

**CHIPPEWA COUNTY, MICHIGAN  
ANNUAL FINANCIAL REPORT  
YEAR ENDED DECEMBER 31, 2016**



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## INDEPENDENT AUDITOR'S REPORT

Member of the Board of Commissioners  
Chippewa County, Michigan  
Sault Ste. Marie, Michigan

**Report on the Financial Statements**

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 Chippewa County, Michigan (the "County"), as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

***Independent Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Chippewa County Health Department, which is a major fund and a separate opinion unit. Also, we did not audit the financial statements of the Chippewa County Road Commission, the Eastern Upper Peninsula Transportation Authority, or the Economic Development Corporation, which represent 100% of the assets, net position, and revenues of the discretely presented component units. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Chippewa County Health Department, the Chippewa County Road Commission, the Eastern Upper Peninsula Transportation Authority, and the Economic Development Corporation, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's

preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### *Opinions*

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County, as of December 31, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### *Other Matters*

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the pension and OPEB schedules, and budgetary comparison schedules, 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 and the other auditors 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.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves,

and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

The continuing disclosure has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 8, 2017, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Gabridge & Company". The signature is written in dark ink and is positioned above the typed name of the firm.

Gabridge & Company, PLC  
Grand Rapids, MI  
June 8, 2017

## **Management's Discussion and Analysis**

## **Chippewa County Management's Discussion and Analysis**

As management of Chippewa County, Michigan (the "County" or "government") we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended December 31, 2016. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal and the accompanying basic financial statements.

### **Financial Highlights**

- The assets and deferred outflows of the County, as presented in the government-wide financial statements, exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$1,857,296 (*net position*), a decrease of \$2,119,304 in 2016.
- During the year, the County had expenses for governmental activities that were \$26,359,432 and expenses for business-type activities that were \$197,657.
- As of the close of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$7,038,076, a decrease of \$559,434 in comparison with the prior year. Of the fund balance amount, \$4,088,822 is *available for spending* at the government's discretion (*unassigned fund balance*).
- Total fund balance for the general fund was \$4,293,912, an increase of \$329,676 from 2015. At the end of the year, the unassigned portion of the fund balance in the general fund was \$4,124,901, or approximately 33 percent of total general fund expenses and transfers out.

### **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements which contain five components: 1) government-wide financial statements, 2) fund financial statements, 3) notes to the financial statements, 4) required supplementary information, and 5) other supplemental information.

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

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

The *statement of activities* presents information showing how the County's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the County include legislative, judicial, general government, public safety (including the jail), public works, health and welfare, community and economic development, and culture and recreation. The business-type activities of the County include the delinquent tax collections, commissary, and foreclosure funds.

The government-wide financial statements include not only the County itself (known as the *primary government*), but also a legally separate Chippewa County Road Commission, Eastern Upper Peninsula Transportation Authority, and Chippewa County Economic Development Corporation, for which the County is financially accountable. Financial information for these *component units* is reported separately from the financial information presented for the primary government itself.

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

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. Governmental fund financial statements focus on a *short-term view of spendable resources and the balance of those spendable resources* at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *government funds* with similar information presented for *government 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 adopts an annual appropriated budget for its general fund and special revenue funds. Budgetary comparison schedules have been provided for all applicable funds to demonstrate compliance with their budgets.

**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 its jail commissary operations and delinquent tax 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 its central supplies and self-insurance activities. Because these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the County's own programs. The County's fiduciary activities are reported in separate statements of fiduciary net position and changes in fiduciary net position. The accounting used for 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.

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

**Required supplementary information.** In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the County's progress in funding its obligation to provide pension benefits to its employees, its obligation to provide healthcare benefits to retirees and the funding progress, and budget comparison schedules.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain *other supplementary information*. This includes the combining fund financial statements.

### **Government-wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. For the County, assets and deferred outflows exceeded liabilities and deferred inflows by \$1,857,296 at the close of the most recent fiscal year.

The following schedule shows the County's assets by category.

	Governmental Activities		Business-type Activities		Total Primary Government	
	2016	2015	2016	2015	2016	2015
<b>ASSETS</b>						
<i>Current Assets</i>						
Cash and Cash Equivalents	\$ 6,947,869	\$ 6,849,225	\$ 9,712,247	\$ 9,708,980	\$ 16,660,116	\$ 16,558,205
Accounts Receivable	1,018,451	2,210,105	-	-	1,018,451	2,210,105
Taxes Receivable	2,845,038	2,840,897	1,733,395	1,703,372	4,578,433	4,544,269
Interest Receivable	3,148	3,096	251,147	283,324	254,295	286,420
Inventory	11,251	9,254	-	-	11,251	9,254
Due from Governmental Units	770,714	631,923	-	-	770,714	631,923
Prepaid Items	156,060	291,551	-	-	156,060	291,551
<b>Total Current Assets</b>	<b>11,752,531</b>	<b>12,836,051</b>	<b>11,696,789</b>	<b>11,695,676</b>	<b>23,449,320</b>	<b>24,531,727</b>
<i>Noncurrent Assets</i>						
Capital Assets not Being Depreciated	231,810	231,810	-	-	231,810	231,810
Capital Assets Being Depreciated	11,361,804	11,857,051	-	-	11,361,804	11,857,051
<b>Total Assets</b>	<b>23,346,145</b>	<b>24,924,912</b>	<b>11,696,789</b>	<b>11,695,676</b>	<b>35,042,934</b>	<b>36,620,588</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Pension Related Deferred Outflows	3,420,784	1,740,188	-	-	3,420,784	1,740,188
Deferred Charge on Refunding	210,459	227,997	-	-	210,459	227,997
<b>Total Deferred Outflows of Resources</b>	<b>3,631,243</b>	<b>1,968,185</b>	<b>-</b>	<b>-</b>	<b>3,631,243</b>	<b>1,968,185</b>
<b>LIABILITIES</b>						
<i>Current Liabilities</i>						
Accounts Payable	368,821	396,285	-	-	368,821	396,285
Accrued Liabilities	412,314	461,976	13,489	6,367	425,803	468,343
Due to Other Governments	162,020	91,557	13	73,002	162,033	164,559
Unearned Revenue	76,442	161,828	-	-	76,442	161,828
Accrued Interest	91,728	105,802	-	-	91,728	105,802
Current Portion of Long-term Debt	1,626,000	1,321,000	-	-	1,626,000	1,321,000
<b>Total Current Liabilities</b>	<b>2,737,325</b>	<b>2,538,448</b>	<b>13,502</b>	<b>79,369</b>	<b>2,750,827</b>	<b>2,617,817</b>
<i>Noncurrent Liabilities</i>						
Long-term Debt	8,373,958	9,999,958	-	-	8,373,958	9,999,958
Compensated Absences	574,220	667,872	-	-	574,220	667,872
Other Post-employment Benefits	7,578,479	6,380,039	-	-	7,578,479	6,380,039
Net Pension Liability	14,690,112	12,295,808	-	-	14,690,112	12,295,808
<b>Total Liabilities</b>	<b>33,954,094</b>	<b>31,882,125</b>	<b>13,502</b>	<b>79,369</b>	<b>33,967,596</b>	<b>31,961,494</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Taxes Levies for a Subsequent Period	2,300,004	2,278,621	-	-	2,300,004	2,278,621
Pension Related Deferred Inflows	549,281	-	-	-	549,281	-
<b>Total Deferred Inflows of Resources</b>	<b>2,849,285</b>	<b>2,278,621</b>	<b>-</b>	<b>-</b>	<b>2,849,285</b>	<b>2,278,621</b>
<b>NET POSITION</b>						
Net Investment in Capital Assets	10,793,614	10,923,861	-	-	10,793,614	10,923,861
Restricted	993,161	1,110,800	-	-	993,161	1,110,800
Unrestricted	(21,612,766)	(19,302,310)	11,683,287	11,616,307	(9,929,479)	(7,686,003)
<b>Total Net Position</b>	<b>\$ (9,825,991)</b>	<b>\$ (7,267,649)</b>	<b>\$ 11,683,287</b>	<b>\$ 11,616,307</b>	<b>\$ 1,857,296</b>	<b>\$ 4,348,658</b>

By far the largest portion of the County's net position, \$10,793,614, represents its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. The County uses capital assets to provide services to citizens; consequently, these assets are not cash and not available for future spending. Although the County's investment in 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.

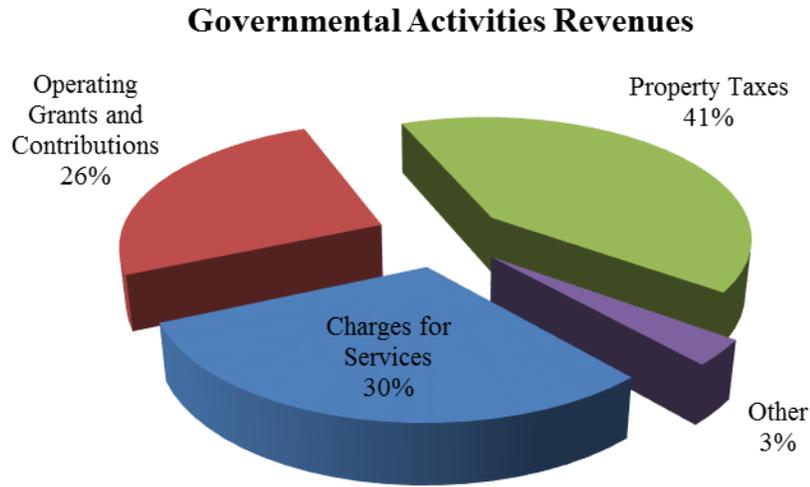
An additional portion of the County's net position \$993,161 represents resources that are subject to external restrictions on how they may be used. The County's unrestricted net position was (\$9,929,479) as of December 31, 2016.

	Governmental Activities		Business-type Activities		Total Government	
	2016	2015	2016	2015	2016	2015
<b>Revenue</b>						
<b>Program Revenues</b>						
Charges for Services	\$ 7,014,578	\$ 7,104,329	\$ 1,085,546	\$ 826,845	\$ 8,100,124	\$ 7,931,174
Operating Grants and Contributions	5,922,912	5,326,342	-	-	5,922,912	5,326,342
Capital Grants & Contributions	4,875	27,304	-	-	4,875	27,304
<b>Total Program Revenues</b>	<b>12,942,365</b>	<b>12,457,975</b>	<b>1,085,546</b>	<b>826,845</b>	<b>14,027,911</b>	<b>13,284,820</b>
<b>General Revenues</b>						
Property Taxes	9,574,097	9,266,605	-	-	9,574,097	9,266,605
State Revenue Sharing	719,883	1,385,277	-	-	719,883	1,385,277
Interest Income	53,004	44,522	62,890	49,857	115,894	94,379
<b>Total General Revenues</b>	<b>10,346,984</b>	<b>10,696,404</b>	<b>62,890</b>	<b>49,857</b>	<b>10,409,874</b>	<b>10,746,261</b>
<b>Total Revenues</b>	<b>23,289,349</b>	<b>23,154,379</b>	<b>1,148,436</b>	<b>876,702</b>	<b>24,437,785</b>	<b>24,031,081</b>
<b>Expenses</b>						
Legislative	74,214	93,047	-	-	74,214	93,047
Judicial	2,641,812	2,698,092	-	-	2,641,812	2,698,092
General Government	5,226,718	4,882,595	-	-	5,226,718	4,882,595
Public Safety	5,225,958	5,500,155	-	-	5,225,958	5,500,155
Public Works	749,231	769,795	-	-	749,231	769,795
Health and Welfare	10,198,823	9,077,540	-	-	10,198,823	9,077,540
Community and Economic Development	52,991	40,862	-	-	52,991	40,862
Interest on Long-term Debt	412,824	448,763	-	-	412,824	448,763
Other Expenses	1,166,813	1,138,808	-	-	1,166,813	1,138,808
Depreciation - Unallocated	610,048	768,028	-	-	610,048	768,028
Tax Collection	-	-	1,065	7,386	1,065	7,386
Nonmajor Funds	-	-	196,592	160,828	196,592	160,828
<b>Total Expenses</b>	<b>26,359,432</b>	<b>25,417,685</b>	<b>197,657</b>	<b>168,214</b>	<b>26,557,089</b>	<b>25,585,899</b>
<b>Change in Net Position Before Transfers</b>	<b>(3,070,083)</b>	<b>(2,263,306)</b>	<b>950,779</b>	<b>708,488</b>	<b>(2,119,304)</b>	<b>(1,554,818)</b>
Transfers	883,799	896,059	(883,799)	(922,375)	-	(26,316)
<b>Change in Net Position</b>	<b>(2,186,284)</b>	<b>(1,367,247)</b>	<b>66,980</b>	<b>(213,887)</b>	<b>(2,119,304)</b>	<b>(1,581,134)</b>
<i>Net Position at the Beginning of Period - Restated</i>	<i>(7,639,707)</i>	<i>(5,900,402)</i>	<i>11,616,307</i>	<i>11,830,194</i>	<i>3,976,600</i>	<i>5,929,792</i>
<b>Net Position at the End of Period</b>	<b>\$ (9,825,991)</b>	<b>\$ (7,267,649)</b>	<b>\$ 11,683,287</b>	<b>\$ 11,616,307</b>	<b>\$ 1,857,296</b>	<b>\$ 4,348,658</b>

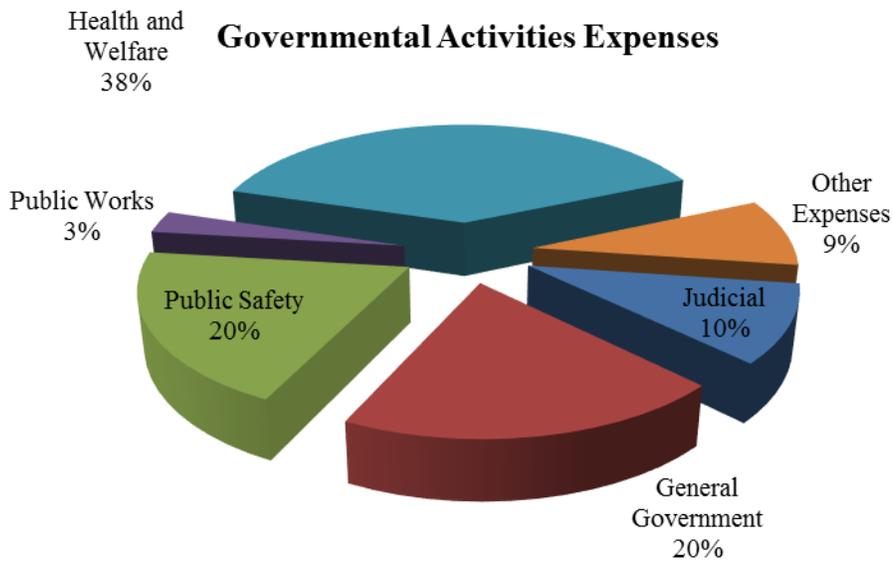
## Governmental Activities.

Net position within Governmental activities showed an overall decrease of \$2,186,284 during the year. The decrease in net position is primarily due to an increase in general government expenses of \$344,123 and an increase in health and welfare expenses of \$1,121,283. Total revenues increased by \$134,970 while total expenses increased by \$941,747.

The following chart summarizes the revenue sources for the governmental activities of the County for 2016:



The following chart summarizes the expenses for the governmental activities of the County for 2016:



**Business-type Activities.**

The County’s net position from business-type activities increased by \$66,980 in 2016 compared to a decrease of \$213,887 for 2015. The increase in net position is primarily due to an increase of charges for services of \$258,701. Total revenues increased by \$271,734 while total expenses increased by \$29,443.

## **Financial Analysis of the County's Funds**

As noted earlier, the 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, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$7,038,076, a decrease of \$559,434 in comparison with the prior year. Of the fund balance amount, \$4,088,822 constitutes unassigned fund balance, which is available for spending at the government's discretion.

The County's major funds for 2016 include the general fund, senior nutrition, correctional facility maintenance, ambulance, and the Chippewa County health department.

The general fund is the chief operating fund of the County. At the end of the current fiscal year, unassigned fund balance of the general fund was \$4,124,901, while total fund balance was \$4,293,912. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to current year expenditures. Unassigned fund balance represents 33 percent of total general fund expenditures and transfers out for the current year.

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

Unrestricted net positions of the delinquent tax revolving funds at the end of the year amounted to \$11,683,287. Factors concerning the finances of these funds have already been addressed in the discussion of the County's business-type activities.

### **General Fund Budgetary Highlights**

**Original budget compared to final budget.** During the year the County did not need to significantly amend its budget. However, there was an amendment made to reallocate appropriations among departments based on differences between initial estimates and actual expense allocations for certain expenditures, including employee benefits costs. Generally, the movement of the appropriations between departments was *not* significant.

**Final budget compared to actual results.** During the current fiscal year the County had no expenditures in excess of the appropriated amounts in the general fund.

## **Capital Asset and Debt Administration**

**Capital Assets.** The County's investment in capital assets (net of accumulated depreciation) as of December 31, 2016 for its governmental activities amounted to \$11,593,614. These capital assets include land, buildings and improvements, equipment and furniture, and vehicles.

The total decrease in the primary government's investment in capital assets for the 2016 fiscal year was \$495,247 reflecting that its depreciation of existing capital assets exceeded the capital asset additions during the year.

**Long-term debt.** At the end of the 2016, the County had total bonded debt outstanding of \$9,999,958, a decrease of \$1,321,000 from 2015. The entire balance comprises debt backed by the full faith and credit of the County.

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 County continues to maintain significant available debt capacity.

Additional information on the County's long-term debt can be found in the notes to the financial statements.

## **Economic Factors and Next Year's Budgets**

In order to maintain financial stability over the long term, the budgeting practice in the County is to not only adopt a balanced budget as required by law, but to manage its budget in a manner such that actual expenses do not exceed actual revenues on an annual basis. It has permitted the County Board to utilize its annual budget process as the primary vehicle to make decisions on the type and level of County services to be provided. When unexpected revenue losses or expenditure increases occur during the year, they will be addressed through short term expenditure reduction measures such as reductions in controllable expenses, hiring delays, and deferrals of certain capital expenditures.

## **Component Units**

A separate management's discussion and analysis is available for the County Health Department, Road Commission, Economic Development Corporation, and the Eastern Upper Peninsula Transportation Authority. Refer to these audit reports for further information.

## **Contacting the County's Financial Management**

This financial report 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 financial information should be addressed to:

Chippewa County Administrator Office  
319 Court Street  
Sault Ste. Marie, Michigan 49783  
(906) 635-6330

## **Basic Financial Statements**

**Chippewa County**  
**Statement of Net Position**  
**December 31, 2016**

	<b>Primary Government</b>			<b>Component Units</b>
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	
<b>ASSETS</b>				
<i>Current Assets</i>				
Cash and Investments	\$ 6,947,869	\$ 9,712,247	\$ 16,660,116	\$ 1,850,710
Cash and Investments - Restricted	--	--	--	1,325,778
Accounts Receivable	1,018,451	--	1,018,451	1,388,526
Taxes Receivable	2,845,038	1,733,395	4,578,433	817,441
Interest Receivable	3,148	251,147	254,295	--
Inventory	11,251	--	11,251	748,548
Due from Governmental Units	770,714	--	770,714	847,735
Prepaid Items	156,060	--	156,060	137,349
<b>Total Current Assets</b>	<b>11,752,531</b>	<b>11,696,789</b>	<b>23,449,320</b>	<b>7,116,087</b>
<i>Noncurrent Assets</i>				
Capital Assets not being Depreciated	231,810	--	231,810	63,500,995
Capital Assets being Depreciated, Net	11,361,804	--	11,361,804	58,103,809
<b>Total Assets</b>	<b>23,346,145</b>	<b>11,696,789</b>	<b>35,042,934</b>	<b>128,720,891</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Pension Related Deferred Outflows	3,420,784	--	3,420,784	2,297,775
Deferred Charges on Refunding	210,459	--	210,459	--
<b>Total Deferred Outflows of Resources</b>	<b>3,631,243</b>	<b>--</b>	<b>3,631,243</b>	<b>2,297,775</b>
<b>LIABILITIES</b>				
<i>Current Liabilities</i>				
Accounts Payable	368,821	--	368,821	500,574
Accrued Liabilities	412,314	13,489	425,803	205,707
Advances	--	--	--	677,308
Due to Governmental Units	162,020	13	162,033	27,462
Unearned Revenue	76,442	--	76,442	--
Accrued Interest Payable	91,728	--	91,728	--
Current Portion of Long-term Debt	1,626,000	--	1,626,000	249,409
<b>Total Current Liabilities</b>	<b>2,737,325</b>	<b>13,502</b>	<b>2,750,827</b>	<b>1,660,460</b>
<i>Noncurrent Liabilities</i>				
Long-term Debt	8,373,958	--	8,373,958	666,391
Compensated Absences	574,220	--	574,220	370,330
OPEB Obligations	7,578,479	--	7,578,479	2,326,781
Net Pension Liability	14,690,112	--	14,690,112	16,484,270
<b>Total Liabilities</b>	<b>33,954,094</b>	<b>13,502</b>	<b>33,967,596</b>	<b>21,508,232</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Taxes Levied for a Subsequent Period	2,300,004	--	2,300,004	817,441
Pension Related Deferred Inflows	549,281	--	549,281	--
<b>Total Deferred Inflows of Resources</b>	<b>2,849,285</b>	<b>--</b>	<b>2,849,285</b>	<b>817,441</b>
<b>NET POSITION</b>				
Net Investment in Capital Assets	10,793,614	--	10,793,614	120,689,004
<i>Restricted</i>	993,161	--	993,161	--
<i>Unrestricted</i>	(21,612,766)	11,683,287	(9,929,479)	(11,996,011)
<b>Total Net Position</b>	<b>\$ (9,825,991)</b>	<b>\$ 11,683,287</b>	<b>\$ 1,857,296</b>	<b>\$ 108,692,993</b>

The Notes to the Financial Statements are an integral part of these Financial Statements

**Chippewa County**  
**Statement of Activities**  
**For the Year Ended December 31, 2016**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue			Component Units
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	
<b>Primary Government</b>								
<b>Governmental Activities:</b>								
Legislative	\$ 74,214	\$ --	\$ --	\$ --	\$ (74,214)	\$ --	\$ (74,214)	\$ --
Judicial	2,641,812	377,151	692,079	--	(1,572,582)	--	(2,297,641)	--
General Government	5,226,718	597,230	1,655,415	4,875	(2,969,198)	--	(2,089,612)	--
Public Safety	5,225,958	1,616,786	873,119	--	(2,736,053)	--	(2,759,815)	--
Public Works	749,231	74,887	31,627	--	(642,717)	--	(1,234,422)	--
Health and Welfare	10,198,823	4,323,049	2,363,038	--	(3,512,736)	--	(3,073,017)	--
Community and Economic Development	52,991	25,475	307,634	--	280,118	--	(240,591)	--
Interest on Long-term Debt	412,824	--	--	--	(412,824)	--	(426,898)	--
Other Expenses	1,166,813	--	--	--	(1,166,813)	--	(817,245)	--
Depreciation - Unallocated	610,048	--	--	--	(610,048)	--	(610,048)	--
<b>Total Governmental Activities</b>	<b>26,359,432</b>	<b>7,014,578</b>	<b>5,922,912</b>	<b>4,875</b>	<b>(13,417,067)</b>	<b>--</b>	<b>(13,623,503)</b>	<b>--</b>
<b>Business-type Activities:</b>								
Tax Collection	1,065	675,701	--	--	--	674,636	(1,065)	--
Nonmajor Funds	196,592	409,845	--	--	--	213,253	184,633	--
<b>Total Business-type Activities</b>	<b>197,657</b>	<b>1,085,546</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>887,889</b>	<b>887,889</b>	<b>--</b>
<b>Total Primary Government</b>	<b>\$ 26,557,089</b>	<b>\$ 8,100,124</b>	<b>\$ 5,922,912</b>	<b>\$ 4,875</b>	<b>\$ (13,417,067)</b>	<b>\$ 887,889</b>	<b>\$ (12,735,614)</b>	<b>--</b>
<b>Component Units</b>								
Chippewa County Road Commission	\$ 10,780,172	\$ 2,762,791	\$ 3,764,422	\$ 10,585,240	--	--	--	6,332,281
Eastern Upper Peninsula Transportation Authority	4,215,692	1,723,362	1,739,083	272,278	--	--	--	(480,969)
Economic Development Corporation	3,889,068	2,334,359	--	--	--	--	--	(1,554,709)
<b>Total Component Units</b>	<b>\$ 18,884,932</b>	<b>\$ 6,820,512</b>	<b>\$ 5,503,505</b>	<b>\$ 10,857,518</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>4,296,603</b>
<b>General Purpose Revenues and Transfers:</b>								
<b>Revenues</b>								
Taxes					9,574,097	--	9,574,097	817,862
State Sources					719,883	--	719,883	--
Interest Income					53,004	62,890	115,894	--
Gain on Disposals					--	--	--	102,221
<b>Transfers</b>					883,799	(883,799)	--	--
<b>Total General Revenues and Transfers</b>					<b>11,230,783</b>	<b>(820,909)</b>	<b>10,409,874</b>	<b>930,830</b>
<b>Change in Net Position</b>					<b>(2,186,284)</b>	<b>66,980</b>	<b>(2,119,304)</b>	<b>5,227,433</b>
<i>Net Position at Beginning of Period (Restated)</i>					<i>(7,639,707)</i>	<i>11,616,307</i>	<i>3,976,600</i>	<i>103,465,560</i>
<b>Net Position at End of Period</b>					<b>\$ (9,825,991)</b>	<b>\$ 11,683,287</b>	<b>\$ 1,857,296</b>	<b>\$ 108,692,993</b>

The Notes to the Financial Statements are an integral part of these Financial Statements

**Chippewa County  
Balance Sheet  
Governmental Funds  
December 31, 2016**

	Special Revenue						Other Governmental Funds	Total Governmental Funds
	General	Senior Nutrition	Correctional Facility Maintenance	Ambulance	Chippewa County Health Department			
<b>ASSETS</b>								
Cash and Investments	\$ 3,510,065	\$ --	\$ 706,073	\$ 949	\$ 250,951	\$ 1,244,973	\$ 5,713,011	
Accounts Receivable	13,462	--	--	--	876,145	128,844	1,018,451	
Taxes Receivable	545,034	540,045	648,833	462,294	--	648,832	2,845,038	
Interest Receivable	2,810	--	338	--	--	--	3,148	
Inventory	--	--	--	--	3,986	--	3,986	
Due from Governmental Units	270,866	--	--	--	170,079	162,733	603,678	
Prepaid Items	55,878	--	--	--	63,032	37,150	156,060	
Due from Other Funds	252,028	--	--	--	--	--	252,028	
<i>Total Assets</i>	<b>\$ 4,650,143</b>	<b>\$ 540,045</b>	<b>\$ 1,355,244</b>	<b>\$ 463,243</b>	<b>\$ 1,364,193</b>	<b>\$ 2,222,532</b>	<b>\$ 10,595,400</b>	
<b>LIABILITIES</b>								
Accounts Payable	\$ 94,709	\$ --	\$ 1,930	\$ --	\$ 201,490	\$ 70,692	\$ 368,821	
Accrued Liabilities	261,393	--	--	--	95,908	47,973	405,274	
Due to Governmental Units	129	--	--	--	153,896	7,995	162,020	
Unearned Revenue	--	--	--	--	76,442	--	76,442	
Due to Other Funds	--	--	--	--	--	244,763	244,763	
<i>Total Liabilities</i>	356,231	--	1,930	--	527,736	371,423	1,257,320	
<b>DEFERRED INFLOWS OF RESOURCES</b>								
Taxes Levied for a Subsequent Period	--	540,045	648,833	462,294	--	648,832	2,300,004	
<i>Total Liabilities and Deferred Inflows of Resources</i>	356,231	540,045	650,763	462,294	527,736	1,020,255	3,557,324	
<b>FUND BALANCE</b>								
Nonspendable	55,878	--	--	--	67,018	37,150	160,046	
Restricted	--	--	704,481	949	--	287,731	993,161	
Committed	--	--	--	--	--	7,503	7,503	
Assigned	113,133	--	--	--	769,439	905,972	1,788,544	
Unassigned	4,124,901	--	--	--	--	(36,079)	4,088,822	
<i>Total Fund Balance</i>	4,293,912	--	704,481	949	836,457	1,202,277	7,038,076	
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balance</i>	<b>\$ 4,650,143</b>	<b>\$ 540,045</b>	<b>\$ 1,355,244</b>	<b>\$ 463,243</b>	<b>\$ 1,364,193</b>	<b>\$ 2,222,532</b>	<b>\$ 10,595,400</b>	

The Notes to the Financial Statements are an integral part of these Financial Statements

**Chippewa County**  
**Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position**  
**December 31, 2016**

Total Fund Balance - Governmental Funds	\$	7,038,076
Net position of internal service funds that are treated as proprietary in the fund level statements are treated as governmental in the entity-wide statements.		1,394,854
In the Statement of Activities, interest is accrued on outstanding bonds, whereas, in governmental funds, interest is reported when due.		(91,728)
Governmental capital assets of \$25,102,835, net of accumulated depreciation of \$13,509,221, are not financial resources, and accordingly are not reported in the funds.		11,593,614
Vested employee benefits are not due and payable in the current period and, therefore, are not reported in the funds.		(574,220)
Deferred outflows and inflows from the difference between projected and actual investment earnings of the pension plan as well as County contributions made after the measurement date of the net pension liability are not reported in the funds.		2,871,503
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		(9,789,499)
Other post-employment benefits are not due and payable in the current period and, therefore, are not reported in the funds.		(7,578,479)
Net pension liabilities are not reported in the funds.		(14,690,112)
<b>Total Net Position - Governmental Funds</b>	<b>\$</b>	<b><u>(9,825,991)</u></b>

The Notes to the Financial Statements are an integral part of these Financial Statements

**Chippewa County**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Governmental Funds**  
**For the Year Ended December 31, 2016**

	<u>Special Revenue</u>						<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
	<u>General</u>	<u>Senior Nutrition</u>	<u>Correctional Facility Maintenance</u>	<u>Ambulance</u>	<u>Chippewa County Health Department</u>			
<b>Revenues</b>								
Taxes	\$ 7,229,444	\$ 550,187	\$ 661,686	\$ 470,873	\$ --	\$ 661,907	\$ 9,574,097	
Licenses and Permits	37,918	--	--	--	--	--	37,918	
Federal Sources	385,032	--	--	--	668,332	244,500	1,297,864	
State Sources	1,873,408	--	--	--	320,886	841,318	3,035,612	
Local Sources	145,446	--	3,745	--	219,196	1,284,836	1,653,223	
Charges for Services	1,691,095	--	--	--	4,318,434	676,530	6,686,059	
Interest and Rentals	52,796	--	4,884	--	36	164	57,880	
Fines and Forfeitures	86,682	--	--	--	--	--	86,682	
Other Revenue	272,620	--	--	--	470,456	116,938	860,014	
<b>Total Revenues</b>	<u>11,774,441</u>	<u>550,187</u>	<u>670,315</u>	<u>470,873</u>	<u>5,997,340</u>	<u>3,826,193</u>	<u>23,289,349</u>	
<b>Expenditures</b>								
Legislative	74,214	--	--	--	--	--	74,214	
Judicial	2,641,198	--	--	--	--	66,412	2,707,610	
General Government	3,833,179	--	--	--	--	25,149	3,858,328	
Public Safety	3,856,939	--	21,434	--	--	1,556,913	5,435,286	
Public Works	--	--	--	--	--	740,346	740,346	
Health and Welfare	232,058	550,258	--	305,853	6,988,962	683,188	8,760,319	
Community and Economic Development	23,200	--	--	--	--	34,084	57,284	
Capital Outlay	137,220	--	--	--	--	64,802	202,022	
Debt Service - Principal	--	--	--	--	--	1,321,000	1,321,000	
Debt Service - Interest	--	--	--	--	--	409,360	409,360	
Other Expenditures	1,166,813	--	--	--	--	--	1,166,813	
<b>Total Expenditures</b>	<u>11,964,821</u>	<u>550,258</u>	<u>21,434</u>	<u>305,853</u>	<u>6,988,962</u>	<u>4,901,254</u>	<u>24,732,582</u>	
<b>Excess of Revenues Over (Under) Expenditures</b>	<u>(190,380)</u>	<u>(71)</u>	<u>648,881</u>	<u>165,020</u>	<u>(991,622)</u>	<u>(1,075,061)</u>	<u>(1,443,233)</u>	
<b>Other Financing Sources (Uses)</b>								
Transfers In	989,937	--	--	--	--	1,234,336	2,224,273	
Transfers Out	(469,881)	--	(627,775)	(164,689)	--	(78,129)	(1,340,474)	
<b>Net Other Financing Sources (Uses)</b>	<u>520,056</u>	<u>--</u>	<u>(627,775)</u>	<u>(164,689)</u>	<u>--</u>	<u>1,156,207</u>	<u>883,799</u>	
<b>Net Change in Fund Balance</b>	<u>329,676</u>	<u>(71)</u>	<u>21,106</u>	<u>331</u>	<u>(991,622)</u>	<u>81,146</u>	<u>(559,434)</u>	
<i>Fund Balance at Beginning of Period (Restated)</i>	3,964,236	71	683,375	618	1,828,079	1,121,131	7,597,510	
<b>Fund Balance at End of Period</b>	<u>\$ 4,293,912</u>	<u>\$ --</u>	<u>\$ 704,481</u>	<u>\$ 949</u>	<u>\$ 836,457</u>	<u>\$ 1,202,277</u>	<u>\$ 7,038,076</u>	

The Notes to the Financial Statements are an integral part of these Financial Statements

**Chippewa County**  
**Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and**  
**Changes in Fund Balance with Statement of Activities**  
**For the Year Ended December 31, 2016**

Total Net Change in Fund Balances - Governmental Funds	\$	(559,434)
Changes in net position of internal service funds that are treated as enterprise fund changes in net position in the fund level statements are treated as governmental fund changes in net position in the entity-wide statements		(81,362)
Current year long-term debt principal payments on contractual obligations, bonds payable, and capital leases are expenditures in the fund financial statements but are reductions to long-term debt in the government-wide financial statements. This is the amount of principal payments on long-term debt of \$1,321,000.		1,321,000
Changes to vested employee benefits are not shown in the fund financial statements.		93,652
Governmental funds report capital outlay as expenditures; however, in the Statement of Activities, the cost of those assets are allocated over the estimated useful lives as depreciation expense. This is the amount by which capital outlay expenditures of \$202,022 were exceed by depreciation expense of \$697,269.		(495,247)
Changes to accrued interest and deferred charges are not shown in the fund financial statements.		(3,464)
Changes to net pension liability do not require the use of current resources and are not reported in the governmental funds.		(1,262,989)
In the Statement of Activities, an expense is recorded for other post-employment benefits (OPEB) to adjust net OPEB obligation to the actuarial determined amount less any contributions to fund the obligation. This is the difference between the prior year and the current year net OPEB obligation.		(1,198,440)
<b>Changes in Net Position-Governmental Funds</b>	<b>\$</b>	<b><u>(2,186,284)</u></b>

The Notes to the Financial Statements are an integral part of these Financial Statements

**Chippewa County  
Statement of Net Position  
Proprietary Funds  
December 31, 2016**

	<b>Business-type Activities - Enterprise Funds</b>			<b>Governmental Activities</b>
	<b>Tax Collection</b>	<b>Nonmajor Funds</b>	<b>Total</b>	<b>Internal Service Fund</b>
<b>ASSETS</b>				
<i>Current Assets</i>				
Cash and Investments	\$ 9,445,898	\$ 266,349	\$ 9,712,247	\$ 1,234,858
Taxes Receivable	1,733,395	--	1,733,395	--
Interest Receivable	251,147	--	251,147	--
Inventory	--	--	--	7,265
Due from Governmental Units	--	--	--	167,036
<b>Total Assets</b>	<b>11,430,440</b>	<b>266,349</b>	<b>11,696,789</b>	<b>1,409,159</b>
<b>LIABILITIES</b>				
<i>Current Liabilities</i>				
Accrued Liabilities	11,852	1,637	13,489	7,040
Due to Governmental Units	--	13	13	--
Due to Other Funds	--	--	--	7,265
<b>Total Liabilities</b>	<b>11,852</b>	<b>1,650</b>	<b>13,502</b>	<b>14,305</b>
<b>NET POSITION</b>				
<i>Unrestricted</i>	11,418,588	264,699	11,683,287	1,394,854
<b>Total Net Position</b>	<b>\$ 11,418,588</b>	<b>\$ 264,699</b>	<b>\$ 11,683,287</b>	<b>\$ 1,394,854</b>

The Notes to the Financial Statements are an integral part of these Financial Statements

**Chippewa County**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**Proprietary Funds**  
**For the Year Ended December 31, 2016**

	<u>Business-type Activities - Enterprise Funds</u>			<u>Governmental Activities</u>
	<u>Tax Collection</u>	<u>Nonmajor Funds</u>	<u>Total</u>	<u>Internal Service Funds</u>
<b>Operating Revenues</b>				
Charges for Services	\$ 27,263	\$ --	\$ 27,263	\$ 3,271,510
Penalties and Interest Charges	648,438	409,845	1,058,283	--
<b>Total Operating Revenues</b>	<u>675,701</u>	<u>409,845</u>	<u>1,085,546</u>	<u>3,271,510</u>
<b>Operating Expenses</b>				
Other Supplies and Expenses	1,065	196,592	197,657	10,293
Premium Payments	--	--	--	3,342,579
<b>Total Operating Expenses</b>	<u>1,065</u>	<u>196,592</u>	<u>197,657</u>	<u>3,352,872</u>
<b>Operating Income (Loss)</b>	<u>674,636</u>	<u>213,253</u>	<u>887,889</u>	<u>(81,362)</u>
<b>Non-Operating Revenues (Expenses)</b>				
Interest on Deposits	62,890	--	62,890	--
<b>Net Non-Operating Revenues (Expenses)</b>	<u>62,890</u>	<u>--</u>	<u>62,890</u>	<u>--</u>
<b>Income Before Contributions and Transfers</b>	737,526	213,253	950,779	(81,362)
Transfers In	3,565,011	--	3,565,011	--
Transfers Out	(4,304,316)	(144,494)	(4,448,810)	--
<b>Change In Net Position</b>	<u>(1,779)</u>	<u>68,759</u>	<u>66,980</u>	<u>(81,362)</u>
<i>Net Position at Beginning of Period</i>	11,420,367	195,940	11,616,307	1,476,216
<b>Net Position at End of Period</b>	<u>\$ 11,418,588</u>	<u>\$ 264,699</u>	<u>\$ 11,683,287</u>	<u>\$ 1,394,854</u>

The Notes to the Financial Statements are an integral part of these Financial Statements

**Chippewa County**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended December 31, 2016**

	Enterprise			Governmental Activities
	Tax Collections	Nonmajor Funds	Total	Internal Service Fund
<b>Cash Flows from Operating Activities</b>				
Cash Received from Customers	\$ 572,689	\$ 409,845	\$ 982,534	\$ 3,266,666
Cash Payments to Suppliers	4,420	(194,955)	(190,535)	(3,347,334)
Interfund Activity - Receipts (Payments) with Other Funds	-	-	-	1,502
<b>Total Cash Provided (Used) by Operating Activities</b>	577,109	214,890	791,999	(79,166)
<b>Cash Flows from Non-Capital Financing Activities</b>				
Transfers In (Out)	(739,305)	(144,494)	(883,799)	-
<b>Total Cash Flows Used by Non-Capital Financing Activities</b>	(739,305)	(144,494)	(883,799)	-
<b>Cash Flows from Investing Activities</b>				
Interest on Deposits	95,067	-	95,067	-
<b>Total Cash Flows Provided by Investing Activities</b>	95,067	-	95,067	-
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	(67,129)	70,396	3,267	(79,166)
<i>Cash and Cash Equivalents - Beginning of the Year</i>	9,513,027	195,953	9,708,980	1,314,024
<i>Cash and Cash Equivalents - End of the Year</i>	\$ 9,445,898	\$ 266,349	\$ 9,712,247	\$ 1,234,858
<b>Reconciliation of Operating Income (Loss) To Net Cash Provided (Used) by Operating Activities:</b>				
Operating Income	\$ 674,636	\$ 213,253	\$ 887,889	\$ (81,362)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operations:				
Changes in Assets and Liabilities:				
(Increase) Decrease in Assets				
Due from Governmental Units	-	-	-	(4,844)
Taxes Receivable	(30,023)	-	(30,023)	-
Inventory	-	-	-	(1,502)
Increase (Decrease) in Liabilities:				
Accrued Liabilities	5,485	1,637	7,122	7,040
Due to Other Funds	-	-	-	-
Due to Governmental Units	(72,989)	-	(72,989)	1,502
<b>Net Cash Provided (Used) by Operating Activities</b>	\$ 577,109	\$ 214,890	\$ 791,999	\$ (79,166)

The Notes to the Financial Statements are an integral part of these Financial Statements

**Chippewa County**  
**Statement of Fiduciary Net Position**  
**Fiduciary Funds**  
**December 31, 2016**

	<b>Other Employee Benefit Trust Fund</b>	<b>Agency Funds</b>
<b>ASSETS</b>		
Cash and Investments	\$ --	\$ 1,399,715
Equity Securities	7,217,671	--
<i>Total Assets</i>	7,217,671	1,399,715
<b>LIABILITIES</b>		
Due to Governmental Units	--	78,356
Undistributed Tax Collections	--	1,246,297
Other Liabilities	--	75,062
<i>Total Liabilities</i>	--	1,399,715
<b>NET POSITION</b>		
Held in Trust	\$ 7,217,671	\$ --

The Notes to the Financial Statements are an integral part of these Financial Statements

**Chippewa County**  
**Statement of Changes in Fiduciary Net Position**  
**Fiduciary Funds**  
**For the Year Ended December 31, 2016**

	<b>Other Employee Benefit Trust Fund</b>
<b>Additions</b>	
Employer and Employee Contributions	\$ 1,752,536
Interest and Dividends	675,653
<i><b>Total Additions</b></i>	<b>2,428,189</b>
<b>Deductions</b>	
Other Deductions	15,294
Participants Payments	950,397
<i><b>Total Deductions</b></i>	<b>965,691</b>
<i><b>Change in Net Position</b></i>	<b>1,462,498</b>
<i>Net Position at Beginning of Period</i>	5,755,173
<i>Net Position at End of Period</i>	<b>\$ 7,217,671</b>

The Notes to the Financial Statements are an integral part of these Financial Statements

**Chippewa County**  
**Combining Statement of Net Position**  
**Component Units**  
**December 31, 2016**

	<b>Chippewa County Road Commission</b>	<b>Eastern Upper Peninsula Transportation Authority</b>	<b>Economic Development Corporation</b>	<b>Total Component Units</b>
<b>ASSETS</b>				
<i>Current Assets</i>				
Cash and Investments	\$ 665,983	\$ 663,831	\$ 520,896	\$ 1,850,710
Cash and Investments - Restricted	--	874,306	451,472	1,325,778
Accounts Receivable	837,956	203,945	346,625	1,388,526
Taxes Receivable	817,441	--	--	817,441
Inventory	713,289	--	35,259	748,548
Due from Governmental Units	845,841	1,894	--	847,735
Prepaid Items	75,043	38,252	24,054	137,349
<b>Total Current Assets</b>	<b>3,955,553</b>	<b>1,782,228</b>	<b>1,378,306</b>	<b>7,116,087</b>
<i>Noncurrent Assets</i>				
Capital Assets not being Depreciated	61,470,418	83,902	1,946,675	63,500,995
Capital Assets being Depreciated, Net	29,609,932	7,473,172	21,020,705	58,103,809
<b>Total Assets</b>	<b>95,035,903</b>	<b>9,339,302</b>	<b>24,345,686</b>	<b>128,720,891</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Pension Investment Experience and Contributions	1,072,369	1,122,476	102,930	2,297,775
<b>Total Deferred Outflows of Resources</b>	<b>1,072,369</b>	<b>1,122,476</b>	<b>102,930</b>	<b>2,297,775</b>
<b>LIABILITIES</b>				
<i>Current Liabilities</i>				
Accounts Payable	269,108	170,847	60,619	500,574
Accrued Liabilities	110,277	57,001	--	167,278
Advances	677,308	--	--	677,308
Due to Governmental Units	--	27,462	--	27,462
Other Liabilities	--	--	38,429	38,429
Notes Payable	224,409	--	25,000	249,409
<b>Total Current Liabilities</b>	<b>1,281,102</b>	<b>255,310</b>	<b>124,048</b>	<b>1,660,460</b>
<i>Noncurrent Liabilities</i>				
Notes Payable	591,391	--	75,000	666,391
Vested Employee Benefits	150,890	179,493	39,947	370,330
OPEB Obligations	2,256,356	--	70,425	2,326,781
Net Pension Liability	9,890,849	6,125,587	467,834	16,484,270
<b>Total Liabilities</b>	<b>14,170,588</b>	<b>6,560,390</b>	<b>777,254</b>	<b>21,508,232</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Taxes Levied for a Subsequent Period	817,441	--	--	817,441
<b>Total Deferred Inflows of Resources</b>	<b>817,441</b>	<b>--</b>	<b>--</b>	<b>817,441</b>
<b>NET POSITION</b>				
Net Investment in Capital Assets	90,264,550	7,557,074	22,867,380	120,689,004
<i>Unrestricted</i>	(9,144,307)	(3,655,686)	803,982	(11,996,011)
<b>Total Net Position</b>	<b>\$ 81,120,243</b>	<b>\$ 3,901,388</b>	<b>\$ 23,671,362</b>	<b>\$ 108,692,993</b>

The Notes to the Financial Statements are an integral part of these Financial Statements

**Chippewa County**  
**Combining Statement of Activities**  
**Component Units**  
**For the Year Ended December 31, 2016**

	<b>Chippewa County Road Commission</b>	<b>Eastern Upper Peninsula Transportation Authority</b>	<b>Economic Development Corporation</b>	<b>Total Component Units</b>
<b>Expenses</b>				
Public Works	\$ 10,780,172	\$ 4,215,692	\$ --	\$ 14,995,864
Community and Economic Development	--	--	3,889,068	3,889,068
<b>Total Expenses</b>	<b>10,780,172</b>	<b>4,215,692</b>	<b>3,889,068</b>	<b>18,884,932</b>
<b>Program Revenues</b>				
Charges for Services	2,762,791	1,723,362	2,334,359	6,820,512
Operating Grants and Contributions	3,764,422	1,739,083	--	5,503,505
Capital Grants and Contributions	10,585,240	272,278	--	10,857,518
<b>Total Program Revenues</b>	<b>17,112,453</b>	<b>3,734,723</b>	<b>2,334,359</b>	<b>23,181,535</b>
<b>Net Program Revenues (Expenses)</b>	<b>6,332,281</b>	<b>(480,969)</b>	<b>(1,554,709)</b>	<b>4,296,603</b>
<b>General Revenue</b>				
Taxes	808,468	--	9,394	817,862
Interest and Rentals	--	4,324	6,423	10,747
Gain on Disposals	5,617	--	96,604	102,221
<b>Total General Revenues</b>	<b>814,085</b>	<b>4,324</b>	<b>112,421</b>	<b>930,830</b>
<b>Change in Net Position</b>	<b>7,146,366</b>	<b>(476,645)</b>	<b>(1,442,288)</b>	<b>5,227,433</b>
<i>Net Position at Beginning of Period (Restated)</i>	73,973,877	4,378,033	25,113,650	103,465,560
<b>Net Position at End of Period</b>	<b>\$ 81,120,243</b>	<b>\$ 3,901,388</b>	<b>\$ 23,671,362</b>	<b>\$ 108,692,993</b>

The Notes to the Financial Statements are an integral part of these Financial Statements

## **Notes to the Financial Statements**

## Chippewa County

### Notes to the Financial Statements

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#### **Note 1 - Summary of Significant Accounting Policies**

The County of Chippewa, Michigan (the “County” or “government”) was incorporated in 1877 and covers an area of approximately 2,698 square miles in southern Michigan. The County operates under a five member elected Board of Commissioners. The County seat is located in the City of Sault Ste. Marie.

The financial statements of the County have been prepared in conformity with 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 County’s accounting policies are described below.

#### **Reporting Entity**

As required by generally accepted accounting principles, these financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government’s operations and so data from these units are combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the combined financial statements to emphasize that they are legally separate from the government.

#### ***Multi-County Agency***

***Hiawatha Behavioral Health Authority (the " Authority")*** - The County participates jointly in the operation of the Authority with Mackinac and Schoolcraft Counties. The funding formula requires the County to provide approximately 60% of the budget appropriation requirement, which amounted to \$171,334 for the year ended December 31, 2016.

***Department of Human Services (the " Department")*** - In 2004, the Department became a Zone 1 Regional DHS which accounted for the activities of the following counties: Delta, Menominee, Dickinson, Iron, Schoolcraft, Gogebic, Ontonagon, Alger, Chippewa, Houghton, Keweenaw, Luce, Marquette, and Baraga. Each County maintains its own three member DHS board, two appointed by the County and one appointed by the Michigan Governor, but the financial activity is reported in Delta County’s financial report because the treasury function of the Department rests with the Delta County Treasurer.

#### ***Discretely Presented Component Units***

***Chippewa County Road Commission (the “Road Commission”)*** - The members of the governing board of the Road Commission are appointed by the County Commission. Although the County does not have the authority to approve or modify the Road Commission’s operational

## Chippewa County

### Notes to the Financial Statements

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and capital budgets; travel, per diem rates, and bonded debt must be approved by the County Commission.

***Chippewa County Economic Development Corporation (the “Corporation”)*** - The members of the governing board are jointly appointed by the County and other governmental units. The Corporation’s capital budgets are subject to approval of the County Commission. The County is generally liable for disallowed grant expenditures as well.

***Eastern Upper Peninsula Transportation Authority (the “Authority”)*** – The members of the governing board are appointed as follows: three members by Chippewa County and two members by Luce County. The County exercises oversight responsibility and has accountability of fiscal matters. The Authority has a September 30, 2016 year end.

The combining financial statements present condensed financial statements of each of the three discretely presented component units. Complete financial statements of the individual component units may be obtained from their administrative offices.

Chippewa County Road Commission  
3949 S. Mackinac Trail  
Sault Ste. Marie, MI 49783

Chippewa County Economic Development Corporation  
119 Cully Road, Bldg. 119  
Kincheloe, MI 49788

Eastern Upper Peninsula Transportation Authority  
4001 I-75 Business Spur  
Sault Ste. Marie, MI 49783

***Funds With Other Year Ends*** - The financial statements of the Health Department special revenue fund are presented in the accompanying financial statements using its fiscal year end of September 30, 2016.

### **Government-wide and Fund Financial Statements**

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

## Chippewa County

### Notes to the Financial Statements

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separately from certain component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

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

#### **Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Agency funds, a type of fiduciary fund, are unlike all other types of funds, reporting only assets and liabilities. Therefore, agency funds cannot be said to have a measurement focus. They do, however, use the accrual basis of accounting to recognize receivables and payables.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, or within one year for reimbursement based grants. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to vested employee benefits and claims and judgments, are recorded only when payment is due.

Property taxes, state revenue, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other

## Chippewa County

### Notes to the Financial Statements

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revenue items are considered to be measurable and available only when cash is received by the government.

The County reports the following major governmental funds:

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

The ***health department fund*** accounts for the activities of delivering health services to residents, funded by federal, state and local grants and contributions.

The ***senior nutrition fund*** accounts for the activities of providing senior citizens with nutritional and health services.

The ***ambulance fund*** accounts for the activities of the ambulance department.

The ***correctional facility maintenance fund*** accounts for the activities of the correctional facility.

The County reports the following major proprietary funds:

The ***tax collection fund*** accounts for the property tax administration within the County.

Additionally, the County reports the following fund types:

***Special revenue funds*** are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

***Debt service funds*** are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

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

The ***internal service funds*** account for those operations including, Self-Insurance – Workers Comp, Self-Insurance – Health, and Central Stores, for services provided to other departments or agencies of the government on a cost reimbursement basis.

## Chippewa County

### Notes to the Financial Statements

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**Agency funds** are custodial in nature and do not present results of operations or have a measurement focus. These funds are used to account for assets that the government holds for others in an agency capacity (such as taxes collected for other governments).

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary 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 proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds and of the government's internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service 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.

#### **Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity**

##### ***Deposits and Investments***

The government's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Investments are stated at fair value, which is determined as follows: a) short-term investments are reported at cost, which approximates fair value; b) securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates; c) investments that do not have established market values are reported at estimated fair value; and d) cash deposits are reported at cost, which reasonably approximates fair value. Pooled investment income from all funds is generally allocated to each fund based on the average cash balance.

State statutes authorize the County to deposit in the accounts of federally insured banks, credit unions and savings and loan associations and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, bankers' acceptances, and mutual funds composed of otherwise legal investments.

##### ***Receivables and Payables***

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current

## Chippewa County

### Notes to the Financial Statements

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portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

Advances between funds or component units are offset by a fund balance reserve account in applicable governmental funds to indicate they are not available for appropriation and are not expendable available financial resources.

All trade and property tax receivables are shown net of an allowance for uncollectibles, as applicable.

#### ***Inventories and Prepaid Items***

Inventories are valued at the lower of cost or market using the average cost method for proprietary fund types. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Inventories consist primarily of paper and office supplies.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

#### ***Capital Assets***

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities, if any, is included as part of the capitalized value of the assets constructed. No such interest expense was incurred during the current fiscal year.

Capital assets of the primary government are depreciated using the straight-line method over the following estimated useful lives:

## Chippewa County

### Notes to the Financial Statements

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	<u>Years</u>
Buildings and Land Improvements	40 - 60
Building Improvements	15 - 30
Vehicles	3 - 5
Office Equipment and Furniture	5- 7
Computer Equipment	3 - 7
Roads and Bridges	10 - 30

#### *Deferred Outflows of Resources*

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The County only has two items that qualify for reporting in this category, the deferred charge on refunding and pension related deferred outflows. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The government-wide statements and proprietary funds also report deferred outflows from the difference between projected and actual investment earnings of the pension plan as well as County contributions made after the measurement date of the net pension liability.

#### *Vested Employee benefits (Vacation and Sick Leave)*

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All sick pay is accrued when incurred in the government-wide financial statements for employees with three or more years of service with the County to a maximum of 168 hours. All vacation pay is accrued when incurred in the government-wide financial statements to a maximum of 200 hours. Vested or accumulated vacation leave of proprietary funds is recorded as an expense and liability of those funds as the benefits accrued to employees.

In according with Accounting Standards Codification Section 710, no liability is recorded for nonvesting accumulating rights to receive sick-pay benefits; however, a liability is recognized of that portion of accumulating sick-leave benefits that is estimated will be taken as terminal leave prior to retirement.

#### *Long-term Obligations*

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds

## Chippewa County

### Notes to the Financial Statements

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using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

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

#### *Deferred Inflows of Resources*

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The governmental funds report unavailable revenues, which arises only under a modified accrual basis of accounting, from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. In addition, deferred inflows of resources are reported in the government-wide and governmental fund financial statements for property taxes levied during the year that were intended to finance future periods.

#### *Net Position Flow Assumption*

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

It is the government's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

#### *Fund Balance Flow Assumptions*

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be

## Chippewa County

### Notes to the Financial Statements

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used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

#### ***Fund Balance Policies***

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. Governmental funds report *nonspendable fund balance* for amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Nonspendable fund balance would be equal to inventory, prepaid items, interfund advances, and the nonspendable portion of endowments. *Restricted fund balance* is reported when externally imposed constraints are placed on the use of resources by grantors, contributors, or laws or regulations of other governments. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The *committed fund balance* classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The County Board of Commissioners is the highest level of decision-making authority for the government that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

Amounts in the *assigned fund balance* classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The County Board of Commissioners, or its designee, may assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

*Unassigned fund balance* is the residual classification for the County's general fund and includes all spendable amounts not contained in the other classifications and is therefore available to be spent as determined by the County Board of Commissioners.

#### ***Property Tax Revenue Recognition***

County operating property tax is levied on each December 1<sup>st</sup> and July 1<sup>st</sup> on the taxable valuation of the property (as defined by State statutes) located in the County as of the preceding December 31<sup>st</sup>.

## Chippewa County

### Notes to the Financial Statements

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Although the County 2016 ad valorem tax is levied and collectible on December 1, 2015, and 2016 ad valorem tax is levied and collectible on July 1, 2016, it is the County's policy to recognize revenue from the current tax levy in the current year when the proceeds of this levy are budgeted and made "available" for the financing of operations. "Available" means collected within the current period or expected to be paid from the delinquent tax revolving funds within one year.

The December 1, 2015 taxable valuation of the County totaled \$1,094,634,260 on which ad valorem taxes levied consisted of .4275 mills for fire/ambulance services, .9879 mills for roads, .5000 mills for recycling, .4944 mills for senior programs, .6000 mills for jail debt service, and .1000 mills for animal shelter. These amounts are recognized in their respective special revenue funds, debt service funds, and component units financial statements as revenue.

The July 1, 2016 taxable valuation of the County of Chippewa totaled \$1,102,156,530 on which ad valorem taxes levied consisted of 6.1500 mills for the general fund. This amount is recognized in the general fund as revenue.

Property taxes are considered delinquent on March 1<sup>st</sup> of the following year, at which time penalties and interest are assessed.

#### ***New Accounting Standards Adopted***

For December 31, 2016, the County adopted Government Accounting Standards Board ("GASB") Statement No. 72, Fair Value Measurement and Application. GASB 72 requires the funds to use valuation techniques which are appropriate under the circumstances and are either a market approach, a cost approach or income approach. GASB 72 establishes a hierarchy of inputs used to measure fair value consisting of three levels. Level 1 inputs are quoted prices in active markets for identical assets or liabilities. Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs, and typically reflect management's estimates of assumptions that market participants would use in pricing the asset or liability. GASB 72 also contains note disclosure requirements regarding the hierarchy of valuation inputs and valuation techniques that was used for the fair value measurements. There was no material impact on the funds' financial statements as a result of the implementation of GASB 72.

#### **Note 2 - Stewardship, Compliance and Accountability**

##### ***Budgetary Information***

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

##### ***Budgets and Budgetary Control***

## Chippewa County

### Notes to the Financial Statements

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

- a. The County Board of Commissioners reviews a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
- b. Numerous opportunities exist for public comment during the budget process including formal public hearings conducted at the Courthouse to obtain taxpayer comment.
- c. Pursuant to statute, prior to December 31 of each year, the budget for the ensuing year is legally enacted through adoption of an Annual General Appropriations Act.
- d. The general statute governing County budgetary activity is the State of Michigan Uniform Budgeting and Accounting Act. In addition to the provisions of said Act and Board policy, general statements concerning the Board's intent regarding the administration of each year's budget are set out in the Annual General Appropriation Act. The Chippewa County Board of Commissioners. Through policy action, specifically directs the Administration not to authorize or participate in any expenditure of funds except as authorized by the Annual General Appropriation Act. The Board recognized that, in addition to possible Board sanctions for willful disregard of this policy, State statutes provide for civil liability for violations of the Annual General Appropriations Act.
- e. Supplement appropriations are submitted to and reviewed to the Financial Committee for further consideration. If approved, they are transmitted to the County Board of Commissioners for their review and approval. If further approved, they are implemented by the Administrator's office through a budget revision.
- f. The County adopts its Annual Budget on a departmental basis. At each level of detail, governmental operations are summarized into expenditure account groups. Funding sources are also identified and adopted at each level of detail. Budgetary control exists at the most detailed level adopted by the Board of Commissioners, i.e., department for analytical purposes. A detailed line item breakdown is prepared for each program. Accounting, i.e., classification control, resides at the line item detail level.
- g. Budgets were adopted in substance on the modified accrual basis which is consistent with U.S. Generally Accepted Accounting Principles. Budgeted amounts reported in the financial statements are as amended by the County Board of Commissioners which was materially the same as originally adopted.
- h. General fund budget appropriations to other County departments/budgetary units unexpended at the end of the current fiscal operating year revert to the County general fund and all budgets lapse at year end.

## Chippewa County

### Notes to the Financial Statements

Michigan Public Act 621 of 1978 (the Budgeting Act) requires that budgets be adopted for General and Special Revenue Funds. U.S. Generally Accepted Accounting Principles require that financial statements present budgetary comparisons for the Governmental Fund Types for which budgets were legally adopted.

The budget document presents information by fund, function, department, and line items. The legal level of budgetary control adopted by the governing body is the department level.

#### *Excess of Expenditures over Appropriations*

State statutes provide that a local unit shall not incur expenditures in excess of the amount appropriated. During the year ended December 31, 2016 there were no exceptions.

#### **Note 3 - Deposits and Investments**

At year end, the County's cash and investments were reported in the basic financial statements in the following categories:

	Governmental Activities	Business-type Activities	Total Primary Government	Fiduciary Funds
Cash and Investments	<u>\$ 6,947,869</u>	<u>\$ 9,712,247</u>	<u>\$ 16,660,116</u>	<u>\$ 8,617,386</u>

The categories of cash and investments are as follows:

Bank Deposits (checking and savings accounts, certificates of deposit)	\$ 17,383,484
Investments	7,888,683
Petty Cash	5,335
<b>Total</b>	<u>\$ 25,277,502</u>

#### ***Investment and Deposit Risk***

*Interest Rate Risk.* State law limits the allowable investments and the maturities of some of the allowable investments as identified in the summary of significant accounting policies. The County's investment policy does not have specific limits in excess of state law on investment maturities as means of managing its exposure to fair value losses arising from increasing interest rates.

*Credit Risk.* State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in the

## Chippewa County

### Notes to the Financial Statements

list of authorized investments in the summary of significant accounting policies. The County's investment policy does not have specific limits in excess of state law on investment credit risk.

*Custodial Credit Risk – Deposits.* Custodial credit risk is the risk that in the event of a bank failure, the County's deposits may not be returned. State law does not require and the County does not have a policy for deposit custodial credit risk. As of year-end, \$15,802,255 of the County's combined bank balance of \$17,646,902 was exposed to custodial credit risk because it was uninsured and uncollateralized.

*Custodial Credit Risk – Investments.* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require and the County does not have a policy for investment custodial credit risk. As of year-end, none of the County's investments, excluding the money market accounts which are not subject to custodial credit risk, were exposed to risk since the securities are held in the County's name by the counter party.

The County chooses to disclose its investments by specifically identifying each. As of year-end, the County had the following investments:

Description	Fair Value	Maturity in Years		S&P Rating
		Less than 1	1 - 5	
FHLB	\$ 93,023	\$ -	\$ 93,023	AA
Municipal Bonds	410,000	200,000	210,000	AA-
Equity Mutal Funds	7,217,671	-	-	Unavailable
Fixed Income	167,989	-	167,989	Unavailable
Certificates of Deposit	8,145,734	8,145,734	-	Unavailable
<b>Total Investments</b>	<b>\$ 16,034,417</b>	<b>\$ 8,345,734</b>	<b>\$ 471,012</b>	

**Fair Value Measurement** - The County categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The County has the following recurring fair value measurements as of December 31, 2016:

- U.S. Agency Bonds held by the County totaled \$93,023. These are valued using Level 1 inputs.
- Municipal Bonds total \$410,000 and are valued using Level 1 inputs.
- Fixed Income Investments are valued at \$167,989, and are valued are Level 1.

## Chippewa County

### Notes to the Financial Statements

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- Investments held in the MERS Investment Services Program, which are primarily mutual funds used to fund Police and Fire Retiree defined benefit pensions, with a balance of \$7,217,671, are valued using Level 2 inputs.

Money market accounts, cash equivalents, and bank CDs totaling \$8,145,734 were not included in the fair value measurement disclosure because they are held directly in the County's name.

#### *Statutory Authority*

An act (PA 152) to amend 1943 PA 20, entitled "An act relative to the investment of funds of public corporations of the state; and to validate certain investments," by amending section 1 (MCL 129.91), as amended by 2009 PA 21.

Except as provided in section 5, the governing body by resolution may authorize its investment office to invest the funds of that public corporation in one or more of the following:

- a. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, or depository receipts of a financial institution, but only if the financial institution complies with subsection (2); certificates of deposit obtained through a financial institution as provided in subsection (5); or deposit accounts of a financial institution as provided in subsection (6).
- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and matures not more than 270 days after the date of purchase.
- d. Repurchase agreements consisting of instruments listed in subdivision (a).
- e. Bankers' acceptance of United States banks.
- f. Obligations of this state or any of its political subdivision that at the time of purchase are rated as investment grade by not less than one standard rating service.
- g. Mutual funds registered under the investment company act of 1940, 15 USC 80a-1 to 80a-64, with authority to purchase only investment vehicles that are legal for direct investment by a public corporation. However, a mutual fund is not disqualified as a permissible investment solely by reason of any of the following:
  - i. The purchase of securities on a when-issued or delayed delivery basis.
  - ii. The ability to lend portfolio securities as long as the mutual fund receives collateral at all times equal to at least 100% of the value of the securities loaned.

## Chippewa County

### Notes to the Financial Statements

- iii. The limited ability to borrow and pledge a like portion of the portfolio's assets for temporary or emergency purposes.
- h. Obligations described in subdivision (a) through (g) if purchased through an interlocal agreement under the urban cooperation act of 1967, 1967 (Ex Sess) PA 7, MCL 124.501 to 124.512.
- i. Investment pools organized under the surplus funds investment pool act, 1982 PA 367, MCL 129.111 to 129.118.
- j. Investment pools organized under the local government investment pool act, 1985 PA 121, MCL 129.141 to 129.150.

#### Note 4 - Capital Assets

##### Primary Government

Capital asset activity for the primary government for the year ended December 31, 2016, was as follows:

	<b>Balance December 31, 2015</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance December 31, 2016</b>
<b>Capital Assets not Being Depreciated</b>				
Land	\$ 231,810	\$ -	\$ -	\$ 231,810
<b>Capital Assets Being Depreciated</b>				
Land Improvements	209,400	-	-	209,400
Buildings and Improvements	18,707,061	120,676	-	18,827,737
Equipment and Furniture	5,163,845	38,636	328,703	4,873,778
Vehicles	1,129,216	42,710	211,816	960,110
<b>Total Capital Assets Being Depreciated</b>	<u>25,209,522</u>	<u>202,022</u>	<u>540,519</u>	<u>24,871,025</u>
<b>Less Accumulated Depreciation</b>				
Land Improvements	134,490	4,260	-	138,750
Buildings and Improvements	8,754,590	403,754	-	9,158,344
Equipment and Furniture	3,684,288	169,889	328,703	3,525,474
Vehicles	779,103	119,366	211,816	686,653
<b>Total Accumulated Depreciation</b>	<u>13,352,471</u>	<u>697,269</u>	<u>540,519</u>	<u>13,509,221</u>
<b>Total Net Capital Assets Being Depreciated</b>	<u>11,857,051</u>	<u>(495,247)</u>	<u>-</u>	<u>11,361,804</u>
<b>Total Capital Assets</b>	<u>\$ 12,088,861</u>	<u>\$ (495,247)</u>	<u>\$ -</u>	<u>\$ 11,593,614</u>

Depreciation expense was charged to the programs of the governmental activities as follows:

Health and Welfare	\$ 87,221
Unallocated	610,048
<b>Total</b>	<u>\$ 697,269</u>

## Chippewa County

### Notes to the Financial Statements

#### Note 5 - Interfund Receivables, Payables and Transfers

The County reports interfund balances between many of its funds. Some of the balances are considered immaterial and are aggregated into a single column or row. The total of all balances agrees with the sum of interfund balances presented in the statements of net position/balance sheet for governmental funds, proprietary funds, and fiduciary funds. Interfund transactions resulting in interfund receivables and payables are as follows:

	<b>Due from Other Funds</b>	<b>Due to Other Funds</b>
General Fund	\$ 252,028	\$ -
Internal Service Fund	-	7,265
Nonmajor Governmental Funds	-	244,763
	<u>\$ 252,028</u>	<u>\$ 252,028</u>

Interfund balances resulted primarily from the time lag between the dates that: (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Interfund transfers consisted of the following:

	<b>Transfers In</b>	<b>Transfers Out</b>
General Fund	\$ 989,937	\$ 469,881
Correctional Facility Maintenance	-	627,775
Ambulance	-	164,689
Nonmajor Governmental Funds	1,234,336	78,129
Tax Collections	3,565,011	4,304,316
Nonmajor Enterprise Funds	-	144,494
	<u>\$ 5,789,284</u>	<u>\$ 5,789,284</u>

Transfers are used to: (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; (2) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**Chippewa County**  
Notes to the Financial Statements

**Note 6 - Long-term Debt**

**Primary Government**

The government issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the government. County contractual agreements and installment purchase agreements are also general obligations of the government. Special assessment bonds provide for capital improvements that benefit specific properties, and will be repaid from amount levied against those properties benefited from the construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the government is obligated to provide resources to cover the deficiency until other resources (such as tax sale proceeds or a re-assessment of the district) are received. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance December 31, 2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance December 31, 2016</u>	<u>Due in One Year</u>
<b>Governmental Activities - General</b>							
2000 Chippewa Co. Water Supply Systems Bonds (Series A)	4.50%	2036	\$ 345,958	\$ -	\$ (11,000)	\$ 334,958	\$ 11,000
2009 Chippewa County General Obligation Bonds	2.00 to 4.50%	2029	6,375,000	-	(325,000)	6,050,000	340,000
2010 Chippewa County Refunding Bonds	2.00 to 4.00%	2018	1,165,000	-	(365,000)	800,000	390,000
2011 City of Sault Ste. Marie Refunding Bonds	2.00 to 3.63%	2022	2,830,000	-	(425,000)	2,405,000	685,000
2013 City of Sault Ste. Marie Refunding Bonds	4.00%	2018	605,000	-	(195,000)	410,000	200,000
<i>Total Governmental Activities</i>			<u>\$ 11,320,958</u>	<u>\$ -</u>	<u>\$ (1,321,000)</u>	<u>\$ 9,999,958</u>	<u>\$ 1,626,000</u>

Annual debt service requirements to maturity for the above obligations are as follows:

<u>Year End December 31,</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2017	\$ 1,626,000	\$ 360,294
2018	1,687,000	310,777
2019	637,000	252,024
2020	648,000	231,412
2021	668,000	210,502
2022-2026	2,707,000	738,762
2027-2031	1,926,000	191,001
2032-2036	100,958	10,094
Total	<u>\$ 9,999,958</u>	<u>\$ 2,304,866</u>

Interest expense of the primary government was unallocated in the amount of \$426,898.

**Chippewa County**

Notes to the Financial Statements

**Vested Employee Benefits**

The County's employment policies provide for vacation benefits to be earned in varying amounts depending on the employee's years of service.

	<b>Balance December 31, 2015</b>	<b>Net Additions/ (Reductions)</b>	<b>Balance December 31, 2016</b>
Compensated Absences	<u>\$ 667,872</u>	<u>\$ (93,652)</u>	<u>\$ 574,220</u>

The annual vacation benefits earned by each employee during the current year are credited to the employee at year end. The accumulated sick leave earned by each employee during the current year is credited to each employee at year end that has three or more years of service. Non-union employees do not receive compensation for sick leave upon retirement or leaving employment.

A summary of vested employee benefits are as follows:

Vacation	\$ 285,016
Sick Leave	285,671
Other	3,533
<b><i>Total Compensated Absences</i></b>	<u>\$ 574,220</u>

**Note 7 - Risk Management**

The government 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 government was unable to obtain general liability insurance at a cost it considered to be economically justifiable. The County joined together with other governments and created a public entity risk pool currently operating as a commission risk management and insurance program. The government pays an annual premium to the pool for its general insurance coverage. The agreement provides that the pool will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$75,000 for each insured event.

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

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

## Chippewa County

### Notes to the Financial Statements

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The County established the Self Insurance Fund (an internal service fund) to account for and finance its uninsured risks of loss. Health insurance is reinsured for claims exceeding \$50,000 in aggregate. All funds of the County participate in the program and make payments to the Fund based on estimates of the amounts needed to pay prior and current-year claims.

#### **Note 8 - Other Post-Employment Benefits**

##### **Primary Government**

The County provides post- retirement hospitalization to employees of the government pursuant to the terms of union contracts. Additionally, some elected County officials who served more than 20 years and are retired receive post retirement hospitalization, pursuant to Board of Commissioner's resolution.

The Health Department provides post-retirement health care insurance to retirement employees; hired prior to May 1, 2008 for non-union and January 1, 2007 for union, of the government pursuant to the terms of personnel policy for a group insurance plan.

*Plan Description.* The County administers a single-employer healthcare plan ("the Retiree Health Plan"). The plan provides lifetime healthcare insurance for eligible retirees through the County's group health insurance plan, which covers both active and retired members. Benefit provisions are established through negotiations between the various agencies and employees. The Retiree Health Plan does not issue a publicly available financial report.

*Funding Policy.* Contribution requirements are also negotiated between the County and employees at varying levels. The Health Department contributes 100% of the cost of current-year premiums for eligible retirement plan members. For the fiscal year 2016, the Health Department and Economic Development Corporation contributed \$435,763 and \$62,836 to the plan. The County contributed \$1,196,417 to the plan.

## Chippewa County

### Notes to the Financial Statements

*Annual OPEB Cost and Net OPEB Obligation.* The County's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC). The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the County's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the County's net OPEB obligation to the Retiree Health Plan:

	Health		
	County	Department	EDC
Annual Required Contribution	\$ 1,514,111	\$ 1,061,307	\$ 70,111
Interest on Net OPEB Obligation	102,339	152,863	314
Annual OPEB Cost (Expense)	1,616,450	1,214,170	70,425
Less: Contributions Made	(1,196,417)	(435,763)	(62,836)
Increase (Decrease) in OPEB Obligation	420,033	778,407	7,589
Net OPEB Obligation - Beginning	2,558,472	3,821,567	62,836
Net OPEB Obligation - Ending	<u>\$ 2,978,505</u>	<u>\$ 4,599,974</u>	<u>\$ 70,425</u>

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal years, 2014, 2015, and 2016 are as follows:

Year End	Annual OPEB Cost			Percentage of Annual OPEB Cost Contributed			Net OPEB Obligation		
	County	Health Dept.	EDC	County	Health Dept.	EDC	County	Health Dept.	EDC
2014	\$ 1,620,164	\$ 1,221,925	\$ 56,769	57%	77%	71%	\$ 2,162,756	\$ 2,921,403	\$ 56,769
2015	1,623,602	1,227,182	62,836	77%	27%	90%	2,558,472	3,821,567	62,836
2016	1,616,450	1,214,170	70,425	74%	36%	89%	2,978,505	4,599,974	70,425

*Funded Status and Funding Progress.* As of December 31, 2013, the actuarial accrued liability for benefits was \$17,616,773, 81.6% of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$3,291,474, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 437%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information, following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

## Chippewa County

### Notes to the Financial Statements

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

In the December 31, 2013 actuarial valuation, the individual entry age actuarial cost method was used. The actuarial assumption includes a 5.0% investment rate of return (net of administrative expenses), which was a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, payroll growth rate of 4%, and an annual healthcare cost trend rate of 9.0% initially, reduced by decrements to an ultimate rate of 4% after ten years. Both rates included a percent inflation assumption. The actuarial value of assets was equal to the reported market value. The UAAL is being amortized as a level dollar amount over a 30 year period.

#### **Note 9 - Employee Retirement and Benefit Systems**

##### **Deferred Compensation Plan**

The County offers all employees a deferred compensation plan created in accordance with the Internal Revenue Code, Section 457. The assets of the plan are held in trust (custodial account or annuity contract), as described in IRC Section 457(g) for the exclusive benefit of the participants (employees) and their beneficiaries. The custodian, for the exclusive benefit of the participants, holds the custodial account for the beneficiaries of this Section 457 plan, and the assets may not be diverted to any other use. The administrators are agents of the employer for purposes of providing direction to the custodian of the custodial account from time to time for the investment of the funds held in the account, transfer of assets to or from the account, and all other matters. In accordance with the provisions of GASB Statement 32, plan balances and activities are not reflected in the County's financial statements.

##### **Defined Benefit Pension Plan**

###### *Plan description*

Substantially all of the government's full-time employees are eligible to participate in the Municipal Employees Retirement System of Michigan (MERS), an agent multiple-employer, defined benefit pension plan. The System is administered by the MERS retirement board. MERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Act No. 427 of the Public Acts of 1984, as amended, establishes and amends the benefit provisions of the participants in MERS. A publicly available financial report that includes financial statements and required supplementary information for

## Chippewa County

### Notes to the Financial Statements

MERS may be obtained by writing to the Municipal Employees Retirement System of Michigan, 1134 Municipal Way, Lansing, MI 48917, or by calling (800) 767-6377.

Retirement benefits for employees are calculated as follows:

Division	Benefit Multiplier	Benefit Maximum	Final Average Compensation (Years)	Normal Retirement Age	Unreduced Benefit (Age/Years of Service)	Reduced Benefit (Age/Years of Service)	Vesting (Years)
Gnrl Other - Closed	2.25%	80%	3	60	55/20	50/25 or 55/15	10
Sheriff - Closed	2.50%	80%	3	60	55/20	50/25 or 55/15	10
Hlth Dept - Closed	2.25%	80%	3	60	55/20	50/25 or 55/15	10
Non-un - Closed	2.25%	80%	3	60	55/20	50/25 or 55/15	10
General Non-Union - Closed	2.25%	80%	3	60	55/20	50/25 or 55/15	10
Sheriff Road Division - Closed	2.50%	80%	3	60	55/20	50/25 or 55/15	10
Sheriff Rd New Hires	1.00%	NA	3	60	N/A	N/A	6
Sheriff hired after 5/1/10	1.00%	NA	3	60	N/A	N/A	6
General Non-Union hired after 5/1/10	1.00%	NA	3	60	N/A	N/A	6
Teamstrs After 4/1/2011	1.00%	NA	3	60	N/A	N/A	6
Non-union after 4/1/2011	1.00%	NA	3	60	N/A	N/A	6
General Other after 04/01/12	1.00%	NA	3	60	N/A	N/A	6

### ***Employees Covered by Benefit Terms***

At the December 31, 2016 measurement date, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	145
Inactive plan members entitled to but not yet receiving benefits	26
Active plan members	158
Total employees covered by MERS	329

### ***Contributions***

Article 9, Section 24 of the State of Michigan constitution requires that financial benefits arising on account of employee service rendered in each year be funded during that year. Accordingly, MERS retains an independent actuary to determine the annual contribution. The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by the MERS retirement board. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. The employer may establish contribution rates to be paid by its covered employees.

## Chippewa County

### Notes to the Financial Statements

For the year ended December 31, 2016, the County had the following contribution rates:

Division	Employee Contributions	Employer Contributions
Gnrl Other - Closed	2.00%	\$ 310,080
Sheriff - Closed	3.00%	104,232
Hlth Dept - Closed	2.00%	83,904
Non-un - Closed	3.00%	215,076
General Non-Union - Closed	2.00%	303,912
Sheriff Road Division - Closed	3.00%	103,980
Sheriff Rd New Hires	0.00%	17.48%
Sheriff hired afer 5/1/10	0.00%	3.62%
General Non-Union hired after 5/1/10	0.00%	4.87%
Teamstrs After 4/1/2011	0.00%	2.25%
Non-uion after 4/1/2011	0.00%	3.62%
General Other after 04/01/12	0.00%	4.57%

### *Net Pension Liability*

The net pension liability reported at December 31, 2016 was determined using a measure of the total pension liability and the pension net position as of December 31, 2016. The December 31, 2016 total pension liability was determined by an actuarial valuation performed as of December 31, 2015. Changes in the net pension liability during the measurement year were as follows:

<b>Primary Government</b>			
	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability
<b>Balance at December 31, 2015</b>	\$ 38,369,753	\$ 26,073,945	\$ 12,295,808
Service cost	684,077	-	684,077
Interest	3,009,234	-	3,009,234
Difference between expected and actual experience	166,122	-	166,122
Changes in assumptions	1,584,621	-	1,584,621
Contributions - Employer	-	1,149,992	(1,149,992)
Contributions - Employee	-	158,580	(158,580)
Net investment income	-	1,825,377	(1,825,377)
Benefit payments, including refunds	(2,184,386)	(2,184,386)	-
Net transfers	(27,518)	(27,518)	-
Administrative expenses	-	(57,545)	57,545
Other changes	26,654	-	26,654
Net changes	3,258,804	864,500	2,394,304
<b>Balance at December 31, 2016</b>	\$ 41,628,557	\$ 26,938,445	\$ 14,690,112

**Chippewa County**

Notes to the Financial Statements

Net pension liabilities are generally liquidated by the general fund within the governmental activities.

***Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

Source	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 199,803	\$ 75,212
Changes in assumptions	1,188,465	-
Net difference between projected and actual earnings on pension plan investments	1,784,758	474,069
Employer contributions to the plan subsequent to the measurement date	247,758	-
Total	<u>\$ 3,420,784</u>	<u>\$ 549,281</u>

For the year ended December 31, 2016, the County recognized pension expense of \$4,567,161. Amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Years Ended December 31	Amount
2017	\$ 859,724
2018	859,725
2019	859,725
2020	44,571

***Actuarial Assumptions***

The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation: 2.5% (3-4% for 2014)

Salary Increases: base wage inflation of 3.75% in the long-term (plus merit and longevity from 0 to 11% based on age) (4.5 for 2014)

Investment rate of return: 7.75%, net of investment expense, including inflation (8.25 for 2014)

Mortality rates used for non-disabled plan member were based on a weighted blend of RP-2014 mortality tables of a 50% Male and 50% Female blend. Mortality rates used for

## Chippewa County

### Notes to the Financial Statements

disabled plan member were based on a blend of RP-2014 disabled retire mortality tables of a 50% Male and 50% Female blend of disabled retirees. (1994 group annuity tables is 2014)

The actuarial assumptions used in the valuation were based on the results of the most recent actuarial experience study.

The long-term expected rate of return on pension plan investments was determined using a model method in which the best-estimate ranges of expected future real rates of return (expected returns, net of investment and administrative expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Expected Money Weighted Rate of Return
Global equity	57.50%	6.27%	3.60%
Global fixed income	20.00%	3.43%	0.68%
Real assets	12.50%	5.48%	0.69%
Diversifying strategies	10.00%	7.81%	0.78%
Inflation			2.00%
Administrative fee			0.25%
<b>Investment rate of return</b>			<b>8.00%</b>

#### *Discount Rate*

The discount rate used to measure the total pension liability is 8.00%. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Chippewa County**

Notes to the Financial Statements

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***Sensitivity of the Net Pension Liability to Changes in the Discount Rate***

The following presents the net pension liability of the County, calculated using the discount rate of 8.00 percent, as well as what the County's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (7.00 percent) or one percentage point higher (9.00 percent) than the current rate:

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
Net pension liability of the County	\$ 19,361,120	\$ 14,690,112	\$ 10,746,276

***Pension Plan Fiduciary Net Position***

Detailed information about the plan's fiduciary net position is available in the separately issued financial report found at [www.mersofmich.com](http://www.mersofmich.com). The plan's fiduciary net position has been determined on the same basis used by the plan. The plan uses the economic resources measurement focus and the full accrual basis of accounting. Investments are stated at fair value. Contribution revenue is recorded as contributions are due, pursuant to legal requirements. Benefit payments and refunds of employee contributions are recognized as expense when due and payable in accordance with the benefit terms.

**Note 10 - Commitments and Contingencies**

The County has received significant financial assistance from state and federal agencies in the form of various grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreement and is subject to audit by the grantor agency. Any disallowed claims resulting from such audits could become a liability of the applicable fund of the County; however, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the County at December 31, 2016.

**Chippewa County**  
Notes to the Financial Statements

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**Note 11 - Net Investment in Capital Assets**

Net Investment in Capital Assets was as follows:

**Governmental Activities:**

Capital assets, net of accumulated depreciation	\$ 11,593,614
Long-term debt related to capital assets	<u>(800,000)</u>
<i>Net investment in capital assets</i>	<u>\$ 10,793,614</u>

**Note 12 - Water Fund – Restricted Cash**

Item	Required Balance	Actual Balance
<b>Bond Reserves</b>		
2000 Water Supply System Revenue		
Bond	<u>\$ 34,600</u>	<u>\$ 34,600</u>

**Note 13 - Restricted Net Position / Fund Balances - Governmental Funds**

The County reports fund balance in governmental funds based on the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. GASB 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

Restricted net position is composed of the same components of restricted fund balance as show on the following page:

# Chippewa County

## Notes to the Financial Statements

	General Fund	Senior Nutrition	Correctional Facility Maintenance	Ambulance	Chippewa County Health Department	Other Governmental Funds	Total Governmental Funds
<i>Primary Government</i>							
<b>Nonspendable</b>							
Prepays	\$ 55,878	\$ -	\$ -	\$ -	63,032	\$ 37,150	\$ 156,060
Inventory	-	-	-	-	3,986	-	3,986
<i>Total Nonspendable</i>	<u>55,878</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>67,018</u>	<u>37,150</u>	<u>160,046</u>
<b>Restricted</b>							
Correctional Facility Maintenance	-	-	704,481	-	-	-	704,481
Ambulance	-	-	-	949	-	-	949
Animal Control	-	-	-	-	-	163,642	163,642
Office of Emergency Services	-	-	-	-	-	89,489	89,489
2000 Township Bond	-	-	-	-	-	34,600	34,600
<i>Total Restricted</i>	<u>-</u>	<u>-</u>	<u>704,481</u>	<u>949</u>	<u>-</u>	<u>287,731</u>	<u>993,161</u>
<b>Committed</b>							
Hakola-Ross Drainage	-	-	-	-	-	7,503	7,503
<b>Assigned</b>							
Livery Inspections	1,391	-	-	-	-	-	1,391
Sheriff Special Projects	6,595	-	-	-	-	-	6,595
Tax Emeption	474	-	-	-	-	-	474
Building Maintenance	104,673	-	-	-	-	-	104,673
Chippewa County Health Department	-	-	-	-	769,439	-	769,439
DHS Child Care	-	-	-	-	-	49,156	49,156
Animal Shelter Donations	-	-	-	-	-	125,131	125,131
Sheriff Law Enforcement Training	-	-	-	-	-	8,093	8,093
Law Library	-	-	-	-	-	1,522	1,522
Road Patrol Overtime	-	-	-	-	-	23,557	23,557
Sheriff Park Patrol	-	-	-	-	-	10,422	10,422
Local Corrections Officer Training	-	-	-	-	-	29,320	29,320
Concealed Weapons	-	-	-	-	-	17,392	17,392
CCSD Salvage Vehicle	-	-	-	-	-	5,152	5,152
Drug Forfeiture	-	-	-	-	-	28,626	28,626
Register of Deeds Automation	-	-	-	-	-	94,009	94,009
Office of Community Corrections	-	-	-	-	-	81,180	81,180
Chippewa County Recycling	-	-	-	-	-	132,324	132,324
2000 Improvements Maintenance	-	-	-	-	-	64,744	64,744
Community Service	-	-	-	-	-	5,440	5,440
FOC Child Support	-	-	-	-	-	116,285	116,285
Family Counseling	-	-	-	-	-	150	150
HUD Grant	-	-	-	-	-	73,209	73,209
50th Distrcit Court	-	-	-	-	-	25,574	25,574
911 State Training	-	-	-	-	-	14,686	14,686
<i>Total Assigned</i>	<u>113,133</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>769,439</u>	<u>905,972</u>	<u>1,788,544</u>
<b>Unassigned</b>	<u>4,124,901</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(36,079)</u>	<u>4,088,822</u>
<b>Total fund balances - governmental funds</b>	<u>\$ 4,293,912</u>	<u>\$ -</u>	<u>\$ 704,481</u>	<u>\$ 949</u>	<u>836,457</u>	<u>\$ 1,202,277</u>	<u>\$ 7,038,076</u>

### Note 14 - Tax Abatement Disclosure

Municipalities within the County have entered into tax abatement agreements with local businesses under the Plant Rehabilitation and Industrial Development Districts Act, (known as the Industrial Facilities Tax Exemption, or “IFT”) PA 198 of 1974, as amended. The IFT on a new plant and non-industrial property, such as some high-tech personal property, is computed at half the local property tax millage rate. This amounts to a reduction in property taxes of approximately 50% for those businesses.

**Chippewa County**  
Notes to the Financial Statements

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*City of Sault Ste. Marie Tax Abatements*

For the year ended December 31, 2016, the County's property taxes were reduced by \$4,144 under this program.

*Township of Kinross Tax Abatements*

For the year ended December 31, 2016, the County's property taxes were reduced by \$478 under this program.

**Note 15 - Restatements**

The following restatements were made to beginning net equity:

Net position governmental activities as previously reported on December 31, 2015	\$ (7,267,649)
Less: Issues in reconciling accounts receivable of health department	(377,314)
Plus: Compensated absence reporting variance	<u>5,256</u>
Net position governmental activities on December 31, 2015 - restated	<u>\$ (7,639,707)</u>
Fund balance governmental funds as previously reported on December 31, 2015	\$ 7,766,536
Less: Issues in reconciling accounts receivable of health department	(377,314)
Plus: Compensated absence reporting variance	<u>208,288</u>
Fund balance governmental funds on December 31, 2015 - restated	<u>\$ 7,597,510</u>

## **Required Supplementary Information**

**Chippewa County**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual**  
**General Fund**  
**For the Year Ended December 31, 2016**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<b>Variance</b>
	<u>Original</u>	<u>Final</u>		<b>Favorable (Unfavorable) Final to Actual</b>
<b>Revenues</b>				
Taxes	\$ 7,054,429	\$ 7,054,429	\$ 7,229,444	\$ 175,015
Licenses and Permits	35,700	35,700	37,918	2,218
Federal Sources	474,908	474,908	385,032	(89,876)
State Sources	1,895,459	1,895,459	1,868,533	(26,926)
Local Sources	160,000	160,000	144,446	(15,554)
Charges for Services	1,529,440	1,529,440	1,650,456	121,016
Interest and Rentals	69,000	69,000	52,573	(16,427)
Fines and Forfeitures	84,000	84,000	86,682	2,682
Other Revenue	249,845	249,845	272,370	22,525
<b>Total Revenues</b>	<u>11,552,781</u>	<u>11,552,781</u>	<u>11,727,454</u>	<u>174,673</u>
<b>Other Financing Sources</b>				
Transfers In	188,328	203,762	162,918	(40,844)
<b>Total Revenues and Other Financing Sources</b>	<u>11,741,109</u>	<u>11,756,543</u>	<u>11,890,372</u>	<u>133,829</u>
<b>Expenditures</b>				
<b>Legislative</b>				
Board of Commissioners	94,208	94,208	74,214	19,994
<b>Judicial</b>				
Juvenile Court	432,861	433,487	359,466	74,021
Circuit Court	488,283	549,658	542,852	6,806
District Court	569,404	609,404	587,939	21,465
Friend of the Court	391,086	411,086	401,523	9,563
Jury Board	6,571	6,571	5,191	1,380
Probate Court	433,055	413,055	389,347	23,708
Public Defender	295,423	307,423	301,507	5,916
Bailiff	47,855	58,355	53,373	4,982
<b>Total Judicial</b>	<u>2,664,538</u>	<u>2,789,039</u>	<u>2,641,198</u>	<u>147,841</u>

**Chippewa County**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual**  
**General Fund (Continued)**  
**For the Year Ended December 31, 2016**

	Budgeted Amounts		Actual	Variance
	Original	Final		(Unfavorable) Final to Actual
<b>Expenditures</b>				
<b>General Government</b>				
Administrator	255,285	270,285	260,536	9,749
Information Systems	368,440	368,440	340,821	27,619
Elections	56,646	56,646	47,390	9,256
County Clerk	298,640	298,640	270,505	28,135
Equalization	210,982	235,982	225,634	10,348
Prosecuting Attorney	540,706	541,906	518,105	23,801
Support Coordinator	87,873	87,873	83,066	4,807
Crime Victim Advocate	73,668	93,668	91,034	2,634
Remonumentation	119,698	119,698	104,698	15,000
Register of Deeds	290,070	315,070	309,614	5,456
Treasurer	304,188	314,188	307,467	6,721
Cooperative Extension	107,894	113,894	111,631	2,263
Building and Grounds	287,673	287,673	245,505	42,168
Drain Commission	15,238	16,038	15,447	591
Soil Conservation District	26,000	26,000	26,000	--
Surveyor	33,625	35,625	34,595	1,030
GIS Mapping	--	175,000	101,650	73,350
<b>Total General Government</b>	<b>3,076,626</b>	<b>3,356,626</b>	<b>3,093,698</b>	<b>262,928</b>
<b>Public Safety</b>				
Sheriff	1,224,432	1,224,432	1,119,721	104,711
Marine	15,936	15,936	10,132	5,804
Correctional Facility	2,328,269	2,444,519	2,404,717	39,802
Snowmobile Patrol Grant	36,425	36,425	15,865	20,560
O.R.V. Grant	28,000	28,000	16,903	11,097
Animal Control	215,631	215,631	201,887	13,744
<b>Total Public Safety</b>	<b>3,848,693</b>	<b>3,964,943</b>	<b>3,769,225</b>	<b>195,718</b>
<b>Community and Economic Development</b>				
	48,200	23,200	23,200	--
<b>Health and Welfare</b>				
Substance Abuse	84,351	84,351	81,594	2,757
Medical Examiner	80,000	100,000	92,966	7,034
Health Department Tax	1,000	1,000	--	1,000
Veterans Affairs	63,977	63,977	57,498	6,479
<b>Total Health and Welfare</b>	<b>229,328</b>	<b>249,328</b>	<b>232,058</b>	<b>17,270</b>
<b>Other Expenditures</b>				
Retirees Hospitalization	425,810	465,810	457,112	8,698
Insurance	212,000	278,000	275,234	2,766
Rural Bus Program	30,000	30,000	30,000	--
Legal Services	5,000	20,000	14,817	5,183
Audit	28,000	28,000	28,000	--
Postage Meter	3,000	3,500	2,422	1,078
Record Copier	12,000	12,000	9,320	2,680
Cost Allocation Plan	3,000	3,000	--	3,000
Appropriations	357,151	357,151	349,908	7,243
<b>Total Other Expenditures</b>	<b>1,075,961</b>	<b>1,197,461</b>	<b>1,166,813</b>	<b>30,648</b>
<b>Total Expenditures</b>	<b>11,037,554</b>	<b>11,674,805</b>	<b>11,000,401</b>	<b>674,404</b>
<b>Other Financing Uses</b>				
Transfers Out	674,689	686,846	468,643	218,203
<b>Total Expenditures and Other Financing Uses</b>	<b>11,712,243</b>	<b>12,361,651</b>	<b>11,469,044</b>	<b>892,607</b>
<b>Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses</b>				
	28,866	(605,108)	421,323	1,026,431
<b>Net Change in Fund Balance</b>	<b>28,866</b>	<b>(605,108)</b>	<b>421,323</b>	<b>1,026,431</b>
<i>Fund Balance at Beginning of Period</i>	3,759,456	3,759,456	3,759,456	--
<b>Fund Balance at End of Period</b>	<b>\$ 3,788,322</b>	<b>\$ 3,154,348</b>	<b>\$ 4,180,779</b>	<b>\$ 1,026,431</b>

**Chippewa County**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual**  
**Ambulance**  
**For the Year Ended December 31, 2016**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<b>Variance</b>
	<u>Original</u>	<u>Final</u>		<b>Favorable (Unfavorable) Final to Actual</b>
<b>Revenues</b>				
Taxes	\$ 465,470	\$ 475,000	\$ 470,873	\$ (4,127)
<i>Total Revenues</i>	465,470	475,000	470,873	(4,127)
<b>Other Financing Sources</b>				
<i>Total Revenues and Other Financing Sources</i>	465,470	475,000	470,873	(4,127)
<b>Expenditures</b>				
Appropriations	302,556	308,751	305,853	2,898
<i>Total Expenditures</i>	302,556	308,751	305,853	2,898
<b>Other Financing Uses</b>				
Transfers Out	162,914	166,249	164,689	1,560
<i>Total Expenditures and Other Financing Uses</i>	465,470	475,000	470,542	4,458
<i>Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses</i>	--	--	331	331
<i>Net Change in Fund Balance</i>	--	--	<b>331</b>	<b>331</b>
<i>Fund Balance at Beginning of Period</i>	618	618	618	--
<i>Fund Balance at End of Period</i>	<b>\$ 618</b>	<b>\$ 618</b>	<b>\$ 949</b>	<b>\$ 331</b>

**Chippewa County**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual**  
**Chippewa County Health Department**  
**For the Year Ended December 31, 2016**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance</b>
	<b>Original</b>	<b>Final</b>		<b>Favorable (Unfavorable) Final to Actual</b>
<b>Revenues</b>				
Federal Sources	\$ 803,269	\$ 905,296	\$ 668,332	\$ (236,964)
State Sources	501,699	288,500	320,886	32,386
Local Sources	--	--	219,196	219,196
Charges for Services	4,923,996	4,450,968	4,318,434	(132,534)
Interest and Rentals	--	--	36	36
Other Revenue	578,547	701,892	470,456	(231,436)
<b>Total Revenues</b>	<b>6,807,511</b>	<b>6,346,656</b>	<b>5,997,340</b>	<b>(349,316)</b>
<b>Other Financing Sources</b>				
<b>Total Revenues and Other Financing Sources</b>	<b>6,807,511</b>	<b>6,346,656</b>	<b>5,997,340</b>	<b>(349,316)</b>
<b>Expenditures</b>				
Health Department Tax	6,807,513	6,772,181	6,988,962	(216,781)
<b>Total Expenditures</b>	<b>6,807,513</b>	<b>6,772,181</b>	<b>6,988,962</b>	<b>(216,781)</b>
<b>Other Financing Uses</b>				
<b>Total Expenditures and Other Financing Uses</b>	<b>6,807,513</b>	<b>6,772,181</b>	<b>6,988,962</b>	<b>(216,781)</b>
<b>Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses</b>	<b>(2)</b>	<b>(425,525)</b>	<b>(991,622)</b>	<b>(566,097)</b>
<b>Net Change in Fund Balance</b>	<b>(2)</b>	<b>(425,525)</b>	<b>(991,622)</b>	<b>(566,097)</b>
<i>Fund Balance at Beginning of Period</i>	1,828,079	1,828,079	1,828,079	--
<b>Fund Balance at End of Period</b>	<b>\$ 1,828,077</b>	<b>\$ 1,402,554</b>	<b>\$ 836,457</b>	<b>\$ (566,097)</b>

**Chippewa County**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual**  
**Correctional Facility Maintenance**  
**For the Year Ended December 31, 2016**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<b>Variance</b>
	<u>Original</u>	<u>Final</u>		<b>Favorable (Unfavorable) Final to Actual</b>
<b>Revenues</b>				
Taxes	\$ 653,290	\$ 653,290	\$ 661,686	\$ 8,396
Local Sources	--	--	3,745	3,745
Interest and Rentals	4,000	4,000	4,884	884
<b>Total Revenues</b>	<u>657,290</u>	<u>657,290</u>	<u>670,315</u>	<u>13,025</u>
<b>Other Financing Sources</b>				
<b>Total Revenues and Other Financing Sources</b>	<u>657,290</u>	<u>657,290</u>	<u>670,315</u>	<u>13,025</u>
<b>Expenditures</b>				
Correctional Facility	20,000	22,000	21,434	566
<b>Total Expenditures</b>	<u>20,000</u>	<u>22,000</u>	<u>21,434</u>	<u>566</u>
<b>Other Financing Uses</b>				
Transfers Out	627,775	627,775	627,775	--
<b>Total Expenditures and Other Financing Uses</b>	<u>647,775</u>	<u>649,775</u>	<u>649,209</u>	<u>566</u>
<b>Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses</b>	<u>9,515</u>	<u>7,515</u>	<u>21,106</u>	<u>13,591</u>
<b>Net Change in Fund Balance</b>	<u>9,515</u>	<u>7,515</u>	<u>21,106</u>	<u>13,591</u>
Fund Balance at Beginning of Period	683,375	683,375	683,375	--
<b>Fund Balance at End of Period</b>	<u>\$ 692,890</u>	<u>\$ 690,890</u>	<u>\$ 704,481</u>	<u>\$ 13,591</u>

**Chippewa County**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual**  
**Senior Nutrition**  
**For the Year Ended December 31, 2016**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<b>Variance</b>
	<u>Original</u>	<u>Final</u>		<b>Favorable (Unfavorable) Final to Actual</b>
<b>Revenues</b>				
Taxes	\$ 543,756	\$ 550,187	\$ 550,187	\$ --
<i>Total Revenues</i>	543,756	550,187	550,187	--
<b>Other Financing Sources</b>				
<i>Total Revenues and Other Financing Sources</i>	543,756	550,187	550,187	--
<b>Expenditures</b>				
Operating expenditures/expenses	543,756	550,258	550,258	--
<i>Total Expenditures</i>	543,756	550,258	550,258	--
<b>Other Financing Uses</b>				
<i>Total Expenditures and Other Financing Uses</i>	543,756	550,258	550,258	--
<i>Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses</i>	--	(71)	(71)	--
<i>Net Change in Fund Balance</i>	--	(71)	(71)	--
<i>Fund Balance at Beginning of Period</i>	71	71	71	--
<i>Fund Balance at End of Period</i>	<u>\$ 71</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

**Chippewa County**  
**Required Supplementary Information**  
**Schedule of Changes in Net Pension Liability and Related Ratios**  
**Last Two Years (Schedule is built prospectively upon implementation of GASB 68)**

	2015	2014
<b>Total Pension Liability</b>		
Service Cost	\$ 684,077	\$ 688,332
Interest	3,009,234	2,979,321
Differences Between Expected & Actual Experience	166,122	-
Changes in Assumptions	1,584,621	-
Benefit payments, including refund of member contributions	(2,184,386)	(2,035,612)
Net Transfers	(27,518)	-
Other Changes	26,654	(48,905)
<b>Net Change in Pension Liability</b>	3,258,804	1,583,136
<i>Total Pension Liability - Beginning</i>	38,369,753	36,786,617
<b>Total Pension Liability - Ending (a)</b>	\$ 41,628,557	\$ 38,369,753
 <b>Plan Fiduciary Net Position</b>		
Contributions - Employer	\$ 1,149,992	\$ 1,169,588
Contributions - Member	158,580	127,301
Net Investment Income	1,825,377	264,835
Benefit Payments, Including Refunds	(2,184,386)	(2,035,612)
Net Transfers	(27,518)	-
Administrative Expenses	(57,545)	(58,964)
<b>Net Change in Plan Fiduciary Net Position</b>	864,500	(532,852)
<i>Plan Fiduciary Net Position - Beginning</i>	26,073,945	26,606,797
<b>Plan Fiduciary Net Position - Ending (b)</b>	\$ 26,938,445	\$ 26,073,945
 <b>Net Pension Liability - Ending (a) - (b)</b>	\$ 14,690,112	\$ 12,295,808
 Plan Fiduciary Net Position as a Percentage of Total Pension Liability	65%	68%
 Covered Employee Payroll	\$ 7,319,582	\$ 7,240,587
 Net Pension Liability as a Percentage of Covered Employee Payroll	201%	170%

\* Built prospectively upon implementation on GASB 68

**Chippewa County  
Required Supplementary Information  
Schedule of Contributions  
Last Two Fiscal Years**

	2015	2014
Actuarially Determined Contribution	\$ 1,149,992	\$ 1,181,603
Contributions in Relation to the Actuarially Determined Contribution	1,149,992	1,169,588
Contribution Deficiency (Excess)	\$ -	\$ 12,015
 Covered Employee Payroll	 7,319,582	 7,240,587
 Contributions as a Percentage of Covered Employee Payroll	 16%	 16%

*Notes*

**Valuation Date**

Actuarially determined contribution amounts are calculated as of December 31 each year, which is 18 months prior to the beginning of the fiscal year in which the contributions are required.

**Methods and assumptions used to determine contribution rates**

Actuarial cost method	Entry-age Normal
Amortization method	Level percentage of pay, open
Remaining amortization period	18 - 24 Years Division Specific
Asset valuation method	5-year smoothed
Inflation	2.50%
Salary increases	3.75% in the long-term
Investment rate of return	7.75%, Gross of pension plan investment expense, including inflation
Retirement Age	Experience-based tables of rates that are specific to the type of eligibility condition
Mortality	Rates used were based on the RP-2014 Group Annuity Mortality Table of a 50% Male and 50% Female blend.

**Chippewa County  
Other Post Employment Benefits  
Schedule of Funding Progress**

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (A)</u>	<u>Actuarial Accrued Liability (AAL) (B)</u>	<u>Unfunded AAL (UAAL) (B-A)</u>	<u>Funded Ratio (A/B)</u>	<u>Covered Payroll (C)</u>	<u>UAAL as a % of Covered Payroll ((B-A)/C)</u>
<b>Primary Government (less Health Department)</b>						
12/31/2007	\$ -	\$ 10,569,337	\$ 10,569,337	0%	Not Available	-
12/31/2010	-	15,554,524	15,554,524	0%	4,447,849	350%
12/31/2013	3,247,516	17,616,773	14,369,257	18.4%	3,291,474	437%
<b>Health Department</b>						
12/31/2007	\$ -	\$ 3,589,013	3,589,013	0%	Not Available	-
12/31/2010	-	10,325,553	10,325,553	0%	Not Available	-
12/31/2013	-	12,222,665	12,222,665	0%	Not Available	-

**Schedule of Employer Contributions  
Primary Government (less Health Department)**

<u>Year Ended December 31</u>	<u>Annual Required Contributions</u>	<u>Actual Contributions</u>	<u>Percentage Contributed</u>	<u>Net OPEB Obligation</u>
2014	\$ 1,561,771	\$ 917,243	59%	\$ 2,162,756
2015	1,537,092	1,227,886	80%	2,558,472
2016	1,514,111	1,196,417	79%	2,978,505

**Schedule of Employer Contributions  
Health Department**

<u>Year Ended September 30</u>	<u>Annual Required Contributions</u>	<u>Actual Contributions</u>	<u>Percentage Contributed</u>	<u>Net OPEB Obligation</u>
2014	\$ 1,082,811	\$ 946,782	87%	\$ 2,921,403
2015	1,073,808	327,018	30%	3,821,567
2016	1,061,307	435,763	41%	4,599,974

**Combining and Individual Fund Statements and Schedules**

**Chippewa County**  
**General Fund Combining Balance Sheet**  
**All Funds Treated as General**  
**December 31, 2016**

	<b>General Fund</b>	<b>Livery Inspections</b>	<b>Sheriff Special Projects</b>	<b>Tax Exemption</b>	<b>Building Maintenance</b>	<b>Trident Task Force</b>	<b>Health Set Aside</b>	<b>Total General Funds</b>
<b>ASSETS</b>								
Cash and Investments	\$ 3,401,896	\$ 1,391	\$ 6,595	\$ 603	\$ 95,528	\$ 4,052	\$ --	\$ 3,510,065
Accounts Receivable	4,317	--	--	--	9,145	--	--	13,462
Taxes Receivable	545,034	--	--	--	--	--	--	545,034
Interest Receivable	2,810	--	--	--	--	--	--	2,810
Due from Governmental Units	270,866	--	--	--	--	--	--	270,866
Prepaid Items	55,878	--	--	--	--	--	--	55,878
Due from Other Funds	252,028	--	--	--	--	--	--	252,028
<b>Total Assets</b>	<b>\$ 4,532,829</b>	<b>\$ 1,391</b>	<b>\$ 6,595</b>	<b>\$ 603</b>	<b>\$ 104,673</b>	<b>\$ 4,052</b>	<b>\$ --</b>	<b>\$ 4,650,143</b>
<b>LIABILITIES</b>								
Accounts Payable	\$ 94,709	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 94,709
Accrued Liabilities	257,341	--	--	--	--	4,052	--	261,393
Due to Governmental Units	--	--	--	129	--	--	--	129
<b>Total Liabilities</b>	<b>352,050</b>	<b>--</b>	<b>--</b>	<b>129</b>	<b>--</b>	<b>4,052</b>	<b>--</b>	<b>356,231</b>
<b>FUND BALANCE</b>								
Nonspendable	55,878	--	--	--	--	--	--	55,878
Assigned	--	1,391	6,595	474	104,673	--	--	113,133
Unassigned	4,124,901	--	--	--	--	--	--	4,124,901
<b>Total Fund Balance</b>	<b>4,180,779</b>	<b>1,391</b>	<b>6,595</b>	<b>474</b>	<b>104,673</b>	<b>--</b>	<b>--</b>	<b>4,293,912</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 4,532,829</b>	<b>\$ 1,391</b>	<b>\$ 6,595</b>	<b>\$ 603</b>	<b>\$ 104,673</b>	<b>\$ 4,052</b>	<b>\$ --</b>	<b>\$ 4,650,143</b>

**Chippewa County**  
**General Fund Combining Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**All Funds Treated as General**  
**For the Year Ended December 31, 2016**

	General Fund	Livery Inspections	Sheriff Special Projects	Tax Exemption	Building Maintenance	Trident Task Force	Health Set Aside	Total General Funds
<b>Revenues</b>								
Taxes	\$ 7,229,444	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 7,229,444
Licenses and Permits	37,918	--	--	--	--	--	--	37,918
Federal Sources	385,032	--	--	--	--	--	--	385,032
State Sources	1,868,533	--	--	--	4,875	--	--	1,873,408
Local Sources	144,446	--	1,000	--	--	--	--	145,446
Charges for Services	1,650,456	118	--	--	40,521	--	--	1,691,095
Interest and Rentals	52,573	--	--	223	--	--	--	52,796
Fines and Forfeitures	86,682	--	--	--	--	--	--	86,682
Other Revenue	272,370	--	--	250	--	--	--	272,620
<b>Total Revenues</b>	<b>11,727,454</b>	<b>118</b>	<b>1,000</b>	<b>473</b>	<b>45,396</b>	<b>--</b>	<b>--</b>	<b>11,774,441</b>
<b>Expenditures</b>								
Legislative	74,214	--	--	--	--	--	--	74,214
Judicial	2,641,198	--	--	--	--	--	--	2,641,198
General Government	3,093,698	--	--	--	176	--	739,305	3,833,179
Public Safety	3,769,225	--	--	--	--	87,714	--	3,856,939
Health and Welfare	232,058	--	--	--	--	--	--	232,058
Community/Economic Development	23,200	--	--	--	--	--	--	23,200
Capital Outlay	--	--	--	--	137,220	--	--	137,220
Other Expenditures	1,166,813	--	--	--	--	--	--	1,166,813
<b>Total Expenditures</b>	<b>11,000,406</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>137,396</b>	<b>87,714</b>	<b>739,305</b>	<b>11,964,821</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>727,048</b>	<b>118</b>	<b>1,000</b>	<b>473</b>	<b>(92,000)</b>	<b>(87,714)</b>	<b>(739,305)</b>	<b>(190,380)</b>
<b>Other Financing Sources (Uses)</b>								
Transfers In	162,918	--	--	--	--	87,714	739,305	989,937
Transfers Out	(468,643)	--	--	(1,238)	--	--	--	(469,881)
<b>Net Other Financing Sources (Uses)</b>	<b>(305,725)</b>	<b>--</b>	<b>--</b>	<b>(1,238)</b>	<b>--</b>	<b>87,714</b>	<b>739,305</b>	<b>520,056</b>
<b>Net Change in Fund Balance</b>	<b>421,323</b>	<b>118</b>	<b>1,000</b>	<b>(765)</b>	<b>(92,000)</b>	<b>--</b>	<b>--</b>	<b>329,676</b>
<i>Fund Balance at Beginning of Period</i>	<i>3,759,456</i>	<i>1,273</i>	<i>5,595</i>	<i>1,239</i>	<i>196,673</i>	<i>--</i>	<i>--</i>	<i>3,964,236</i>
<b>Fund Balance at End of Period</b>	<b>\$ 4,180,779</b>	<b>\$ 1,391</b>	<b>\$ 6,595</b>	<b>\$ 474</b>	<b>\$ 104,673</b>	<b>\$ --</b>	<b>\$ --</b>	<b>\$ 4,293,912</b>

**Chippewa County  
Combining Balance Sheet  
Nonmajor Governmental Funds  
December 31, 2016**

	Special Revenue					
	Veteran's Trust	Probate Child Care	DHS Child Care	Chippewa County DHS Appropriation	Animal Shelter Donations	Animal Control Millage
<b>ASSETS</b>						
Cash and Investments	\$ --	\$ --	\$ 64,869	\$ 305	\$ 124,081	\$ 167,826
Accounts Receivable	--	--	--	--	1,050	--
Taxes Receivable	--	--	--	--	--	108,138
Due from Governmental Units	8,512	62,754	--	--	--	--
Prepaid Items	--	--	--	906	--	--
<b>Total Assets</b>	<b>\$ 8,512</b>	<b>\$ 62,754</b>	<b>\$ 64,869</b>	<b>\$ 1,211</b>	<b>\$ 125,131</b>	<b>\$ 275,964</b>
<b>LIABILITIES</b>						
Accounts Payable	\$ --	\$ 40,156	\$ 15,965	\$ 53	\$ --	\$ 4,184
Accrued Liabilities	--	--	--	--	--	--
Due to Governmental Units	--	--	--	--	--	--
Due to Other Funds	8,512	22,598	--	--	--	--
<b>Total Liabilities</b>	<b>8,512</b>	<b>62,754</b>	<b>15,965</b>	<b>53</b>	<b>--</b>	<b>4,184</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Taxes Levied for a Subsequent Period	--	--	--	--	--	108,138
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>8,512</b>	<b>62,754</b>	<b>15,965</b>	<b>53</b>	<b>--</b>	<b>112,322</b>
<b>FUND BALANCE</b>						
Nonspendable	--	--	--	906	--	--
Restricted	--	--	--	--	--	163,642
Committed	--	--	--	--	--	--
Assigned	--	--	48,904	252	125,131	--
Unassigned	--	--	--	--	--	--
<b>Total Fund Balance</b>	<b>--</b>	<b>--</b>	<b>48,904</b>	<b>1,158</b>	<b>125,131</b>	<b>163,642</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balance</b>	<b>\$ 8,512</b>	<b>\$ 62,754</b>	<b>\$ 64,869</b>	<b>\$ 1,211</b>	<b>\$ 125,131</b>	<b>\$ 275,964</b>

**Chippewa County  
Combining Balance Sheet  
Nonmajor Governmental Funds  
December 31, 2016**

	Special Revenue					
	Seat Belt	Sheriff Law Enforcement Training	Law Library	Road Patrol Overtime	Sheriff Park Patrol	Local Corrections Officer's Training
<b>ASSETS</b>						
Cash and Investments	\$ --	\$ 8,149	\$ 1,828	\$ 21,235	\$ 10,422	\$ 29,320
Accounts Receivable	--	--	--	--	308	--
Taxes Receivable	--	--	--	--	--	--
Due from Governmental Units	--	--	--	2,691	--	--
Prepaid Items	--	--	--	--	--	--
<i>Total Assets</i>	<u>\$ --</u>	<u>\$ 8,149</u>	<u>\$ 1,828</u>	<u>\$ 23,926</u>	<u>\$ 10,730</u>	<u>\$ 29,320</u>
<b>LIABILITIES</b>						
Accounts Payable	\$ --	\$ 56	\$ 306	\$ 169	\$ 308	\$ --
Accrued Liabilities	--	--	--	200	--	--
Due to Governmental Units	--	--	--	--	--	--
Due to Other Funds	--	--	--	--	--	--
<i>Total Liabilities</i>	<u>--</u>	<u>56</u>	<u>306</u>	<u>369</u>	<u>308</u>	<u>--</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Taxes Levied for a Subsequent Period	--	--	--	--	--	--
<i>Total Liabilities and Deferred Inflows of Resources</i>	<u>--</u>	<u>56</u>	<u>306</u>	<u>369</u>	<u>308</u>	<u>--</u>
<b>FUND BALANCE</b>						
Nonspendable	--	--	--	--	--	--
Restricted	--	--	--	--	--	--
Committed	--	--	--	--	--	--
Assigned	--	8,093	1,522	23,557	10,422	29,320
Unassigned	--	--	--	--	--	--
<i>Total Fund Balance</i>	<u>--</u>	<u>8,093</u>	<u>1,522</u>	<u>23,557</u>	<u>10,422</u>	<u>29,320</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balance</i>	<u>\$ --</u>	<u>\$ 8,149</u>	<u>\$ 1,828</u>	<u>\$ 23,926</u>	<u>\$ 10,730</u>	<u>\$ 29,320</u>

**Chippewa County  
Combining Balance Sheet  
Nonmajor Governmental Funds  
December 31, 2016**

	<b>Special Revenue</b>					
	<b>Concealed Weapons</b>	<b>CCSD Salvage Vehicle</b>	<b>Drug Forfeiture</b>	<b>Register of Deeds Automation</b>	<b>War Memorial Agreement</b>	<b>Office of Community Correction</b>
<b>ASSETS</b>						
Cash and Investments	\$ 17,609	\$ 5,152	\$ 28,626	\$ 95,183	\$ --	\$ 87,025
Accounts Receivable	--	--	--	--	--	--
Taxes Receivable	--	--	--	--	--	--
Due from Governmental Units	--	--	--	--	--	--
Prepaid Items	--	--	--	--	--	--
<i>Total Assets</i>	<u>\$ 17,609</u>	<u>\$ 5,152</u>	<u>\$ 28,626</u>	<u>\$ 95,183</u>	<u>\$ --</u>	<u>\$ 87,025</u>
<b>LIABILITIES</b>						
Accounts Payable	\$ --	\$ --	\$ --	\$ 1,174	\$ --	\$ 3,081
Accrued Liabilities	217	--	--	--	--	2,764
Due to Governmental Units	--	--	--	--	--	--
Due to Other Funds	--	--	--	--	--	--
<i>Total Liabilities</i>	<u>217</u>	<u>--</u>	<u>--</u>	<u>1,174</u>	<u>--</u>	<u>5,845</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Taxes Levied for a Subsequent Period	--	--	--	--	--	--
<i>Total Liabilities and Deferred Inflows of Resources</i>	<u>217</u>	<u>--</u>	<u>--</u>	<u>1,174</u>	<u>--</u>	<u>5,845</u>
<b>FUND BALANCE</b>						
Nonspendable	--	--	--	--	--	--
Restricted	--	--	--	--	--	--
Committed	--	--	--	--	--	--
Assigned	17,392	5,152	28,626	94,009	--	81,180
Unassigned	--	--	--	--	--	--
<i>Total Fund Balance</i>	<u>17,392</u>	<u>5,152</u>	<u>28,626</u>	<u>94,009</u>	<u>--</u>	<u>81,180</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balance</i>	<u>\$ 17,609</u>	<u>\$ 5,152</u>	<u>\$ 28,626</u>	<u>\$ 95,183</u>	<u>\$ --</u>	<u>\$ 87,025</u>

**Chippewa County  
Combining Balance Sheet  
Nonmajor Governmental Funds  
December 31, 2016**

	Special Revenue					
	Chippewa County Recycling	2000 Improvements Maintenance	Community Service	FOC Child Support	Emergency Telephone Service	Office of Emergency Services
<b>ASSETS</b>						
Cash and Investments	\$ 132,324	\$ 64,744	\$ 6,676	\$ 116,285	\$ --	\$ 93,209
Accounts Receivable	--	--	--	--	127,486	--
Taxes Receivable	540,694	--	--	--	--	--
Due from Governmental Units	--	--	--	--	41,735	440
Prepaid Items	--	--	--	--	36,079	165
<i>Total Assets</i>	<u>\$ 673,018</u>	<u>\$ 64,744</u>	<u>\$ 6,676</u>	<u>\$ 116,285</u>	<u>\$ 205,300</u>	<u>\$ 93,814</u>
<b>LIABILITIES</b>						
Accounts Payable	\$ --	\$ --	\$ 97	\$ --	\$ 2,088	\$ 543
Accrued Liabilities	--	--	1,139	--	29,585	3,617
Due to Governmental Units	--	--	--	--	--	--
Due to Other Funds	--	--	--	--	173,627	--
<i>Total Liabilities</i>	<u>--</u>	<u>--</u>	<u>1,236</u>	<u>--</u>	<u>205,300</u>	<u>4,160</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Taxes Levied for a Subsequent Period	540,694	--	--	--	--	--
<i>Total Liabilities and Deferred Inflows of Resources</i>	<u>540,694</u>	<u>--</u>	<u>1,236</u>	<u>--</u>	<u>205,300</u>	<u>4,160</u>
<b>FUND BALANCE</b>						
Nonspendable	--	--	--	--	36,079	165
Restricted	--	--	--	--	--	89,489
Committed	--	--	--	--	--	--
Assigned	132,324	64,744	5,440	116,285	--	--
Unassigned	--	--	--	--	(36,079)	--
<i>Total Fund Balance</i>	<u>132,324</u>	<u>64,744</u>	<u>5,440</u>	<u>116,285</u>	<u>--</u>	<u>89,654</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balance</i>	<u>\$ 673,018</u>	<u>\$ 64,744</u>	<u>\$ 6,676</u>	<u>\$ 116,285</u>	<u>\$ 205,300</u>	<u>\$ 93,814</u>

**Chippewa County  
Combining Balance Sheet  
Nonmajor Governmental Funds  
December 31, 2016**

	<b>Special Revenue</b>					
	<b>Operation Stonegarden</b>	<b>Family Counseling</b>	<b>HUD Grant</b>	<b>Construction Code</b>	<b>Drug Court</b>	<b>50th District Court</b>
<b>ASSETS</b>						
Cash and Investments	\$ 1,722	\$ 150	\$ 73,209	\$ 4,337	\$ --	\$ 25,903
Accounts Receivable	--	--	--	--	--	--
Taxes Receivable	--	--	--	--	--	--
Due from Governmental Units	--	--	--	--	9,467	--
Prepaid Items	--	--	--	--	--	--
<b>Total Assets</b>	<b>\$ 1,722</b>	<b>\$ 150</b>	<b>\$ 73,209</b>	<b>\$ 4,337</b>	<b>\$ 9,467</b>	<b>\$ 25,903</b>
<b>LIABILITIES</b>						
Accounts Payable	\$ --	\$ --	\$ --	\$ 127	\$ 2,056	\$ 329
Accrued Liabilities	1,722	--	--	4,210	--	--
Due to Governmental Units	--	--	--	--	--	--
Due to Other Funds	--	--	--	--	7,411	--
<b>Total Liabilities</b>	<b>1,722</b>	<b>--</b>	<b>--</b>	<b>4,337</b>	<b>9,467</b>	<b>329</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Taxes Levied for a Subsequent Period	--	--	--	--	--	--
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>1,722</b>	<b>--</b>	<b>--</b>	<b>4,337</b>	<b>9,467</b>	<b>329</b>
<b>FUND BALANCE</b>						
Nonspendable	--	--	--	--	--	--
Restricted	--	--	--	--	--	--
Committed	--	--	--	--	--	--
Assigned	--	150	73,209	--	--	25,574
Unassigned	--	--	--	--	--	--
<b>Total Fund Balance</b>	<b>--</b>	<b>150</b>	<b>73,209</b>	<b>--</b>	<b>--</b>	<b>25,574</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balance</b>	<b>\$ 1,722</b>	<b>\$ 150</b>	<b>\$ 73,209</b>	<b>\$ 4,337</b>	<b>\$ 9,467</b>	<b>\$ 25,903</b>

**Chippewa County  
Combining Balance Sheet  
Nonmajor Governmental Funds  
December 31, 2016**

	Special Revenue				Debt Service	
	Youth Alcohol	Highway Safety	Secondary Road Patrol	911 State Training	Avery Square Bond Retirement	Township 2000 Improvement Bond Reserve
<b>ASSETS</b>						
Cash and Investments	\$ --	\$ --	\$ --	\$ 14,686	\$ 7,995	\$ 34,600
Accounts Receivable	--	--	--	--	--	--
Taxes Receivable	--	--	--	--	--	--
Due from Governmental Units	330	--	36,804	--	--	--
Prepaid Items	--	--	--	--	--	--
<i>Total Assets</i>	<u>\$ 330</u>	<u>\$ --</u>	<u>\$ 36,804</u>	<u>\$ 14,686</u>	<u>\$ 7,995</u>	<u>\$ 34,600</u>
<b>LIABILITIES</b>						
Accounts Payable	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Accrued Liabilities	--	--	4,519	--	--	--
Due to Governmental Units	--	--	--	--	7,995	--
Due to Other Funds	330	--	32,285	--	--	--
<i>Total Liabilities</i>	<u>330</u>	<u>--</u>	<u>36,804</u>	<u>--</u>	<u>7,995</u>	<u>--</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Taxes Levied for a Subsequent Period	--	--	--	--	--	--
<i>Total Liabilities and Deferred Inflows of Resources</i>	<u>330</u>	<u>--</u>	<u>36,804</u>	<u>--</u>	<u>7,995</u>	<u>--</u>
<b>FUND BALANCE</b>						
Nonspendable	--	--	--	--	--	--
Restricted	--	--	--	--	--	34,600
Committed	--	--	--	--	--	--
Assigned	--	--	--	14,686	--	--
Unassigned	--	--	--	--	--	--
<i>Total Fund Balance</i>	<u>--</u>	<u>--</u>	<u>--</u>	<u>14,686</u>	<u>--</u>	<u>34,600</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balance</i>	<u>\$ 330</u>	<u>\$ --</u>	<u>\$ 36,804</u>	<u>\$ 14,686</u>	<u>\$ 7,995</u>	<u>\$ 34,600</u>

**Chippewa County  
Combining Balance Sheet  
Nonmajor Governmental Funds  
December 31, 2016**

	Debt Service				Capital Projects		Total
	2013 Refunding Debt	2011 Refunding Debt	2010 Bond Refinancing	Jail Expansion Bonds	Township Improvements Debt	Hakola-Ross Drainage	
<b>ASSETS</b>							
Cash and Investments	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 7,503	\$ 1,244,973
Accounts Receivable	--	--	--	--	--	--	128,844
Taxes Receivable	--	--	--	--	--	--	648,832
Due from Governmental Units	--	--	--	--	--	--	162,733
Prepaid Items	--	--	--	--	--	--	37,150
<b>Total Assets</b>	<b>\$ --</b>	<b>\$ --</b>	<b>\$ --</b>	<b>\$ --</b>	<b>\$ --</b>	<b>\$ 7,503</b>	<b>\$ 2,222,532</b>
<b>LIABILITIES</b>							
Accounts Payable	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 70,692
Accrued Liabilities	--	--	--	--	--	--	47,973
Due to Governmental Units	--	--	--	--	--	--	7,995
Due to Other Funds	--	--	--	--	--	--	244,763
<b>Total Liabilities</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>371,423</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Taxes Levied for a Subsequent Period	--	--	--	--	--	--	648,832
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>1,020,255</b>
<b>FUND BALANCE</b>							
Nonspendable	--	--	--	--	--	--	37,150
Restricted	--	--	--	--	--	--	287,731
Committed	--	--	--	--	--	7,503	7,503
Assigned	--	--	--	--	--	--	905,972
Unassigned	--	--	--	--	--	--	(36,079)
<b>Total Fund Balance</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>7,503</b>	<b>1,202,277</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balance</b>	<b>\$ --</b>	<b>\$ --</b>	<b>\$ --</b>	<b>\$ --</b>	<b>\$ --</b>	<b>\$ 7,503</b>	<b>\$ 2,222,532</b>

**Chippewa County**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Nonmajor Governmental Funds**  
**For the Year Ended December 31, 2016**

	Special Revenue					
	Veteran's Trust	Probate Child Care	DHS Child Care	Chippewa County DHS Appropriation	Animal Shelter Donations	Animal Control Millage
<b>Revenues</b>						
Taxes	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 110,713
Federal Sources	--	--	--	--	--	--
State Sources	15,534	273,421	--	--	--	--
Local Sources	--	14,107	--	--	--	--
Charges for Services	--	--	--	--	1,347	--
Interest and Rentals	--	--	--	--	--	--
Other Revenue	--	--	--	--	70,939	--
<b>Total Revenues</b>	<b>15,534</b>	<b>287,528</b>	<b>--</b>	<b>--</b>	<b>72,286</b>	<b>110,713</b>
<b>Expenditures</b>						
Judicial	--	--	--	--	--	--
General Government	--	--	--	--	--	--
Public Safety	--	--	--	--	--	--
Public Works	--	--	--	--	--	--
Health and Welfare	17,067	455,974	77,122	19,021	5,808	72,029
Community/Economic Development	--	--	--	--	--	--
Capital Outlay	--	--	--	--	16,999	--
Debt Service - Principal	--	--	--	--	--	--
Debt Service - Interest	--	--	--	--	--	--
<b>Total Expenditures</b>	<b>17,067</b>	<b>455,974</b>	<b>77,122</b>	<b>19,021</b>	<b>22,807</b>	<b>72,029</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(1,533)</b>	<b>(168,446)</b>	<b>(77,122)</b>	<b>(19,021)</b>	<b>49,479</b>	<b>38,684</b>
<b>Other Financing Sources (Uses)</b>						
Transfers In	--	229,389	60,942	19,021	--	--
Transfers Out	(1,140)	(60,943)	--	--	--	--
<b>Net Other Financing Sources (Uses)</b>	<b>(1,140)</b>	<b>168,446</b>	<b>60,942</b>	<b>19,021</b>	<b>--</b>	<b>--</b>
<b>Net Change in Fund Balance</b>	<b>(2,673)</b>	<b>--</b>	<b>(16,180)</b>	<b>--</b>	<b>49,479</b>	<b>38,684</b>
<i>Fund Balance at Beginning of Period</i>	2,673	--	65,084	1,158	75,652	124,958
<b>Fund Balance at End of Period</b>	<b>\$ --</b>	<b>\$ --</b>	<b>\$ 48,904</b>	<b>\$ 1,158</b>	<b>\$ 125,131</b>	<b>\$ 163,642</b>

**Chippewa County**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Nonmajor Governmental Funds**  
**For the Year Ended December 31, 2016**

	Special Revenue					
	Seat Belt	Sheriff Law Enforcement Training	Law Library	Road Patrol Overtime	Sheriff Park Patrol	
<b>Revenues</b>						
Taxes	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Federal Sources	--	--	--	90,509	1,673	--
State Sources	6,467	4,058	--	--	--	--
Local Sources	--	--	--	--	--	150
Charges for Services	--	--	3,500	--	--	10,237
Interest and Rentals	--	--	--	--	--	--
Other Revenue	--	--	--	--	--	--
<b>Total Revenues</b>	<b>6,467</b>	<b>4,058</b>	<b>3,500</b>	<b>90,509</b>	<b>1,673</b>	<b>10,387</b>
<b>Expenditures</b>						
Judicial	--	--	4,317	--	--	--
General Government	--	--	--	--	--	--
Public Safety	--	3,616	--	44,782	2,148	9,222
Public Works	--	--	--	--	--	--
Health and Welfare	6,467	--	--	--	--	--
Community/Economic Development	--	--	--	--	--	--
Capital Outlay	--	--	--	42,710	--	--
Debt Service - Principal	--	--	--	--	--	--
Debt Service - Interest	--	--	--	--	--	--
<b>Total Expenditures</b>	<b>6,467</b>	<b>3,616</b>	<b>4,317</b>	<b>87,492</b>	<b>2,148</b>	<b>9,222</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>--</b>	<b>442</b>	<b>(817)</b>	<b>3,017</b>	<b>(475)</b>	<b>1,165</b>
<b>Other Financing Sources (Uses)</b>						
Transfers In	--	--	--	--	--	--
Transfers Out	--	--	--	--	--	--
<b>Net Other Financing Sources (Uses)</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>
<b>Net Change in Fund Balance</b>	<b>--</b>	<b>442</b>	<b>(817)</b>	<b>3,017</b>	<b>(475)</b>	<b>1,165</b>
<i>Fund Balance at Beginning of Period</i>	--	7,651	2,339	20,540	10,897	28,155
<b>Fund Balance at End of Period</b>	<b>\$ --</b>	<b>\$ 8,093</b>	<b>\$ 1,522</b>	<b>\$ 23,557</b>	<b>\$ 10,422</b>	<b>\$ 29,320</b>

**Chippewa County**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Nonmajor Governmental Funds**  
**For the Year Ended December 31, 2016**

	Special Revenue					
	Concealed Weapons	CCSD Salvage Vehicle	Drug Forfeiture	Register of Deeds Automation	War Memorial Agreement	Office of Community Correction
<b>Revenues</b>						
Taxes	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Federal Sources	--	--	--	--	--	--
State Sources	--	--	--	--	--	--
Local Sources	--	--	--	--	--	119,067
Charges for Services	19,968	1,400	--	37,795	1,026	--
Interest and Rentals	--	--	--	--	--	--
Other Revenue	--	--	9,444	--	--	--
<b>Total Revenues</b>	<b>19,968</b>	<b>1,400</b>	<b>9,444</b>	<b>37,795</b>	<b>1,026</b>	<b>119,067</b>
<b>Expenditures</b>						
Judicial	--	--	--	--	--	--
General Government	--	--	--	25,149	--	--
Public Safety	9,918	2,041	8,931	--	797	140,967
Public Works	--	--	--	--	--	--
Health and Welfare	--	--	--	--	--	--
Community/Economic Development	--	--	--	--	--	--
Capital Outlay	--	--	--	--	--	--
Debt Service - Principal	--	--	--	--	--	--
Debt Service - Interest	--	--	--	--	--	--
<b>Total Expenditures</b>	<b>9,918</b>	<b>2,041</b>	<b>8,931</b>	<b>25,149</b>	<b>797</b>	<b>140,967</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>10,050</b>	<b>(641)</b>	<b>513</b>	<b>12,646</b>	<b>229</b>	<b>(21,900)</b>
<b>Other Financing Sources (Uses)</b>						
Transfers In	--	--	--	--	--	--
Transfers Out	--	--	--	--	(16,046)	--
<b>Net Other Financing Sources (Uses)</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>(16,046)</b>	<b>--</b>
<b>Net Change in Fund Balance</b>	<b>10,050</b>	<b>(641)</b>	<b>513</b>	<b>12,646</b>	<b>(15,817)</b>	<b>(21,900)</b>
<i>Fund Balance at Beginning of Period</i>	7,342	5,793	28,113	81,363	15,817	103,080
<b>Fund Balance at End of Period</b>	<b>\$ 17,392</b>	<b>\$ 5,152</b>	<b>\$ 28,626</b>	<b>\$ 94,009</b>	<b>\$ --</b>	<b>\$ 81,180</b>

**Chippewa County**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Nonmajor Governmental Funds**  
**For the Year Ended December 31, 2016**

	Special Revenue					
	Chippewa County Recycling	2000 Improvements Maintenance	Community Service	FOC Child Support	Emergency Telephone Service	Office of Emergency Services
<b>Revenues</b>						
Taxes	\$ 551,194	\$ --	\$ --	\$ --	\$ --	\$ --
Federal Sources	--	--	--	--	--	87,949
State Sources	--	--	--	25,485	416,407	--
Local Sources	--	24,655	31,619	640	--	--
Charges for Services	--	--	--	--	500,961	--
Interest and Rentals	--	164	--	--	--	--
Other Revenue	--	--	--	--	--	7,031
<b>Total Revenues</b>	<b>551,194</b>	<b>24,819</b>	<b>31,619</b>	<b>26,125</b>	<b>917,368</b>	<b>94,980</b>
<b>Expenditures</b>						
Judicial	--	--	--	--	--	--
General Government	--	--	--	--	--	--
Public Safety	--	--	--	--	951,180	209,164
Public Works	599,999	--	32,833	--	--	--
Health and Welfare	--	--	--	325	--	--
Community/Economic Development	--	--	--	--	--	--
Capital Outlay	--	--	--	--	5,093	--
Debt Service - Principal	--	--	--	--	--	--
Debt Service - Interest	--	--	--	--	--	--
<b>Total Expenditures</b>	<b>599,999</b>	<b>--</b>	<b>32,833</b>	<b>325</b>	<b>956,273</b>	<b>209,164</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(48,805)</b>	<b>24,819</b>	<b>(1,214)</b>	<b>25,800</b>	<b>(38,905)</b>	<b>(114,184)</b>
<b>Other Financing Sources (Uses)</b>						
Operating Transfers In	--	--	--	--	38,905	125,784
Operating Transfers Out	--	--	--	--	--	--
<b>Net Other Financing Sources (Uses)</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>38,905</b>	<b>125,784</b>
<b>Net Change in Fund Balance</b>	<b>(48,805)</b>	<b>24,819</b>	<b>(1,214)</b>	<b>25,800</b>	<b>--</b>	<b>11,600</b>
<i>Fund Balance at Beginning of Period</i>	181,129	39,925	6,654	90,485	--	78,054
<b>Fund Balance at End of Period</b>	<b>\$ 132,324</b>	<b>\$ 64,744</b>	<b>\$ 5,440</b>	<b>\$ 116,285</b>	<b>\$ --</b>	<b>\$ 89,654</b>

**Chippewa County**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Nonmajor Governmental Funds**  
**For the Year Ended December 31, 2016**

	<b>Special Revenue</b>					
	<b>Operation Stonegarden</b>	<b>Family Counseling</b>	<b>HUD Grant</b>	<b>Construction Code</b>	<b>Drug Court</b>	<b>50th District Court</b>
<b>Revenues</b>						
Taxes	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Federal Sources	18,482	--	--	--	45,887	--
State Sources	--	--	--	--	--	--
Local Sources	--	--	--	8	--	--
Charges for Services	--	3,150	--	74,887	4,400	17,859
Interest and Rentals	--	--	--	--	--	--
Other Revenue	--	--	25,475	--	4,049	--
<b>Total Revenues</b>	<b>18,482</b>	<b>3,150</b>	<b>25,475</b>	<b>74,895</b>	<b>54,336</b>	<b>17,859</b>
<b>Expenditures</b>						
Judicial	--	--	--	--	57,607	4,488
General Government	--	--	--	--	--	--
Public Safety	--	--	--	--	--	--
Public Works	--	--	--	107,514	--	--
Health and Welfare	18,482	3,150	--	--	--	--
Community/Economic Development	--	--	34,084	--	--	--
Capital Outlay	--	--	--	--	--	--
Debt Service - Principal	--	--	--	--	--	--
Debt Service - Interest	--	--	--	--	--	--
<b>Total Expenditures</b>	<b>18,482</b>	<b>3,150</b>	<b>34,084</b>	<b>107,514</b>	<b>57,607</b>	<b>4,488</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>--</b>	<b>--</b>	<b>(8,609)</b>	<b>(32,619)</b>	<b>(3,271)</b>	<b>13,371</b>
<b>Other Financing Sources (Uses)</b>						
Transfers In	--	--	--	32,619	3,271	--
Transfers Out	--	--	--	--	--	--
<b>Net Other Financing Sources (Uses)</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>32,619</b>	<b>3,271</b>	<b>--</b>
<b>Net Change in Fund Balance</b>	<b>--</b>	<b>--</b>	<b>(8,609)</b>	<b>--</b>	<b>--</b>	<b>13,371</b>
<b>Fund Balance at Beginning of Period</b>	<b>--</b>	<b>150</b>	<b>81,818</b>	<b>--</b>	<b>--</b>	<b>12,203</b>
<b>Fund Balance at End of Period</b>	<b>\$ --</b>	<b>\$ 150</b>	<b>\$ 73,209</b>	<b>\$ --</b>	<b>\$ --</b>	<b>\$ 25,574</b>

**Chippewa County**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Nonmajor Governmental Funds**  
**For the Year Ended December 31, 2016**

	Special Revenue				Debt Service	
	Youth Alcohol	Highway Safety	Secondary Road Patrol	911 State Training	Avery Square Bond Retirement	Township 2000 Improvement Bond Reserve
<b>Revenues</b>						
Taxes	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Federal Sources	--	--	--	--	--	--
State Sources	7,743	11,621	60,965	19,617	--	--
Local Sources	--	--	--	--	--	--
Charges for Services	--	--	--	--	--	--
Interest and Rentals	--	--	--	--	--	--
Other Revenue	--	--	--	--	--	--
<b>Total Revenues</b>	7,743	11,621	60,965	19,617	--	--
<b>Expenditures</b>						
Judicial	--	--	--	--	--	--
General Government	--	--	--	--	--	--
Public Safety	--	11,621	157,595	4,931	--	--
Public Works	--	--	--	--	--	--
Health and Welfare	7,743	--	--	--	--	--
Community/Economic Development	--	--	--	--	--	--
Capital Outlay	--	--	--	--	--	--
Debt Service - Principal	--	--	--	--	--	--
Debt Service - Interest	--	--	--	--	7,995	--
<b>Total Expenditures</b>	7,743	11,621	157,595	4,931	7,995	--
<b>Excess of Revenues Over (Under) Expenditures</b>	--	--	(96,630)	14,686	(7,995)	--
<b>Other Financing Sources (Uses)</b>						
Transfers In	--	--	96,630	--	--	--
Transfers Out	--	--	--	--	--	--
<b>Net Other Financing Sources (Uses)</b>	--	--	96,630	--	--	--
<b>Net Change in Fund Balance</b>	--	--	--	14,686	(7,995)	--
<b>Fund Balance at Beginning of Period</b>	--	--	--	--	7,995	34,600
<b>Fund Balance at End of Period</b>	\$ --	\$ --	\$ --	\$ 14,686	\$ --	\$ 34,600

**Chippewa County**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Nonmajor Governmental Funds**  
**For the Year Ended December 31, 2016**

	Debt Service				Capital Projects		Total
	2013 Refunding Debt	2011 Refunding Debt	2010 Bond Refinancing	Jail Expansion Bonds	Township Improvements Debt	Hakola-Ross Drainage	
<b>Revenues</b>							
Taxes	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 661,907
Federal Sources	--	--	--	--	--	--	244,500
State Sources	--	--	--	--	--	--	841,318
Local Sources	551,219	517,050	--	--	26,321	--	1,284,836
Charges for Services	--	--	--	--	--	--	676,530
Interest and Rentals	--	--	--	--	--	--	164
Other Revenue	--	--	--	--	--	--	116,938
<b>Total Revenues</b>	<u>551,219</u>	<u>517,050</u>	<u>--</u>	<u>--</u>	<u>26,321</u>	<u>--</u>	<u>3,826,193</u>
<b>Expenditures</b>							
Judicial	--	--	--	--	--	--	66,412
General Government	--	--	--	--	--	--	25,149
Public Safety	--	--	--	--	--	--	1,556,913
Public Works	--	--	--	--	--	--	740,346
Health and Welfare	--	--	--	--	--	--	683,188
Community/Economic Development	--	--	--	--	--	--	34,084
Capital Outlay	--	--	--	--	--	--	64,802
Debt Service - Principal	325,000	425,000	365,000	195,000	11,000	--	1,321,000
Debt Service - Interest	226,219	92,050	43,575	24,200	15,321	--	409,360
<b>Total Expenditures</b>	<u>551,219</u>	<u>517,050</u>	<u>408,575</u>	<u>219,200</u>	<u>26,321</u>	<u>--</u>	<u>4,901,254</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	<u>--</u>	<u>--</u>	<u>(408,575)</u>	<u>(219,200)</u>	<u>--</u>	<u>--</u>	<u>(1,075,061)</u>
<b>Other Financing Sources (Uses)</b>							
Transfers In	--	--	408,575	219,200	--	--	1,234,336
Transfers Out	--	--	--	--	--	--	(78,129)
<b>Net Other Financing Sources (Uses)</b>	<u>--</u>	<u>--</u>	<u>408,575</u>	<u>219,200</u>	<u>--</u>	<u>--</u>	<u>1,156,207</u>
<b>Net Change in Fund Balance</b>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>81,146</u>
<b>Fund Balance at Beginning of Period</b>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>7,503</u>	<u>1,121,131</u>
<b>Fund Balance at End of Period</b>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 7,503</u>	<u>\$ 1,202,277</u>

**Chippewa County**  
**Combining Statement of Net Position**  
**Nonmajor Enterprise Funds**  
**December 31, 2016**

**Enterprise**

	<b>Sheriff Commissary</b>	<b>2011 Tax Foreclosure</b>	<b>2012 Tax Foreclosure</b>	<b>2013 Tax Foreclosure</b>	<b>State Education Tax Parcel Fee</b>	<b>Homestead Tax</b>	<b>Total Enterprise Funds</b>
<b>ASSETS</b>							
<i>Current Assets</i>							
Cash and Investments	\$ 11,497	\$ --	\$ 51,148	\$ 186,270	\$ 17,421	\$ 13	\$ 266,349
<b>Total Assets</b>	<b>11,497</b>	<b>--</b>	<b>51,148</b>	<b>186,270</b>	<b>17,421</b>	<b>13</b>	<b>266,349</b>
<b>LIABILITIES</b>							
<i>Current Liabilities</i>							
Accrued Liabilities	--	--	--	1,637	--	--	1,637
Due to Governmental Units	--	--	--	--	--	13	13
<b>Total Liabilities</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>1,637</b>	<b>--</b>	<b>13</b>	<b>1,650</b>
<b>NET POSITION</b>							
<i>Unrestricted</i>	11,497	--	51,148	184,633	17,421	--	264,699
<b>Total Net Position</b>	<b>\$ 11,497</b>	<b>\$ --</b>	<b>\$ 51,148</b>	<b>\$ 184,633</b>	<b>\$ 17,421</b>	<b>\$ --</b>	<b>\$ 264,699</b>

**Chippewa County**  
**Combining Statement of Revenues, Expenses, and Changes in Net Position**  
**Nonmajor Enterprise Funds**  
**For the Year Ended December 31, 2016**

	<b>Enterprise</b>						
	<b>Sheriff Commissary</b>	<b>2011 Tax Foreclosure</b>	<b>2012 Tax Foreclosure</b>	<b>2013 Tax Foreclosure</b>	<b>State Education Tax Parcel Fee</b>	<b>Homestead Tax</b>	<b>Total Enterprise Funds</b>
<b>Operating Revenues</b>							
Penalties and Interest Charges	\$ 211,969	\$ 3,776	\$ 465	\$ 189,575	\$ 4,060	\$ --	\$ 409,845
<b>Total Operating Revenues</b>	<u>211,969</u>	<u>3,776</u>	<u>465</u>	<u>189,575</u>	<u>4,060</u>	<u>--</u>	<u>409,845</u>
<b>Operating Expenses</b>							
Other Supplies and Expenses	191,143	--	--	4,942	507	--	196,592
<b>Total Operating Expenses</b>	<u>191,143</u>	<u>--</u>	<u>--</u>	<u>4,942</u>	<u>507</u>	<u>--</u>	<u>196,592</u>
<b>Operating Income (Loss)</b>	<u>20,826</u>	<u>3,776</u>	<u>465</u>	<u>184,633</u>	<u>3,553</u>	<u>--</u>	<u>213,253</u>
<b>Income Before Contributions and Transfers</b>	20,826	3,776	465	184,633	3,553	--	213,253
Transfers Out	(30,000)	(114,494)	--	--	--	--	(144,494)
<b>Change In Net Position</b>	<u>(9,174)</u>	<u>(110,718)</u>	<u>465</u>	<u>184,633</u>	<u>3,553</u>	<u>--</u>	<u>68,759</u>
<i>Net Position at Beginning of Period</i>	20,671	110,718	50,683	--	13,868	--	195,940
<b>Net Position at End of Period</b>	<u>\$ 11,497</u>	<u>\$ --</u>	<u>\$ 51,148</u>	<u>\$ 184,633</u>	<u>\$ 17,421</u>	<u>\$ --</u>	<u>\$ 264,699</u>

**Chippewa County**  
**Combining Statement of Cash Flows**  
**Nonmajor Enterprise Funds**  
**For the Year Ended December 31, 2016**

	Enterprise						Total Enterprise Funds
	Sheriff Commissary	2011 Tax Foreclosure	2012 Tax Foreclosure	2013 Tax Foreclosure	State Education Tax Parcel Fee	Homestead Tax	
<b>Cash Flows from Operating Activities</b>							
Cash Received from Customers	\$ 211,969	\$ 3,776	\$ 465	\$ 189,575	\$ 4,060	\$ -	\$ 409,845
Cash Payments to Suppliers	(191,143)	-	-	(3,305)	(507)	-	(194,955)
<b>Total Cash Provided by Operating Activities</b>	<u>20,826</u>	<u>3,776</u>	<u>465</u>	<u>186,270</u>	<u>3,553</u>	<u>-</u>	<u>214,890</u>
<b>Cash Flows from Non-Capital Financing Activities</b>							
Transfers In (Out)	(30,000)	(114,494)	-	-	-	-	(144,494)
<b>Total Cash Flows Used by Non-Capital Financing Activities</b>	<u>(30,000)</u>	<u>(114,494)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(144,494)</u>
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	(9,174)	(110,718)	465	186,270	3,553	-	70,396
<i>Cash and Cash Equivalents - Beginning of the Year</i>	20,671	110,718	50,683	-	13,868	13	195,953
<i>Cash and Cash Equivalents - End of the Year</i>	<u>\$ 11,497</u>	<u>\$ -</u>	<u>\$ 51,148</u>	<u>\$ 186,270</u>	<u>\$ 17,421</u>	<u>\$ 13</u>	<u>\$ 266,349</u>
<b>Reconciliation of Operating Income To Net Cash Provided by Operating Activities:</b>							
Operating Income	\$ 20,826	\$ 3,776	\$ 465	\$ 184,633	\$ 3,553	\$ -	\$ 213,253
Adjustments to Reconcile Operating Income to Net Cash Provided by Operations:							
Changes in Assets and Liabilities:							
Increase (Decrease) in Liabilities:							
Accrued Liabilities	-	-	-	1,637	-	-	1,637
<b>Net Cash Provided by Operating Activities</b>	<u>\$ 20,826</u>	<u>\$ 3,776</u>	<u>\$ 465</u>	<u>\$ 186,270</u>	<u>\$ 3,553</u>	<u>\$ -</u>	<u>\$ 214,890</u>

**Chippewa County**  
**Combining Statement of Net Position**  
**Internal Service Funds**  
**December 31, 2016**

	<u>Internal Service</u>			<u>Total Internal Service Funds</u>
	<u>Self Insurance - Workers Comp.</u>	<u>Central Stores</u>	<u>Self Insurance - Health</u>	
<b>ASSETS</b>				
<i>Current Assets</i>				
Cash and Investments	\$ 520,703	\$ --	\$ 714,155	\$ 1,234,858
Inventory	--	7,265	--	7,265
Due from Governmental Units	--	--	167,036	167,036
<b>Total Current Assets</b>	<u>520,703</u>	<u>7,265</u>	<u>881,191</u>	<u>1,409,159</u>
<i>Noncurrent Assets</i>				
<b>Total Assets</b>	<u>520,703</u>	<u>7,265</u>	<u>881,191</u>	<u>1,409,159</u>
<b>LIABILITIES</b>				
<i>Current Liabilities</i>				
Accrued Liabilities	--	--	7,040	7,040
Due to Other Funds	--	7,265	--	7,265
<b>Total Current Liabilities</b>	<u>--</u>	<u>7,265</u>	<u>7,040</u>	<u>14,305</u>
<i>Noncurrent Liabilities</i>				
<b>Total Liabilities</b>	<u>--</u>	<u>7,265</u>	<u>7,040</u>	<u>14,305</u>
<b>NET POSITION</b>				
<i>Unrestricted</i>	520,703	--	874,151	1,394,854
<b>Total Net Position</b>	<u>\$ 520,703</u>	<u>\$ --</u>	<u>\$ 874,151</u>	<u>\$ 1,394,854</u>

**Chippewa County**  
**Combining Statement of Revenues, Expenses, and Changes in Net Position**  
**Internal Service Funds**  
**For the Year Ended December 31, 2016**

	<u>Internal Service</u>			<u>Total Internal Service Funds</u>
	<u>Self Insurance - Workers Comp.</u>	<u>Central Stores</u>	<u>Self Insurance - Health</u>	
<b>Operating Revenues</b>				
Charges for Services	\$ 163,923	\$ 10,293	\$ 3,097,294	\$ 3,271,510
<b>Total Operating Revenues</b>	<u>163,923</u>	<u>10,293</u>	<u>3,097,294</u>	<u>3,271,510</u>
<b>Operating Expenses</b>				
Other Supplies and Expenses	--	10,293	--	10,293
Premium Payments	96,475	--	3,246,104	3,342,579
<b>Total Operating Expenses</b>	<u>96,475</u>	<u>10,293</u>	<u>3,246,104</u>	<u>3,352,872</u>
<b>Operating Income (Loss)</b>	<u>67,448</u>	<u>--</u>	<u>(148,810)</u>	<u>(81,362)</u>
<b>Change In Net Position</b>	<b>67,448</b>	<b>--</b>	<b>(148,810)</b>	<b>(81,362)</b>
<i>Net Position at Beginning of Period</i>	453,255	--	1,022,961	1,476,216
<b>Net Position at End of Period</b>	<u>\$ 520,703</u>	<u>\$ --</u>	<u>\$ 874,151</u>	<u>\$ 1,394,854</u>

**Chippewa County**  
**Combining Statement of Cash Flows**  
**Internal Service Funds**  
**For the Year Ended December 31, 2016**

	<u>Internal Service Funds</u>			<u>Total Internal Service Funds</u>
	<u>Self Insurance - Workers Comp.</u>	<u>Central Stores</u>	<u>Self Insurance - Health</u>	
<b>Cash Flows from Operating Activities</b>				
Cash Received from Customers	\$ 163,923	\$ 10,293	\$ 3,092,450	\$ 3,266,666
Cash Payments to Suppliers	(96,475)	(11,795)	(3,239,064)	(3,347,334)
Interfund Activity - Receipts (Payments) with Other Funds	-	1,502	-	1,502
<b>Total Cash Provided (Used) by Operating Activities</b>	<u>67,448</u>	<u>-</u>	<u>(146,614)</u>	<u>(79,166)</u>
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	67,448	-	(146,614)	(79,166)
<i>Cash and Cash Equivalents - Beginning of the Year</i>	453,255	-	860,769	1,314,024
<i>Cash and Cash Equivalents - End of the Year</i>	<u>\$ 520,703</u>	<u>\$ -</u>	<u>\$ 714,155</u>	<u>\$ 1,234,858</u>
<b>Reconciliation of Operating Income (Loss) To Net Cash Provided (Used) by Operating Activities:</b>				
Operating Income (Loss)	\$ 67,448	\$ -	\$ (148,810)	\$ (81,362)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operations:				
Changes in Assets and Liabilities:				
(Increase) Decrease in Assets				
Due from Governmental Units	-	-	(4,844)	(4,844)
Inventory	-	(1,502)	-	(1,502)
Increase (Decrease) in Liabilities:				
Accrued Liabilities	-	-	7,040	7,040
Due to Other Funds	-	1,502	-	1,502
<i>Net Cash Provided (Used) by Operating Activities</i>	<u>\$ 67,448</u>	<u>\$ -</u>	<u>\$ (146,614)</u>	<u>\$ (79,166)</u>

**CHIPPEWA COUNTY, MICHIGAN  
CONTINUING DISCLOSURE  
YEAR ENDED DECEMBER 31, 2016**



**Chippewa County**  
Continuing Disclosure – Unaudited  
December 31, 2016

**NOTE 1 - DEBT ISSUES APPLICABLE TO SEC RULE 15c2-12 DISCLOSURES REQUIREMENTS:**

Debt issues of \$1,000,000 or more sold on or after July 3, 1995 are applicable to SEC rule 15c2-12 disclosure requirements. As of December 31, 2016, the County has the following debt issues which apply to SEC Rule 15c2-12.

1. \$7,040,000 County of Sault Ste. Marie Water Supply and Sewage Disposal System Limited Tax General Obligation Bonds, Series 2013.
2. \$1,635,000 Chippewa County General Obligation Bonds, Series 2010.
3. \$3,645,000 Chippewa County Refunding Bonds, Series 2010.
4. \$1,790,000 Chippewa County Refunding Bonds, (County of Sault Ste. Marie), Series 2011.

**NOTE 2 - TABLES:**

The following tables are included in the debt issues and are required to be updated annually to comply with the Municipal Securities disclosure requirements of the SEC Rule 15c2-12.

**A. Population:**

1970 U.S. Census .....	32,412	2000 U.S. Census .....	38,543
1980 U.S. Census .....	29,029	2010 U.S. Census .....	38,520
1990 U.S. Census .....	34,604		
		2015 estimate .....	38,000

Source: U.S. Department of Commerce - Bureau of Census and County of Chippewa

**B. Taxable Value (Ad Valorem) by Use and Class:**

Use	2016		2015	
	Amount	Percent of Total	Amount	Percent of Total
Agricultural	\$ 37,429,518	3.40%	\$ 36,565,196	3.34%
Commercial (R&P)	153,878,806	13.96%	153,884,515	14.06%
Industrial (R&P)	28,239,947	2.56%	30,592,341	2.79%
Residential	838,919,559	76.12%	832,412,208	76.04%
Utility	43,686,700	3.96%	41,180,000	3.76%
<b>Total</b>	<b>\$ 1,102,154,530</b>	<b>100.00%</b>	<b>\$ 1,094,634,260</b>	<b>100.00%</b>

**Chippewa County**  
Continuing Disclosure – Unaudited  
December 31, 2016

**NOTE 2 – TABLES: (Continued)**

**B. Taxable Value (Ad Valorem) by Use and Class: (Continued)**

<u>Class</u>	2016		2015	
	<u>Amount</u>	<u>Percent of Total</u>	<u>Amount</u>	<u>Percent of Total</u>
Real Property	\$ 1,032,807,030	93.71%	\$ 1,029,108,748	94.01%
Personal Property	69,349,500	6.29%	65,525,512	5.99%
<b>Total</b>	<b>\$ 1,102,156,530</b>	<b>100.00%</b>	<b>\$ 1,094,634,260</b>	<b>100.00%</b>

Source: County of Chippewa

**C. Taxable Value:**

<u>Assessed Value as of December 31</u>	<u>Year of State Equalization and Tax Levy</u>	<u>County's Fiscal Year Ended or Ending December 31</u>	<u>Ad Valorem Taxable Value</u>	<u>Taxable Value of Property Granted Tax Abatement Under Acts 198 and 255</u>	<u>Total Taxable Value</u>	<u>Percent Increase/ (Decrease) Over Prior Year</u>
2007	2008	2009	\$ 976,118,163	\$ 4,428,200	\$980,546,363	3.35%
2008	2009	2010	1,020,314,976	3,777,300	1,024,092,276	4.44%
2009	2010	2011	1,054,021,915	2,302,600	1,056,324,515	3.15%
2010	2011	2012	1,062,567,992	2,294,400	1,064,862,392	.81%
2011	2012	2013	1,090,343,959	430,500	1,090,774,459	.24%
2012	2013	2014	1,086,611,568	1,249,100	1,087,860,668	(.27)%
2013	2014	2015	1,094,634,260	1,287,800	1,095,922,060	.74%
2014	2015	2016	1,102,156,530	1,116,800	1,103,273,360	.67%

Per Capita Total taxable value for the fiscal year ending December 31, 2016 \$28,840.05.

Source: County of Chippewa

**Chippewa County**  
Continuing Disclosure – Unaudited  
December 31, 2016

**NOTE 2 – TABLES: (Continued)**

**D. SEV by Use and Class:**

Use	Fiscal Year Ended or Ending December 31							
	2013	%	2014	%	2015	%	2016	%
Agriculture	\$ 53,934,800	5%	\$ 54,079,500	4%	\$ 53,636,992	4%	\$ 54,264,400	4%
Commercial	177,378,650	13%	179,635,000	14%	176,292,812	13%	173,528,900	13%
Industrial	31,914,200	2%	31,649,600	2%	33,339,200	3%	32,417,400	2%
Residential	1,024,956,720	77%	1,024,233,920	77%	1,027,578,600	77%	1,029,117,076	77%
Utility	38,269,600	3%	40,508,600	3%	41,180,000	3%	43,686,700	3%
<b>Total</b>	<b>\$ 1,327,164,521</b>	<b>100%</b>	<b>\$ 1,330,106,620</b>	<b>100%</b>	<b>\$ 1,332,027,604</b>	<b>100%</b>	<b>\$ 1,333,014,476</b>	<b>100%</b>
<b>Class</b>								
Real Property	\$ 1,256,839,920	95%	\$ 1,262,952,732	95%	\$ 1,266,502,092	95%	\$ 1,263,635,676	95%
Personal Property	69,614,050	5%	67,153,888	5%	65,525,512	5%	\$ 69,378,800	5%
<b>Total</b>	<b>\$ 1,326,453,970</b>	<b>100%</b>	<b>\$ 1,330,106,620</b>	<b>100%</b>	<b>\$ 1,332,027,604</b>	<b>100%</b>	<b>\$ 1,333,014,476</b>	<b>100%</b>

Source: County of Chippewa

**E. Maximum Tax Rates:**

Millage Classification	Millage Authorized	Millage Reduction Fraction (1)	Maximum Allowable Millage
Allocated (1)	6.1500	1.0000	6.1500
Fire/Ambulance (2)	0.4275	1.0000	0.4275
Roads (3)	1.0000	1.0000	0.9879
Recycling (2)	0.5000	1.0000	0.5000
Jail Renovation (5)	0.7500	1.0000	0.7078
Senior Programs (4)	0.5000	1.0000	0.4994
Animal Shelter (6)	0.1000	1.0000	0.1000

- (1) Cumulative.
- (2) Voted. Final levy December 31, 2017.
- (3) Voted. Final levy will be December 31, 2018.
- (4) Voted and levied first time in 2009.
- (5) Voted. Expires with December 31, 2017 levy.
- (6) Voted. Expires with December 31, 2018 levy.

Source: County of Chippewa

**Chippewa County**  
Continuing Disclosure – Unaudited  
December 31, 2016

**NOTE 2 - TABLES: (Continued)**

**F. Revenues from the State of Michigan**

Fiscal Year Ended/Ending	Revenue Sharing Payments
December 31, 2013	\$554,403
December 31, 2014	\$618,628
December 31, 2015	\$716,250
December 31, 2016	\$719,883

Source: County of Chippewa

**G. Property Tax Rates:**

Levy 1-Dec	Fiscal Years Ended or Ending 31-	Allocated	Fire/ Ambulance	Road Improvements	Recycling	Jail	Senior Program	Animal Shelter (1)	Total
	Dec		(1)	(1)	(1)	(1)	(1)	(1)	
2010	2011	6.1259	0.4275	0.9879	0.5000	0.7078	0.4994	0.0000	9.2485
2011	2012	6.1500	0.4275	0.9879	0.5000	0.7078	0.4994	0.0000	9.2726
2012	2013	6.1500	0.4275	0.9879	0.5000	0.7078	0.4994	0.0000	9.2726
2013	2014	6.1500	0.4275	0.9879	0.5000	0.7078	0.4994	0.0000	9.2726
2014	2015	6.1500	0.4275	0.9879	0.5000	0.7078	0.4994	0.0000	9.2726
2015	2016	6.1500	0.4275	0.9879	0.5000	0.7078	0.4994	0.1000	9.3726
2016	2017	6.1500	0.4275	0.9879	0.5000	0.7078	0.4994	0.1000	9.3726

(1) Voted.

Source: County of Chippewa

**H. Highest and Lowest Tax Rates:**

The highest and lowest tax rates for properties allowed special exemption status and all other taxable properties within the County for its fiscal year ending December 31, 2016:

Property Classification	Highest Tax Rate		Lowest Tax Rate	
	Municipality	Tax Rate	Municipality	Tax Rate
Special Exemption*	Sault Ste. Marie	42.1542 mills	DeTour	20.0548 mills
Other	Sault Ste. Marie	60.1542 mills	DeTour	38.0548 mills

(\*) Special Exemption means a dwelling or unit in a multiple-unit dwelling subject to ad valorem property taxes that is owned and occupied as a principal residence by the owner of the dwelling or unit, includes all unoccupied property classified as agricultural adjacent and contiguous to the home of the owner that is not leased or rented by the owner to another person if the gross receipts of the agricultural or horticultural operations, if any, exceed the household income of the owner. If the gross receipts of the agricultural or horticultural operations do not exceed the household income of the owner, the property includes only 5 acres adjacent and contiguous to the home of the owner. Special exemption includes a life care facility registered under the living care disclosure act, Act No. 440 of the Public Acts of 1976, being sections 554.801 to 554.844 of the Michigan Compiled Laws. Homestead also includes property owned by a cooperative housing corporation and occupied as a principal residence by tenant stockholders.

Source: County of Chippewa

**Chippewa County**  
Continuing Disclosure – Unaudited  
December 31, 2016

**NOTE 2 - TABLES: (Continued)**

**I. Property Tax Collections:**

July/Dec. 1 Levy	Fiscal Years Ended or Ending December 31	County Tax Levy (1)	Collections to March 1 Following Levy	Percent Collected to March 1 Following Levy
2010	2011	\$ 8,511,609	\$ 7,910,310	92.93%
2011	2012	8,573,674	7,525,927	87.77%
2012	2013	9,212,618	8,555,370	92.86%
2013	2014	9,658,175	8,897,874	92.13%
2014	2015	9,613,427	8,863,578	92.19%
2015	2016	9,732,114	9,025,722	92.74%

(1) Reflects County levy only. All tax levies reflect adjustments for State Tax Tribunal consent judgments, Board of Review decisions, real estate taxes canceled through foreclosure sales and personal property taxes canceled by circuit court.

Source: County of Chippewa

**J. Ten Largest Taxpayers:**

Taxpayer	Principal Product or Service	December 31, 2016	
		Taxable Value (1)	Percent of Total (2)
Cloverland Electric Co.	Utility	\$ 34,736,086	29.19%
State of Michigan	Properties	17,109,581	14.38%
American Transmission	Utility	14,861,466	12.49%
USA-In Trust for SSM Tribe	Properties	8,697,009	7.31%
DDR Michigan II LLC	Shopping Mall	6,931,531	5.82%
Wal-Mart Real Estate	Shopping Center	6,707,800	5.64%
Continental Teves Inc.	Auto Testing Service	4,610,888	3.87%
Pointe West ILP	Apartment Complex	3,541,293	2.98%
Drummond Dolomite Inc.	Dolomite Quarry	2,904,286	2.44%
DTE Gas Company	Utility	2,706,544	2.27%
		<u>\$ 102,806,484</u>	<u>100.00%</u>

(1) Includes Equivalent Taxable Value of properties granted tax abatement under Act 198.

(2) Based on \$1,102,156,530 which is the County's Total Taxable Value for the fiscal year ending December 31, 2016. Includes the Equivalent Taxable Value of property granted tax abatement under Act 198.

Source: County of Chippewa

**Chippewa County**  
Continuing Disclosure – Unaudited  
December 31, 2016

**NOTE 2 - TABLES: (Continued)**

**K. Legal Debt Margin:**

Pursuant to the statutory and constitutional debt provisions set forth herein, the following table reflects the amount of additional debt the County may legally incur:

Debt Limit (1)	\$	111,937,891
Debt Outstanding (2)		<u>(12,355,952)</u>
Legal Debt Margin	\$	<u>99,581,939</u>

(1) 10% of \$1,119,378,908 which is the County's Total SEV for its fiscal year ending December 31, 2016.

(2) Includes the Bonds described herein.

Source: County of Chippewa and Municipal Advisory Council of Michigan

**L. Debt Schedule:**

The following table reflects a summary of the County's direct and underlying debt as of December 31, 2016:

County Direct Debt	Gross	Self-Supporting	Net
<b>Building Authority Bonds:</b>			
Dated July 12, 2011 (LT)	\$ 2,405,000	\$ -	\$ 2,405,000
Dated April 1, 2010 (LT)	800,000	-	800,000
Subtotal	<u>\$ 3,205,000</u>	<u>-</u>	<u>\$ 3,205,000</u>
<b>Water and Sewer Bonds:</b>			
Dated December 13, 2013	6,050,000	6,050,000	-
Dated June 26, 2000	334,958	334,958	-
Subtotal	<u>\$ 6,384,958</u>	<u>\$ 6,384,958</u>	<u>-</u>
<b>General Obligation Bonds:</b>			
Dated December 10, 2009	410,000	-	410,000
Installment Obligations	815,583	-	815,583
Total	<u>\$ 10,815,541</u>	<u>\$ 6,384,958</u>	<u>\$ 4,430,583</u>
Per Capital Net County Direct Debt			\$ 116.59
Percent of Net Direct Debt to Total SEV			0.40%

**Chippewa County**  
 Continuing Disclosure – Unaudited  
 December 31, 2016

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**NOTE 2 - TABLES: (Continued)**

**L. Debt Schedule: (Continued)**

Underlying Debt of County (5)	Total
City	\$ 18,890,000
Townships	531,604
School Districts	26,228,888
ISD	36,659
Total Underlying Debt	\$ 45,687,151
Per Capital Underlying Debt (3)	\$ 1,202.29
Percent of Underlying Debt to Total SEV (4)	4.08%
Total Direct and Underlying Debt	\$ 56,502,692
Per Capita Net Direct and Underlying Debt (3)	\$ 1,486.91
Percent of Net Direct and Underlying Debt to Total SEV (4)	5.05%

(1) The Bonds described herein.

(2) Secured by the County of Sault Ste. Marie's full faith and credit and limited taxing power.

(3) Based on the County's 2015 population estimate of 38,000.

(4) Based on \$1,119,378,908 which is the County's Total SEV for its fiscal year ending December 31, 2016.

(5) Underlying Debt is the debt of the municipal entities located in the County.

Source: County of Chippewa and the Municipal Advisory Council of Michigan.

**M. Debt History:**

There is no record of default on obligations of the County.

**N. Installment Purchase Obligations:**

See Notes to Financial Statements.

**Chippewa County**  
 Continuing Disclosure – Unaudited  
 December 31, 2016

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**NOTE 2 - TABLES: (Continued)**

**O. Short Term Borrowings:**

The County in the years 1983 through 2000, inclusive, issued Delinquent Tax Notes to fund, in part, its Delinquent Tax Payment Fund. The primary security for the Delinquent Tax Notes was the payment of the Delinquent Real Property Taxes. In addition, the County pledged its full faith and credit and limited taxing power to the payment of principal of and interest on the Delinquent Tax Notes. The County may or may not issue notes to fund the Delinquent Tax Payment Fund in future years. The amounts issued in 1995 through 2000, inclusive, are as follows:

Year Issued	Notes Issued	Amount Outstanding
1995	\$ 500,000	\$ -
1996	500,000	-
1997	500,000	-
1998	700,000	-
1999	1,250,000	-
2000	800,000	-

The County does not issue short-term obligations for cash flow purposes.

Source: County of Chippewa

**P. Future Financing:**

Not Anticipated.

**Q. Vacation and Sick Leave:**

Employees earn varying amounts of annual vacation and sick leave based on number of years of service up to a maximum and on the various labor union contract terms and administration policies of the different County operating units. Vacation is accumulated and taken annually. Sick leave can accumulate up to 168 hours. In addition, each year sheriff employees are given 96 days of sick time for jail employees and 64 days sick time for road patrol employees with 100 percent vesting after three years of service for the Sheriff's department only. At December 31, 2016, the accumulated unpaid compensated absences amount to \$574,220.

**Chippewa County**  
Continuing Disclosure – Unaudited  
December 31, 2016

**NOTE 2 - TABLES: (Continued)**

**R. Pension and OPEB Plan:**

All full-time employees of the County are participants in a defined benefit plan administered by the Michigan Municipal Employees Retirement System. The County's contribution to the plan, expressed as a percentage of active member payroll, covers current service costs, unrealized investment income on unfunded accrued liabilities (prior service costs) and the amortization of unfunded accrued liabilities over a 30 year period. Employees of the County contribute 2% of their gross wages. Actuarial assumption is subject to periodic change.

December 31 Valuation Date	Net Position Available for Benefits	Actuarial Accrued Liability	Assets as a Percent of Actuarial Accrued Liability
2006	\$ 22,719,301	\$ 25,841,406	88%
2007	24,411,785	27,878,398	88%
2008	25,304,999	30,749,995	82%
2009	26,418,432	32,521,364	81%
2010	27,576,324	34,793,371	79%
2011	28,641,084	36,543,151	78%
2012	29,452,202	38,144,006	77%
2013	30,490,775	39,646,045	77%
2014	31,376,994	41,555,130	76%
2015	31,967,265	45,128,410	71%

The County provides post retirement hospitalization to employees of the government pursuant to the terms of union contracts. Additionally, some elected County officials who served more than 20 years and are retired receive post retirement hospitalization, pursuant to Board of Commissioner's resolution.

The Health Department provides post retirement health care insurance to retired employees; hired prior to May 1, 2008 for non-union and January 1, 2007 for union, of the government pursuant to the terms of the personnel policy for a group insurance plan.

	County	Health Department	EDC
Annual Required Contribution	\$ 1,514,111	\$ 1,061,307	\$ 70,111
Interest on Net OPEB Obligation	102,339	152,863	314
Annual OPEB Cost (Expense)	1,616,450	1,214,170	70,425
Less: Contributions Made	(1,196,417)	(435,763)	(62,836)
Increase (Decrease) in OPEB Obligation	420,033	778,407	7,589
Net OPEB Obligation - Beginning	2,558,472	3,821,567	62,836
Net OPEB Obligation - Ending	\$ 2,978,505	\$ 4,599,974	\$ 70,425

Complete OPEB information can be found in Note 9.

Source: County of Chippewa

**Chippewa County**  
Continuing Disclosure – Unaudited  
December 31, 2016

**NOTE 2 - TABLES: (Continued)**

**S. Labor Contracts:**

The County courthouse has 153 full and part-time employees. Approximately 46% of the County's permanent employees are represented by labor organizations. The following table illustrates the various labor organizations which represent County employees, the number of members and the expiration date of the present contracts.

<u>Employee Group</u>	<u>Membership</u>	<u>Current Expiration Date</u>
American Federation of State, County and Municipal Employees	32	December 31, 2018
Police Officers Labor Council	15	December 31, 2017
Non-Union Employees	84	Not applicable
Fraternal Order of Police Labor Council:		
Senior Dispatchers	2	December 31, 2018
Dispatchers	8	December 31, 2017
Road Patrol	<u>12</u>	December 31, 2017
Total Permanent County Employees	<u>153</u>	

Source: County of Chippewa

**T. Profile of Major Employers:**

The following table reflects the diversity of the major employers in the County by the products manufactured or services performed and the approximate number of employees.

<u>Company</u>	<u>Principal Product or Service</u>	<u>Approximate Number of Employees</u>
War Memorial Hospital	Hospital	906
State of Michigan		
Correctional Institutions	Correctional Institution	791
Bay Mills Indian Community	Tribal Enterprises	700
Bay Mills Resort and Casino	Casino and Hotel Operations	674
Lake Superior State University	Education	500
Sault Area Public Schools	Education	292
United States Coast Guard	Federal Government Service	262
Michigan Department of Natural Resources	Government Operations	191
City of Sault Ste. Marie	Government Operations	160
Hiawatha Behavioral Health	Mental Health Services	148

Source: Eastern Upper Peninsula Regional Planning

**Chippewa County**  
 Continuing Disclosure – Unaudited  
 December 31, 2016

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**NOTE 2 - TABLES: (Continued)**

**U. Employment:**

Reflected below are the unemployment statistics for the County for the calendar years 2010 through 2016:

<u>Chippewa County</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Employed	15,503	15,423	15,332	15,346	15,623	15,272
Unemployed	<u>1,887</u>	<u>1,728</u>	<u>1,796</u>	<u>1,609</u>	<u>1,257</u>	<u>1,219</u>
Labor Force	<u>17,390</u>	<u>17,151</u>	<u>17,128</u>	<u>16,955</u>	<u>16,880</u>	<u>16,491</u>
Unemployed as % Of Labor Force	10.9%	10.1%	10.5%	9.5%	7.4%	7.4%

(1) Totals and percentages may differ due to rounding by the Michigan Unemployment Agency.

Source: Michigan Department of Technology, Management & Budget Labor Market Information

**CHIPPEWA COUNTY, MICHIGAN  
SINGLE AUDIT ACT COMPLIANCE  
YEAR ENDED DECEMBER 31, 2016**



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**INDEPENDENT AUDITOR'S REPORT ON THE  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
REQUIRED BY THE UNIFORM GUIDANCE**

June 8, 2017

Members of the Board of Commissioners  
Chippewa County, Michigan  
Sault Ste. Marie, Michigan

We have audited the 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 Chippewa County, Michigan (the "County") as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We issued our report thereon dated June 8, 2017, which contained unmodified opinions on those financial statements. Our report includes a reference to other auditors. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.



Gabridge & Company, PLC  
Grand Rapids, MI  
June 8, 2017

**Chippewa County**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2016**

Federal Agency / Cluster / Program Title	CFDA Number	Passed Through	Pass-through / Grantor Number	Total Subawards	Federal Expenditures
<b>U.S. Department of Agriculture</b>					
* Women, Infant and Children - Resident Services	10.557	MDHHS	IW100342	\$ -	\$ 203,720
* Women, Infant and Children Breastfeeding	10.557	MDHHS	W500342	-	15,993
* Women, Infant and Children Breastfeeding	10.557	MDHHS	IW100342	-	7,997
				-	227,710
Forest Service Schools and Roads Cluster					
Schools and Roads Grants to States - Title I	10.665	MDNR	N/A	-	320,611
Schools and Roads Grants to States - Title III	10.665	MDNR	N/A	-	28,053
				-	348,664
<b>Total U.S. Department of Agriculture</b>				-	576,374
<b>U.S. Department of Justice</b>					
STOP Grant	16.588	DPRC	STOP 16-17001-1	-	17,000
<b>Total U.S. Department of Justice</b>				-	17,000
<b>U.S. Department of Transportation</b>					
Highway Safety Cluster					
Planning Grant	20.601	MOHSP	03062-02	-	45,887
Hazardous Materials Emergency Preparedness	20.703	MDSP/EMD	N/A	-	8,871
Hazardous Materials Emergency Preparedness	20.703	MDSP/EMD	N/A	-	1,090
				-	9,961
<b>Total U.S. Department of Transportation</b>				-	55,848
<b>U.S. Environmental Protection Agency</b>					
Drinking Water State Revolving Fund Cluster					
* Type II Operator Assisted	66.468	MDEQ	FS97548	-	469
* Type II Revised Coliform	66.468	MDEQ	FS97548	-	1,965
* Type II Capacity Development	66.468	MDEQ	FS97548	-	150
* Source Water Assessment	66.468	MDEQ	FS97548	-	200
				-	2,784
* Great Lakes Beach Monitoring	66.472	MDEQ	CU00E99306	-	14,262
<b>Total U.S. Environmental Protection Agency</b>				-	17,046
<b>U.S. Department of Health and Human Services</b>					
* Public Health Emergency Preparedness	93.069	MDHHS	NU90TP000528	-	89,964
* Public Health Emergency Preparedness	93.069	MDHHS	NU90TP000528	-	28,438
* Ebola Funding	93.069	MDHHS	NU90TP000528	-	1,678
				-	120,080
* Family Planning/BCCCP	93.217	MDHHS	GFPHPA05017341	-	6,779
* Family Planning/BCCCP	93.217	MDHHS	GFPHPA05017341	-	22,419
				-	29,198
* Immunization - Vaccines (noncash)	93.268	MDHHS	N/A	-	103,908
* Immunization - IAP	93.268	MDHHS	H23 CCH522556	-	1,479
* Immunization - IAP	93.268	MDHHS	H23 CCH522556	-	4,435
* Immunization - Fixed Fees	93.268	MDHHS	H23 CCH522556	-	4,150
				-	113,972
* Immunization - IAP	93.539	MDHHS	H23 IP000752	-	5,620
* Immunization - IAP	93.539	MDHHS	H23 IP000752	-	15,279
				-	20,899
Child Support Enforcement:					
Title IV-D - CRP Friend of the Court	93.563	MDHHS	CSFOC-13-17001	-	191,753
Title IV-D - CRP Friend of the Court	93.563	MDHHS	CSFOC-17-17001	-	59,558
Title IV-D - CRP Prosecuting Attorney	93.563	MDHHS	CSPA-13-17002	-	49,233

See notes to the schedule of expenditures of federal awards

**Chippewa County**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2016**

Federal Agency / Cluster / Program Title	CFDA Number	Passed Through	Pass-through / Grantor Number	Total Subawards	Federal Expenditures
Title IV-D - CRP Prosecuting Attorney	93.563	MDHHS	CSPA-17-17002	-	19,366
Performance Incentive Payment	93.563	MDHHS	N/A	-	48,122
				-	368,032
* BCCCP Coordination	93.752	MDHHS	NU58DP003921	-	5,175
Medicaid Cluster:					
* CSHCS Grant Outreach	93.778	MDHHS	05 U05M15ADM	-	14,000
* CSHCS Coordination	93.778	MDHHS	05 U05M15ADM	-	2,925
* Medicaid Outreach	93.778	MDHHS	05 U05M15ADM	-	26,784
				-	43,709
* BCCCP Coordination	93.919	MDHHS	NU58DP003921	-	1,725
* Prevention (Northcare)	93.959	MDHHS	N/A	-	55,958
Maternal & Child Health Services Block Grants to the States:					
* Family Planning/BCCCP	93.994	MDHHS	B1MIMCHS	-	5,656
* Enabling Services Women	93.994	MDHHS	B1MIMCHS	-	25,024
* CSHCS Coordination	93.994	MDHHS	B1MIMCHS	-	2,180
				-	32,860
<b>Total U.S. Department of Health and Human Services</b>				-	791,608
<b>U.S. Department of Homeland Security</b>					
2013 Marine Safety Program	97.012	MDNR	N/A	-	12,600
Emergency Management Performance Grant	97.042	MSP	EMC-2016-EP-00001	-	16,677
Pre-Disaster Mitigation Grant	97.047	MSP	PDMC-PL-05-MI-2011-003	-	16,531
Homeland Security Program Grant:					
Operation Stonegarden Grant	97.067	MSP	2010-SS-T0-0009	-	18,482
Homeland Security Grant - 2014	97.067	HC	N/A	-	14,266
Homeland Security Grant - 2015	97.067	HC	N/A	-	11,332
				-	44,080
<b>Total U.S. Department of Homeland Security</b>				-	89,888
<b>Total Expenditures of Federal Awards</b>				\$ -	\$ 1,547,764

See notes to the schedule of expenditures of federal awards

## Chippewa County

### Notes to the Schedule of Expenditures of Federal Awards

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#### **NOTE A - BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the County of Chippewa, Michigan (the "County") under programs of the federal government for the year ended December 31, 2016. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the County, it is not intended to and does not present the financial position, changes in net position, or cash flows of the County.

The County's reporting entity is defined in Note 1 of the County's Audited Financial Statements. The County's financial statements include the operations of the Chippewa County Road Commission, the Eastern Upper Peninsula Transportation Authority and the Economic Development Corporation of Chippewa County, which received federal awards that are not included in the Schedule for the year ended December 31, 2016, as these entities were separately audited. The County's financial statements include the Chippewa County Health Department special revenue fund, which has a year ended September 30, 2016 and was audited by other auditors. The Chippewa County Health Department is included in the Schedule for the year ended December 31, 2016.

#### **NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the accrual basis of accounting, which is described in Note 1 to the County's financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

For purposes of charging indirect costs to federal awards, the County has not elected to use the 10 percent de minimis cost rate as permitted by §200.414 of the Uniform Guidance.

#### **NOTE C - FISCAL REPORTING**

Certain departments report on a different fiscal year than the County. Grants accounted for and reported on year-ends other than December 31, 2016 are denoted as such in the Schedule with an asterisk (\*) for September 30 year ends.

## Chippewa County

### Notes to the Schedule of Expenditures of Federal Awards

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#### NOTE D - PASS-THROUGH AGENCIES

The County receives certain federal grant as subawards from non-federal entities. Pass-through entities, where applicable, have been identified in the Schedule with an abbreviation, defined as follows:

<b>Pass-through Agency Abbreviation</b>	<b>Pass-through Agency Name</b>
MDHHS	Michigan Department of Health and Human Services
MDNR	Michigan Department of Natural Resources
DPRC	Diane Pepler Resource Center
MDSP/EMD	Michigan Department of State Police, Emergency Management Division
MOHSP	Michigan Office of Highway Safety Planning
MDEQ	Michigan Department of Environmental Quality
MSP	Michigan Department of State Police
HC	County of Houghton, Michigan

#### NOTE E - RECONCILIATION TO FINANCIAL STATEMENTS

A reconciliation of the amounts presented in the Schedule to the amounts presented in the financial statements is as follows:

Total federal sources per financial statements	
Governmental funds	\$ 1,297,864
Less federal funds not subject to single audit reporting	(70,711)
Add funds accounted for in Agency funds	<u>320,611</u>
 Total federal revenue recognized per schedule of expenditures of federal awards	 <u>\$ 1,547,764</u>

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Members of the Board of Commissioners  
Chippewa County, Michigan  
Sault Ste. Marie, Michigan

We have audited, in accordance with the 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, the 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 Chippewa County, Michigan (the "County") as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated June 8, 2017. Our report includes a reference to other auditors who audited the financial statements of the Chippewa County Road Commission, the Eastern Upper Peninsula Transportation Authority, the Economic Development Corporation of Chippewa County, and the Chippewa County Health Department, as described in our report on the County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did

not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the County of Chippewa's financial statements are free from 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as 2016-001.

### **The County's Response to Findings**

The County's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The County's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Gabridge & Company, PLC  
Grand Rapids, MI  
June 8, 2017

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE  
UNIFORM GUIDANCE

Members of the Board of Commissioners  
Chippewa County, Michigan  
Sault Ste. Marie, Michigan

**Report on Compliance for Each Major Federal Program**

We have audited the County of Chippewa, Michigan's (the "County") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended December 31, 2016. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. The County's basic financial statements include the operations of the Chippewa County Road Commission, the Eastern Upper Peninsula Transportation Authority, and the Economic Development Corporation of Chippewa County, discretely presented component unions, all of which received certain federal awards which are not included in the schedule of expenditures of federal awards for the year ended December 31, 2016. Our audit, as described below, did not include the operations of the Chippewa County Road Commission, the Eastern Upper Peninsula Transportation Authority, and the Economic Development Corporation of Chippewa County because they arranged for a separate financial statement audit report.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance 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 audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those

requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the County's compliance.

### **Opinion on its Major Federal Program**

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended December 31, 2016.

### **Other Matters**

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2016-001. Our opinion on each major federal program is not modified with respect to this matter.

The County's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

### **Report on Internal Control over Compliance**

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance 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 compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Gabridge & Company". The signature is written in dark ink and is positioned above the typed name of the company.

Gabridge & Company, PLC  
Grand Rapids, MI  
June 8, 2017

**Chippewa County**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended December 31, 2016**

<b>SECTION I - SUMMARY OF AUDITOR'S RESULTS</b>
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Financial Statements

Type of auditor's report issued on whether the financial statements audited were prepared in accordance with GAAP:	Unmodified
Internal controls over financial reporting	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	No
Type of auditors' report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No
Identification of Major Programs	
<u>Name of Federal Program or Cluster</u>	<u>CFDA Number</u>
Child Support Enforcement	93.563
Dollar threshold used to distinguish between Type A and B programs?	\$ 750,000
Auditee qualified as a low-risk auditee?	Yes

## SECTION II - FINANCIAL STATEMENT FINDINGS

None

## SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2016-001 - Written Procedures Required by OMB's Uniform Grant Guidance

Finding Type - Immaterial noncompliance

Program: Child Support Enforcement (CFDA# 93.563)

Condition: The County has not developed the written procedures as required by OMB's Uniform Guidance.

Criteria: Uniform Grant Guidance requires written procedures covering the following: financial management systems, cash management, payments, allowable costs, period of performance, federal timekeeping, matching or cost sharing, program income, procurement, equipment and real property, supplies, subawards to debarred and suspended parties, monitoring and reporting program performance, financial reporting, retention and access requirements for records, and subrecipient monitoring.

Cause: The County has not developed the required written procedures.

Effect: The County is not in compliance with the required written procedures under the Uniform Guidance.

Questioned Costs: No costs have been questioned as a result of this finding.

Recommendation: The County should develop and implement the required federal written procedures.

Corrective Action Plan: The County is reviewing its policies and will update them accordingly during 2017 to ensure compliance with the Uniform Guidance.

## SECTION IV - SUMMARY OF PRIOR AUDIT FINDINGS

2015-001 - Significant Deficiencies - Noncompliance with Federal Regulations

Upon review of current reports submitted and by discussion with the County's Deputy Administrator, current certifications have been completed as recommended.

This finding has been resolved by the County.

June 8, 2017

Members of the Board of Commissioners  
Chippewa County, Michigan  
Sault Ste. Marie, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Chippewa County, Michigan (the "County") for the year ended December 31, 2016. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated January 20, 2017. Professional standards also require that we communicate to you the following information related to our audit.

#### Significant Audit Findings

##### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the County are described in Note 1 to the financial statements. As discussed in Note 1 to the Financial Statements, the County has adopted Governmental Accounting Standards Board Statement No. 72. We noted no transactions entered into by the County 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. The most sensitive estimates affecting the County's financial statements were:

- Management's estimate of the useful life of depreciable capital assets is based on the length of time it is believed that those assets will provide some economic benefit in the future.
- Management's estimate of the accrued compensated absences is based on current hourly rates and policies regarding payment of sick and vacation banks.

- The assumptions used in the actuarial valuations of the pension and other post-employment benefit plan are based on historical trends and industry standards.

We evaluated the key factors and assumptions used to develop these estimates in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

#### *Difficulties Encountered in Performing the Audit*

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

#### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly 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.

#### *Disagreements with Management*

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

#### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated June 8, 2017.

#### *Management Consultations with Other Independent Accountants*

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

### *Other Audit Findings or Issues*

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

### Other Matters

We applied certain limited procedures to management's discussion and analysis, pension and OPEB schedules, and the budgetary comparison schedules, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the combining and individual nonmajor fund financial statements, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We were not engaged to report on the County's continuing disclosure filing, which accompany the financial statements but are not RSI. We did not audit or perform other procedures on this other information and we do not express an opinion or provide any assurance on it.

### Restriction on Use

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

Very truly yours,



Gabridge & Company, PLC  
Grand Rapids, MI  
June 8, 2017