and business-type debt accounts for \$2,590,000.00 of the total bonded debt outstanding.

#### **Mason County's Outstanding Debt**

	<b><u>Governmental</u></b>	<b><u>Activities</u></b>	<b><u>Business-type</u></b>	<b><u>Activities</u></b>	<b><u>Total</u></b>	<b><u>Total</u></b>
	<b><u>2011</u></b>	<b><u>2010</u></b>	<b><u>2011</u></b>	<b><u>2010</u></b>	<b><u>2011</u></b>	<b><u>2010</u></b>
General Obligation Bonds	\$1,000,000.00	\$1,150,000.00	\$	\$	\$1,000,000.00	\$1,150,000.00
Enterprise Funds Bonds			2,590,000.00	5,730,414.97	2,590,000.00	5,730,414.97
Total	<b><u>\$1,000,000.00</u></b>	<b><u>\$1,150,000.00</u></b>	<b><u>\$2,590,000.00</u></b>	<b><u>\$5,730,414.97</u></b>	<b><u>\$3,590,000.00</u></b>	<b><u>\$6,880,414.97</u></b>

The County's total debt decreased by \$3,290,414.97 (48 percent) during the year ended December 31, 2011. The County retired \$150,000.00 of general obligation bonds and retired \$3,140,414.97 of business-type bonds during 2011.

Debt requirements for general obligation bonds of \$150,000.00 and interest of \$39,375.00 are payable during 2012. Debt requirements for business-type bonds of \$310,000.00 and interest of \$111,450.00 are payable during 2012.

State statutes limit the amount of general obligation debt a governmental entity may issue to 10 percent of its total assessed valuation (i.e., State Equalized Value). The current debt limitation for the County is \$187,965,059 which is significantly in excess of the County's outstanding general obligation debt.

#### **Economic Factors and next Year's Budgets and Rates**

The following factors were considered in preparing the County's budget for 2012:

- \* The uncertainty over the State's economy will likely result in additional cuts in state funding.
- \* Slow growth in new construction and decreasing property values will result in property tax revenue showing flat growth.
- \* Weak investment earnings will have a negative impact on revenue.
- \* The use of the assets of the Revenue Sharing Reserve Fund will have a negative impact on net assets.
- \* Rising employee benefits costs will put pressure on expenditures.
- \* The County will continue to evaluate the advisability of calling both general obligation and business-type bonds.

#### **Contacting the County Administrator**

This management discussion and analysis is designed to provide a general overview of the County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Mason County Administrator, 304 E. Ludington Avenue, Ludington, MI 49431.

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## **BASIC FINANCIAL STATEMENTS - OVERVIEW**

**The Basic Financial Statements provide information of the governmental activities, business-type activities, aggregate totals of discretely presented component units, major funds and the aggregate remaining funds, which collectively comprise the activities of the County of Mason, Michigan.**

**MASON COUNTY, MICHIGAN**  
**STATEMENT OF NET ASSETS**  
**DECEMBER 31, 2011**

	PRIMARY GOVERNMENT			COMPONENT UNITS
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTALS	
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents	\$ 6,257,567.93	\$ 6,197,786.01	\$ 12,455,353.94	\$ 2,547,146.53
Investments	14,912,056.06	3,969,839.37	18,881,895.43	144,783.06
Receivables				
Property taxes	1,397,269.94	3,907,019.20	5,304,289.14	755,057.32
Accounts (net of allowance for doubtful accounts)	588,170.02	170,518.25	758,688.27	13,939.84
Special assessments	0.00	0.00	0.00	236,134.56
Other	82,874.30	7,512.68	90,386.98	98.09
Due from other governmental units				
Federal/State	334,445.85	650,774.81	985,220.66	581,751.00
Local	17,629.15	44,871.01	62,500.16	36,197.00
Inventories	0.00	0.00	0.00	440,102.00
Deposits	583,909.67	0.00	583,909.67	0.00
Advances to other funds	2,066,735.14	0.00	2,066,735.14	0.00
Prepayments	431,253.01	23,794.46	455,047.47	70,660.23
<b>TOTAL CURRENT ASSETS</b>	<u>26,671,911.07</u>	<u>14,972,115.79</u>	<u>41,644,026.86</u>	<u>4,825,869.63</u>
<b>Noncurrent assets</b>				
Lease receivable	0.00	2,368,321.55	2,368,321.55	0.00
Fixed assets (net of accumulated depreciation)	12,554,744.03	8,223,599.81	20,778,343.84	32,407,072.91
<b>TOTAL NONCURRENT ASSETS</b>	<u>12,554,744.03</u>	<u>10,591,921.36</u>	<u>23,146,665.39</u>	<u>32,407,072.91</u>
<b>TOTAL ASSETS</b>	<u>\$ 39,226,655.10</u>	<u>\$ 25,564,037.15</u>	<u>\$ 64,790,692.25</u>	<u>\$ 37,232,942.54</u>

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

**MASON COUNTY, MICHIGAN**  
**STATEMENT OF NET ASSETS - Concluded**  
**DECEMBER 31, 2010**

	PRIMARY GOVERNMENT			COMPONENT UNITS
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTALS	
LIABILITIES				
Current liabilities				
Accounts payable	\$ 506,933.77	\$ 246,326.19	\$ 753,259.96	\$ 240,237.83
Accrued liabilities	185,622.28	300,302.32	485,924.60	69,418.13
Accrued interest	6,562.50	26,698.34	33,260.84	0.00
Due to individuals/agencies	50,465.52	0.00	50,465.52	0.00
Due to other governmental units				
Local	163,746.58	197.69	163,944.27	168,870.00
Other current liabilities	0.00	13,505.15	13,505.15	0.00
Deferred revenue	1,511,443.30	1,509,319.00	3,020,762.30	991,191.88
Advances from other funds	0.00	2,066,735.14	2,066,735.14	0.00
Bonds and notes payable	150,000.00	310,000.00	460,000.00	257,306.00
TOTAL CURRENT LIABILITIES	2,574,773.95	4,473,083.83	7,047,857.78	1,727,023.84
Noncurrent liabilities				
General obligation bonds and notes payable	850,000.00	2,280,000.00	3,130,000.00	762,050.00
Accrued post closure	1,580,206.00	0.00	1,580,206.00	0.00
Unfunded Retiree Health Insurance	5,483,260.52	0.00	5,483,260.52	0.00
Compensated absences	470,309.98	400,316.48	870,626.46	267,469.00
TOTAL NONCURRENT LIABILITIES	8,383,776.50	2,680,316.48	11,064,092.98	1,029,519.00
	10,958,550.45	7,153,400.31	18,111,950.76	2,756,542.84
NET ASSETS				
Investment in capital assets, net of related debt	11,548,181.53	7,975,223.02	19,523,404.55	31,387,716.91
Unrestricted				
Restricted for County Roads	0.00	0.00	0.00	2,113,337.00
Nonspendable	2,497,988.15	0.00	2,497,988.15	0.00
Committed	2,687,812.96	0.00	2,687,812.96	0.00
Assigned	5,795,424.95	0.00	5,795,424.95	0.00
Unassigned	5,738,697.06	10,435,413.82	16,174,110.88	975,345.79
TOTAL NET ASSETS	28,268,104.65	18,410,636.84	46,678,741.49	34,476,399.70
TOTAL LIABILITIES AND NET ASSETS	\$ 39,226,655.10	\$ 25,564,037.15	\$ 64,790,692.25	\$ 37,232,942.54

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

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

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES	
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS
PRIMARY GOVERNMENT			
Governmental activities:			
Legislative	\$ 381,550.64	\$ 0.00	\$ 0.00
Judicial	1,894,463.49	392,599.08	813,573.43
General government administration	3,183,794.08	524,738.26	30,176.00
Public safety	4,958,846.72	332,226.32	294,090.29
Public works	42,279.50	0.00	0.00
Health and social services	1,588,207.12	53,216.12	472,549.86
Parks, recreation, and cultural	101,446.45	0.00	0.00
Miscellaneous	295,978.69	20,479.00	0.00
Debt Service			
Interest and fiscal charges	44,550.00	0.00	0.00
TOTAL GOVERNMENTAL ACTIVITIES	\$ 12,491,116.69	\$ 1,323,258.78	\$ 1,610,389.58
Business-type activities			
Parks Operations	\$ 62,665.19	\$ 64,916.00	\$ 26,404.97
Public Works Operations & Maintenance	293,682.98	121,782.46	0.00
Airport Operations	463,118.10	16,878.98	0.00
Delinquent tax Foreclosure	137,717.78	334,649.84	0.00
Medical Care Facility	10,590,236.68	9,864,501.77	0.00
Delinquent tax collections	24,547.54	440,334.68	0.00
TOTAL BUSINESS-TYPE ACTIVITIES	11,571,968.27	10,843,063.73	26,404.97
TOTAL PRIMARY GOVERNMENT	\$ 24,063,084.96	\$ 12,166,322.51	\$ 1,636,794.55
COMPONENT UNITS			
Drainage districts	\$ 91,740.88	\$ 807.46	\$ 0.00
Lake Improvement district	171,436.62	6,268.75	0.00
District Library	1,010,194.99	6,276.30	22,199.50
Road commission	5,660,324.00	617,329.00	5,575,745.00
TOTAL COMPONENT UNITS	\$ 6,933,696.49	\$ 630,681.51	\$ 5,597,944.50

**General Revenues:**

**Taxes:**

Property tax and special assessments

Internal service fund activity

Unrestricted investment earnings

Gain (Loss) on sale of capital assets

Other revenues

**Transfers:**

Retiree Health Insurance - net

Transfers

Transfers from internal service activities

**Total General Revenues and Transfers**

**Change in Net Assets**

**Net assets - January 1**

**Special item - prior period adjustments**

**Net assets - December 31**

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

NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS				
PROGRAM REVENUES CAPITAL GRANTS AND CONTRIBUTIONS	PRIMARY GOVERNMENT			
	GOVERNMENTAL ACTIVITIES	BUSINESS- TYPE ACTIVITIES	TOTALS	COMPONENT UNITS
\$ 0.00	\$ (381,550.64)	\$ 0.00	\$ (381,550.64)	\$ 0.00
0.00	(688,290.98)	0.00	(688,290.98)	0.00
0.00	(2,628,879.82)	0.00	(2,628,879.82)	0.00
0.00	(4,332,530.11)	0.00	(4,332,530.11)	0.00
0.00	(42,279.50)	0.00	(42,279.50)	0.00
0.00	(1,062,441.14)	0.00	(1,062,441.14)	0.00
0.00	(101,446.45)	0.00	(101,446.45)	0.00
0.00	(275,499.69)	0.00	(275,499.69)	0.00
0.00	(44,550.00)	0.00	(44,550.00)	0.00
\$ 0.00	\$ (9,557,468.33)	\$ 0.00	\$ (9,557,468.33)	\$ 0.00
\$ 0.00	\$ 0.00	\$ 28,655.78	\$ 28,655.78	\$ 0.00
0.00	0.00	(171,900.52)	(171,900.52)	0.00
865,414.10	0.00	419,174.98	419,174.98	0.00
0.00	0.00	196,932.06	196,932.06	0.00
0.00	0.00	(725,734.91)	(725,734.91)	0.00
0.00	0.00	415,787.14	415,787.14	0.00
865,414.10	0.00	162,914.53	162,914.53	0.00
\$ 865,414.10	\$ (9,557,468.33)	\$ 162,914.53	\$ (9,394,553.80)	\$ 0.00
\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ (90,933.42)
0.00	0.00	0.00	0.00	(165,167.87)
152,573.08	0.00	0.00	0.00	(829,146.11)
0.00	0.00	0.00	0.00	532,750.00
\$ 152,573.08	\$ 0.00	\$ 0.00	\$ 0.00	\$ (552,497.40)
	\$ 9,568,852.90	\$ 1,450,275.93	\$ 11,019,128.83	\$ 910,798.06
	(371,550.57)	0.00	(371,550.57)	0.00
	1,337,842.38	72,447.43	1,410,289.81	21,158.36
	(6,126.50)	0.00	(6,126.50)	319,569.00
	1,225,572.87	616,255.42	1,841,828.29	233,473.94
	341,011.58	0.00	341,011.58	0.00
	(1,486,348.64)	390,948.64	(1,095,400.00)	0.00
	1,095,400.00	0.00	1,095,400.00	0.00
	11,704,654.02	2,529,927.42	14,234,581.44	1,484,999.36
	2,147,185.69	2,692,841.95	4,840,027.64	932,501.96
	25,786,922.81	16,065,933.99	41,852,856.80	33,547,913.51
	333,996.15	(348,139.10)	(14,142.95)	(4,015.77)
	\$ 28,268,104.65	\$ 18,410,636.84	\$ 46,678,741.49	\$ 34,476,399.70

**MASON COUNTY, MICHIGAN**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2011**

	GENERAL	SENIOR CITIZENS	JAIL OPERATIONS	REVENUE SHARING RESERVE
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,907,717.44	\$ 61,740.85	\$ 436,513.04	\$ 983,783.89
Investments (Net of premiums/discounts)	3,078,266.57	0.00	0.00	1,770,666.88
Receivables				
Property taxes	0.00	381,573.34	885,250.14	0.00
Accounts (net of allowance for doubtful accounts)	2,790.22	0.00	0.00	0.00
Other	9,449.18	0.00	0.00	1,751.65
Due from state and federal government	200,685.79	0.00	10,040.00	0.00
Due from other units	17,629.14	0.00	0.00	0.00
Advances to other funds	883,134.12	0.00	0.00	0.00
Prepaid expenditures	327,991.11	1,165.50	40,987.86	0.00
<b>TOTAL ASSETS</b>	<b>\$ 6,427,663.57</b>	<b>\$ 444,479.69</b>	<b>\$ 1,372,791.04</b>	<b>\$ 2,756,202.42</b>
<b>LIABILITIES AND EQUITY</b>				
Liabilities				
Accounts payable	\$ 126,110.24	\$ 5,500.00	\$ 17,626.06	\$ 0.00
Accrued liabilities	60,103.26	0.00	23,766.93	0.00
Due to other governmental units	0.00	0.00	0.00	0.00
Due to individuals	38,244.51	0.00	12,001.60	0.00
Deferred revenue	33,551.37	381,573.34	885,250.14	0.00
<b>TOTAL LIABILITIES</b>	<b>258,009.38</b>	<b>387,073.34</b>	<b>938,644.73</b>	<b>0.00</b>
Equity				
Fund balances				
Nonspendable	1,211,125.23	1,165.50	40,987.86	0.00
Committed	2,687,812.96	0.00	0.00	0.00
Assigned	627,262.94	56,240.85	393,158.45	2,756,202.42
Unassigned	1,643,453.06	0.00	0.00	0.00
<b>TOTAL EQUITY</b>	<b>6,169,654.19</b>	<b>57,406.35</b>	<b>434,146.31</b>	<b>2,756,202.42</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$ 6,427,663.57</b>	<b>\$ 444,479.69</b>	<b>\$ 1,372,791.04</b>	<b>\$ 2,756,202.42</b>

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

LANDFILL PERPETUAL CARE	EQUIPMENT REPLACEMENT	PUBLIC IMPROVEMENT	GOVERN- MENTAL OTHER	TOTAL GOVERN- MENTAL FUNDS
\$ 18,374.03	\$ 182,326.88	\$ 472,725.60	\$ 1,474,781.35	\$ 5,537,963.08
1,857,030.69	1,930,832.91	3,075,092.44	719,903.53	12,431,793.02
0.00	0.00	0.00	130,446.46	1,397,269.94
0.00	194,077.26	0.00	365,866.75	562,734.23
3,888.48	4,634.26	23,710.72	30,811.15	74,245.44
0.00	0.00	0.00	123,720.06	334,445.85
0.00	0.00	0.00	0.01	17,629.15
500,000.00	0.00	0.00	0.00	1,383,134.12
0.00	0.00	0.00	19,284.03	389,428.50
<u>\$ 2,379,293.20</u>	<u>\$ 2,311,871.31</u>	<u>\$ 3,571,528.76</u>	<u>\$ 2,864,813.34</u>	<u>\$ 22,128,643.33</u>
\$ 0.00	\$ 21,227.18	\$ 177,807.00	\$ 158,659.96	\$ 506,930.44
0.00	0.00	0.00	7,082.39	90,952.58
0.00	0.00	0.00	163,746.58	163,746.58
0.00	0.00	0.00	219.41	50,465.52
0.00	0.00	0.00	4,578.88	1,304,953.73
<u>0.00</u>	<u>21,227.18</u>	<u>177,807.00</u>	<u>334,287.22</u>	<u>2,117,048.85</u>
500,000.00	0.00	0.00	19,284.03	1,772,562.62
0.00	0.00	0.00	0.00	2,687,812.96
1,879,293.20	2,290,644.13	3,393,721.73	2,511,242.12	13,907,765.84
0.00	0.00	0.00	0.00	1,643,453.06
<u>2,379,293.20</u>	<u>2,290,644.13</u>	<u>3,393,721.73</u>	<u>2,530,526.15</u>	<u>20,011,594.48</u>
<u>\$ 2,379,293.20</u>	<u>\$ 2,311,871.31</u>	<u>\$ 3,571,528.73</u>	<u>\$ 2,864,813.37</u>	<u>\$ 22,128,643.33</u>

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**MASON COUNTY, MICHIGAN**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET ASSETS**  
**DECEMBER 31, 2011**

Total fund balances for governmental funds \$ 20,011,594.48

Amounts reported for governmental activities in the Statement  
of Net Assets are different because:

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

Land and land improvements	\$	483,716.67	
Buildings and improvements		17,209,530.29	
Vehicles and equipment		1,827,907.19	
Accumulated Depreciation		<u>(6,966,410.12)</u>	12,554,744.03

Internal service funds are used by management to charge  
costs of certain activities, such as insurance, to individual  
funds. The assets and liabilities of the internal service  
funds are included in governmental activities in  
the Statement of Net Assets.

	\$	4,269,330.14	
Less: net capital assets included above		<u>(27,225.00)</u>	4,242,105.14

Accrued vacation and sick time earned by eligible employees is not payable  
in the current period and therefore is not reported in the funds. However,  
these amounts are included in the Statement of Net Assets.

(470,309.98)

Retiree Health Insurance earned by eligible employees is not payable  
in the current period and therefore is not reported in the funds. However,  
these amounts are included in the Statement of Net Assets.

(5,483,260.52)

Accrued post closure care for landfills is not payable in the current period  
and therefore is not reported in the funds. However, these amounts  
are included in the Statement of Net Assets.

(1,580,206.00)

Long-term bonded debt is not due and payable in the current period and  
therefore not reported in the funds. Unamortized premiums, loss on  
refundings, and interest payable are not reported in the funds. However,  
these amounts are included in the Statement of Net Assets. This is the  
net effect of these balances on the statement.

Bonds and notes payable	\$	(1,000,000.00)	
Accrued interest payable		<u>(6,562.50)</u>	<u>(1,006,562.50)</u>

Net assets of governmental activities \$ 28,268,104.65

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

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

	GENERAL	SENIOR CITIZENS	JAIL OPERATIONS
<b>REVENUES</b>			
General property taxes	\$ 7,892,961.92	\$ 333,629.71	\$ 872,425.61
Permits and regulatory licenses	160,184.39	0.00	0.00
Intergovernmental			
Federal/State	1,296,648.04	0.00	0.00
Charges for services	675,711.41	0.00	161,520.78
Fines and forfeitures	3,450.00	0.00	0.00
Interest and rents	125,552.85	0.00	1,788.64
Miscellaneous	976,015.19	26,170.71	107,753.01
<b>TOTAL REVENUES</b>	<u>11,130,523.80</u>	<u>359,800.42</u>	<u>1,143,488.04</u>
<b>EXPENDITURES</b>			
Current			
Legislative	378,547.58	0.00	0.00
Judicial	1,429,173.15	0.00	0.00
General government administration	2,369,986.00	0.00	0.00
Public safety	2,317,414.33	0.00	2,307,582.04
Public works	34,281.88	0.00	0.00
Health and social services	507,981.78	331,521.74	0.00
Parks, recreation, and cultural	9,613.14	0.00	0.00
Miscellaneous	134,943.26	0.00	0.00
Capital outlay	155,474.00	0.00	0.00
Debt service			
Principal retirement	0.00	0.00	0.00
Interest and fiscal charges	0.00	0.00	0.00
<b>TOTAL EXPENDITURES</b>	<u>7,337,415.12</u>	<u>331,521.74</u>	<u>2,307,582.04</u>
Excess (deficiency) of revenues over expenditures	<u>3,793,108.68</u>	<u>28,278.68</u>	<u>(1,164,094.00)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	788,491.36	0.00	1,372,000.00
Transfers out	(4,168,518.00)	0.00	(67,025.00)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(3,380,026.64)</u>	<u>0.00</u>	<u>1,304,975.00</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	413,082.04	28,278.68	140,881.00
<b>FUND BALANCE, JANUARY 1</b>	5,416,787.11	30,929.76	297,252.11
<b>PRIOR PERIOD ADJUSTMENT</b>	<u>339,785.04</u>	<u>(1,802.09)</u>	<u>(3,986.80)</u>
<b>FUND BALANCE, DECEMBER 31</b>	<u>\$ 6,169,654.19</u>	<u>\$ 57,406.35</u>	<u>\$ 434,146.31</u>

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

REVENUE SHARING RESERVE	LANDFILL PERPETUAL CARE	EQUIPMENT REPLACEMENT	PUBLIC IMPROVEMENT	OTHER GOVERN- MENTAL FUNDS	TOTAL GOVERN- MENTAL FUNDS
\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 469,835.66	\$ 9,568,852.90
0.00	0.00	0.00	0.00	0.00	160,184.39
0.00	0.00	4,712.50	0.00	309,029.04	1,610,389.58
0.00	0.00	0.00	0.00	298,413.20	1,135,645.39
0.00	0.00	0.00	0.00	23,979.00	27,429.00
23,583.29	21,953.43	213,487.09	84,330.04	867,147.04	1,337,842.38
0.00	12,292.49	24,090.20	0.00	90,367.27	1,236,688.87
<u>23,583.29</u>	<u>34,245.92</u>	<u>242,289.79</u>	<u>84,330.04</u>	<u>2,058,771.21</u>	<u>15,077,032.51</u>
0.00	0.00	0.00	0.00	0.00	378,547.58
0.00	0.00	0.00	0.00	437,046.60	1,866,219.75
0.00	0.00	0.00	0.00	921,136.74	3,291,122.74
0.00	0.00	0.00	0.00	33,494.50	4,658,490.87
0.00	0.00	0.00	0.00	0.00	34,281.88
0.00	0.00	0.00	0.00	643,834.06	1,483,337.58
0.00	0.00	0.00	0.00	0.00	9,613.14
0.00	68,243.11	0.00	0.00	(0.00)	203,186.37
0.00	0.00	195,377.14	236,512.00	162,807.18	750,170.32
0.00	0.00	0.00	0.00	150,000.00	150,000.00
0.00	0.00	0.00	0.00	45,425.00	45,425.00
<u>0.00</u>	<u>68,243.11</u>	<u>195,377.14</u>	<u>236,512.00</u>	<u>2,393,744.08</u>	<u>12,870,395.23</u>
<u>23,583.29</u>	<u>(33,997.19)</u>	<u>46,912.65</u>	<u>(152,181.96)</u>	<u>(334,972.87)</u>	<u>2,206,637.28</u>
0.00	45,000.00	149,350.00	332,093.00	717,275.00	3,404,209.36
<u>(578,890.00)</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>(76,125.00)</u>	<u>(4,890,558.00)</u>
<u>(578,890.00)</u>	<u>45,000.00</u>	<u>149,350.00</u>	<u>332,093.00</u>	<u>641,150.00</u>	<u>(1,486,348.64)</u>
(555,306.71)	11,002.81	196,262.65	179,911.04	306,177.13	720,288.64
3,311,509.13	2,368,290.39	2,094,381.48	3,213,810.72	2,224,348.99	18,957,309.69
<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>333,996.15</u>
\$ <u><u>2,756,202.42</u></u>	\$ <u><u>2,379,293.20</u></u>	\$ <u><u>2,290,644.13</u></u>	\$ <u><u>3,393,721.76</u></u>	\$ <u><u>2,530,526.12</u></u>	\$ <u><u>20,011,594.48</u></u>

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**MASON COUNTY, MICHIGAN**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**DECEMBER 31, 2011**

Net change in fund balance - total governmental funds \$ 720,288.64

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

Governmental funds report capital outlay as expenditures. However, in the Statement of Activities, the costs of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Land and land improvements	0.00	
Buildings and improvements	0.00	
Vehicles and equipment	657,378.00	
Depreciation expense	<u>(597,192.00)</u>	60,186.00

Governmental funds do not record gains and losses from the disposal of fixed assets (17,242.50)

Governmental funds report deposits into a trust fund as expense.

However, in the statement of Activities, the deposit and related income is recorded as a decrease in the Retiree Health Insurance liability. 341,011.58

Internal service funds are used by management to charge costs of certain activities, such as insurance, to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activities in the Statement of Activities.

	723,849.43	
Add: depreciation expense included above	<u>2,636.27</u>	726,485.70

Estimates for accrued interest payable, accrued vacation and sick time, retiree health insurance liability and accrued post closure care for landfills change on an annual basis. These changes either reduce or increase the governmental activities expenses on the Statement of Activities. 166,456.27

Bond proceeds provide current financial resources to the governmental funds by issuing debt which increases long-term bonded debt in the Statement of Net Assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term bonded debt in the Statement of Net Assets. This is the amount proceeds exceed repayments.

Bond proceeds	0.00	
Repayment of bond principal	<u>150,000.00</u>	<u>150,000.00</u>

Changes in net assets of governmental activities \$ 2,147,185.69

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

**MASON COUNTY, MICHIGAN**  
**STATEMENT OF NET ASSETS - PROPRIETARY FUNDS**  
**DECEMBER 31, 2011**

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS		
	PUBLIC WORKS	MEDICAL CARE FACILITY	
		AIRPORT	
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	\$ 112,143.64	\$ 2,464,157.15	\$ 88,086.09
Investments (net of premiums & discounts)	1,539,134.28	2,018,440.21	153,159.31
Receivables			
Property taxes & Special Assessment Receivable	35,838.43	1,472,262.57	0.00
Accounts (net of allowance for doubtful accounts)	0.00	167,245.06	923.19
Leases receivable	2,368,321.55	0.00	0.00
Other	3,445.78	3,114.96	243.50
Deferred expense	0.00	0.00	0.00
Deposit	0.00	0.00	0.00
Long term advances	0.00	0.00	0.00
Due from other governmental units			
Other	21,712.61	650,774.81	0.00
Prepayments	0.00	15,751.09	4,910.66
<b>TOTAL CURRENT ASSETS</b>	<u>4,080,596.29</u>	<u>6,791,745.85</u>	<u>247,322.75</u>
<b>Noncurrent assets</b>			
Land	0.00	562,601.00	0.00
Sewer System	1,098,732.25	0.00	0.00
Land Improvements	0.00	185,366.46	2,099,602.74
Buildings	0.00	7,279,156.57	1,214,818.30
Equipment	0.00	1,274,970.47	439,073.00
Accumulated depreciation	(467,821.40)	(4,353,048.18)	(1,200,142.71)
<b>NET NONCURRENT ASSETS</b>	<u>630,910.85</u>	<u>4,949,046.32</u>	<u>2,553,351.33</u>
<b>TOTAL ASSETS</b>	<u>\$ 4,711,507.14</u>	<u>\$ 11,740,792.17</u>	<u>\$ 2,800,674.08</u>

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

BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES
DELINQUENT TAX REVOLVING	OTHER ENTERPRISE FUNDS	TOTAL PROPRIETARY FUNDS	INTERNAL SERVICE FUNDS
\$ 2,947,866.37	\$ 585,532.76	\$ 6,197,786.01	\$ 719,604.85
196,548.38	62,557.19	3,969,839.37	2,480,263.04
2,398,918.20	0.00	3,907,019.20	0.00
2,350.00	0.00	170,518.25	25,435.79
0.00	0.00	2,368,321.55	0.00
600.33	108.11	7,512.68	3,845.01
0.00	0.00	0.00	4,783.85
0.00	0.00	0.00	583,909.67
0.00	0.00	0.00	683,601.02
23,158.40	(0.00)	695,645.82	0.00
2,582.71	550.00	23,794.46	41,824.51
<u>5,572,024.39</u>	<u>648,748.06</u>	<u>17,340,437.34</u>	<u>4,543,267.74</u>
0.00	0.00	562,601.00	0.00
0.00	72,642.00	1,171,374.25	0.00
0.00	0.00	2,284,969.20	0.00
0.00	20,314.00	8,514,288.87	0.00
0.00	11,457.71	1,725,501.18	83,076.78
0.00	(14,122.40)	(6,035,134.69)	(55,851.78)
<u>0.00</u>	<u>90,291.31</u>	<u>8,223,599.81</u>	<u>27,225.00</u>
\$ <u>5,572,024.39</u>	\$ <u>739,039.37</u>	\$ <u>25,564,037.15</u>	\$ <u>4,570,492.74</u>