

DEBT SERVICE FUNDS

Debt Service Funds are established to finance and account for the payment of interest and principal on all general obligation debt other than that payable exclusively from revenue bonds issued for and serviced by a governmental enterprise.

The County's Debt Service Funds are legal in nature. They are established in accordance with statutes and/or bond indentures. Their use enhances the attractiveness of bonds to prospective buyers resulting, possibly, in a lower rate of interest. Inclusion of a debt service fund provision in the indenture indicates to the buyer that the timing of the acquisition of assets with which to satisfy maturing debt has been formalized and that a sophisticated administrative approach to servicing the debt will be followed.

The County's Debt Service Fund is the 911 Center Fund.

**MASON COUNTY, MICHIGAN
 COMBINING BALANCE SHEET
 DEBT SERVICE FUNDS
 DECEMBER 31, 2011**

	911 CENTER
ASSETS	
Cash equivalents	\$ <u>41,369.39</u>
TOTAL ASSETS	\$ <u><u>41,369.39</u></u>
 LIABILITIES AND FUND BALANCE	
LIABILITIES	
Accounts payable	\$ <u>0.00</u>
TOTAL LIABILITIES	<u>0.00</u>
FUND BALANCE	
Restricted	<u>41,369.39</u>
TOTAL LIABILITIES AND FUND BALANCE	\$ <u><u>41,369.39</u></u>

**MASON COUNTY, MICHIGAN
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCE
 DEBT SERVICE FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2011**

	911 CENTER
REVENUES	
Interest	\$ 254.69
Rents and fees	<u>195,425.00</u>
TOTAL REVENUES	<u>195,679.69</u>
EXPENDITURES	
Principal	150,000.00
Interest	44,625.00
Fees	<u>800.00</u>
TOTAL EXPENDITURES	<u>195,425.00</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>254.69</u>
OTHER FINANCING SOURCES	
Transfers in	<u>0.00</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER USES	254.69
FUND BALANCE, JANUARY 1	<u>41,114.70</u>
FUND BALANCE, DECEMBER 31	<u>\$ 41,369.39</u>

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CAPITAL PROJECTS FUNDS

Capital Projects Funds are designed to account for the resources expended to acquire assets of a relatively permanent nature. (Enterprise Fund resources are not included in this category). These funds satisfy the special accounting requirements for bond proceeds and projects utilizing more than one funding source.

Capital Projects Funds provide a formal mechanism which enables administrators to ensure that revenues dedicated to certain purposes are used only for those purposes and further enables them to report to creditors, and other grantors of Capital Projects Fund revenue, that their requirements regarding the use of the revenue were fully satisfied.

In this category, Mason County administers the transactions of the Building Authority – Jail Construction Fund, Equipment Replacement Fund, Park Improvement Fund, Public Improvement Fund.

**MASON COUNTY, MICHIGAN
 COMBINING BALANCE SHEET
 CAPITAL PROJECTS FUNDS
 DECEMBER 31, 2011**

	EQUIPMENT REPLACEMENT	PARK IMPROVEMENT
ASSETS		
Cash and cash equivalents	\$ 182,326.88	\$ 50,959.39
Investments	1,930,832.91	0.00
Accounts receivable	194,077.26	0.00
Interest receivable	<u>4,634.26</u>	<u>0.00</u>
TOTAL ASSETS	\$ <u>2,311,871.31</u>	\$ <u>50,959.39</u>
LIABILITIES AND FUND BALANCE		
LIABILITIES		
Accounts payable	<u>\$ 21,227.18</u>	<u>\$ 0.00</u>
TOTAL LIABILITIES	<u>21,227.18</u>	<u>0.00</u>
FUND BALANCE		
Assigned	<u>2,290,644.13</u>	<u>50,959.39</u>
TOTAL FUND BALANCE	<u>2,290,644.13</u>	<u>50,959.39</u>
TOTAL LIABILITIES AND FUND BALANCE	\$ <u>2,311,871.31</u>	\$ <u>50,959.39</u>

JAIL CONSTRUCTION	PUBLIC IMPROVEMENT	TOTAL
\$ 13,273.54	\$ 472,725.60	\$ 719,285.41
409,360.60	3,075,092.44	5,415,285.95
0.00	0.00	194,077.26
<u>885.89</u>	<u>23,710.72</u>	<u>29,230.87</u>
\$ <u>423,520.03</u>	\$ <u>3,571,528.76</u>	\$ <u>6,357,879.49</u>
\$ <u>0.00</u>	\$ <u>177,807.00</u>	\$ <u>199,034.18</u>
<u>0.00</u>	<u>177,807.00</u>	<u>199,034.18</u>
<u>423,520.03</u>	<u>3,393,721.76</u>	<u>6,158,845.31</u>
<u>423,520.03</u>	<u>3,393,721.76</u>	<u>6,158,845.31</u>
\$ <u>423,520.03</u>	\$ <u>3,571,528.76</u>	\$ <u>6,357,879.49</u>

MASON COUNTY, MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011

	EQUIPMENT REPLACEMENT	PARK IMPROVEMENT
REVENUES		
Interest	\$ 26,487.09	\$ 108.02
Federal & State grants	4,712.50	0.00
Rent	187,000.00	0.00
Other	<u>24,090.20</u>	<u>12,792.90</u>
TOTAL REVENUES	<u>242,289.79</u>	<u>12,900.92</u>
EXPENDITURES		
Capital outlay	<u>195,377.14</u>	<u>3,440.18</u>
TOTAL EXPENDITURES	<u>195,377.14</u>	<u>3,440.18</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>46,912.65</u>	<u>9,460.74</u>
OTHER FINANCING SOURCES (USES)		
Transfers in	149,350.00	0.00
Transfers out	<u>0.00</u>	<u>0.00</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>149,350.00</u>	<u>0.00</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	196,262.65	9,460.74
FUND BALANCE, JANUARY 1	<u>2,094,381.48</u>	<u>41,498.65</u>
FUND BALANCE, DECEMBER 31	<u>\$ 2,290,644.13</u>	<u>\$ 50,959.39</u>

JAIL CONSTRUCTION	PUBLIC IMPROVEMENT	TOTAL
\$ 8,234.99	\$ 63,330.04	\$ 98,160.14
0.00	0.00	4,712.50
0.00	21,000.00	208,000.00
0.00	0.00	36,883.10
<hr/> 8,234.99	<hr/> 84,330.04	<hr/> 347,755.74
 0.00	 236,512.00	 435,329.32
<hr/> 0.00	<hr/> 236,512.00	<hr/> 435,329.32
 8,234.99	 (152,181.96)	 (87,573.58)
 59,125.00	 332,093.00	 540,568.00
<hr/> 0.00	<hr/> 0.00	<hr/> 0.00
 59,125.00	 332,093.00	 540,568.00
 67,359.99	 179,911.04	 452,994.42
<hr/> 356,160.04	<hr/> 3,213,810.72	<hr/> 5,705,850.89
\$ <u><u>423,520.03</u></u>	\$ <u><u>3,393,721.76</u></u>	\$ <u><u>6,158,845.31</u></u>

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INTERNAL SERVICE FUNDS

Internal Service Funds are established to finance and account for services and/or commodities furnished by a designated program to other programs within the County. Since the services and commodities are supplied exclusively to programs under the County's jurisdiction, they are distinguishable from those services which are rendered to the public in general and which are accounted for in general, special revenue and enterprise funds.

The County's Self-Insurance Workers' Compensation, Self-Insurance Health Fund, Self-Insurance Liability Fund, Computer Network Fund and the DPW Revolving Equipment Fund are operated as Internal Service Funds.

**MASON COUNTY, MICHIGAN
 COMBINING BALANCE SHEET
 INTERNAL SERVICE FUNDS
 DECEMBER 31, 2011**

	COMPUTER NETWORK	DPW REVOLVING EQUIPMENT
ASSETS		
Cash	\$ 41,855.94	\$ 57,283.28
Investments	34,932.71	134,571.84
Prepaid items	1,129.60	0.00
Deferred expenses	0.00	0.00
Deposits	0.00	0.00
Accounts receivable	0.00	0.00
Long term advances	0.00	0.00
Vehicles - net	0.00	27,225.00
Interest receivable	15.29	90.47
TOTAL ASSETS	\$ 77,933.54	\$ 219,170.59
LIABILITIES AND FUND BALANCE		
LIABILITIES		
Accounts payable	\$ 3.33	\$ 0.00
Deferred revenue	0.00	0.00
Accrued expenses	240.49	0.00
TOTAL LIABILITIES	243.82	0.00
FUND EQUITY		
Assigned for employee benefits	0.00	0.00
Retained earnings	77,689.72	219,170.59
TOTAL FUND EQUITY	77,689.72	219,170.59
TOTAL LIABILITIES AND FUND EQUITY	\$ 77,933.54	\$ 219,170.59

SELF INSURANCE LIABILITY	SELF INSURANCE WORKERS COMP	SELF INSURANCE HEALTH	TOTAL
\$ 157,973.89	\$ 135,310.02	\$ 327,181.72	\$ 719,604.85
75,768.20	636,313.73	1,598,676.56	2,480,263.04
32,806.00	7,888.91	0.00	41,824.51
0.00	0.00	4,783.85	4,783.85
563,065.67	0.00	20,844.00	583,909.67
0.00	0.00	25,435.79	25,435.79
205,601.02	478,000.00	0.00	683,601.02
0.00	0.00	0.00	27,225.00
10.59	1,651.00	2,077.66	3,845.01
<u>\$ 1,035,225.37</u>	<u>\$ 1,259,163.66</u>	<u>\$ 1,978,999.58</u>	<u>\$ 4,570,492.74</u>
\$ 0.00	\$ 0.00	\$ 0.00	\$ 3.33
0.00	0.00	206,489.57	206,489.57
<u>91,537.11</u>	<u>2,892.10</u>	<u>0.00</u>	<u>94,669.70</u>
<u>91,537.11</u>	<u>2,892.10</u>	<u>206,489.57</u>	<u>301,162.60</u>
943,688.26	1,256,271.56	1,772,510.01	3,972,469.83
<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>296,860.31</u>
<u>943,688.26</u>	<u>1,256,271.56</u>	<u>1,772,510.01</u>	<u>4,269,330.14</u>
<u>\$ 1,035,225.37</u>	<u>\$ 1,259,163.66</u>	<u>\$ 1,978,999.58</u>	<u>\$ 4,570,492.74</u>

MASON COUNTY, MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN RETAINED EARNINGS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011

	COMPUTER NETWORK	DPW REVOLVING EQUIPMENT
OPERATING REVENUES		
Charges for services	\$ 54,270.00	\$ 0.00
Equipment rental	0.00	14,588.10
Other	96.00	0.00
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TOTAL OPERATING REVENUES	54,366.00	14,588.10
	<hr/>	<hr/>
EXPENSES		
Claims and benefits	0.00	0.00
Salaries and benefits	16,480.13	0.00
Contracted services	19,941.66	0.00
Utilities	234.32	0.00
Operating expense	14,194.50	6,603.86
Repairs and maintenance	979.02	3,834.61
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TOTAL OPERATING EXPENSES	51,829.63	10,438.47
	<hr/>	<hr/>
OPERATING INCOME (LOSS)	2,536.37	4,149.63
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NONOPERATING INCOME		
Interest	710.19	2,175.43
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INCOME (LOSS) BEFORE TRANSFERS	3,246.56	6,325.06
	<hr/>	<hr/>
OTHER FINANCING SOURCES (USES)		
Transfers in	0.00	0.00
	<hr/>	<hr/>
TOTAL OTHER FINANCING SOURCES (USES)	0.00	0.00
	<hr/>	<hr/>
NET INCOME (LOSS)	3,246.56	6,325.06
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RETAINED EARNINGS, JANUARY 1	74,443.16	212,845.53
	<hr/>	<hr/>
PRIOR PERIOD ADJUSTMENTS	0.00	0.00
	<hr/>	<hr/>
RETAINED EARNINGS, DECEMBER 31	\$ 77,689.72	\$ 219,170.59
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SELF INSURANCE LIABILITY	SELF INSURANCE WORKERS COMP	SELF INSURANCE HEALTH	TOTAL
\$ 22,607.00	\$ 0.00	\$ 0.00	\$ 76,877.00
0.00	0.00	0.00	14,588.10
55,953.90	222.39	12,117.60	68,389.89
<u>78,560.90</u>	<u>222.39</u>	<u>12,117.60</u>	<u>159,854.99</u>
256,432.79	14,638.48	255,808.00	526,879.27
0.00	0.00	0.00	16,480.13
0.00	0.00	3,000.00	22,941.66
0.00	995.87	0.00	1,230.19
54.88	58.23	0.00	20,911.47
0.00	0.00	0.00	4,813.63
<u>256,487.67</u>	<u>15,692.58</u>	<u>258,808.00</u>	<u>593,256.35</u>
<u>(177,926.77)</u>	<u>(15,470.19)</u>	<u>(246,690.40)</u>	<u>(433,401.36)</u>
<u>31,310.72</u>	<u>13,127.89</u>	<u>14,526.56</u>	<u>61,850.79</u>
<u>(146,616.05)</u>	<u>(2,342.30)</u>	<u>(232,163.84)</u>	<u>(371,550.57)</u>
<u>160,000.00</u>	<u>15,400.00</u>	<u>920,000.00</u>	<u>1,095,400.00</u>
<u>160,000.00</u>	<u>15,400.00</u>	<u>920,000.00</u>	<u>1,095,400.00</u>
13,383.95	13,057.70	687,836.16	723,849.43
930,304.31	1,243,213.86	1,084,673.85	3,545,480.71
0.00	0.00	0.00	0.00
<u>\$ 943,688.26</u>	<u>\$ 1,256,271.56</u>	<u>\$ 1,772,510.01</u>	<u>\$ 4,269,330.14</u>

**MASON COUNTY, MICHIGAN
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011**

	COMPUTER NETWORK	DPW REVOLVING EQUIPMENT
CASH FLOWS FROM OPERATING ACTIVITIES		
Operating income (loss)	\$ 2,536.37	\$ 4,149.63
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities		
Depreciation	0.00	2,636.27
(Increase) decrease in current assets		
Interest receivable	40.58	363.02
Accounts receivable	0.00	0.00
Prepaid items	(1,129.60)	0.00
Deferred expenses	0.00	0.00
Due from employees	0.00	0.00
Deposits	0.00	0.00
Increase (decrease) in current liabilities		
Accounts payable	3.33	0.00
Deferred revenues	0.00	0.00
Accrued expenses	4.52	0.00
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>1,455.20</u>	<u>7,148.92</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Advances to other funds	<u>0.00</u>	<u>0.00</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers in (out)	<u>0.00</u>	<u>0.00</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
(Increase) decrease in investments	(611.83)	25,112.49
Interest received	710.19	2,175.43
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>98.36</u>	<u>27,287.92</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,553.56	34,436.84
CASH AND CASH EQUIVALENTS, JANUARY 1	<u>40,302.38</u>	<u>22,846.44</u>
CASH AND CASH EQUIVALENTS, DECEMBER 31	<u>\$ 41,855.94</u>	<u>\$ 57,283.28</u>

SELF INSURANCE LIABILITY	SELF INSURANCE WORKERS COMP	SELF INSURANCE HEALTH	TOTAL
\$ (177,926.77)	\$ (15,470.19)	\$ (246,690.40)	\$ (433,401.36)
0.00	0.00	0.00	2,636.27
412.20	633.07	1,636.12	3,084.99
0.00	222.39	(25,435.79)	(25,213.40)
(32,806.00)	(1,289.07)	0.00	(35,224.67)
0.00	0.00	24,928.51	24,928.51
0.00	0.00	5,578.54	5,578.54
(34,391.83)	0.00	10,374.00	(24,017.83)
0.00	0.00	0.00	3.33
0.00	0.00	206,489.57	206,489.57
37,440.11	2,050.10	(64,732.00)	(25,237.27)
<u>(207,272.29)</u>	<u>(13,853.70)</u>	<u>(87,851.45)</u>	<u>(300,373.32)</u>
<u>(205,601.02)</u>	<u>(478,000.00)</u>	<u>0.00</u>	<u>(683,601.02)</u>
<u>160,000.00</u>	<u>15,400.00</u>	<u>920,000.00</u>	<u>1,095,400.00</u>
240,076.85	494,606.51	(740,321.90)	18,862.12
31,310.72	13,127.89	14,526.56	61,850.79
<u>271,387.57</u>	<u>507,734.40</u>	<u>(725,795.34)</u>	<u>80,712.91</u>
18,514.26	31,280.70	106,353.21	192,138.57
139,459.63	104,029.32	220,828.51	527,466.28
<u>\$ 157,973.89</u>	<u>\$ 135,310.02</u>	<u>\$ 327,181.72</u>	<u>\$ 719,604.85</u>

MASON COUNTY, MICHIGAN
RECONCILIATION OF CASH AND CASH EQUIVALENTS PER
STATEMENT OF CASH FLOWS TO THE COMBINING BALANCE SHEET
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011

	CASH	INVESTMENT	STATEMENT OF CASH FLOWS TOTAL
CASH AND CASH EQUIVALENTS, JANUARY 1	\$ 661,486.06	\$ 0.00	\$ 661,486.06
NET INCREASE (DECREASE)	<u>261,058.64</u>	<u>0.00</u>	<u>261,058.64</u>
CASH AND CASH EQUIVALENTS, DECEMBER 31	<u>\$ 922,544.70</u>	<u>\$ 0.00</u>	<u>\$ 922,544.70</u>

ENTERPRISE FUNDS

Enterprise Funds are used to account for the acquisition, operation and maintenance of governmental facilities and services which are entirely or predominately self-supporting by user charges. The significant characteristic of Enterprise Funds is that the accounting system must make it possible to show whether the activity is operated at a profit or loss, similar to comparable private enterprises. Thus, the financial statements of Enterprise Funds are self-contained and creditors, legislators or the general public can evaluate the performance of the municipal enterprise on the same basis as they can the performance of investor-owned enterprises in the same industry.

The County's Medical Care Facility Fund, Delinquent Tax Revolving Fund, Park Operation Fund, Airport Fund, the Public Works Operations and Maintenance Fund, and Delinquent Tax Foreclosure Fund are operated as Enterprise Funds.

**MASON COUNTY, MICHIGAN
COMBINING BALANCE SHEET
ENTERPRISE FUNDS
DECEMBER 31, 2011**

	PARK OPERATIONS	PUBLIC WORKS OPERATION AND MAINTENANCE	AIRPORT	DELINQUENT TAX REVOLVING
ASSETS				
Cash	\$ 106,618.96	\$ 112,143.64	\$ 88,086.09	\$ 2,947,866.37
Investments	25,424.50	1,539,134.28	153,159.31	196,548.38
Interest receivable	2.82	3,445.78	243.50	600.33
Accounts receivable	0.00	0.00	923.19	2,350.00
Taxes receivable	0.00	0.00	0.00	0.00
Deliquent taxes receivable	0.00	0.00	0.00	2,398,918.20
Fixed Assets - net	90,291.31	630,910.85	2,553,351.33	0.00
Leases receivable	0.00	2,368,321.55	0.00	0.00
Due from state	0.00	0.00	0.00	0.00
Due from federal	0.00	0.00	0.00	0.00
Due from other units	0.00	21,712.61	0.00	23,158.40
Special Assessment Rec.	0.00	35,838.43	0.00	0.00
Prepaid items	550.00	0.00	4,910.66	2,582.71
TOTAL ASSETS	\$ 222,887.59	\$ 4,711,507.14	\$ 2,800,674.08	\$ 5,572,024.39
LIABILITIES AND RETAINED EARNINGS				
LIABILITIES				
Accounts payable	\$ 62.78	\$ 23,194.70	\$ 1,266.48	\$ 0.00
Due to other units	0.00	0.00	0.00	197.69
Due to individuals	250.00	0.00	0.00	0.00
Compensated absences	0.00	0.00	0.00	0.00
Accrued expenses	11.50	0.00	711.10	0.00
Advances from other funds	0.00	2,066,735.14	0.00	0.00
Accrued interest payable	0.00	5,556.67	5,229.17	0.00
Deferred revenue	1,218.00	35,838.43	0.00	0.00
Bonds payable	0.00	315,000.00	600,000.00	0.00
TOTAL LIABILITIES	1,542.28	2,446,324.94	607,206.75	197.69
RETAINED EARNINGS				
Unreserved	221,345.31	2,265,182.20	2,193,467.33	5,571,826.70
TOTAL LIABILITIES AND RETAINED EARNINGS	\$ 222,887.59	\$ 4,711,507.14	\$ 2,800,674.08	\$ 5,572,024.39

MEDICAL CARE FACILITY	DELINQUENT TAX FORECLOSURE	TOTAL
\$ 2,464,157.15	\$ 478,913.80	\$ 6,197,786.01
2,018,440.21	37,132.69	3,969,839.37
3,114.96	105.29	7,512.68
167,245.06	0.00	170,518.25
1,472,262.57	0.00	1,472,262.57
0.00	0.00	2,398,918.20
4,949,046.32	0.00	8,223,599.81
0.00	0.00	2,368,321.55
574,950.17	0.00	574,950.17
75,824.64	0.00	75,824.64
0.00	0.00	44,871.01
0.00	0.00	35,838.43
15,751.09	0.00	23,794.46
<u>\$ 11,740,792.17</u>	<u>\$ 516,151.78</u>	<u>\$ 25,564,037.15</u>
\$ 215,227.23	\$ 6,575.00	\$ 246,326.19
0.00	0.00	197.69
13,255.15	0.00	13,505.15
400,316.48	0.00	400,316.48
299,579.72	0.00	300,302.32
0.00	0.00	2,066,735.14
15,912.50	0.00	26,698.34
1,472,262.57	0.00	1,509,319.00
1,675,000.00	0.00	2,590,000.00
<u>4,091,553.65</u>	<u>6,575.00</u>	<u>7,153,400.31</u>
<u>7,649,238.52</u>	<u>509,576.78</u>	<u>18,410,636.84</u>
<u>\$ 11,740,792.17</u>	<u>\$ 516,151.78</u>	<u>\$ 25,564,037.15</u>

MASON COUNTY, MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN RETAINED EARNINGS
ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011

	PARK OPERATIONS	PUBLIC WORKS OPERATION AND MAINTENANCE	AIRPORT	DELINQUENT TAX REVOLVING
REVENUES				
Charges for services	\$ 64,916.00	\$ 121,782.46	\$ 16,878.98	\$ 440,334.68
Rentals	0.00	26,910.00	79,232.71	0.00
Reimbursements	0.00	174,831.26	17,426.04	0.00
State & Federal grants	0.00	0.00	865,414.10	0.00
Administration fees & Penalties	0.00	0.00	0.00	162,601.28
Other	26,404.97	36,484.77	1,800.00	2.11
TOTAL REVENUES	91,320.97	360,008.49	980,751.83	602,938.07
EXPENSES				
Salary and benefits	31,872.35	0.00	64,322.18	0.00
Interest and fees	0.00	0.00	0.00	1,225.77
Contracted services	511.00	30,670.73	146,910.94	6,327.04
Repairs and maintenance	4,314.62	0.00	24,825.20	0.00
Utilities and telephone	7,692.19	17,486.53	30,886.01	0.00
Other operating expenses	18,275.03	245,525.72	196,173.77	16,994.73
TOTAL EXPENSES	62,665.19	293,682.98	463,118.10	24,547.54
OPERATING INCOME (LOSS)	28,655.78	66,325.51	517,633.73	578,390.53
NONOPERATING INCOME				
Investment Interest	566.95	29,789.82	1,905.24	7,226.76
Property Taxes	0.00	0.00	0.00	0.00
TOTAL NONOPERATING INCOME	566.95	29,789.82	1,905.24	7,226.76
INCOME (LOSS) BEFORE TRANSFERS	29,222.73	96,115.33	519,538.97	585,617.29
OTHER FINANCING SOURCES (USES)				
Transfers in	0.00	0.00	158,800.00	441,750.00
Transfers out	0.00	0.00	0.00	0.00
TOTAL OTHER FINANCING SOURCES (USES)	0.00	0.00	158,800.00	441,750.00
NET INCOME (LOSS)	29,222.73	96,115.33	678,338.97	1,027,367.29
RETAINED EARNINGS, JANUARY 1	192,122.58	2,529,200.99	1,495,303.31	4,544,459.41
PRIOR PERIOD ADJUSTMENTS	0.00	(360,134.12)	19,825.05	0.00
RETAINED EARNINGS, DECEMBER 31	\$ 221,345.31	\$ 2,265,182.20	\$ 2,193,467.33	\$ 5,571,826.70

MEDICAL CARE FACILITY	DELINQUENT TAX FORECLOSURE	TOTAL
\$ 9,864,501.77	\$ 334,649.84	\$ 10,843,063.73
0.00	0.00	106,142.71
0.00	0.00	192,257.30
0.00	0.00	865,414.10
0.00	0.00	162,601.28
<u>116,106.69</u>	<u>860.56</u>	<u>181,659.10</u>
<u>9,980,608.46</u>	<u>335,510.40</u>	<u>12,351,138.22</u>
7,359,095.17	0.00	7,455,289.70
70,562.50	0.00	71,788.27
296,748.24	47,469.74	528,637.69
199,442.87	0.00	228,582.69
307,802.44	0.00	363,867.17
<u>2,356,585.46</u>	<u>90,248.04</u>	<u>2,923,802.75</u>
<u>10,590,236.68</u>	<u>137,717.78</u>	<u>11,571,968.27</u>
<u>(609,628.22)</u>	<u>197,792.62</u>	<u>779,169.95</u>
29,198.11	3,760.55	72,447.43
<u>1,450,275.93</u>	<u>0.00</u>	<u>1,450,275.93</u>
<u>1,479,474.04</u>	<u>3,760.55</u>	<u>1,522,723.36</u>
<u>869,845.82</u>	<u>201,553.17</u>	<u>2,301,893.31</u>
0.00	0.00	600,550.00
<u>0.00</u>	<u>(209,601.36)</u>	<u>(209,601.36)</u>
0.00	(209,601.36)	390,948.64
<u>869,845.82</u>	<u>(8,048.19)</u>	<u>2,692,841.95</u>
6,787,222.73	517,624.97	16,065,933.99
<u>(7,830.03)</u>	<u>0.00</u>	<u>(348,139.10)</u>
<u>\$ 7,649,238.52</u>	<u>\$ 509,576.78</u>	<u>\$ 18,410,636.84</u>

MASON COUNTY, MICHIGAN
COMBINING STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011

	PARK OPERATIONS	PUBLIC WORKS OPERATION AND MAINTENANCE	AIRPORT	DELINQUENT TAX REVOLVING
CASH FLOWS FROM OPERATING ACTIVITIES				
Operating income (loss)	\$ 28,655.78	\$ 66,325.51	\$ 517,633.73	\$ 578,390.53
Adjustments to reconcile net income to net cash provided by (used in) operating activities				
Prior period adjustment	0.00	(360,134.12)	19,825.05	0.00
Depreciation	3,469.69	27,468.32	155,952.04	0.00
(Increase) decrease in current assets				
Accounts receivable	0.00	19,684.41	285.49	(2,148.00)
Taxes receivable	0.00	0.00	0.00	(208,812.49)
Interest receivable	14.47	1,424.90	2.52	(538.05)
Prepaid items	0.00	0.00	(131.56)	(36.46)
Due from individuals	0.00	0.00	0.00	1,791.07
Due from other units	0.00	6,919.23	0.00	(8,074.07)
Increase (decrease) in current liabilities				
Accrued payable interest	0.00	(32,283.42)	(400.00)	0.00
Due to individuals	0.00	0.00	0.00	0.00
Due to other units	0.00	0.00	0.00	(8.60)
Due to other funds	0.00	(2,753.64)	0.00	0.00
Accrued expenses	0.00	0.00	12.99	0.00
Accounts payable	62.78	20,903.38	(1,063.79)	0.00
Deferred Revenue	840.00	0.00	0.00	0.00
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>33,042.72</u>	<u>(252,445.43)</u>	<u>692,116.47</u>	<u>360,563.93</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Lease receivable	0.00	819,041.35	0.00	0.00
Property taxes	0.00	0.00	0.00	0.00
Advances from other funds	0.00	2,066,735.14	0.00	0.00
Capital purchases	0.00	0.00	(793,002.07)	0.00
Bond payment	0.00	(2,865,414.97)	(50,000.00)	0.00
NET CASH USED IN FINANCING ACTIVITIES	<u>0.00</u>	<u>20,361.52</u>	<u>(843,002.07)</u>	<u>0.00</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers from (to) other funds	<u>0.00</u>	<u>0.00</u>	<u>158,800.00</u>	<u>441,750.00</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
(Increase) decrease in investments	(340.36)	28,872.83	(16,829.80)	(196,548.38)
Interest received	566.95	29,789.82	1,905.24	7,226.76
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>226.59</u>	<u>58,662.65</u>	<u>(14,924.56)</u>	<u>(189,321.62)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	33,269.31	(173,421.26)	(7,010.16)	612,992.31
CASH AND CASH EQUIVALENTS, JANUARY 1	<u>73,349.65</u>	<u>285,564.90</u>	<u>95,096.25</u>	<u>2,334,874.06</u>
CASH AND CASH EQUIVALENTS, DECEMBER 31	<u>\$ 106,618.96</u>	<u>\$ 112,143.64</u>	<u>\$ 88,086.09</u>	<u>\$ 2,947,866.37</u>

MEDICAL CARE FACILITY	DELINQUENT TAX FORECLOSURE	TOTAL
\$ (609,628.22)	\$ 197,792.62	\$ 779,169.95
(7,830.03)	0.00	(348,139.10)
233,746.58	0.00	420,636.63
(32,968.36)	0.00	(15,146.46)
2,472.40	0.00	(206,340.09)
(942.60)	384.45	345.69
(5,895.93)	0.00	(6,063.95)
0.00	0.00	1,791.07
186,584.71	0.00	185,429.87
(2,137.50)	0.00	(34,820.92)
(1,340.88)	0.00	(1,340.88)
0.00	0.00	(8.60)
0.00	0.00	(2,753.64)
90,701.71	0.00	90,714.70
3,416.38	6,575.00	29,893.75
(2,472.40)	0.00	(1,632.40)
<u>(146,294.14)</u>	<u>204,752.07</u>	<u>891,735.62</u>
0.00	0.00	819,041.35
1,450,275.93	0.00	1,450,275.93
0.00	0.00	2,066,735.14
0.00	0.00	(793,002.07)
(225,000.00)	0.00	(3,140,414.97)
<u>1,225,275.93</u>	<u>0.00</u>	<u>402,635.38</u>
<u>0.00</u>	<u>(209,601.36)</u>	<u>390,948.64</u>
(1,075,479.91)	168,515.82	(1,091,809.80)
29,198.11	3,760.55	72,447.43
<u>(1,046,281.80)</u>	<u>172,276.37</u>	<u>(1,019,362.37)</u>
32,699.99	167,427.08	665,957.27
<u>2,431,457.16</u>	<u>311,486.72</u>	<u>5,531,828.74</u>
<u>\$ 2,464,157.15</u>	<u>\$ 478,913.80</u>	<u>\$ 6,197,786.01</u>

MASON COUNTY, MICHIGAN
RECONCILIATION OF CASH AND CASH EQUIVALENTS PER
STATEMENT OF CASH FLOWS TO THE COMBINING BALANCE SHEET
ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011

	CASH	INVESTMENTS	STATEMENT OF CASH FLOWS TOTAL
CASH AND CASH EQUIVALENTS, JANUARY 1	\$ 5,531,828.74	\$ 0.00	\$ 5,531,828.74
NET INCREASE (DECREASE)	<u>665,957.27</u>	<u>0.00</u>	<u>665,957.27</u>
CASH AND CASH EQUIVALENTS, DECEMBER 31	<u>\$ 6,197,786.01</u>	<u>\$ 0.00</u>	<u>\$ 6,197,786.01</u>

FIDUCIARY FUNDS

Fiduciary Funds are established to administer resources received and held by a governmental unit as the trustee or as the agent for others. Use of these funds facilitates the discharge of responsibilities placed upon the governmental unit by virtue of law or other similar authority.

In this category, Mason County administers the transactions of the Trust and Agency Fund, Tax Collection Fund, Probate Court Trust, and Library Penal Fund.

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**MASON COUNTY, MICHIGAN
COMBINING BALANCE SHEET
FIDUCIARY FUNDS
DECEMBER 31, 2011**

	GENERAL AGENCY	CURRENT TAX COLLECTIONS	LIBRARY PENAL	PROBATE COURT TRUST	TOTAL
ASSETS					
Cash	\$ 553,868.36	\$ 55.99	\$ 39.80	\$ 35,130.82	\$ 589,094.97
TOTAL ASSETS	<u>\$ 553,868.36</u>	<u>\$ 55.99</u>	<u>\$ 39.80</u>	<u>\$ 35,130.82</u>	<u>\$ 589,094.97</u>
LIABILITIES AND FUND BALANCE					
LIABILITIES					
Due to State of Michigan	\$ 98,373.87	\$ 0.00	\$ 0.00	\$ 0.00	\$ 98,373.87
Bonds payable	11,350.00	0.00	0.00	0.00	11,350.00
Restitution payable	14,817.41	0.00	0.00	0.00	14,817.41
Undistributed taxes	393,022.99	0.00	0.00	0.00	393,022.99
Due to other units	1,990.47	55.99	39.80	0.00	2,086.26
Other current liabilities	<u>34,313.62</u>	<u>0.00</u>	<u>0.00</u>	<u>35,130.82</u>	<u>69,444.44</u>
TOTAL LIABILITIES	<u>553,868.36</u>	<u>55.99</u>	<u>39.80</u>	<u>35,130.82</u>	<u>589,094.97</u>
FUND BALANCE					
Unreserved	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
TOTAL FUND EQUITY	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 553,868.36</u>	<u>\$ 55.99</u>	<u>\$ 39.80</u>	<u>\$ 35,130.82</u>	<u>\$ 589,094.97</u>

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GENERAL LONG-TERM DEBT ACCOUNT GROUP

General obligation bonds and other forms of long-term debt supported by general revenues are obligations of the governmental unit as a whole and not its individual constituent funds. Also, the proceeds of such debt may be spent on facilities which are utilized in the operations of several funds. For these reasons, the amount of such unmatured long-term indebtedness is recorded and accounted for in a separate self-balancing group of accounts titled "General Long-Term Debt Account Group."

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**MASON COUNTY, MICHIGAN
STATEMENT OF GENERAL LONG-TERM DEBT
GENERAL LONG-TERM DEBT ACCOUNT GROUP
DECEMBER 31, 2011**

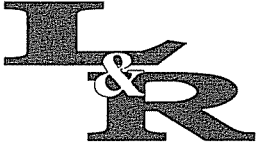
**AMOUNTS AVAILABLE AND TO BE PROVIDED FOR
PAYMENT OF GENERAL LONG-TERM DEBT**

Amount available for payment of general long-term debt	\$2,091,885.37
Amount to be provided by County and other units of government	<u>958,630.61</u>
TOTAL AMOUNTS AVAILABLE AND TO BE PROVIDED	<u>\$3,050,515.98</u>

GENERAL LONG-TERM DEBT PAYABLE

Accumulated compensated absences payable	\$ 470,309.98
2003 911 Center Building	1,000,000.00
Post Closure Care - Pere Marquette Landfill Site	520,000.00
Post Closure Care - Scottville Landfill Site	<u>1,060,206.00</u>
TOTAL GENERAL LONG-TERM DEBT PAYABLE	<u>\$3,050,515.98</u>

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Layton & Richardson, P.C.

Certified Public Accountants

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*

Board of Commissioners
County of Mason
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 Mason County, Michigan, as of and for the year ended December 31, 2011, which collectively comprise the County of Mason, Michigan's basic financial statements and have issued our report thereon dated May 21, 2012. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County of Mason, Michigan's financial statements are free of material misstatements, 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 other matters that we reported to management of the County of Mason, Michigan, in a separate letter dated May 21, 2012.

This report is intended solely for the information and use of the management, the Board of Commissioners, Michigan Department of Treasury, 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.

Layton & Richardson, P.C.
Certified Public Accountants

East Lansing, Michigan
May 21, 2012

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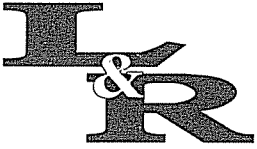
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Certified Public Accountants

AUDITORS' LETTER OF COMMENTS AND RECOMMENDATIONS

Board of Commissioners
County of Mason
Ludington, Michigan

We have audited the basic financial statements of the County of Mason, Michigan, except for the County Road Commission, for the year ended December 31, 2011, and have issued our reports on those financial statements. As part of the audit process, we tested and evaluated the system of internal accounting control and the procedures used to record the financial transactions of the County of Mason, Michigan. These tests and evaluations are important to the audit process because they serve as the basis for our opinion on the reliability and accuracy of the financial statements.

The management of the County of Mason, Michigan is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with U.S. generally accepted accounting principles. Because of inherent limitations in any system of internal accounting control, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with procedures may deteriorate.

AUDIT FINDINGS AND RECOMMENDATIONS FROM PREVIOUS AUDITS

- 97-1 Previous audits have noted inadequate separation of duties in various County offices. This situation is common in organizations which have a limited number of employees and may be considered a material internal control weakness without significant additional or alternative procedures in place to offset the existing weaknesses. This condition has not improved from previous years.
- 98-1 Public Act 621 of 1978, as amended, requires the adoption of a balanced budget for the general, special revenue and debt service funds, as well as budget amendments as needed to prevent actual expenditures from exceeding appropriated budgets. For the year ended December 31, 2011, actual expenditures exceeded budgeted amounts in the veteran's burial and road commission funds.
- 00-1 The Sheriff's Department is currently writing checks to departing inmates for as little as \$.01. The department should have a petty cash fund to handle such small transactions. Current year status: This recommendation has not been implemented.
- 05-7 We noted that bank statements are reconciled by an individual in the Sheriff's Department who is also an authorized signer on the account, and that the bank statements and reconciliations are not being reviewed by another individual. This provides opportunity for errors to occur and not be detected. We recommend the bank statement be received directly by an individual who does not issue or sign checks for independent review of the statement and returned checks. This individual should indicate the review has been done by initialing and dating the statement. We also recommend the bank statement be reconciled by an individual not involved in the check writing process. These steps will strengthen controls over cash disbursements and decrease the opportunity for errors to occur and not be detected. Current year status: This recommendation has not been implemented.

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AUDIT FINDINGS AND RECOMMENDATIONS FROM PREVIOUS AUDITS - Concluded

DISBURSEMENTS

Sheriff's Department

- 06-7 We noted the "Cobra" software does not include the payee name on the check listings. We recommend the software vendor be contacted and the system be revised to print the payee name on check listings to allow verification that checks were made payable to the proper payee and improve controls over cash disbursements. We noted the release receipt names agreed to the names on the check copies. Current year status: This recommendation has not been implemented.

BANK ACCOUNT RESPONSIBILITY AND OVERSIGHT

- 06-8 According to the Uniform Accounting Procedures Manual of the State of Michigan, all bank accounts must include the name of the County, the name of the account and the name of the Treasurer. It continues that all "other local unit officials receiving local unit money must deposit their collections with the local unit Treasurer in the manner set forth under receipting procedures. Such officials do not make deposits to the local unit bank accounts." Accordingly, we recommend that the District Court Bond deposits be transmitted to the Treasurer. Additionally, bonds and fees collected by the Sheriff's Department should be transmitted to the Treasurer. We also recommend that the Treasurer receive copies of the bank statement and reconciliation of the Inmate and Commissary accounts and the Medical Care Facility accounts. These changes will strengthen controls and improve compliance with the State Uniform Accounting Procedures Manual. Current year status: The Treasurer has been working with and will continue to work with the Sheriff and District Court to implement this recommendation.

TIMELY FILING OF REPORTS

- 09-02 We noted instances where required reports under the Cooperative Reimbursement Contract with the State of Michigan, Department of Human Services were not filed in a timely manner. We recommend that all required reports be completed and filed in accordance with the terms of grants and contracts. Current year status: The County has been working with the billing contractor to correct this situation.

CURRENT YEAR AUDIT FINDINGS AND RECOMMENDATIONS


DISBURSEMENTS

Clerk's Office

- 11-01 To strengthen internal controls over cash disbursements, we recommend those involved in preparing checks, not also be authorized check signers. Management Response: The Clerk has reviewed the matter and the individuals involved will be removed from the list of authorized signers.

These audit findings and recommendations are intended to assist the County of Mason, Michigan in improving the accuracy and reliability of the financial accounting and reporting systems, to ensure compliance with laws and regulations affecting County government and to safeguard the financial resources of the County.

We appreciate the assistance and cooperation extended to us by the County's officials and employees during the audit and we thank them.


Certified Public Accountants

East Lansing, Michigan
May 21, 2012