

County of Chippewa, Michigan

BASIC FINANCIAL STATEMENTS

December 31, 2018

CHIPPEWA COUNTY, MICHIGAN

ORGANIZATION

COUNTY BOARD OF COMMISSIONERS

CHAIRMAN	SCOTT SHACKLETON
COMMISSIONER	JIM MARTIN
COMMISSIONER	DONALD MCLEAN
COMMISSIONER	CONOR EGAN
COMMISSIONER	ROBERT SAVOIE

APPOINTED/ELECTED OFFICERS

COUNTY ADMINISTRATOR	JAMES GERMAN
COUNTY TREASURER	MARJORIE HANK
COUNTY CLERK	CATHY MALEPORT
COUNTY REGISTER OF DEEDS	SHARON KENNEDY
COUNTY SHERIFF	MICHAEL BITNAR
COUNTY DRAIN COMMISSIONER	ANTHONY STACKPOOLE
COUNTY PROSECUTOR	ROBERT STRATTON

JUDICIARY

CIRCUIT/JUVENILE COURT	HON. JAMES LAMBROS
PROBATE COURT/DISTRICT COURT	HON. ERIC BLUBAUGH

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR’S REPORT	1
MANAGEMENT’S DISCUSSION AND ANALYSIS	4
BASIC FINANCIAL STATEMENTS:	
Government-Wide Financial Statements:	
Statement of Net Position	10
Statement of Activities.....	11
Fund Financial Statements:	
Balance Sheet – Governmental Funds.....	12
Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds	13
Reconciliation of Governmental Funds:	
Statement of Revenues, Expenditures, and Changes in in Fund Balances to the Statement of Activities.....	14
Proprietary Funds:	
Statement of Net Position	15
Statement of Revenues, Expenses, and Changes in Net Position.....	16
Statement of Cash Flows	17
Fiduciary Funds:	
Statement of Fiduciary Net Position.....	18
Statement of Changes in Fiduciary Net Position.....	19
COMPONENT UNITS:	
Statement of Net Position	20
Statement of Activities	21
NOTES TO FINANCIAL STATEMENTS	22
REQUIRED SUPPLEMENTARY INFORMATION:	
Employee Retirement and Benefit Systems:	
Pension:	
Schedule of Changes in the Net Pension Liability and Related Ratios	76
Schedule of Contributions	77
Other Post-Employment Benefits (OPEB):	
Schedule of Changes in the OPEB Liability and Related Ratios	78
Major Funds:	
Budgetary Comparison Schedule – General.....	79
Budgetary Comparison Schedule – Health Department.....	81
Budgetary Comparison Schedule – Ambulance	82
Budgetary Comparison Schedule – Senior Nutrition Program.....	83
Budgetary Comparison Schedule – Correctional Facility Maintenance.....	84

TABLE OF CONTENTS (Continued)

Page

OTHER INFORMATION:

Combining Balance Sheet – General Funds	85
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance – General Funds	86
Combining Balance Sheet – Nonmajor Governmental Funds	87
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds.....	93
Combining Statement of Net Position –Major Tax Collection – Enterprise Fund.....	99
Combining Statement of Revenues, Expenses, and Changes in Net Position – Major Tax Collection – Enterprise Fund.....	100
Combining Statement of Net Position – Nonmajor Enterprise Funds.....	101
Combining Statement of Revenues, Expenses, and Changes in Net Position – Nonmajor Enterprise Funds.....	102
Combining Statement of Cash Flows – Nonmajor Enterprise Funds	103
Combining Statement of Net Position – Internal Service Funds	104
Combining Statement of Revenues, Expenses, and Changes in Net Position – Internal Service Funds	105
Combining Statement of Cash Flows – Internal Service Funds	106

REPORTS ON COMPLIANCE:

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 <i>Government Auditing Standards</i>	107
Independent Auditor’s Report on Compliance for each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	109
Schedule of Expenditures of Federal Awards	111
Notes to Schedule of Expenditures of Federal Awards	113
Schedule of Findings and Questioned Costs: Section I – Summary of Auditor’s Results.....	114
Section II – Financial Statement Findings.....	115
Section III – Federal Award Findings	115
Summary Schedule of Prior Audit Findings: Section III – Federal Award Findings	116

ADDITIONAL INFORMATION:

Municipal Securities Disclosure Requirements of the Securities Exchange Commission (SEC) Rule 15c2-12.....	117
---	-----



ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

KINROSS OFFICE

SUE A. BOWLBY, CPA, PRINCIPAL
KENNETH A. TALSMA, CPA, PRINCIPAL
AMBER N. MACK, CPA, PRINCIPAL

PHILLIP J. WOLF, CPA
LESLIE BOHN, CPA

**MEMBER AICPA
DIVISION FOR CPA FIRMS**

MEMBER MACPA

**OFFICES IN
MICHIGAN & WISCONSIN**

INDEPENDENT AUDITOR'S REPORT

Members of the Board
County of Chippewa, Michigan
Sault Ste. Marie, MI 49783

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 the County of Chippewa, Michigan, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the County of Chippewa, Michigan'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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Chippewa, Michigan, as of December 31, 2018, 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, schedules of funding progress and budgetary comparison information on pages 4 through 9, pages 76 through 78, and pages 79 through 84 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Chippewa, Michigan's basic financial statements. The combining major and nonmajor fund financial statements are presented for the purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining major and nonmajor fund financial statements and the schedule of expenditures of federal awards 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 major and nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The statistical section 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 it.

Members of the Board
County of Chippewa, Michigan

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 1, 2019 on our consideration of the County of Chippewa, Michigan'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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Chippewa County's 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 of Chippewa, Michigan's internal control over financial reporting and compliance.



Anderson, Tackman & Company, PLC
Certified Public Accountants
Kincheloe, Michigan

June 1, 2019

Management's Discussion and Analysis

As management of Chippewa County, Michigan, we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of Chippewa County for the year ended December 31, 2018.

Financial Highlights

- The net position of the County exceeded its liabilities at the close of the most recent fiscal year by \$1,580,291. Of this amount, \$714,968 is restricted.
- Net position for the County as a whole decreased by \$1,851,222. Net position of our governmental activities decreased by \$1,852,516 as a result of an increase related to operations of \$2,371,516 and decrease related to prior period adjustment of \$4,224,032 and net position of our business-type activities increased by \$1,294.
- During the year, the County had expenses for governmental activities that were \$23,429,698 and expenses for business-type activities that were \$346,230.
- The General Fund reported a net fund balance of \$5,566,863, an increase of \$632,923. At the end of the current fiscal year, unassigned fund balance for the General Fund was \$5,441,526, or 43% of total General Fund expenditures (including operating transfers.)

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements comprise five components: 1) government-wide financial statements, 2) fund financial statements, 3) notes to the financial statements, 4) required supplementary information, and (5) other 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, outflows, liabilities and inflows, with the difference between the two 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 government'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.

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 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 Chippewa 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 Chippewa County is financially accountable. Financial information for these component units is reported separately from the financial information presented for the primary government itself.

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

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term 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 and special revenue funds. Budgetary comparison statements or schedules have been provided herein to demonstrate compliance with those budgets.

The basic governmental fund financial statements can be found on pages 12-14 of this report.

Proprietary funds. The County maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The County uses enterprise funds to account for 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. Chippewa County uses an internal service fund 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 the governmental activities in the government-wide financial statements.

The basic proprietary fund financial statements can be found on pages 15-17 of this report.

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

The basic fiduciary fund financial statements can be found on page 18-19 of this report.

Notes to the financial statements. The notes provide additional information that is essential to full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 22-75 of this report.

Required supplementary information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. This includes funding progress and budget comparison schedules. Funding progress and budget comparison schedules can be found on pages 76-84 of this report.

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. Combining fund statements can be found on pages 85-106 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of Chippewa County, net position exceeded liabilities by \$1,580,291 at the close of the most recent fiscal year.

In a condensed format, the table below shows the net position of Chippewa County.

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Assets						
Current Assets	\$ 12,229,933	\$ 11,734,589	\$ 12,207,013	\$ 12,156,233	\$ 24,436,946	\$ 23,890,822
Capital Assets	10,848,905	11,268,897	-	-	10,848,905	11,268,897
Total Assets	23,078,838	23,003,486	12,207,013	12,156,233	35,285,851	35,159,719
Deferred Outflows of Resources	2,383,494	1,383,899	-	-	2,383,494	1,383,899
Liabilities						
Current Liabilities	2,284,146	2,846,280	77,592	28,106	2,361,738	2,874,386
Noncurrent Liabilities	31,592,148	27,791,363	-	-	31,592,148	27,791,363
Total Liabilities	33,876,294	30,637,643	77,592	28,106	33,953,886	30,665,749
Deferred Inflows of Resources	2,135,168	2,446,356	-	-	2,135,168	2,446,356
Net Position						
Net Investment in Capital Assets	4,161,947	2,894,939	-	-	4,161,947	2,894,939
Restricted	714,968	999,583	-	-	714,968	999,583
Unrestricted	(15,426,045)	(12,591,136)	12,129,421	12,128,127	(3,296,624)	(463,009)
Total Net Position	\$ (10,549,130)	\$ (8,696,614)	\$ 12,129,421	\$ 12,128,127	\$ 1,580,291	\$ 3,431,513

The current level of unrestricted net position for our governmental activities stands at (\$15,426,130), or about (66%) of expenses. Net Position of the governmental activities had a net decrease of (\$1,852,516.) Net Position of the business-type activities increased \$1,294.

The following table shows the activities of the County.

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Program Revenues						
Charges for Services	\$ 7,446,818	\$ 7,785,705	\$ 997,455	\$ 1,135,314	\$ 8,444,273	\$ 8,921,019
Operating Grants and Contributions	5,778,817	4,867,327	-	-	5,778,817	4,867,327
Capital Grants and Contributions	17,653	27,304	-	-	17,653	27,304
General Revenues						
Property Taxes	9,913,796	9,718,022	-	-	9,913,796	9,718,022
State Revenue Sharing and Other	1,780,551	3,196,357	-	-	1,780,551	3,196,357
Interest Income	105,666	62,008	107,982	59,103	213,648	121,111
Total Revenues	25,043,301	25,656,723	1,105,437	1,194,417	26,148,738	26,851,140
Expenses						
Legislative	49,854	50,894	-	-	49,854	50,894
Judicial	2,712,619	2,733,960	-	-	2,712,619	2,733,960
General Government	4,266,982	4,615,049	-	-	4,266,982	4,615,049
Public Safety	5,780,862	5,509,190	-	-	5,780,862	5,509,190
Public Works	661,966	510,145	-	-	661,966	510,145
Health and Welfare	7,676,048	8,069,435	-	-	7,676,048	8,069,435
Community and Economic Development	46,902	145,255	-	-	46,902	145,255
Interest Expense - Unallocated	367,593	367,593	-	-	367,593	367,593
Other	1,215,472	2,122,822	-	-	1,215,472	2,122,822
Tax Collection	-	-	4,176	7,983	4,176	7,983
Depreciation - Unallocated	651,400	674,980	-	-	651,400	674,980
Other Nonmajor	-	-	342,054	272,671	342,054	272,671
Total Expenses	23,429,698	24,799,323	346,230	280,654	23,775,928	25,079,977
Excess (Deficiency) Before Transfers	1,613,603	857,400	759,207	913,763	2,372,810	1,771,163
Transfers	757,913	468,923	(757,913)	(468,923)	-	-
Changes in Net Position	2,371,516	1,326,323	1,294	444,840	2,372,810	1,771,163
Net Position - Beginning (As Restated)	(12,920,646)	(10,022,937)	12,128,127	11,683,287	(792,519)	1,660,350
Net Position - Ending	\$ (10,549,130)	\$ (8,696,614)	\$ 12,129,421	\$ 12,128,127	\$ 1,580,291	\$ 3,431,513

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 government's net resources available for spending at the end of the fiscal year.

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

The County's Funds

Our analysis of the County's major funds begins on page 12 following the entity wide financial statements. The individual funds' financial statements provide detail information about the most significant funds, not the County as a whole. The County Board of Commissioners creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages. The County's major funds for 2018 include the General Fund, Health Department, Senior Nutrition, Ambulance, Correctional Facility Maintenance, and Tax Collection Funds.

The General Fund supports most of the County's governmental services. The costliest are the public safety, judicial, and general government functions. The Delinquent Tax fund is supported by interest and fees from the collection of taxes.

General Fund Budgetary Highlights

The differences between the original budget and final amended budget for expenditures and transfers out in the General Fund are indicated in the report.

During the year, general fund revenues were \$339,659 higher than budgetary estimates, while general fund expenditures were \$478,950 less than budgetary estimates. The actual change in fund balance was an increase.

Capital Assets

The County's investment in capital assets for its governmental activities as of December 31, 2018, amounted to \$10,848,905 (net of accumulated depreciation). This investment in capital assets includes land, building and improvements, machinery and equipment, and vehicles. The total decrease in the County's investment in capital assets for the current fiscal year was \$419,992.

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

- Purchases include vehicles of \$78,828, building improvements \$215,880 and various equipment of \$32,222.

Additional information on the County's capital assets can be found in note 4 on page 33 of this report.

Debt Administration

At the end of the current fiscal year, the County had total debt outstanding of \$32,229,148. Of this amount, \$6,686,958 comprises debt backed by the full faith and credit of the government. The remainder of the County's debt is comprised of vested employee benefits, OPEB obligations and net pension liability.

The County reduced its bond debt by \$1,687,000 in principal payments and issued no new debt.

Additional information on the County's long-term debt can be found in note 6 on pages 38-40 of this report.

Economic Factors and Next Year's Budgets and Rates

In order to maintain financial stability over the long term, the budgeting practice in Chippewa 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. This policy, along with a conscious awareness of the fund balance, has given Chippewa County the reserves necessary to address difficult economic times without resorting to a crisis-management approach. 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.

- As the economy has stabilized, there have been financial impacts to the County. Property tax revenues have remained stable.
- Two Michigan constitutional laws limit property tax growth to the rate of inflation or a maximum allowable increase in assessment of 5.0 percent, whichever is less. Property tax revenue anticipated for the ensuing fiscal year will reflect the restrictions of these laws.

Component Units

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

Requests for Information

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 the Chippewa County Administrator's Office at (906) 635-6330.

Basic Financial Statements

Statement of Net Position
December 31, 2018

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Totals	
ASSETS:				
Cash and Investments - Unrestricted	\$ 7,913,805	\$ 10,396,606	\$ 18,310,411	\$ 1,809,186
Cash and Investments - Restricted	34,600	-	34,600	1,449,618
Receivables:				
Accounts	1,068,343	-	1,068,343	759,204
Taxes	2,287,964	1,580,494	3,868,458	844,334
Interest	7,410	229,040	236,450	-
Due from Governmental Units	695,720	873	696,593	1,834,389
Inventory	14,640	-	14,640	1,437,682
Prepaid Items	207,451	-	207,451	158,483
Capital Assets (nondepreciable)	231,810	-	231,810	57,427,945
Capital Assets (net of accumulated depreciation)	10,617,095	-	10,617,095	68,838,465
TOTAL ASSETS	23,078,838	12,207,013	35,285,851	134,559,306
DEFERRED OUTFLOWS OF RESOURCES:				
Pension Related Items	2,208,111	-	2,208,111	1,724,924
Deferred Charges on Refunding	175,383	-	175,383	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	2,383,494	-	2,383,494	1,724,924
LIABILITIES:				
Accounts Payable	348,561	-	348,561	509,791
Accrued Liabilities	526,028	22	526,050	215,926
Advances	(873)	873	-	601,492
Unearned Revenue	318,373	-	318,373	-
Other Liabilities	4,548	-	4,548	-
Accrued Interest Payable	64,231	-	64,231	-
Due to Governmental Units	386,278	76,697	462,975	-
Notes Payable - Due within one year	-	-	-	242,935
Notes Payable - Due in more than one year	-	-	-	548,686
Bonds Payable - Due within one year	637,000	-	637,000	-
Bonds Payable - Due in more than one year	6,049,958	-	6,049,958	-
Vested Employee Benefits - Due in more than one year	460,094	-	460,094	406,842
OPEB Obligations - Due in more than one year	9,784,769	-	9,784,769	24,911,166
Net Pension Liability - Due in more than one year	15,297,327	-	15,297,327	17,792,669
TOTAL LIABILITIES	33,876,294	77,592	33,953,886	45,229,507
DEFERRED INFLOWS OF RESOURCES:				
Taxes Levied for a Subsequent Period	1,712,630	-	1,712,630	844,334
Pension Related Items	422,538	-	422,538	1,858,236
TOTAL DEFERRED INFLOWS OF RESOURCES	2,135,168	-	2,135,168	2,702,570
NET POSITION:				
Net Investment in Capital Assets	4,161,947	-	4,161,947	125,474,789
Restricted	714,968	-	714,968	-
Unrestricted	(15,426,045)	12,129,421	(3,296,624)	(37,122,636)
TOTAL NET POSITION	\$ (10,549,130)	\$ 12,129,421	\$ 1,580,291	\$ 88,352,153

County of Chippewa, Michigan

Statement of Activities For the Year Ended December 31, 2018

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Units
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Totals	
Primary Government:								
Governmental Activities:								
Legislative	\$ 49,854	\$ -	\$ -	\$ -	\$ (49,854)	\$ -	\$ (49,854)	\$ -
Judicial	2,712,619	214,242	1,797,218	-	(701,159)	-	(701,159)	-
General Government	4,266,982	459,853	477,111	-	(3,330,018)	-	(3,330,018)	-
Public Safety	5,780,862	2,257,281	576,359	17,653	(2,929,569)	-	(2,929,569)	-
Public Works	661,966	116	1,365,632	-	703,782	-	703,782	-
Health and Welfare	7,676,048	4,515,326	1,503,400	-	(1,657,322)	-	(1,657,322)	-
Community/Economic Development	46,902	-	59,097	-	12,195	-	12,195	-
Interest Expense - Unallocated	367,593	-	-	-	(367,593)	-	(367,593)	-
Other	1,215,472	-	-	-	(1,215,472)	-	(1,215,472)	-
Depreciation - Unallocated	651,400	-	-	-	(651,400)	-	(651,400)	-
Total Governmental Activities	<u>23,429,698</u>	<u>7,446,818</u>	<u>5,778,817</u>	<u>17,653</u>	<u>(10,186,410)</u>	<u>-</u>	<u>(10,186,410)</u>	<u>-</u>
Business-type activities:								
Tax Collection	4,176	512,593	-	-	-	508,417	508,417	-
Other Nonmajor	342,054	484,862	-	-	-	142,808	142,808	-
Total Business-type Activities	<u>346,230</u>	<u>997,455</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>651,225</u>	<u>651,225</u>	<u>-</u>
Total Primary Government	<u>\$ 23,775,928</u>	<u>\$ 8,444,273</u>	<u>\$ 5,778,817</u>	<u>\$ 17,653</u>	<u>(10,186,410)</u>	<u>651,225</u>	<u>(9,535,185)</u>	<u>-</u>
Component Units:								
Road Commission	\$ 12,260,494	\$ 2,686,943	\$ 6,432,136	\$ 4,363,766				1,222,351
Economic Development Corporation	4,751,133	3,280,102	26,446	1,641,797				197,212
E.U.P. Transportation Authority	4,666,369	1,733,804	1,826,413	1,784,960				678,808
Total Component Units	<u>21,677,996</u>	<u>7,700,849</u>	<u>8,284,995</u>	<u>7,790,523</u>				<u>2,098,371</u>
Total	<u>\$ 45,453,924</u>	<u>\$ 16,145,122</u>	<u>\$ 14,063,812</u>	<u>\$ 7,808,176</u>				
General Revenues and Transfers:								
Taxes- Real Property					9,889,957	-	9,889,957	845,424
Taxes- Personal Property					23,839	-	23,839	-
State Revenue Sharing and Other					1,780,551	-	1,780,551	-
Interest Income					105,666	107,982	213,648	17,720
Transfers					757,913	(757,913)	-	-
Gain (Loss) on Disposals					-	-	-	138,293
Total General Revenues and Transfers					<u>12,557,926</u>	<u>(649,931)</u>	<u>11,907,995</u>	<u>1,001,437</u>
Changes in Net Position					<u>2,371,516</u>	<u>1,294</u>	<u>2,372,810</u>	<u>3,099,808</u>
Net Position - Beginning (As Restated See Note 14)					<u>(12,920,646)</u>	<u>12,128,127</u>	<u>(792,519)</u>	<u>85,252,345</u>
Net Position - Ending					<u>\$ (10,549,130)</u>	<u>\$ 12,129,421</u>	<u>\$ 1,580,291</u>	<u>\$ 88,352,153</u>

See accompanying notes to financial statements.

County of Chippewa, Michigan

Balance Sheet Governmental Funds December 31, 2018

	General	Health Department 9/30/2018	Senior Nutrition	Ambulance	Correctional Facility Maintenance	Nonajor Governmental Funds	Total Governmental Funds
ASSETS:							
Cash and Investments - Unrestricted	\$ 4,714,038	\$ 783,271	\$ 1,481	\$ -	\$ 614,195	\$ 1,640,412	\$ 7,753,397
Cash and Investments - Restricted	-	-	-	-	-	34,600	34,600
Receivables:							
Accounts	13,356	937,289	-	-	-	117,698	1,068,343
Taxes	575,334	-	560,235	479,576	-	672,819	2,287,964
Interest	6,136	-	-	-	1,274	-	7,410
Inventory	-	7,321	-	-	-	-	7,321
Due from Other Funds	203,744	-	-	-	-	7,118	210,862
Due from Governmental Units	437,412	120,674	-	248	-	137,386	695,720
Prepaid Items	96,862	29,204	-	-	-	9,182	135,248
TOTAL ASSETS	\$ 6,046,882	\$ 1,877,759	\$ 561,716	\$ 479,824	\$ 615,469	\$ 2,619,215	\$ 12,200,865
LIABILITIES:							
Due to Other Funds	\$ -	\$ -	\$ -	\$ 248	\$ -	\$ 202,422	\$ 202,670
Accounts Payable	159,388	158,643	-	-	1,390	29,140	348,561
Accrued Liabilities	306,357	154,276	-	-	-	65,395	526,028
Due to Governmental Units	14,274	372,004	-	-	-	-	386,278
Unearned Revenue	-	199,866	-	-	-	118,507	318,373
Other Liabilities	-	4,548	-	-	-	-	4,548
TOTAL LIABILITIES	480,019	889,337	-	248	1,390	415,464	1,786,458
DEFERRED INFLOWS OF RESOURCES:							
Taxes Levied for a Subsequent Period	-	-	560,235	479,576	-	672,819	1,712,630
FUND BALANCES:							
Nonspendable	96,862	36,525	-	-	-	9,182	142,569
Restricted	-	-	1,481	-	614,079	99,408	714,968
Committed	-	-	-	-	-	7,503	7,503
Assigned	28,475	951,897	-	-	-	1,414,839	2,395,211
Unassigned	5,441,526	-	-	-	-	-	5,441,526
TOTAL FUND BALANCES	5,566,863	988,422	1,481	-	614,079	1,530,932	8,701,777
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 6,046,882	\$ 1,877,759	\$ 561,716	\$ 479,824	\$ 615,469	\$ 2,619,215	

Reconciliation to amounts reported for governmental activities in the statement of net position:

Capital assets used by governmental activities	10,848,905
Deferred Charges on Refunding	175,383
Long-term notes and bonds payable for governmental activities	(6,686,958)
Long-term Vested Employee Benefits and OPEB obligations	(10,244,863)
Internal service funds included in governmental activities	232,611
Accrued interest expense recognized under full accrual accounting	(64,231)
Net pension liability and related deferred outflows & inflows	(13,511,754)
	<u>\$ (10,549,130)</u>

County of Chippewa, Michigan

Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds For the Year Ended December 31, 2018

	General	Health Department 9/30/2017	Senior Nutrition	Ambulance	Correctional Facility Maintenance	Non-Major Governmental Funds	Totals Governmental Funds
REVENUES:							
Taxes	\$ 7,510,740	\$ -	\$ 561,481	\$ 482,427	\$ 677,845	\$ 681,303	\$ 9,913,796
Licenses and Permits	35,355	-	-	-	-	-	35,355
Federal Sources	500,630	568,558	-	-	-	196,950	1,266,138
State Sources	2,332,032	404,424	-	-	-	683,280	3,419,736
Local Sources	154,761	305,388	-	-	-	1,383,616	1,843,765
Charges for Services	1,952,671	4,512,276	-	-	-	868,322	7,333,269
Interest and Rentals	102,046	-	-	-	3,372	248	105,666
Fines and Forfeitures	78,194	-	-	-	-	-	78,194
Other Revenue	257,351	415,878	-	-	-	374,153	1,047,382
TOTAL REVENUES	12,923,780	6,206,524	561,481	482,427	681,217	4,187,872	25,043,301
EXPENDITURES:							
Legislative	49,854	-	-	-	-	-	49,854
Judicial	2,715,485	-	-	-	-	91,705	2,807,190
General Government	4,022,055	-	-	-	-	30,584	4,052,639
Public Safety	4,274,014	-	-	-	40,303	1,599,399	5,913,716
Public Works	-	-	-	-	-	661,966	661,966
Health and Welfare	254,450	6,025,798	560,000	315,113	-	600,918	7,756,279
Community/Economic Development	-	-	-	-	-	46,902	46,902
Capital Outlay	193,477	-	-	-	101,495	-	294,972
Debt Service	-	-	-	-	-	1,998,527	1,998,527
Other Expenditures	1,270,507	-	-	-	-	-	1,270,507
TOTAL EXPENDITURES	12,779,842	6,025,798	560,000	315,113	141,798	5,030,001	24,852,552
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	143,938	180,726	1,481	167,314	539,419	(842,129)	190,749
OTHER FINANCING SOURCES (USES):							
Operating Transfers In	913,836	-	-	-	-	1,151,586	2,065,422
Operating Transfers Out	(424,851)	-	-	(169,676)	(645,550)	(67,432)	(1,307,509)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	632,923	180,726	1,481	(2,362)	(106,131)	242,025	948,662
FUND BALANCES, JANUARY 1 (As Restated see Note 14)	4,933,940	807,696	-	2,362	720,210	1,288,907	7,753,115
FUND BALANCES, DECEMBER 31	\$ 5,566,863	\$ 988,422	\$ 1,481	\$ -	\$ 614,079	\$ 1,530,932	\$ 8,701,777

Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended December 31, 2018

Net changes in fund balances - total governmental funds	\$ 948,662
The change in net position reported for governmental activities in the statement of activities is different because:	
Governmental funds reported capital outlays as expenditures. However, in the statement of activities the cost of those assets is capitalized and the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay and loss on disposals is exceeded by depreciation in the current period.	(419,992)
Repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position. Proceeds from bond issuance is an other financing source in governmental funds but increases the liability in the statement of net position. Discounts and deferred charges result in amortization of these costs for the statement of activities.	1,669,462
Under the modified accrual basis of accounting used in governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. This adjustment combines the following net changes:	
Interest Payable Activity	16,507
Vested Employee Benefits	76,605
OPEB Obligations	1,333,821
Net Pension Liabilities	(911,077)
Internal Service Fund Activity	<u>(342,472)</u>
Changes in net position of governmental activities	<u>\$ 2,371,516</u>

Statement of Net Position
 Proprietary Funds
 December 31, 2018

	Business-type Activities Enterprise Funds			Governmental Activities
	Tax Collections	Nonmajor Funds	Totals	Internal Service Funds
ASSETS:				
Cash and Investments - Unrestricted	\$ 9,950,167	\$ 446,439	\$ 10,396,606	\$ 160,408
Taxes Receivable	1,580,494	-	1,580,494	-
Due from Governmental Units	-	873	873	72,203
Inventory	-	-	-	7,319
Accrued Interest Receivable	229,040	-	229,040	-
TOTAL ASSETS	\$ 11,759,701	\$ 447,312	\$ 12,207,013	\$ 239,930
LIABILITIES:				
Due to Other Funds	\$ -	\$ 873	\$ 873	\$ 7,319
Due to Governmental Units	76,697	-	76,697	-
Accrued Liabilities	22	-	22	-
TOTAL LIABILITIES	76,719	873	77,592	7,319
NET POSITION:				
Unrestricted	11,682,982	446,439	12,129,421	232,611
TOTAL NET POSITION	\$ 11,682,982	\$ 446,439	\$ 12,129,421	\$ 232,611

**Statement of Revenues, Expenses, and
Changes in Net Position - Proprietary Funds
For the Year Ended December 31, 2018**

	Business-type Activities Enterprise Funds			Governmental Activities
	Tax Collections	Nonmajor Funds	Totals	Internal Service Funds
OPERATING REVENUES:				
Charges for Services	\$ 133,731	\$ -	\$ 133,731	\$ 3,068,431
Penalties and Interest Charges	378,862	484,862	863,724	-
Total Operating Revenues	512,593	484,862	997,455	3,068,431
OPERATING EXPENSES:				
Premium Payments	-	-	-	3,398,989
Other Supplies and Expenses	4,176	342,054	346,230	11,914
Total Operating Expenses	4,176	342,054	346,230	3,410,903
OPERATING INCOME (LOSS)	508,417	142,808	651,225	(342,472)
NON-OPERATING REVENUES (EXPENSES):				
Interest on Deposits	107,982	-	107,982	-
Total Non-Operating Revenues (Expenses)	107,982	-	107,982	-
INCOME (LOSS) BEFORE TRANSFERS	616,399	142,808	759,207	(342,472)
Operating Transfers In	3,350,380	-	3,350,380	-
Operating Transfers Out	(3,950,417)	(157,876)	(4,108,293)	-
CHANGES IN NET POSITION	16,362	(15,068)	1,294	(342,472)
NET POSITION, JANUARY 1	11,666,620	461,507	12,128,127	575,083
NET POSITION, DECEMBER 31	<u>\$ 11,682,982</u>	<u>\$ 446,439</u>	<u>\$ 12,129,421</u>	<u>\$ 232,611</u>

County of Chippewa, Michigan

Statement of Cash Flows Proprietary Fund Types For the Year Ended December 31, 2018

	Business-type Activities Enterprise Funds			Governmental Activities
	Tax Collections	Nonmajor Funds	Total	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from Customers	\$ 548,711	\$ 496,206	\$ 1,044,917	\$ 3,082,296
Payments to Suppliers	-	(353,398)	(353,398)	(3,412,240)
Internal Activity - Receipts (Payments) with Other Funds	56,654	-	56,654	1,521
Net Cash Provided (Used) by Operating Activities	<u>605,365</u>	<u>142,808</u>	<u>748,173</u>	<u>(328,423)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Operating Transfers In (Out) - net	<u>(600,037)</u>	<u>(157,876)</u>	<u>(757,913)</u>	<u>-</u>
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(600,037)</u>	<u>(157,876)</u>	<u>(757,913)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest on Deposits	<u>107,982</u>	<u>-</u>	<u>107,982</u>	<u>-</u>
Net Cash Provided (Used) by Investing Activities	<u>107,982</u>	<u>-</u>	<u>107,982</u>	<u>-</u>
Net Increase (Decrease) in Cash	113,310	(15,068)	98,242	(328,423)
Balances - Beginning of the Year	<u>9,836,857</u>	<u>461,507</u>	<u>10,298,364</u>	<u>488,831</u>
Balances - End of the Year	<u>\$ 9,950,167</u>	<u>\$ 446,439</u>	<u>\$ 10,396,606</u>	<u>\$ 160,408</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities				
Operating Income (Loss)	\$ 508,417	\$ 142,808	\$ 651,225	\$ (342,472)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Change in Assets and Liabilities:				
(Increase) Decrease in Assets:				
Taxes Receivable	14,318	-	14,318	-
Accrued Interest Receivable	21,800	-	21,800	-
Inventory	-	-	-	(1,337)
Due from Governmental Units	-	11,344	11,344	13,865
Increase (Decrease) in Liabilities:				
Due to Other Funds	-	(11,344)	(11,344)	1,521
Due to Governmental Units	75,978	#REF!	#REF!	-
Accrued Liabilities	<u>(15,148)</u>	<u>-</u>	<u>(15,148)</u>	<u>-</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 605,365</u>	<u>#REF!</u>	<u>#REF!</u>	<u>\$ (328,423)</u>

**Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2018**

	Other Employee Benefit Trust Funds	<u>Agency Funds</u>
ASSETS:		
Cash and Equivalents - Unrestricted	\$ -	\$ 1,269,230
Total Cash and Equivalents	-	1,269,230
Investments, at fair value:		
Equity Securities	9,157,449	-
Total Investments	9,157,449	-
TOTAL ASSETS	\$ 9,157,449	\$ 1,269,230
LIABILITIES:		
Undistributed Tax Collections	-	317,695
Other Liabilities	-	176,825
Due to Governmental Units	-	774,710
TOTAL LIABILITIES	-	\$ 1,269,230
NET POSITION:		
Held in Trust for Pension Benefits and Other Purposes	\$ 9,157,449	

**Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended December 31, 2018**

	<u>Other Employee Benefit Trust Funds</u>
ADDITIONS:	
Contributions:	
Employer and Employee	<u>\$ 1,643,634</u>
Total Contributions	<u>1,643,634</u>
Investment Income Gain(Loss):	
Interest, Dividends, Gain(Loses)	<u>(505,730)</u>
Total Investment Income	<u>(505,730)</u>
Total Additions	<u>1,137,904</u>
DEDUCTIONS:	
Other Deductions	22,504
Participants Payments	<u>977,757</u>
Total Deductions	<u>1,000,261</u>
Change in Net Position	137,643
Net Position Held in Trust for Benefits, Beginning of Year	<u>9,019,806</u>
Net Position Held in Trust for Benefits, End of Year	<u><u>\$ 9,157,449</u></u>

Component Units

County of Chippewa, Michigan

Statement of Net Position Component Units December 31, 2018

	Road Commission	Economic Development Corporation	E.U.P. Transportation Authority 9/30/2018	Totals
ASSETS:				
Cash and Investments - Unrestricted	\$ 516,422	\$ 524,443	\$ 768,321	\$ 1,809,186
Cash and Investments - Restricted	-	497,600	952,018	1,449,618
Receivables:				
Accounts	-	649,691	109,513	759,204
Taxes	844,334	-	-	844,334
Due from Governmental Units	1,657,190	-	177,199	1,834,389
Inventory	1,401,522	36,160	-	1,437,682
Prepaid Items	120,322	-	38,161	158,483
Capital Assets (Nondepreciable)	55,481,270	1,946,675	-	57,427,945
Capital Assets (Net of Accumulated Depreciation)	39,472,344	20,596,510	8,769,611	68,838,465
TOTAL ASSETS	99,493,404	24,251,079	10,814,823	134,559,306
DEFERRED OUTFLOWS OF RESOURCES:				
Pension & OPEB Related Items	1,076,755	121,514	526,655	1,724,924
LIABILITIES:				
Accounts Payable	397,693	31,011	81,087	509,791
Accrued Liabilities	95,617	41,509	78,800	215,926
Advances	601,492	-	-	601,492
Notes Payable - Due within one year	217,935	25,000	-	242,935
Notes Payable - Due in more than one year	523,686	25,000	-	548,686
Vested Employee Benefits - Due in more than one year	126,057	47,072	233,713	406,842
OPEB Obligation - Due in more than one year	24,815,511	95,655	-	24,911,166
Net Pension Liability - Due in more than one year	10,907,927	559,203	6,325,539	17,792,669
TOTAL LIABILITIES	37,685,918	824,450	6,719,139	45,229,507
DEFERRED INFLOWS OF RESOURCES:				
Pension & OPEB Related Items	1,738,810	28,417	91,009	1,858,236
Taxes Levied for a Subsequent Period	844,334	-	-	844,334
Total Deferred Inflows of Resources	2,583,144	28,417	91,009	2,702,570
NET POSITION:				
Net Investment in Capital Assets	94,211,993	22,493,185	8,769,611	125,474,789
Unrestricted	(33,910,896)	1,026,541	(4,238,281)	(37,122,636)
TOTAL NET POSITION	\$ 60,301,097	\$ 23,519,726	\$ 4,531,330	\$ 88,352,153

County of Chippewa, Michigan

Statement of Activities Component Units For the Year Ended December 31, 2018

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Totals
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Road Commission	Economic Development Corporation	E.U.P. Transportation Authority 9/30/2018	
Road Commission:								
Public Works	\$ 12,260,494	\$ 2,686,943	\$ 6,432,136	\$ 4,363,766	\$ 1,222,351	\$ -	\$ -	\$ 1,222,351
Economic Development Corporation:								
Economic Development	4,751,133	3,280,102	26,446	1,641,797	-	197,212	-	197,212
E.U.P. Transportation Authority:								
Public Works	4,666,369	1,733,804	1,826,413	1,784,960	-	-	678,808	678,808
Total Component Units	<u>\$ 21,677,996</u>	<u>\$ 7,700,849</u>	<u>\$ 8,284,995</u>	<u>\$ 7,790,523</u>	<u>1,222,351</u>	<u>197,212</u>	<u>678,808</u>	<u>2,098,371</u>
General Revenues and Transfers:								
Taxes - Real Property					845,424	-	-	845,424
Interest Income					-	13,318	4,402	17,720
Gain (Loss) on Disposal					154,607	(16,314)	-	138,293
Total General Revenues and Transfers					<u>1,000,031</u>	<u>(2,996)</u>	<u>4,402</u>	<u>1,001,437</u>
Changes in Net Position					2,222,382	194,216	683,210	3,099,808
Net Position - Beginning (As Restated See Note...)					58,078,715	23,325,510	3,848,120	85,252,345
Net Position - Ending					<u>\$ 60,301,097</u>	<u>\$ 23,519,726</u>	<u>\$ 4,531,330</u>	<u>\$ 88,352,153</u>

Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A – Reporting Entity

The County of Chippewa was incorporated under the laws of the State of Michigan in 1877 and operates under an elected Commission form of government. As required by U.S. generally accepted accounting principles, the financial statements of the reporting entity include those of the County of Chippewa (primary government) and its component units. The component units discussed below are included in the County’s reporting entity because of the significance of their operational or financial relationship with the County.

Component Units:

In conformity with U.S. generally accepted accounting principles, the financial statements of component units have been included in the financial reporting entity either as blended component units or as discretely presented component units.

Discretely Presented Component Units

The component units’ columns in the financial statements include the financial data of the County’s three other component units. These units are reported in separate columns to emphasize that they are legally separate from the County.

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

Chippewa County Economic Development 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 generally is liable for disallowed grant expenditures as well.

Eastern Upper Peninsula Transportation Authority – The members of the governing board of the Transportation Authority 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 Transportation Authority has a September 30, 2018 year end.

Condensed Financial Statements – 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 can be obtained directly from their administrative offices.

Discretely Presented Component Units Administrative Offices:

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Multi-County Agency

Hiawatha Behavioral Health Authority -The County participates jointly in the operation of the Hiawatha Behavioral Health 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, 2018.

Department of Human Services – The Department of Human Services in 2004 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 Agency rests with the Delta County Treasurer.

B – 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, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment, are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. 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 revenue.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. The County first utilizes restricted resources to finance qualifying activities.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C – 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. Revenue is 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 revenue 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.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected 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. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Taxes Receivable

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

Although the County of Chippewa 2017 ad valorem tax is levied and collectible on December 1, 2017, and 2018 ad valorem tax is levied and collectible on July 1, 2018, it is the County of Chippewa’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, 2017 taxable valuation of the County of Chippewa totaled \$1,114,409,296 on which ad valorem taxes levied consisted of .4275 mills for fire/ambulance services, .9879 mills for roads, .5000 mills for recycling, .4994 mills for senior programs, .6000 mills for jail debt service, .4994 mills for senior program and .1000 mills for animal shelter. These amounts are recognized in the respective Special Revenue Funds, Debt Service Funds, and Component Units financial statements as revenue.

The July 1, 2018 taxable valuation of the County of Chippewa totaled \$1,140,660,977 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.

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

The County reports the following major governmental funds:

General Fund

This 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Health Department Fund

This fund accounts for health services and related grant funds.

Senior Nutrition Fund

This fund accounts for nutritional and health needs of senior citizens.

Ambulance Fund

This fund accounts for the activities of the County's ambulance department.

Correctional Facility Maintenance Fund

This fund accounts for the collection of the tax millage and maintenance of the correctional facility.

The County reports the following major proprietary funds:

Tax Collection Fund

This fund accounts for property tax administration within the county.

Additionally, the County reports the following fund types:

Internal Service Funds

These funds account for central purchases and self insurance as provider to other departments of the government on a cost reimbursement basis.

Fiduciary Funds

Fiduciary Funds are used to account for assets held by the County as an agent for individuals and employees, private organizations, other governments, and/or other funds. Fiduciary Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

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

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned, and expenses are recorded when liabilities are incurred, regardless of when the related cash flow takes place.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's tax collection function and various other functions of the government. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Proprietary funds distinguish operating revenue and expenses from non-operating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the proprietary funds relate to charges to customers for tax collections. Operating expenses for proprietary funds include the cost of sales and services, and administrative expenses and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenue and expenses.

D - Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance

Bank Deposits and Investments – Cash and equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. Pooled investment income from all funds is generally allocated to each fund based on the average cash balance. Deposits are recorded at cost.

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

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each December 1st and July 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

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 fiscal years and are recorded as prepaid items in both governmental-wide and fund financial statements.

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 column 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 market value at the date of donation.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant, and equipment are depreciated using the straight-line method over the following useful lives:

Buildings	40 to 60 years
Building Improvements	15 to 30 years
Roads and Bridges	10 to 30 years
Vehicles	3 to 5 years
Office Equipment	5 to 7 years
Computer Equipment	3 to 7 years

Pensions – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Pension Plan and additions to/deductions from the fiduciary net position have been determined on the same basis as they are reported by MERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Outflows of Resources – In addition to assets, the statement of net 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 a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The County has deferred charges on bond refunding and pension items that qualify for reporting in this category.

Deferred Inflows of Resources – In addition to liabilities, the statement of net position and governmental funds balance sheet 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 County has property taxes and pension items that qualify for reporting in this category.

Vested Employee Benefits (Vacation and Sick Leave) – It is the County of Chippewa’s policy to permit employees to accumulate earned but unused sick and vacation pay benefits. All sick pay is accrued when incurred in the government-wide financial statements for employees with three years or more of service with the County of Chippewa, 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 accrue to employees. In accordance with Accounting Standards Codification Section 710, no liability is recorded for nonvesting accumulating rights to receive sick-pay benefits. However, a liability is recognized or 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 the 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance Classification – The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the County is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The County has classified Inventories and Prepaid items as being Nonspendable as these items are not expected to be converted to cash within the next year.
- Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
- Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the County. These amounts cannot be used for any other purpose unless the County removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The County has committed compensated absences and capital project monies.
- Assigned: This classification includes amounts that are constrained by the County's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the County through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund.
- Unassigned: This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

The County would typically use Restricted fund balances first, followed by Committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned resources first to defer the use of these other classified funds.

Unearned Revenues – Unearned revenues are those where asset recognition criteria have been met, but for which revenue recognition criteria have not.

Interfund Transfers – During the course of normal operations, the County has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as operating transfers. The classification of amounts recorded as subsidies, advances, or equity contributions is determined by County management.

Use of Estimates – The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, outflows, liabilities, and inflows and disclosure of contingent assets and liabilities at the date of the reporting period. Actual results could differ from those estimates.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information – Annual budgets are adopted on a basis consistent with U.S. generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end.

Budgets and Budgetary Control – 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 Appropriations Act. The Chippewa County Board of Commissioners, through policy action, specifically directs the Administrator not to authorize or participate in any expenditure of funds except as authorized by the Annual General Appropriations 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. Supplemental appropriations are submitted to and reviewed and submitted to the Finance Committee for further consideration. If approved, they are transmitted to the County Board of Commissioners for their review and approval. If approved, they are implemented by the Administrator's office through a budget revision.
- f. The County of Chippewa 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 budgeted 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.

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 the 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.

NOTE 3 - CASH AND INVESTMENTS

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

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total Primary Government</u>	<u>Fiduciary Funds</u>	<u>Component Units</u>
Cash and Investments					
-Unrestricted	\$ 7,913,805	\$ 10,396,606	\$ 18,310,411	\$ 1,269,230	\$ 1,809,186
-Restricted	<u>34,600</u>	<u>-</u>	<u>34,600</u>	<u>9,157,449</u>	<u>1,449,618</u>
Total	<u>\$ 7,948,405</u>	<u>\$ 10,396,606</u>	<u>\$ 18,345,011</u>	<u>\$ 10,426,679</u>	<u>\$ 3,258,804</u>

The categories of cash and investments are as follows:

Bank Deposits (checking and savings accounts, certificates of deposit)	\$ 22,867,804
Investments:	
Equity Mutual Funds	9,157,449
Petty Cash and Cash on Hand	<u>5,241</u>
Total	<u>\$ 32,030,494</u>

Investments:

<u>Description</u>	<u>Fair Value</u>	<u>Maturity in Years</u>			<u>S&P Rating</u>
		<u>Less Than 1</u>	<u>1 – 5</u>	<u>6 – 10</u>	
Equity Mutual Funds*	<u>9,157,449</u>	<u>-</u>	<u>-</u>	<u>-</u>	Unavailable
Total Investments	<u>\$ 9,157,449</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	

Investment and Deposit Risk –Primary Government

Interest rate risk. State law limits the allowable investments and the maturities of some of the allowable investments as identified in the following list of authorized investments. The County’s investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk. The County’s investment policy does not have specific limits in excess of state law on investment credit risk.

NOTE 3 - CASH AND INVESTMENTS (Continued)

Custodial deposit credit risk. Custodial deposit 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, \$19,933,194 of the County's bank balance of \$23,393,178 was exposed to credit risk because it was uninsured and uncollateralized.

Custodial investment credit risk. For investments, 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. As of December 31, 2018, 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.

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. Investments that are measured at fair value using the net asset value per share (or equivalent) as a practical expedient are not classified in the fair value hierarchy. In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The County's assessment of the significance of particular inputs to these fair value measurements required judgment and considers factors specific to each asset or liability.

*The County has the following recurring fair value measurements as of December 31, 2018:

- Investments held in the MERS Investment Services Program, which are primarily mutual funds used to fund retiree defined benefit pensions, with a balance of \$9,147,449, are valued using level 2 inputs.

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 officer 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).

NOTE 3 - CASH AND INVESTMENTS (Continued)

- 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' acceptances of United States banks.
- f. Obligations of this state or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
- 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.
 - (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 subdivisions (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. The investment pools organized under the local government investment pool act, 1985 PA 121, MCL 129.141 to 129.150.

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the General County year ended December 31, 2018, was as follows:

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Adjustments/ Deductions</u>	<u>Ending Balances</u>
Governmental Activities:				
<i>Capital Assets Not Being Depreciated:</i>				
Land	\$ 231,810	\$ -	\$ -	\$ 231,810
<i>Capital Assets Being Depreciated:</i>				
Land Improvements	209,400	-	-	209,400
Buildings and Improvements	19,124,807	215,880	-	19,340,687
Furniture and Equipment	4,896,302	32,222	558,771	4,369,753
Vehicles	<u>936,863</u>	<u>78,828</u>	<u>95,934</u>	<u>919,757</u>
Subtotal	<u>25,167,372</u>	<u>326,930</u>	<u>654,705</u>	<u>24,839,597</u>
<i>Less Accumulated Depreciation:</i>				
Land Improvements	143,010	4,260	-	147,270
Buildings and Improvements	9,555,223	403,221	-	9,958,444
Furniture and Equipment	3,741,965	202,609	558,771	3,385,803
Vehicles	<u>690,087</u>	<u>119,133</u>	<u>78,235</u>	<u>730,985</u>
Subtotal	<u>14,130,285</u>	<u>729,223</u>	<u>637,006</u>	<u>14,222,502</u>
Net Capital Assets Being Depreciated	<u>11,037,087</u>	<u>(402,293)</u>	<u>(17,699)</u>	<u>10,617,095</u>
Capital Assets - Net	<u>\$ 11,268,897</u>	<u>\$ (402,293)</u>	<u>\$ (17,699)</u>	<u>\$ 10,848,905</u>

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

Health and Welfare	\$ 77,823
Unallocated	<u>651,400</u>
Total	<u>\$ 729,223</u>

NOTE 4 - CAPITAL ASSETS (Continued)

Capital asset activity of the Chippewa County Road Commission year ended December 31, 2018, was as follows:

	Beginning Balances	Additions	Adjustments/ Deductions	Ending Balances
<i>Capital Assets Not Being Depreciated</i>				
Land and Improvements	\$ 372,230	\$ -	\$ -	\$ 372,230
Land/Improvements - Infrastructure	<u>53,627,597</u>	<u>1,481,443</u>	<u>-</u>	<u>55,109,040</u>
Subtotal	<u>53,999,827</u>	<u>1,481,443</u>	<u>-</u>	<u>55,481,270</u>
<i>Capital Assets Being Depreciated</i>				
Buildings	5,122,365	39,126	-	5,161,491
Road Equipment	13,891,527	1,761,981	581,158	15,072,350
Shop Equipment	272,173	-	-	272,173
Office Equipment	76,201	12,850	12,660	76,391
Engineers' Equipment	99,637	-	-	99,637
Depletable Assets	1,228,438	-	-	1,228,438
Infrastructure – Roads	40,317,090	2,854,811	1,754,045	41,417,856
Infrastructure – Bridges	<u>22,168,948</u>	<u>27,513</u>	<u>-</u>	<u>22,196,461</u>
Subtotal	<u>83,176,379</u>	<u>4,696,281</u>	<u>2,347,863</u>	<u>85,524,797</u>
<i>Less Accumulated Depreciation</i>				
Buildings	2,716,715	144,519	-	2,861,234
Road Equipment	12,570,370	729,309	568,558	12,731,121
Shop Equipment	263,401	5,729	-	269,130
Office Equipment	57,246	9,256	12,660	53,842
Engineers' Equipment	65,389	13,489	-	78,878
Depletable Assets	408,578	22,760	-	431,338
Infrastructure – Roads	19,900,242	2,188,541	1,754,045	20,334,738
Infrastructure – Bridges	<u>8,892,200</u>	<u>399,972</u>	<u>-</u>	<u>9,292,172</u>
Subtotal	<u>44,874,141</u>	<u>3,513,575</u>	<u>2,335,263</u>	<u>46,052,453</u>
Net Capital Assets Being Depreciated	<u>38,302,238</u>	<u>1,182,706</u>	<u>(12,600)</u>	<u>39,472,344</u>
Total Net Capital Assets	<u>\$ 92,302,065</u>	<u>\$ 2,664,149</u>	<u>\$ (12,600)</u>	<u>\$ 94,953,614</u>

Depletion/depreciation expense was charged to programs of the Chippewa County Road Commission as follows:

Total Depreciation Expense – Public Works	<u>\$ 3,513,575</u>
---	---------------------

NOTE 4 - CAPITAL ASSETS (Continued)

Capital asset activity of the Economic Development Corporation year ended December 31, 2018 was as follows:

	Beginning Balances	Additions	Adjustments/ Deductions	Ending Balances
<i>Capital assets not being depreciated:</i>				
Land	\$ 1,946,675	\$ -	\$ -	\$ 1,946,675
<i>Capital assets being depreciated:</i>				
Vehicles	1,491,605	879,055	7,493	2,363,167
Improvements	24,450,817	1,054,325	610,002	24,895,140
Buildings	11,449,946	-	64,000	11,385,946
Equipment	5,483,251	41,514	-	5,524,765
Subtotal	42,875,619	1,974,894	681,495	44,169,018
<i>Less accumulated depreciation:</i>				
Vehicles	1,427,846	59,611	7,493	1,479,964
Improvements	10,976,203	1,197,859	608,488	11,565,574
Buildings	5,751,681	382,088	49,200	6,084,569
Equipment	4,252,795	189,606	-	4,442,401
Subtotal	22,408,525	1,829,164	665,181	23,572,508
Net Capital Assets Being Depreciated	20,467,094	145,730	16,314	20,596,510
Capital assets – Net of depreciation	\$ 22,413,769	\$ 145,730	\$ 16,314	\$ 22,543,185

Depreciation expense was charged to business-type activities for the Economic Development Corporation in the amount of \$1,829,164.

NOTE 4 - CAPITAL ASSETS (Continued)

Capital assets activity for the Eastern Upper Peninsula Transportation Authority year ended September 30, 2018, was as follows:

	<u>Beginning Balances</u>	<u>Additions/ Adjustments</u>	<u>Deductions/ Adjustments</u>	<u>Ending Balances</u>
<i>Capital assets not being depreciated:</i>				
Construction in Progress	\$ 112,795	\$ -	\$ (112,795)	\$ -
<i>Capital assets being depreciated:</i>				
EUPTA Assets	4,289	4,330	-	8,619
Busing Assets	843,813	9,693	-	853,506
Ferry Assets	<u>19,594,680</u>	<u>1,872,280</u>	<u>(35,118)</u>	<u>21,431,842</u>
Subtotal	<u>20,442,782</u>	<u>1,886,303</u>	<u>(35,118)</u>	<u>22,293,967</u>
<i>Less accumulated depreciation for:</i>				
EUPTA Assets	(2,260)	(833)	-	(3,093)
Busing Assets	(570,149)	(64,750)	-	(634,899)
Ferry Assets	<u>(12,179,068)</u>	<u>(742,414)</u>	<u>35,118</u>	<u>(12,886,364)</u>
Subtotal	<u>(12,751,477)</u>	<u>(807,997)</u>	<u>35,118</u>	<u>(13,524,356)</u>
Net Capital Assets Being Depreciated	<u>7,691,305</u>	<u>1,078,306</u>	<u>-</u>	<u>8,769,611</u>
Capital Assets - Net	<u>\$ 7,804,100</u>	<u>\$ 1,078,306</u>	<u>\$ (112,795)</u>	<u>\$ 8,769,611</u>

Depreciation expense was charged to business-type activities for the Eastern Upper Peninsula Transportation Authority in the amount of \$807,997.

NOTE 5 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The County of Chippewa 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:

		DUE FROM OTHER FUNDS		
		General	Nonmajor Governmental	Totals
DUE TO OTHER FUNDS	Nonmajor Governmental	\$ 195,304	\$ 7,118	\$ 202,422
	Nonmajor Enterprise	873	-	873
	County Ambulance	248	-	248
	Internal Service	7,319	-	7,319
	Total	<u>\$ 203,744</u>	<u>\$ 7,118</u>	<u>\$ 210,862</u>

All balances resulted 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.

		TRANSFERS (OUT)						
		General	Ambulance	Correctional Facility Maintenance	Nonmajor Governmental	Tax Collection	Nonmajor Enterprise	Totals
TRANSFERS IN	General	\$ 88,491	\$ -	\$ -	\$ 67,432	\$ 600,037	\$ 157,876	\$ 913,836
	Nonmajor Governmental	336,360	169,676	645,550	-	-	-	1,151,586
	Tax Collections	-	-	-	-	3,350,380	-	3,350,380
	Total	<u>\$ 424,851</u>	<u>\$ 169,676</u>	<u>\$ 645,550</u>	<u>\$ 67,432</u>	<u>\$ 3,950,417</u>	<u>\$ 157,876</u>	<u>\$ 5,415,802</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) moves receipts restricted to 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.

NOTE 6 - LONG-TERM DEBT

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.

	Interest Rate	Principal Matures	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities							
2000 Chippewa Co. Water Supply System Bonds (Series A)	4.50%	2036	\$ 323,958	\$ -	\$ 12,000	\$ 311,958	\$ 12,000
2013 City of Sault Ste. Marie Refunding Bonds	2.00% to 4.50%	2029	5,710,000	-	350,000	5,360,000	365,000
2010 Chippewa County Refunding Bonds	2.0% to 4.0%	2018	410,000	-	410,000	-	-
2011 City of Sault Ste. Marie Refunding Bonds	2.0% to 3.63%	2022	1,720,000	-	705,000	1,015,000	260,000
2009 Chippewa County General Obligation Bonds	4.00%	2018	<u>210,000</u>	<u>-</u>	<u>210,000</u>	<u>-</u>	<u>-</u>
Total Governmental Activities			<u>\$ 8,373,958</u>	<u>\$ -</u>	<u>\$ 1,687,000</u>	<u>\$ 6,686,958</u>	<u>\$ 637,000</u>

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

Year End December 31	Governmental Activities	
	Principal	Interest
2019	\$ 637,000	\$ 252,294
2020	648,000	231,704
2021	668,000	210,793
2022	689,000	189,308
2023	465,000	164,742
2024-2028	2,769,000	534,485
2029-2033	755,000	53,215
2034-2036	<u>55,958</u>	<u>3,956</u>
Total	<u>\$ 6,686,958</u>	<u>\$ 1,640,497</u>

Interest expense of the primary government was unallocated in the amount of \$367,593.

NOTE 6 - LONG-TERM DEBT (Continued)

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.

	<u>Beginning Balances</u>	<u>Net (Deductions)/ Additions</u>	<u>Ending Balances</u>
Vested Employee Benefits	\$ 536,699	\$ (76,605)	\$ 460,094

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	\$ 271,753
Sick Leave	186,343
Other	<u>1,998</u>
TOTALS	<u>\$ 460,094</u>

The following is a summary of pertinent information concerning the County Road Commission’s long-term debt.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Installment payable secured by trucks, payable in monthly installments of \$12,272 including interest of 1.89%, due 2019.	\$ 261,803	\$ -	\$ 261,803	\$ -	\$ -
Installment payable secured by equipment, payable in monthly installments of \$3,760 including interest of 2.75%, due 2020.	112,390	-	40,952	71,438	43,695
Installment payable secured by equipment, payable in monthly installments of \$12,103 including interest of 3.31%, due 2023.	-	667,600	83,529	584,071	127,830

NOTE 6 - LONG-TERM DEBT (Continued)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Installment payable secured by equipment, payable in monthly installments of \$4,026 including interest of 2.95%, due 2020.	127,455	-	41,343	86,112	46,410
Subtotal	501,648	667,600	427,627	741,621	<u>\$ 217,935</u>
Compensated Absences (1)	127,620	-	1,563	126,057	
TOTAL LONG-TERM DEBT	<u>\$ 629,268</u>	<u>\$ 667,600</u>	<u>\$ 429,190</u>	<u>\$ 867,678</u>	

(1) Net decrease.

Annual debt service requirements are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 217,935	\$ 20,661	\$ 238,596
2020	199,580	13,975	213,555
2021	136,568	8,669	145,237
2022	141,157	4,080	145,237
2023	<u>46,381</u>	<u>340</u>	<u>46,721</u>
Total	<u>\$ 741,621</u>	<u>\$ 47,725</u>	<u>\$ 789,346</u>

NOTE 7 - RISK MANAGEMENT

The government is exposed to various risks 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 common 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 risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance 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.

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 - CONTINGENT LIABILITIES

Grants

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, 2018.

NOTE 9 - OTHER POST EMPLOYMENT BENEFITS

Primary Government

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 County and employees. The Retiree Health Plan does not issue a publicly available financial report.

Funding Policy. Contribution requirements also are negotiated between the County and employees. The County contributes to the cost of current-year premiums for eligible retired plan members. For plan year 2018, the County contributed \$948,610 to the plan. Total member contributions were \$0.

Employees Covered by Benefit Terms

As of Actuarial date 1/1/17, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	41
Inactive employees entitled to but not yet receiving benefits	-
Active employees	<u>53</u>
Total participants covered by OPEB Plan	<u><u>94</u></u>

The County’s OPEB Plan is closed to new entrants.

Total OPEB Liability and Net OPEB Liability

The County’s total OPEB liability of \$12,78,682 was measured as of January 1, 2018, and was determined by an actuarial valuation as of that date.

As of January 1, 2018, there was \$7,275,122 in assets in the County’s OPEB trust, primarily in Short Term Bonds.

Actuarial assumptions and other inputs.

The total OPEB liability in the January 1, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified.

Discount Rate	8.00%
Healthcare Cost Trend Rates	11.69% graded down 1.0% per year
Return on Plan Assets	8.00%
Ultimate Trend	5.0%
Salary Increases	2.00%
Actuarial Cost Method	Entry Age Normal

NOTE 9 - OTHER POST EMPLOYMENT BENEFITS (Continued)

Mortality rates were based on the RP – 2000 Combined Healthy Participant Table Projected 10 years using Projection Scale AA.

The long-term expected rate of return on plan investments was determined using a building-block method in which best-estimate ranges of expected future rates of return (expected returns, net of retirement plan investment expense 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 rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in the retirement plan’s target asset allocation as of September 30, 2018 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return</u>
Short Term Bonds	100%	8.00%

Discount Rate

The discount rate used to measure the total OPEB liability was 8.00%. The projection of cash flows used to determine the discount rate assumed future County contributions. Based on this assumptions, the retirement plan’s fiduciary net position was projected to be sufficient to make all projected future benefit payments of current plan members. For projected benefits that are covered by projected assets, the long-term expected rate was used to discount the projected benefits.

	<u>Total OPEB Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net OPEB Liability</u>
Balances at January 1, 2017	\$ 11,838,847	\$ 5,948,811	\$ 5,890,036
Service cost	116,942	-	116,942
Interest	979,966	-	979,966
Difference between expected and actual experience	262,064	-	262,064
Difference between actual and expected investment income	(431,990)	-	(431,990)
Contributions - Employer	-	948,610	(948,610)
Net investment income	-	923,988	(923,988)
Benefit payments	(587,147)	(530,805)	(56,342)
Administrative expense	-	(15,482)	15,482
Net changes	<u>339,835</u>	<u>1,326,311</u>	<u>(986,476)</u>
Balances as January 1, 2018	<u>\$ 12,178,682</u>	<u>\$ 7,275,122</u>	<u>\$ 4,903,560</u>

NOTE 9 - OTHER POST EMPLOYMENT BENEFITS (Continued)

Covered payroll was \$2,692,367.

Total OPEB Liability as a percentage of covered payroll was 182%.

Sensitivity of the total OPEB liability to changes in the discount rate.

The January 1, 2018 valuation was prepared using a discount rate of 8.00%. If the discount rate were 1% higher than what was used in this valuation, the net OPEB Liability would decrease. If the discount rate were 1% lower than what was used in this valuation, the net OPEB Liability would increase. Other information was not available.

For the year ended December 31, 2018, the County recognized an OPEB expense as follows:

Service Cost	\$ 116,942
Interest on total OPEB liability	979,966
Projected earnings on plan investments	451,708
Deferred outflows/inflows from experience	<u>(2,883,958)</u>
Net OPEB Expense	<u>\$ (1,335,342)</u>

Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At December 31, 2018, the County reported deferred outflows / inflows of resources related to OPEB from the following sources:

Investment Earnings (Gains) Losses	<u>\$ -</u>
------------------------------------	-------------

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended September 30:

2019	\$ -
2020	-
2021	-
2022	<u>-</u>
Total	<u>\$ -</u>

NOTE 9 - OTHER POST EMPLOYMENT BENEFITS (Continued)

Chippewa County Health Department

Plan Description. The Health Department 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 Health Department and employees. The Retiree Health Plan does not issue a publicly available financial report.

Funding Policy. Contribution requirements also are negotiated between the Health Department and employees. The Health Department contributes to the cost of current-year premiums for eligible retired plan members. For plan year 2018, the Health Department contributed \$735,615 to the plan. Total member contributions were \$0.

Employees Covered by Benefit Terms

As of Actuarial date 1/1/17, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	33
Inactive employees entitled to but not yet receiving benefits	-
Active employees	<u>20</u>
Total participants covered by OPEB Plan	<u><u>53</u></u>

The Department’s OPEB Plan is closed to new entrants.

Total OPEB Liability and Net OPEB Liability

The Department’s total OPEB liability of \$6,205,219 was measured as of January 1, 2018, and was determined by an actuarial valuation as of that date.

As of January 1, 2018, there was \$1,324,010 in assets in the Department’s OPEB trust, primarily in Short Term Bonds.

Actuarial assumptions and other inputs.

The total OPEB liability in the January 1, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified.

Discount Rate	8.00%
Healthcare Cost Trend Rates	11.69% graded down 1.0% per year
Return on Plan Assets	8.00%
Ultimate Trend	5.0%
Salary Increases	2.00%
Actuarial Cost Method	Entry Age Normal

Mortality rates were based on the RP – 2000 Combined Healthy Participant Table Projected 10 years using Projection Scale AA.

NOTE 9 - OTHER POST EMPLOYMENT BENEFITS (Continued)

The long-term expected rate of return on plan investments was determined using a building-block method in which best-estimate ranges of expected future rates of return (expected returns, net of retirement plan investment expense 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 rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in the retirement plan's target asset allocation as of September 30, 2018 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return</u>
Short Term Bonds	100%	8.00%

Discount Rate

The discount rate used to measure the total OPEB liability was 8.00%. The projection of cash flows used to determine the discount rate assumed future County contributions. Based on this assumptions, the retirement plan's fiduciary net position was projected to be sufficient to make all projected future benefit payments of current plan members. For projected benefits that are covered by projected assets, the long-term expected rate was used to discount the projected benefits.

	<u>Total OPEB Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net OPEB Liability</u>
Balances at January 1, 2017	\$ 6,148,907	\$ 920,353	\$ 5,228,554
Service cost	36,162	-	36,162
Interest	483,048	-	483,048
Difference between expected and actual experience	73,821	-	73,821
Difference between actual and expected investment income	(73,939)	-	(73,939)
Contributions - Employer	-	735,615	(735,615)
Net investment income	-	157,417	(157,417)
Benefit payments	(462,780)	(486,630)	23,850
Administrative expense	-	(2,745)	2,745
Net changes	<u>56,312</u>	<u>403,657</u>	<u>(347,345)</u>
Balances as January 1, 2018	<u>\$ 6,205,219</u>	<u>\$ 1,324,010</u>	<u>\$ 4,881,209</u>

Covered payroll was \$954,143.

Total OPEB Liability as a percentage of covered payroll was 650.3%.

NOTE 9 - OTHER POST EMPLOYMENT BENEFITS (Continued)

Sensitivity of the total OPEB liability to changes in the discount rate.

The January 1, 2018 valuation was prepared using a discount rate of 8.00%. If the discount rate were 1% higher than what was used in this valuation, the net OPEB Liability would decrease. If the discount rate were 1% lower than was used in this valuation, the net OPEB Liability would increase. Other information was not available.

For the year ended September 30, 2018, the Health Department recognized an OPEB expense as follows:

Service Cost	\$ 36,162
Interest on total OPEB liability	483,048
Projected earnings on plan investments	55,172
Deferred outflows/inflows from experience	<u>(2,089,133)</u>
Net OPEB Expense	<u>\$ (1,514,751)</u>

Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At September 30, 2018, the Health Department reported deferred outflows / inflows of resources related to OPEB from the following sources:

Investment Earnings (Gains) Losses	<u>\$ -</u>
------------------------------------	-------------

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended September 30:

2019	\$ -
2020	-
2021	-
2022	<u>-</u>
Total	<u>\$ -</u>

Economic Development Corporation of Chippewa County

Plan Description. The Corporation 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 Corporation and employees. The Retiree Health Plan does not issue a publicly available financial report.

Funding Policy. Contribution requirements also are negotiated between the Corporation and employees. The Corporation contributes to the cost of current-year premiums for eligible retired plan members. For fiscal year 2017, the Corporation contributed \$120,356 to the plan. Total member contributions were \$0.

NOTE 9 - OTHER POST EMPLOYMENT BENEFITS (Continued)

Employees Covered by Benefit Terms

As of December 31, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	3
Inactive employees entitled to but not yet receiving benefits	-
Active employees	<u>1</u>
Total participants covered by OPEB Plan	<u><u>4</u></u>

The Corporation’s OPEB Plan is closed to new entrants.

Total OPEB Liability and Net OPEB Liability

The Corporation’s total OPEB liability of \$444,162 was measured as of January 1, 2017, and was determined by an actuarial valuation as of that date.

As of December 31, 2018, there was \$463,762 in assets in the Corporation’s OPEB trust, primarily in Short Term Bonds.

Actuarial assumptions and other inputs.

The total OPEB liability in the January 1, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified.

Discount Rate	8.00%
Healthcare Cost Trend Rates	11.69% graded down 1.0% per year
Return on Plan Assets	8.00%
Ultimate Trend	5.0%
Salary Increases	2.00%
Actuarial Cost Method	Entry Age Normal

Mortality rates were based on the RP – 2000 Combined Healthy Participant Table Projected 10 years using Projection Scale AA.

The long-term expected rate of return on plan investments was determined using a building-block method in which best-estimate ranges of expected future rates of return (expected returns, net of retirement plan investment expense 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 rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in the retirement plan’s target asset allocation as of December 31, 2018 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return</u>
Short Term Bonds	100%	8.00%

NOTE 9 - OTHER POST EMPLOYMENT BENEFITS (Continued)

Discount Rate

The discount rate used to measure the total OPEB liability was 8.00%. The projection of cash flows used to determine the discount rate assumed future Corporation contributions. Based on this assumptions, the retirement plan's fiduciary net position was projected to be sufficient to make all projected future benefit payments of current plan members. For projected benefits that are covered by projected assets, the long-term expected rate was used to discount the projected benefits.

	<u>Total OPEB Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net OPEB Liability</u>
Balances at January 1, 2016	\$ 1,481,858	\$ 283,371	\$ 1,198,487
Service cost	31,774	-	31,774
Interest	69,943	-	69,943
Change in Cost Method	(2,739)	-	(2,739)
Difference between expected and actual experience and assumptions	(956,237)	-	(956,237)
Contributions - Employer	-	120,356	(120,356)
Net investment income	-	3,080	(3,080)
Benefit payments	(180,437)	(57,520)	(122,917)
Administrative expense	-	(780)	780
Net changes	<u>(1,037,696)</u>	<u>65,136</u>	<u>(1,102,832)</u>
Balances as January 1, 2017	<u>\$ 444,162</u>	<u>\$ 348,507</u>	<u>\$ 95,655</u>

Covered payroll was \$45,436.

Total OPEB Liability as a percentage of covered payroll was 977.56%.

Sensitivity of the total OPEB liability to changes in the discount rate.

The January 1, 2017 valuation was prepared using a discount rate of 8.00%. If the discount rate were 1% higher than what was used in this valuation, the net OPEB Liability would decrease. If the discount rate were 1% lower than was used in this valuation, the net OPEB Liability would increase. Other information was not available.

NOTE 9 - OTHER POST EMPLOYMENT BENEFITS (Continued)

For the year ended December 31, 2018, the Corporation recognized an OPEB expense as follows:

	<u>12/31/2018</u>
Service Cost	\$ 1,257
Interest on total OPEB liability	34,676
Projected earnings on plan investments	(27,024)
Deferred outflows/inflows from experience	<u>(288,491)</u>
Net OPEB Expense	<u>\$ (279,582)</u>

Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At December 31, 2018, the Corporation reported deferred outflows / inflows of resources related to OPEB from the following sources:

Investment Earnings (Gains) Losses	<u>\$ -</u>
------------------------------------	-------------

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended December 31:

2019	\$ -
2020	-
2021	-
2022	<u>-</u>
Total	<u>\$ -</u>

Chippewa County Road Commission

In addition to the pension benefits, the Chippewa County Road Commission agrees to provide 100% of BC/BS and prescription drug coverage benefits to eligible retirees and/or their spouses who retire after February 1, 1985 and who were hired prior to February 1, 2005 until retiree’s death. If a retiree dies, the current spouse shall be provided the same coverage until attainment of Medicare eligibility. Upon attainment of Medicare eligibility, the retiree’s spouse will be responsible for 100% of the cost of any medical coverage if they elect to stay in the group.

For eligible retirees who were hired after February 1, 2005, the Chippewa County Road Commission agrees to pay a fixed percent of the premium for BC/BS and prescription drug coverage benefits based on years of service, but only until attainment of Medicare eligibility, at which time, 100% of premium shall be paid for by the retiree and or spouse if they elect to remain in the group.

Plan Description. The Road Commission administers a single-employer healthcare plan (“the Retiree Health Plan”). The plan provides healthcare insurance for eligible retirees through the Road Commission’s group health insurance plan, which covers both active and retired members. Benefit provisions are established through negotiations between the Road Commission and employees. The Retiree Health Plan does not issue a publicly available financial report.

NOTE 9 - OTHER POST EMPLOYMENT BENEFITS (Continued)

Funding Policy. Contribution requirements also are negotiated between the Road Commission and employees. The Road Commission contributes 100% of the cost of current-year premiums for eligible retired plan members. For fiscal year 2018, the Road Commission contributed \$1,606,914 to the plan. Total member contributions were \$24,555.

Employees Covered by Benefit Terms

As of December 31, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	67
Inactive employees entitled to but not yet receiving benefits	56
Active employees	<u>60</u>
 Total participants covered by OPEB Plan	 <u><u>183</u></u>

Total OPEB Liability and Trust Assets - The Road Commission’s total OPEB liability of \$25,551,384 was measured as of December 31, 2018, and was determined by an actuarial valuation as of that date.

As of December 31, 2018, there was \$735,873 in assets in the Road Commission’s OPEB trust.

Actuarial assumptions and other inputs - The total OPEB liability was determined by an actuarial valuation as of December 31, 2018 and the following actuarial assumptions, applies to all periods included in the measurement:

Salary Increases	3.50%
Investment rate of return	7.60% including inflation
PA 202 Uniform Discount	3.00%
Mortality	RP–2014 adjusted to 2006 Total Data Set, with MP–2018 mortality improvement scale.

The long-term expected rate of return on investments was determined using a building-block method in which best-estimate ranges of expected future rates of return (expected returns, net of retirement plan investment expense 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 rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in the retirement plan’s target asset allocation as of December 31, 2018 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return</u>
Large Cap US	18%	9.2%
Mid Cap US	4	9.8
Small Cap US	4	10.3
International Equities	25	8.8
Emerging Mkt Equity	8	11.4
Short Term Fixed Inc.	14	3.6
US Fixed Inc.	9	4.8
International Fixed Inc.	2	4.5
Inflation – Linked	4	5.7
High Yield	4	6.9
Master Limited Partnerships	4	8.1
Precious Metals (Commodities)	4	4.4

NOTE 9 - OTHER POST EMPLOYMENT BENEFITS (Continued)

The sum of each target allocation times its long-term expected rate results in a long-term expected rate of return of 7.60%.

Discount Rate - The discount rate used to measure the total OPEB liability was 3.72%. The assets are not projected to be sufficient to make projected future benefit payments of current plan members. For projected benefits that are covered by projected assets, the long-term expected rate was used to discount the projected benefits. From the year that benefit payments were not projected to be covered by the projected assets (the “*depletion date*”), projected benefits were discounted at a discount rate reflecting a 20-year AA/Aa tax-exempt municipal bond yield. A single equivalent discount rate that yields the same present value of benefits is calculated. This discount rate is used to determine the Total OPEB Liability.

	<u>Total OPEB Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net OPEB Liability</u>
Balances at December 31, 2017	\$ 27,396,310	\$ -	\$ 27,396,310
Service cost	265,610	-	265,610
Interest	861,367	-	861,367
Experience (gains)/losses	(175,598)	-	(175,598)
Change in plan terms	-	-	-
Change in actuarial assumptions	(1,989,391)	-	(1,989,391)
Contributions to OPEB trust	-	800,000	(800,000)
Contributions/benefit paid from general operating funds	-	806,914	(806,914)
Net investment income	-	(59,045)	59,045
Benefit payments including refunds of employee contributions	(806,914)	(806,914)	-
Administrative expense	-	(5,082)	5,082
Net changes	<u>(1,844,926)</u>	<u>735,873</u>	<u>(2,580,799)</u>
Balances as December 31, 2018	<u>\$ 25,551,384</u>	<u>\$ 735,873</u>	<u>\$ 24,815,511</u>

Net OPEB Liability – Discount and Trend Rate Sensitivities – The following presents the net OPEB Liability (NOL) of the Road Commission, calculated using trend and discount rates 1% higher and lower than base assumptions:

	<u>1% Decrease</u>	<u>Current Rate</u>	<u>1% Increase</u>
Total OPEB Liability	\$ 29,059,146	\$ 25,551,384	\$ 22,666,376
Plan Fiduciary Net Position	<u>735,873</u>	<u>735,873</u>	<u>735,873</u>
Net OPEB Liability	<u>\$ 28,323,273</u>	<u>\$ 24,815,511</u>	<u>\$ 21,930,503</u>

NOTE 9 - OTHER POST EMPLOYMENT BENEFITS (Continued)

Trend

	<u>1% Decrease</u>	<u>Current Rate</u>	<u>1% Increase</u>
Total OPEB Liability	\$ 22,335,737	\$ 25,551,384	\$ 29,465,177
Plan Fiduciary Net Position	<u>735,873</u>	<u>735,873</u>	<u>735,873</u>
Net OPEB Liability	<u>\$ 21,599,864</u>	<u>\$ 24,815,511</u>	<u>\$ 28,729,304</u>

In the December 31, 2018, actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 7.60% investment rate of return and an annual healthcare cost trend rate of 3.72% initially, reduced by decrements to an ultimate rate of 5% over six years. Both rates included a 2.5% inflation assumption. The UAAL is being amortized as a level percentage of projected payroll on an open basis over a 23 year period. The mortality assumption used the RP2014 Mortality Table adjusted to 2006 Total Data Set with MP-2018 mortality improvement.

OPEB Expense

Components of Road Commission's OPEB Expense for the fiscal year ending December 31, 2018 are as follows:

	<u>12/31/2018</u>
Service Cost	\$ 265,610
Interest on Total OPEB Liability	861,367
Experience (Gains)/Losses	(34,567)
Changes of Assumptions	(391,612)
Projected Earnings on OPEB Plan Investments	(12,560)
Investment Earnings (Gains)/Losses	14,321
Administrative Expenses	<u>5,082</u>
Total OPEB Expense	<u>\$ 707,641</u>

Deferred Outflows and Inflows of Resources Related to OPEB Plan

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Experience (Gains)/Losses	\$ -	\$ 141,031
Changes in Assumptions	-	1,597,779
Investment Earnings (Gains)/Losses	<u>57,284</u>	<u>-</u>
Total	<u>\$ 57,284</u>	<u>\$ 1,738,810</u>

NOTE 9 - OTHER POST EMPLOYMENT BENEFITS (Continued)

Year Ended December 31:

2019	\$	(411,858)
2020		(411,858)
2021		(411,858)
2022		(411,858)
2023		(34,094)

NOTE 10 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS

Primary Government

Description of Plan and Plan Assets

The County is in an agent multiple-employer defined benefit pension plan with the Municipal Employees' Retirement System (MERS). The system provides the following provisions: normal retirement, deferred retirement and service retirement to plan members and their beneficiaries. The service requirement is computed using credited service at the time of termination of membership multiplied by the sum of 2.25%, 1% hybrid, and 2.5% for deputies times the final compensation (FAC). The most recent period of which actuarial data was available was for year ended December 31, 2017.

General Information about the Pension Plan

Plan Description. The employer's defined benefit pension plan provides certain retirement, disability and death benefits to plan members and beneficiaries. The employer participates in the Municipal Employees Retirement System (MERS) of Michigan. MERS is an agent multiple-employer, statewide public employee pension plan established by the Michigan Legislature under Public Act 135 of 1945 and administered by a nine-member Retirement Board. MERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained accessing the MERS website at www.mersofmich.com.

01 – Gnr1 Other: Closed to new hires, linked to Division HF

	<u>2017 Valuation</u>
Benefit Multiplier:	2.25% Multiplier (80% max)
Normal Retirement Age:	60
Vesting:	10 Years
Early Retirement (Unreduced):	55/20
Early Retirement (Reduced):	50/25
	55/15
Final Average Compensation:	3 years
COLA for Current Retirees:	2.50% (Non-Compound)
Employee Contributions	2%
Act 88:	Yes (Adopted 3/15/1974)

NOTE 10 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

02 – County Corrections: Closed to new hires, linked to Division HB

	<u>2017 Valuation</u>
Benefit Multiplier:	2.50% Multiplier (80% max)
Normal Retirement Age:	60
Vesting:	10 Years
Early Retirement (Unreduced):	50/25 55/20
Early Retirement (Reduced):	55/15
Final Average Compensation:	3 years
COLA for Future Retirees:	2.50% (Non-Compound)
COLA for Current Retirees:	2.50% (Non-Compound)
Employee Contributions	3%
Act 88:	Yes (Adopted 3/15/1974)

11 – Hlth Dept: Closed to new hires, linked to Division HD

	<u>2017 Valuation</u>
Benefit Multiplier:	2.25% Multiplier (80% max)
Normal Retirement Age:	60
Vesting:	10 Years
Early Retirement (Unreduced):	55/20
Early Retirement (Reduced):	50/25 55/15
Final Average Compensation:	3 years
COLA for Current Retirees:	2.50% (Non-Compound)
Employee Contributions	2%
Act 88:	Yes (Adopted 3/15/1974)

15 – Health Dept Non-Un: Closed to new hires, linked to Division HE

	<u>2017 Valuation</u>
Benefit Multiplier:	2.25% Multiplier (80% max)
Normal Retirement Age:	60
Vesting:	10 Years
Early Retirement (Unreduced):	55/20
Early Retirement (Reduced):	50/25 55/15
Final Average Compensation:	3 years
Employee Contributions	2%
Act 88:	Yes (Adopted 3/15/1974)

NOTE 10 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

16 – County Non-Union: Closed to new hires, linked to Division HC

	<u>2017 Valuation</u>
Benefit Multiplier:	2.25% Multiplier (80% max)
Normal Retirement Age:	60
Vesting:	10 Years
Early Retirement (Unreduced):	55/20
Early Retirement (Reduced):	50/25
	55/15
Final Average Compensation:	3 years
Employee Contributions	2%
Act 88:	Yes (Adopted 3/15/1974)

20 – County Sheriff Road: Closed to new hires, linked to Division HA

	<u>2017 Valuation</u>
Benefit Multiplier:	2.50% Multiplier (80% max)
Normal Retirement Age:	60
Vesting:	10 Years
Early Retirement (Unreduced):	55/25
	55/20
Early Retirement (Reduced):	50/15
Final Average Compensation:	3 years
COLA for Current Retirees:	2.50% (Non-Compound)
Employee Contributions	3%
Act 88:	Yes (Adopted 3/15/1974)

HA – Sheriff Rd after 5/1/10: Open Division, Linked to Division 20

	<u>2017 Valuation</u>
Benefit Multiplier:	Hybrid Plan – 1.00% Multiplier
Normal Retirement Age:	60
Vesting:	6 Years
Early Retirement (Unreduced):	-
Early Retirement (Reduced):	-
Final Average Compensation:	3 years
Employee Contributions	0%
Act 88:	Yes (Adopted 5/1/2010)

NOTE 10 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

HB – Sheriff hired after 5/1/10: Open Division, Linked to Division 02

	<u>2017 Valuation</u>
Benefit Multiplier:	Hybrid Plan – 1.00% Multiplier
Normal Retirement Age:	60
Vesting:	6 Years
Early Retirement (Unreduced):	-
Early Retirement (Reduced):	-
Final Average Compensation:	3 years
Employee Contributions	0%
Act 88:	Yes (Adopted 5/1/2010)

HC – General Non-Un hired after 5/1/10: Open Division, Linked to Division 16

	<u>2017 Valuation</u>
Benefit Multiplier:	Hybrid Plan – 1.00% Multiplier
Normal Retirement Age:	60
Vesting:	6 Years
Early Retirement (Unreduced):	-
Early Retirement (Reduced):	-
Final Average Compensation:	3 years
Employee Contributions	0%
Act 88:	Yes (Adopted 5/1/2010)

HD – Teamstrs after 4/1/11: Open Division, Linked to Division 11

	<u>2017 Valuation</u>
Benefit Multiplier:	Hybrid Plan – 1.00% Multiplier
Normal Retirement Age:	60
Vesting:	6 Years
Early Retirement (Unreduced):	-
Early Retirement (Reduced):	-
Final Average Compensation:	3 years
Employee Contributions	0%
Act 88:	Yes (Adopted 3/15/1974)

HE – Non-Union after 4/1/2011: Open Division, Linked to Division 15

	<u>2017 Valuation</u>
Benefit Multiplier:	Hybrid Plan – 1.00% Multiplier
Normal Retirement Age:	60
Vesting:	6 Years
Early Retirement (Unreduced):	-
Early Retirement (Reduced):	-
Final Average Compensation:	3 years
Employee Contributions	0%
Act 88:	Yes (Adopted 3/15/1974)

NOTE 10 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

HF – County AFSCME after 04/01/12: Open Division, Linked to Division 01

	<u>2017 Valuation</u>
Benefit Multiplier:	Hybrid Plan – 1.00% Multiplier
Normal Retirement Age:	60
Vesting:	6 Years
Early Retirement (Unreduced):	-
Early Retirement (Reduced):	-
Final Average Compensation:	3 years
Employee Contributions	0%
Act 88:	Yes (Adopted 5/1/2010)

Employees Covered by Benefit Terms

At December 31, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	164
Inactive employees entitled to but not yet receiving benefits	23
Active employees	<u>153</u>
	340

Funding Policy

The obligation to contribute to and maintain the system for these employees was established by negotiation with the County’s competitive bargaining unit and personnel policy, which do not require employees to contribute to the plan. The County is required to contribute at an actuarially determined rate.

The contribution rate as a percentage of payroll or estimated monthly contributions at December 31, 2018 are as follows:

General – Other	\$ 30,668
Sheriff	11,005
Health Department	9,040
Economic – General	1,464
HD Non-Union	18,791
General – Non-Union	32,346
Sheriff – Road	8,391
Sheriff – Road new hire	-
Sheriff – Hired after 5/1/10	977
General – Non-Union hired after 5/1/10	4,186
Teamsters – Hired after 4/1/11	189
Non-Union – Hired after 4/1/11	1,878
General Other – Hired after 4/1/12	2,248

NOTE 10 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

Net Pension Liability

The County’s net pension liability was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions. The total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5%
Salary increases	3.75% in the Long Term
Investment rate of return	7.75%, net of investment expense, including inflation

Mortality rates used were based on the RP-2014 Group Annuity Mortality Table of a 50% Male and 50% Female blend.

The actuarial assumptions used in valuation were based on the results of the most recent actuarial experience study of 2009-2013.

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
Global Equity	57.5%	3.41%
Global Fixed Income	20.0%	0.23%
Real Assets	12.5%	0.97%
Diversifying Strategies	10.0%	0.03%

Discount Rate. The discount rate used to measure the total pension liability is 8.0%. 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.

NOTE 10 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

Changes in the Net Pension Liability:

	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability</u>
Balances at December 31, 2017	\$ 43,282,064	\$ 29,608,775	\$ 13,673,289
Service cost	634,541	-	634,541
Interest on total pension liability	3,385,669	-	3,385,669
Changes in benefits	-	-	-
Difference between expected and actual experience	(333,125)	-	(333,125)
Changes in assumptions	-	-	-
Employer contributions	-	1,608,967	(1,608,967)
Employee contributions	-	101,742	(101,742)
Net investment income	-	335,193	(335,193)
Benefit payments, including employee refunds	(2,556,950)	(2,556,950)	-
Administrative expense	-	(58,248)	58,248
Other changes	(75,393)	-	(75,393)
Net changes	<u>1,054,742</u>	<u>(569,296)</u>	<u>1,624,038</u>
Balances at December 31, 2018	<u>\$ 44,336,806</u>	<u>\$ 29,039,479</u>	<u>\$ 15,297,327</u>

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%, as well as what the County's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7%) or 1-percentage-point higher (9%) than the current rate:

	1% Decrease (7%)	Current Discount Rate (8%)	1% Increase (9%)
County's net pension liability	\$20,175,325	\$15,297,327	\$11,158,156

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued MERS financial report.

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

For the year ended December 31, 2018, the County recognized pension expense of \$2,517,088. At December 31, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

NOTE 10 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 82,202	\$ 242,252
Changes in assumptions	396,156	-
Net difference between projected and actual earnings on pension plan investments	1,489,500	180,286
Contributions subsequent to the measurement date	240,253	-
 Total	 <u>\$ 2,208,111</u>	 <u>\$ 422,538</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recorded in pension expense as follows:

<u>Year Ended December 31:</u>	
2019	\$ 948,288
2020	133,136
2021	64,430
2022	399,466

Annual Pension Cost

During the fiscal year ended December 31, 2018, the County’s contributions totaling \$1,608,967 were made in accordance with the contribution requirement determined by an actuarial valuation of the plan as of December 31, 2016. The employer contribution rate has been determined based on the entry age normal funding method. Under the entry age normal cost funding method, the total employer contribution is comprised of the normal cost plus the level annual percentage of payroll payment required to normal cost is, for each employee, the level percentage of payroll contribution (from entry age to retirement) required to accumulate sufficient assets at the member’s retirement to pay for his projected benefit. Significant actuarial assumptions used include a long-term investment yield rate of 8 percent and annual salary increases of 4.5 percent based on an age-related scale to reflect merit, longevity, and promotional salary increases. The unfunded actuarial liability is amortized as a level percent of payroll on a closed basis. The remaining amortization period is 24 years.

NOTE 10 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

Chippewa County Road Commission

Description of Plan and Plan Assets

The Road Commission is in an agent multiple-employer defined benefit pension plan with the Municipal Employees' Retirement System (MERS). The system provides the following provisions: normal retirement, deferred retirement and service retirement to plan members and their beneficiaries. The service requirement is computed using credited service at the time of termination of membership multiplied by the sum of 2.25% times the final compensation (FAC). The most recent period of which actuarial data was available was for year ended December 31, 2017.

General Information about the Pension Plan

Plan Description. The employer's defined benefit pension plan provides certain retirement, disability and death benefits to plan members and beneficiaries. The employer participates in the Municipal Employees Retirement System (MERS) of Michigan. MERS is an agent multiple-employer, statewide public employee pension plan established by the Michigan Legislature under Public Act 135 of 1945 and administered by a nine-member Retirement Board. MERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained accessing the MERS website at www.mersofmich.com.

01 – General: Closed Division	
	<u>2017 Valuation</u>
Benefit Multiplier:	2.25% Multiplier (80% max)
Normal Retirement Age:	60
Vesting:	10 Years
Early Retirement (Unreduced):	55/25
Early Retirement (Reduced):	50/25
	55/15
Final Average Compensation:	5 years
Employee Contributions	0%
Act 88:	Yes (Adopted 11/20/1970)
02 – General: Open Division	
	<u>2017 Valuation</u>
Benefit Multiplier:	2.25% Multiplier (80% max)
Normal Retirement Age:	60
Vesting:	10 Years
Early Retirement (Unreduced):	55/25
Early Retirement (Reduced):	50/25
	55/15
Final Average Compensation:	5 years
Employee Contributions	2%
Act 88:	Yes (Adopted 2/1/2004)

NOTE 10 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

Employees Covered by Benefit Terms

At December 31, 2017, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	87
Inactive employees entitled to but not yet receiving benefits	4
Active employees	<u>60</u>
	151

Funding Policy

The obligation to contribute to and maintain the system for these employees was established by negotiation with the Road Commission’s competitive bargaining unit and personnel policy, which require employees to contribute to the plan. The Road Commission is required to contribute at an actuarially determined monthly amount for 2018 was \$80,239.

Net Pension Liability

The Road Commission’s net pension liability was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions. The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	3.75%
Investment rate of return	7.755, net of interest and administrative expense including inflation

Mortality rates used were based on the RP-2014 Mortality Table of a 50% Male and 50% Female blend.

The actuarial assumptions used in valuation were based on the results of the most recent actuarial experience study of January 1, 2019 through December 31, 2013.

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
Global Equity	55.5%	3.41%
Global Fixed Income	18.5%	0.23%
Real Assets	13.5%	0.97%
Diversifying Strategies	12.5%	0.03%

NOTE 10 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

Discount Rate. The discount rate used to measure the total pension liability is 8.0% for 2017. 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.

Changes in the Net Pension Liability:

	Increases (Decreases)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at December 31, 2016	\$ 19,743,836	\$ 10,192,701	\$ 9,551,135
Service cost	312,381	-	312,381
Interest on total pension liability	1,535,810	-	1,535,810
Difference between expected and actual experience	118,002	-	118,002
Changes in assumptions	-	-	-
Employer contributions	-	974,042	(974,042)
Employee contributions	-	47,782	(47,782)
Net investment income	-	(386,989)	386,989
Benefit payments, including employee refunds	(1,404,808)	(1,404,808)	-
Administrative expense	-	(19,466)	19,466
Other changes	5,968	-	5,968
Net changes	567,353	(789,439)	1,356,792
Balances as of December 31, 2017	\$ 20,311,189	\$ 9,403,262	\$ 10,907,927

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability of the Road Commission, calculated using the discount rate of 8.00%, as well as what the Road Commission’s net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.00%) or 1-percentage-point higher (9.00%) than the current rate:

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
Road Commission’s net pension liability	\$13,040,317	\$10,907,927	\$9,088,903

Pension plan fiduciary net position. Detailed information about the pension plan’s fiduciary net position is available in the separately issued MERS financial report.

NOTE 10 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

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

For the year ended December 31, 2018, the Road Commission recognized pension expense of \$1,548,589. At December 31, 2018, the Road Commission reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 62,707	\$ -
Changes in assumptions	229,235	-
Net difference between projected and actual earnings on pension plan investments	<u>727,529</u>	<u>-</u>
Total	<u>\$ 1,019,471</u>	<u>\$ -</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recorded in pension expense as follows:

<u>Year Ended December 31:</u>	
2019	\$ 522,062
2020	90,909
2021	169,239
2022	237,261

Annual Pension Cost

During the year ended December 31, 2018, the Road Commission’s contributions totaling \$974,042 were made in accordance with contribution requirement determined by an actuarial valuation of the plan as of December 31, 2016. The employer contribution rate has been determined based on the entry age normal funding method. Under the entry age normal cost funding method, the total employer contribution is comprised of the normal cost plus the level annual percentage of payroll payment required to normal cost is, for each employee, the level percentage of payroll contribution (from entry age to retirement) required to accumulate sufficient assets at the member’s retirement to pay for his projected benefit. Significant actuarial assumptions used include a long-term investment yield rate of 8 percent and annual salary increases of 4.5 percent based on an age-related scale to reflect merit, longevity, and promotional salary increases. The unfunded actuarial liability is amortized as a level percent of payroll on a closed basis. The remaining amortization period is 23 years.

NOTE 10 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

Economic Development Corporation of Chippewa County

Description of Plan and Plan Assets

The Corporation is in an agent multiple-employer defined benefit pension plan with the Municipal Employees' Retirement System (MERS). The system provides the following provisions: normal retirement, deferred retirement and service retirement to plan members and their beneficiaries. The service requirement is computed using credited service at the time of termination of membership multiplied by the sum of 2.25%, and 1.50% for deputies' times the final compensation (FAC). The most recent period of which actuarial data was available was for year ended December 31, 2017.

General Information about the Pension Plan

Plan Description. The employer's defined benefit pension plan provides certain retirement, disability and death benefits to plan members and beneficiaries. The employer participates in the Municipal Employees Retirement System (MERS) of Michigan. MERS is an agent multiple-employer, statewide public employee pension plan established by the Michigan Legislature under Public Act 135 of 1945 and administered by a nine-member Retirement Board. MERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained accessing the MERS website at www.mersofmich.com.

13 – EDC General: Closed to new hires, linked to Division 17

	<u>2017 Valuation</u>
Benefit Multiplier:	2.25% Multiplier (80% max)
Normal Retirement Age:	60
Vesting:	10 Years
Early Retirement (Unreduced):	55/25
Early Retirement (Reduced):	50/25
	55/15
Final Average Compensation:	3 years
COLA for Current Retirees:	2.5% (Non-Compound)
Employee Contributions	2%
Act 88:	Yes (Adopted 3/15/1974)

17 – EDC General after 12/1/13: Open Division, linked to 13

	<u>2017 Valuation</u>
Benefit Multiplier:	1.50% Multiplier (80% max)
Normal Retirement Age:	60
Vesting:	10 Years
Early Retirement (Unreduced):	-
Early Retirement (Reduced):	50/25
	55/15
Final Average Compensation:	3 years
Employee Contributions	3%
Act 88:	Yes (Adopted 3/15/1974)

NOTE 10 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

Employees Covered by Benefit Terms

At December 31, 2017, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	4
Inactive employees entitled to but not yet receiving benefits	3
Active employees	<u>9</u> 16

Funding Policy

The obligation to contribute to and maintain the system for these employees was established by negotiation with the Corporation’s competitive bargaining unit and personnel policy, which require employees to contribute to the plan. The Corporation is required to contribute at an actuarially determined rate.

The level dollar based on valuation payroll contribution rate at December 31, 2018 was \$4,413 per month.

Net Pension Liability

The EDC’s net pension liability was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions. The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary increases	3.75 percent in the Long Term
Investment rate of return	7.75 percent, net of interest and administrative expense including inflation

Mortality rates used were based on the RP-2014 Group Annuity Mortality Table of a 50% Male and 50% Female blend. For disabled retirees, RP-2014 mortality table was used to reflect the higher expected mortality rates of disabled members.

The actuarial assumptions used in valuation were based on the results of the most recent actuarial experience study of January 1, 2019 through December 31, 2013.

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
Global Equity	57.5%	5.02%
Global Fixed Income	20.0%	2.18%
Real Assets	12.5%	4.23%
Diversifying Strategies	10.0%	6.56%

NOTE 10 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

Discount Rate. The discount rate used to measure the total pension liability is 8.0% for 2017. 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.

Changes in the Net Pension Liability:

	Increases (Decreases)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at December 31, 2017	\$ 1,864,002	\$ 1,457,328	\$ 406,674
Service cost	37,442	-	37,442
Interest on total pension liability	146,324	-	146,324
Difference between expected and actual experience	(26,944)	-	(26,944)
Changes in assumptions	-	-	-
Employer contributions	-	50,677	(50,677)
Employee contributions	-	11,504	(11,504)
Net investment income	-	(56,224)	56,224
Benefit payments, including employee refunds	(107,335)	(107,335)	-
Administrative expense	-	(2,803)	2,803
Other changes	(1,139)	-	(1,139)
Net changes	48,348	(104,181)	152,529
Balances as of December 31, 2018	\$ 1,912,350	\$ 1,353,147	\$ 559,203

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability of the Corporation, calculated using the discount rate of 8.00%, as well as what the EDC's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.00%) or 1-percentage-point higher (9.00%) than the current rate:

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
EDC net pension liability	\$773,899	\$559,203	\$378,711

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued MERS financial report.

NOTE 10 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

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

For the year ended December 31, 2018, the Corporation recognized pension expense of \$104,457. At December 31, 2018, the EDC reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u> </u>	<u> </u>
Difference between expected and actual experience	\$ -	\$ 28,417
Changes in assumptions	16,936	-
Net difference between projected and actual earnings on pension plan investments	<u>104,578</u>	<u>-</u>
 Total	 <u><u>\$ 121,514</u></u>	 <u><u>\$ 28,417</u></u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recorded in pension expense as follows:

<u>Year Ended December 31:</u>	
2019	\$ 45,200
2020	163
2021	13,556
2022	34,178

Annual Pension Costs. For year ended 2018, the Corporation’s annual pension cost of \$52,944 for the plan was equal to the required and actual contribution. The annual required contribution was determined as part of an actuarial valuation as December 31, 2016, using the age normal cost method. Significant actuarial assumptions used include: (i) an 8% investment rate of return; (ii) projected salary increases of 4.5% per year. Both determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is being amortized as a level percent of payroll on a closed basis. The remaining amortization period is 23 years.

NOTE 10 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

Eastern Upper Peninsula Transportation Authority

Description of Plan and Plan Assets

The Authority is in the Municipal Employees’ Retirement System (MERS), an agent multiple employer public employee retirement system that acts as a common investment and administrative agent for units of local government in Michigan. The system provides the following provisions: normal retirement, deferred retirement and service retirement to plan members and their beneficiaries. All full-time employees become a member of the System on the first day of employment and are completely vested after 10 years of service. Service retirement allowances are based upon percentages ranging from 1.5 to 2.25 percent of 3 to 5-year final average compensation depending on benefit program selected and social security coverage, etc. The most recent period of which actuarial data was available was for the fiscal year ended December 31, 2017.

General Information about the Pension Plan

Plan Description. The employer’s defined benefit pension plan provides certain retirement, disability and death benefits to plan members and beneficiaries. The employer participates in the Municipal Employees Retirement System (MERS) of Michigan. MERS is an agent multiple-employer, statewide public employee pension plan established by the Michigan Legislature under Public Act 135 of 1945 and administered by a nine-member Retirement Board. MERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained accessing the MERS website at www.mersofmich.com.

01 – General: Closed to new hires, linked to Division 11	
	2017 Valuation
Benefit Multiplier:	2.25% Multiplier (80% max)
Normal Retirement Age:	60
Vesting:	6 Years
Early Retirement (Unreduced):	55/15
Early Retirement (Reduced):	50/25
Final Average Compensation:	3 years
Cola for Future Retirees:	2.5% (non-compound)
Member Contributions:	0%
Act 88:	No

10 – Busing Union: Closed to new hires linked to Division 11	
	2017 Valuation
Benefit Multiplier:	2.25% Multiplier (80% max)
Normal Retirement Age:	60
Vesting:	6 Years
Early Retirement (Unreduced):	55/15
Early Retirement (Reduced):	50/25
Final Average Compensation:	3 years
Cola for Future Retirees:	2.5% (non-compound)
Member Contributions:	0%
Act 88:	No

NOTE 10 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

11 – Gnrl & Busing Union aft 6/1/16: Open Division, linked to Division 01, 10	
	2017 Valuation
Benefit Multiplier:	1.5% Multiplier (no max)
Normal Retirement Age:	60
Vesting:	10 Years
Early Retirement (Unreduced):	-
Early Retirement (Reduced):	50/25 55/15
Final Average Compensation:	5 years
Member Contributions:	0%
Act 88:	No

Employees Covered by Benefit Term. At the December 31, 2017 valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	31
Inactive employees entitled to but not yet receiving benefits	3
Active employees	<u>20</u>
	54

Contributions. 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 cost of benefits earned by employees 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. Employer contributions for General (closed) is \$43,434, Bussing (closed) \$4,939 and General & Busing (open) is 7.31%.

Net Pension Asset. The employer’s Net Pension Liability was measured as of December 31, 2017, and the total pension liability used to calculate the Net Pension Asset was determined by an annual actuarial valuation as of that date.

Actuarial assumptions. The total pension liability in the December 31, 2017 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation: 2.5%

Salary Increases: 3.75% in the long-term, plus percentage based on age related scale.

Investment rate of return: 7.75%, net of investment expense, including inflation.

Although no specific price inflation assumptions are needed for the valuation, the assumed long-term annual rate of price inflation is 2.5%.

Mortality rates used were based on the RP-2014 Group Annuity Mortality Table of a 50% Male and 50% Female blend.

The actuarial assumptions used in valuation were based on the results of the most recent actuarial experience study of 2009 - 2013.

NOTE 10 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

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
Global Equity	57.5%	5.02%
Global Fixed Income	20.0%	2.18%
Real Assets	12.5%	4.23%
Diversifying Strategies	10.0%	6.56%

Discount Rate. The discount rate used to measure the total pension liability is 8.00% for 2017. 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.

Changes in Net Pension Liability

	Increases (Decreases)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balances at December 31, 2016	\$ 11,408,816	\$ 5,031,330	\$ 6,377,486
Service cost	118,541	-	118,541
Interest on total pension liability	887,875	-	887,875
Difference between expected and actual experience	28,247	-	28,247
Changes in assumptions	-	-	-
Employer contributions	-	449,860	(449,860)
Net investment income	-	646,488	(646,488)
Benefit payments, including employee refunds	(739,287)	(739,287)	-
Administrative expense	-	(10,262)	10,262
Other changes	(523)	1	(524)
Net changes	294,853	346,800	(51,947)
Balances as of December 31, 2017	\$ 11,703,669	\$ 5,378,130	\$ 6,325,539

NOTE 10 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability of the employer, calculated using the discount rate of 8.0%, as well as what the employer's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.0%) or 1-percentage-point higher (9.0%) than the current rate:

	1% Decrease (7.0%)	Current Discount Rate (8.0%)	1% Increase (9.0%)
Net Pension Liability at 12/31/17	-	\$6,325,539	-
Change in Net Pension Liability	\$1,301,795	-	(\$1,100,959)
Calculated Net Pension Liability	\$7,627,334	\$6,325,539	\$5,224,580

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

For the year ended September 30, 2018, the employer recognized pension expense of \$914,307. The employer reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences in experience	\$ 124,637	\$ -
Differences in assumptions	-	-
Excess Investment Returns	-	91,009
Contributions subsequent to the measurement date	402,018	-
Total	<u>\$ 526,655</u>	<u>\$ 91,009</u>

The amount reports as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the Net Pension Liability for the year ending September 30, 2018.

Amounts reported as deferred outflows and inflows of resources related to pensions will be recorded in pension expense as follows:

Year Ended September 30:	
2019	88,411
2020	72,388
2021	(75,978)
2022	(51,193)

NOTE 11 - DEFERRED COMPENSATION PLAN

Chippewa County offers all employees a deferred compensation plan created in accordance with the Internal Revenue Code, Section 457. The assets of the plan were 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 thereof of 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 Chippewa County’s financial statements.

NOTE 12 - WATER FUND – RESTRICTED CASH

	<u>December 31, 2018</u>	
	<u>Required Balance</u>	<u>Actual Balance</u>
Bond Reserves		
Water Supply System Revenue Bond Series 2000	\$ <u>34,600</u>	\$ <u>34,600</u>
Repair, Replacement and Improvements		
Water Supply System Revenue Bond Series 2000	\$ <u>39,925</u>	\$ <u>39,925*</u>

*Repair and replacement funds have only been utilized for water supply system related maintenance.

This Space was left blank intentionally

NOTE 13- RESTATEMENT

Primary Government

	<u>Governmental Net Position</u>
Beginning net position as previously stated at January 1, 2018	\$ (8,696,614)
Restatement of Net Position – for implementation of GASB 75 – OPEB cumulative effect (includes effect of Health Department)	<u>(4,224,032)</u>
Beginning net position as restated at January 1, 2018	<u>\$ (12,920,646)</u>

Chippewa County Health Department

	<u>Governmental Net Position</u>	<u>Fund Balance</u>
Beginning net position as previously stated at October 1, 2017	\$ (6,616,015)	639,592
Restatement of Net Position – for implementation of GASB 75 – OPEB cumulative effect	<u>(684,043)</u>	
Restatement of Fund Balance – change in accounting for compensated absences		<u>168,104</u>
Beginning net position as restated at October 1, 2017	<u>\$ (7,300,058)</u>	<u>\$ 807,696</u>

Chippewa County Road Commission

	<u>Governmental Net Position</u>
Beginning net position as previously stated at January 1, 2018	\$ 82,244,879
Restatement of Net Position – for implementation of GASB 75 – OPEB cumulative effect	<u>(24,166,164)</u>
Beginning net position as restated at January 1, 2018	<u>\$ 58,078,715</u>

NOTE 14 - FUND BALANCES

	General	Health Department	Senior Nutrition	Ambulance	Correctional Facility Maintenance	Nonmjo Governmental	Total
Nonspendable:							
Prepaid Items and Inventory	\$ 96,862	\$ 36,525	\$ -	\$ -	\$ -	\$ 8,241	\$ 141,628
Restricted for:							
Public Safety	-	-	-	-	614,079	64,808	678,887
Health and Welfare	-	-	1,481	-	-	-	1,481
Bond Retirement	-	-	-	-	-	34,600	34,600
Committed:							
Public Works	-	-	-	-	-	7,503	7,503
Assigned:							
Judicial	-	-	-	-	-	204,213	204,213
General Government	28,475	-	-	-	-	94,838	123,313
Public Safety	-	-	-	-	-	516,880	516,880
Health and Welfare	-	951,897	-	-	-	275,908	1,227,805
Economic Development	-	-	-	-	-	30,792	30,792
Public Works	-	-	-	-	-	293,149	293,149

Required Supplementary Information

**Employee Retirement and Benefit Systems
Required Supplementary Information
Schedule of Changes in the Net Pension Liability and Related Ratios
For the Year Ended December 31, 2018**

	2018	2017	2016	2015
Total pension liability				
Service cost	\$ 634,541	\$ 658,712	\$ 684,077	\$ 688,332
Interest	3,385,669	3,265,125	3,009,234	2,979,321
Difference between expected & actual experience	(333,125)	96,527	166,122	-
Change in assumptions	-	-	1,584,621	-
Benefit payments, including				
refund of member contributions	(2,556,950)	(2,287,670)	(2,184,386)	(2,035,612)
Net transfers	-	-	(27,518)	-
Other changes	(75,393)	(79,187)	26,654	(48,905)
Net change in total pension liability	1,054,742	1,653,507	3,258,804	1,583,136
Total pension liability - beginning	43,282,064	41,628,557	38,369,753	36,786,617
Total pension liability - ending	<u>\$ 44,336,806</u>	<u>\$ 43,282,064</u>	<u>\$ 41,628,557</u>	<u>\$ 38,369,753</u>
Plan fiduciary net position				
Contributions - employer	\$ 1,608,967	\$ 1,477,710	\$ 1,149,992	\$ 1,169,588
Contributions - employee	101,742	111,720	158,580	127,301
Net investment income	335,193	3,383,628	1,825,377	264,835
Benefit payments, including				
refunds of member contributions	(2,556,950)	(2,287,670)	(2,184,386)	(2,035,612)
Net transfers	-	42,151	(27,518)	-
Administrative expense	(58,248)	(57,209)	(57,545)	(58,964)
Net change in plan fiduciary net position	(569,296)	2,670,330	864,500	(532,852)
Plan fiduciary net position - beginning	29,608,775	26,938,445	26,073,945	26,606,797
Plan fiduciary net position - ending	<u>\$ 29,039,479</u>	<u>\$ 29,608,775</u>	<u>\$ 26,938,445</u>	<u>\$ 26,073,945</u>
County's net pension liability - ending	<u>\$ 15,297,327</u>	<u>\$ 13,673,289</u>	<u>\$ 14,690,112</u>	<u>\$ 12,295,808</u>
Plan fiduciary net position as a percentage of the total pension liability	65%	68%	65%	68%
Covered - employee payroll	\$ 7,360,404	\$ 7,575,339	\$ 7,319,582	\$ 7,240,587
County's net pension liability as a percentage of covered-employee payroll	208%	180%	201%	170%

**Employee Retirement and Benefit Systems
Required Supplementary Information
Schedule of Contributions
For the Year Ended December 31, 2018**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 1,454,196	\$ 1,477,710	\$ 1,149,992	\$ 1,181,603
Contributions in relation to the actuarially determined contribution	<u>(1,608,967)</u>	<u>(1,477,710)</u>	<u>(1,149,992)</u>	<u>(1,169,588)</u>
Contribution deficiency (excess)	<u>\$ (154,771)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,015</u>
Covered - employee payroll	\$ 7,360,404	\$ 7,575,339	\$ 7,319,582	\$ 4,907,159
Contributions as a percentage of covered-employee payroll	20%	20%	16%	24%

Notes to Schedule:

Actuarially determined contribution rates are calculated as of December 31st, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	22 years
Asset valuation method	5-years smoothed market
Inflation	2.50%
Salary increases	3.75%, average, including inflation
Investment rate of return	7.75%, net of investment expenses including inflation
Retirement age	In the 2016 actuarial valuation, expected retirement ages of general employees were adjusted to more closely reflect actual experience
Mortality	Assumptions were based on the RP 2014 Group Annuity Mortality Table - Blended 50% Male / 50% Female

**Employee Retirement and Benefit Systems
Required Supplementary Information
Schedule of Changes in the OPEB Liability and Related Ratios
Year Ended December 31, 2018**

	2018
Total OPEB Liability - Beginning of Year	\$ 17,987,754
Service cost	153,104
Interest	1,463,014
Assumption changes and differences between actual and expected experience	335,885
Difference between actual and expected investment income	(505,929)
Benefit payments	(1,049,927)
OPEB Liability - End of Year	\$ 18,383,901
Plan fiduciary net position	
Contributions - employer	\$ 1,684,225
Net investment income	1,081,405
Benefit payments	(1,017,435)
Administrative expense	(18,227)
Net change in plan fiduciary net position	1,729,968
Plan fiduciary net position - Beginning of Year	6,869,164
Plan fiduciary net position - End of Year	\$ 8,599,132
Net OPEB liability - End of Year	\$ 9,784,769
Plan fiduciary net position as a percentage of the total OPEB liability	47%
Covered Payroll	\$ 3,646,510
Net OPEB liability as a percentage of covered payroll	268.33%
Schedule of Employer Contributions	
Service cost	\$ 153,104
30 year amortization of NOL at 8.0%	1,671,807
Actuarially determined contribution	1,824,911
Actual Contribution	1,066,331
Contribution deficiency/(excess)	\$ 758,580
Covered Payroll	\$ 3,646,510
ADC as a percentage of payroll	50.05%

Key Assumptions:

Census Collection Date	January 1, 2017
Discount rate	8.00%
Year 1 per 65 inflation rates (Medical/RX)	11.39% / (30.69%)
Year 2 inflation rate	9.50%
Ultimate inflation rate	5.00%
Year Ultimate inflation rate is reached	2027
Actuarial Cost Method	Entry age normal (percent of salary)

**Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended December 31, 2018**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 7,233,774	\$ 7,233,774	\$ 7,510,740	\$ 276,966
License and Permits	39,600	39,600	35,355	(4,245)
Federal Sources	477,873	477,874	500,630	22,756
State Sources	2,267,449	2,337,191	2,332,032	(5,159)
Local Sources	165,000	205,000	154,761	(50,239)
Charges for Services	1,718,706	1,918,706	1,952,671	33,965
Interest and Rentals	50,000	50,000	102,046	52,046
Fines and Forfeitures	90,750	90,750	78,194	(12,556)
Other Revenue	151,616	231,226	257,351	26,125
TOTAL REVENUES	12,194,768	12,584,121	12,923,780	339,659
EXPENDITURES:				
Legislative:				
Board of Commissioners	59,089	59,089	49,854	9,235
Judicial:				
Juvenile Court	318,849	318,849	304,278	14,571
Circuit Court	510,650	510,650	482,157	28,493
District Court	496,423	506,423	499,088	7,335
Friend of the Court	500,679	500,679	478,142	22,537
Jury Board	6,367	6,367	4,245	2,122
Probate Court	487,105	497,105	494,070	3,035
Public Defender	256,384	331,384	312,222	19,162
Bailiff	141,923	143,923	141,283	2,640
Total Judicial	2,718,380	2,815,380	2,715,485	99,895
General Government:				
Administrator	284,876	346,876	346,801	75
Information Systems	387,995	387,995	375,040	12,955
Elections	56,811	56,811	32,828	23,983
County Clerk	296,607	296,607	295,055	1,552
Equalization	231,342	231,342	213,922	17,420
Prosecuting Attorney	563,457	563,457	547,672	15,785
Support Coordinator	99,861	106,061	104,603	1,458
Crime Victim Advocate	105,018	108,518	106,359	2,159
Remonumentation	135,771	135,771	135,771	-
Register of Deeds	334,960	334,960	317,081	17,879
Treasurer	334,353	343,353	342,146	1,207
Cooperative Extension	120,037	122,037	121,930	107
Buildings and Grounds	224,721	342,815	316,189	26,626
Health Set Aside	600,037	600,037	600,037	-
Drain Commission	1,023	1,073	1,044	29
Soil Conservation District	26,000	26,000	26,000	-
GIS Mapping	49,750	101,809	100,274	1,535
Surveyor	36,207	39,707	39,303	404
Total General Government	3,888,826	4,145,229	4,022,055	123,174

**Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended December 31, 2018**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Public Safety:				
Sheriff	1,183,517	1,298,531	1,263,889	34,642
Marine	20,000	20,000	8,248	11,752
Correctional Facility	2,562,187	2,587,187	2,566,846	20,341
Regional Planning Commission	23,200	63,200	58,764	4,436
Trident Task Force	86,079	91,079	88,491	2,588
Snowmobile Patrol Grant	32,200	32,200	20,001	12,199
O.R.V. Grant	24,000	24,000	17,184	6,816
Animal Control	217,925	258,625	250,591	8,034
Total Public Safety	4,149,108	4,374,822	4,274,014	100,808
Health and Welfare:				
Substance Abuse	75,129	80,000	79,812	188
Medical Examiner	65,000	130,000	105,659	24,341
Veterans Affairs	70,737	73,737	68,979	4,758
Total Health and Welfare	210,866	283,737	254,450	29,287
Other Expenditures:				
Retirees Hospitalization	540,000	540,000	483,951	56,049
Insurance	275,000	275,000	260,632	14,368
Legal Services	15,000	45,000	37,000	8,000
Audit	28,000	28,000	28,000	-
Postage Meter	2,750	2,750	2,394	356
Record Copier	10,000	10,000	2,150	7,850
Cost Allocation Plan	4,000	4,000	3,500	500
Miscellaneous	52,945	130,982	101,554	29,428
Appropriations	351,326	351,326	351,326	-
Total Other Expenditures	1,279,021	1,387,058	1,270,507	116,551
Capital Outlay:				
Building & Improvements	85,900	130,959	130,959	-
Equipment	8,723	8,723	8,723	-
Vehicle	53,795	53,795	53,795	-
Total Capital Outlay	148,418	193,477	193,477	-
TOTAL EXPENDITURES	12,453,708	13,258,792	12,779,842	478,950
EXCESS OF REVENUES OVER EXPENDITURES	(258,940)	(674,671)	143,938	818,609
OTHER FINANCING SOURCES (USES):				
Operating Transfers In	807,537	807,537	913,836	106,299
Operating Transfers Out	(654,095)	(659,095)	(424,851)	234,244
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	\$ (105,498)	\$ (526,229)	632,923	\$ 1,159,152
FUND BALANCE, JANUARY 1			4,933,940	
FUND BALANCE, DECEMBER 31			\$ 5,566,863	

**Required Supplementary Information
Budgetary Comparison Schedule
Health Department
For the Year Ended September 30, 2018**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Federal Sources	\$ 567,228	\$ 567,228	\$ 568,558	\$ 1,330
State Sources	593,464	593,464	404,424	(189,040)
Local Sources	274,869	274,869	305,388	30,519
Charges for Services	4,869,667	4,869,667	4,512,276	(357,391)
Other Revenue	424,042	424,042	415,878	(8,164)
TOTAL REVENUES	6,729,270	6,729,270	6,206,524	(522,746)
EXPENDITURES:				
Health and Welfare	6,728,625	6,728,625	6,025,798	702,827
TOTAL EXPENDITURES	6,728,625	6,728,625	6,025,798	702,827
EXCESS OF REVENUES OVER EXPENDITURES	\$ 645	\$ 645	180,726	\$ 180,081
FUND BALANCE, OCTOBER 1 (As Restated See Note 14)			807,696	
FUND BALANCE, SEPTEMBER 30			\$ 988,422	

**Required Supplementary Information
Budgetary Comparison Schedule
Ambulance
For the Year Ended December 31, 2018**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
REVENUES:				
Taxes	\$ 474,474	\$ 486,200	\$ 482,427	\$ (3,773)
TOTAL REVENUES	474,474	486,200	482,427	(3,773)
EXPENDITURES:				
Health and Welfare	308,408	316,030	315,113	917
TOTAL EXPENDITURES	308,408	316,030	315,113	917
EXCESS OF REVENUES OVER EXPENDITURES	166,066	170,170	167,314	(2,856)
OTHER FINANCING SOURCES (USES):				
Operating Transfers Out	(166,066)	(170,170)	(169,676)	494
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	\$ -	\$ -	(2,362)	\$ (2,362)
FUND BALANCE, JANUARY 1			2,362	
FUND BALANCE, DECEMBER 31			\$ -	

**Required Supplementary Information
Budgetary Comparison Schedule
Senior Nutrition Program
For the Year Ended December 31, 2018**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 554,275	\$ 565,000	\$ 561,481	\$ (3,519)
TOTAL REVENUES	<u>554,275</u>	<u>565,000</u>	<u>561,481</u>	<u>(3,519)</u>
EXPENDITURES:				
Health and Welfare	554,275	565,000	560,000	5,000
TOTAL EXPENDITURES	<u>554,275</u>	<u>565,000</u>	<u>560,000</u>	<u>5,000</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>\$ -</u>	<u>\$ -</u>	1,481	<u>\$ 1,481</u>
FUND BALANCE, JANUARY 1			<u>-</u>	
FUND BALANCE, DECEMBER 31			<u>\$ 1,481</u>	

**Required Supplementary Information
Budgetary Comparison Schedule
Correctional Facility Maintenance
For the Year Ended December 31, 2018**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 665,929	\$ 665,929	\$ 677,845	\$ 11,916
Interest and Rentals	4,000	4,000	3,372	(628)
TOTAL REVENUES	669,929	669,929	681,217	11,288
EXPENDITURES:				
Public Safety	-	42,840	40,303	2,537
Capital Outlay	81,691	101,495	101,495	-
TOTAL EXPENDITURES	81,691	144,335	141,798	2,537
EXCESS OF REVENUES OVER EXPENDITURES	588,238	525,594	539,419	13,825
OTHER FINANCING SOURCES (USES):				
Operating Transfers Out	(645,550)	(645,550)	(645,550)	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	\$ (57,312)	\$ (119,956)	(106,131)	\$ 13,825
FUND BALANCE, JANUARY 1			720,210	
FUND BALANCE, DECEMBER 31			\$ 614,079	

Other Information

	General	Tax Exemption	Sheriff Special Projects	Trident Task Force	Livery Inspections	Building Maintenance	Health Set Aside	Totals
ASSETS:								
Cash and Investments - Unrestricted	\$ 4,668,826	\$ 20,020	\$ 4,891	\$ 2,463	\$ 1,617	\$ 16,221	\$ -	\$ 4,714,038
Receivables:								
Accounts	13,356	-	-	-	-	-	-	13,356
Taxes	575,334	-	-	-	-	-	-	575,334
Interest	6,136	-	-	-	-	-	-	6,136
Due from Other Funds	203,744	-	-	-	-	-	-	203,744
Due from Governmental Units	437,412	-	-	-	-	-	-	437,412
Prepaid Items	96,862	-	-	-	-	-	-	96,862
TOTAL ASSETS	\$ 6,001,670	\$ 20,020	\$ 4,891	\$ 2,463	\$ 1,617	\$ 16,221	\$ -	\$ 6,046,882
LIABILITIES:								
Due to Other Funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts Payable	159,388	-	-	-	-	-	-	159,388
Due to Governmental Units	-	14,274	-	-	-	-	-	14,274
Accrued Liabilities	303,894	-	-	2,463	-	-	-	306,357
TOTAL LIABILITIES	463,282	14,274	-	2,463	-	-	-	480,019
FUND BALANCES:								
Nonspendable	96,862	-	-	-	-	-	-	96,862
Assigned	-	5,746	4,891	-	1,617	16,221	-	28,475
Unassigned	5,441,526	-	-	-	-	-	-	5,441,526
TOTAL FUND BALANCES	5,538,388	5,746	4,891	-	1,617	16,221	-	5,566,863
TOTAL LIABILITIES AND FUND BALANCES	\$ 6,001,670	\$ 20,020	\$ 4,891	\$ 2,463	\$ 1,617	\$ 16,221	\$ -	\$ 6,046,882

**Combining Statement of Revenues, Expenditures, and
Changes in Fund Balance - General Funds
For the Year Ended December 31, 2018**

	General	Tax Exemption	Sheriff Special Projects	Trident Task Force	Livery Inspections	Building Maintenance	Health Set Aside	Totals
REVENUES:								
Taxes	\$ 7,505,649	\$ 5,091	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,510,740
Licenses and Permits	35,355	-	-	-	-	-	-	35,355
Federal Sources	500,630	-	-	-	-	-	-	500,630
State Sources	2,332,032	-	-	-	-	-	-	2,332,032
Local Sources	154,761	-	-	-	-	-	-	154,761
Charges for Services	1,952,555	-	-	-	116	-	-	1,952,671
Interest and Rentals	102,046	-	-	-	-	-	-	102,046
Fines and Forfeitures	78,194	-	-	-	-	-	-	78,194
Other Revenue	255,851	-	1,500	-	-	-	-	257,351
TOTAL REVENUES	12,917,073	5,091	1,500	-	116	-	-	12,923,780
EXPENDITURES:								
Legislative	49,854	-	-	-	-	-	-	49,854
Judicial	2,715,485	-	-	-	-	-	-	2,715,485
General Government	3,410,045	-	-	-	-	11,973	600,037	4,022,055
Public Safety	4,184,519	-	1,004	88,491	-	-	-	4,274,014
Health and Welfare	254,450	-	-	-	-	-	-	254,450
Capital Outlay	118,418	-	-	-	-	75,059	-	193,477
Other Expenditures	1,270,507	-	-	-	-	-	-	1,270,507
TOTAL EXPENDITURES	12,003,278	-	1,004	88,491	-	87,032	600,037	12,779,842
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	913,795	5,091	496	(88,491)	116	(87,032)	(600,037)	143,938
OTHER FINANCING SOURCES (USES):								
Operating Transfers In	225,308	-	-	88,491	-	-	600,037	913,836
Operating Transfers Out	(424,851)	-	-	-	-	-	-	(424,851)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	714,252	5,091	496	-	116	(87,032)	-	632,923
FUND BALANCES, JANUARY 1	4,824,136	655	4,395	-	1,501	103,253	-	4,933,940
FUND BALANCES, DECEMBER 31	\$ 5,538,388	\$ 5,746	\$ 4,891	\$ -	\$ 1,617	\$ 16,221	\$ -	\$ 5,566,863

	Special Revenue Funds							
	50th Circuit Court	Drug Court	Construction Code	Distric Drug Court	HUD Grant	Family Counseling	Emergency Preparedness Grant	Mental Health Court
ASSETS:								
Cash and Investments - Unrestricted	\$ 53,456	\$ -	\$ 2,243	\$ -	\$ 29,634	\$ 255	\$ 25,776	\$ -
Cash and Investments - Restricted	-	-	-	-	-	-	-	-
Taxes Receivable	-	-	-	-	-	-	-	-
Accounts Receivable	-	2,541	-	-	-	-	-	-
Due from Other Funds	-	-	-	-	-	-	-	-
Due from Governmental Units	-	15,366	-	552	-	-	-	-
Prepaid Items	-	-	-	-	-	-	-	-
TOTAL ASSETS	<u>\$ 53,456</u>	<u>\$ 17,907</u>	<u>\$ 2,243</u>	<u>\$ 552</u>	<u>\$ 29,634</u>	<u>\$ 255</u>	<u>\$ 25,776</u>	<u>\$ -</u>
LIABILITIES:								
Due to Other Funds	\$ -	\$ 12,536	\$ -	\$ 380	\$ -	\$ -	\$ -	\$ -
Accounts Payable	410	5,371	149	171	-	-	-	-
Accrued Liabilities	-	-	2,094	-	-	-	-	-
Unearned Revenues	-	-	-	-	-	-	-	-
TOTAL LIABILITIES	<u>410</u>	<u>17,907</u>	<u>2,243</u>	<u>551</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES:								
Taxes Levied for a Subsequent Period	-	-	-	-	-	-	-	-
FUND BALANCES:								
Nonspendable	-	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	-	25,776	-
Committed	-	-	-	-	-	-	-	-
Assigned	53,046	-	-	1	29,634	255	-	-
TOTAL FUND BALANCES	<u>53,046</u>	<u>-</u>	<u>-</u>	<u>1</u>	<u>29,634</u>	<u>255</u>	<u>25,776</u>	<u>-</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 53,456</u>	<u>\$ 17,907</u>	<u>\$ 2,243</u>	<u>\$ 552</u>	<u>\$ 29,634</u>	<u>\$ 255</u>	<u>\$ 25,776</u>	<u>\$ -</u>

	Special Revenue Funds							
	Operation Stonegarden	Animal Control Millage	FOC Child Support	Community Service	Superior Twp 2000 Improvements Maintenance	Office of Community Correction	Register of Deeds Automation	Drug Forfeiture
ASSETS:								
Cash and Investments - Unrestricted	\$ 14,217	\$ 212,040	\$ 149,950	\$ 13,455	\$ 90,520	\$ 140,929	\$ 84,495	\$ 30,137
Cash and Investments - Restricted	-	-	-	-	-	-	-	-
Taxes Receivable	-	112,181	-	-	-	-	-	-
Accounts Receivable	-	-	40	-	-	-	185	-
Due from Other Funds	-	-	-	-	-	-	-	-
Due from Governmental Units	-	-	-	-	-	-	-	-
Prepaid Items	-	-	-	-	-	-	595	-
TOTAL ASSETS	<u>\$ 14,217</u>	<u>\$ 324,221</u>	<u>\$ 149,990</u>	<u>\$ 13,455</u>	<u>\$ 90,520</u>	<u>\$ 140,929</u>	<u>\$ 85,275</u>	<u>\$ 30,137</u>
LIABILITIES:								
Due to Other Funds	\$ 6,893	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts Payable	1,722	2,335	-	45	-	2,694	2,240	-
Accrued Liabilities	5,602	-	-	1,047	-	2,767	-	-
Unearned Revenues	-	-	-	-	-	-	-	-
TOTAL LIABILITIES	<u>14,217</u>	<u>2,335</u>	<u>-</u>	<u>1,092</u>	<u>-</u>	<u>5,461</u>	<u>2,240</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES:								
Taxes Levied for a Subsequent Period	-	112,181	-	-	-	-	-	-
FUND BALANCES:								
Nonspendable	-	-	-	-	-	-	595	-
Restricted	-	-	-	-	-	-	-	-
Committed	-	-	-	-	-	-	-	-
Assigned	-	209,705	149,990	12,363	90,520	135,468	82,440	30,137
TOTAL FUND BALANCES	<u>-</u>	<u>209,705</u>	<u>149,990</u>	<u>12,363</u>	<u>90,520</u>	<u>135,468</u>	<u>83,035</u>	<u>30,137</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 14,217</u>	<u>\$ 324,221</u>	<u>\$ 149,990</u>	<u>\$ 13,455</u>	<u>\$ 90,520</u>	<u>\$ 140,929</u>	<u>\$ 85,275</u>	<u>\$ 30,137</u>

**Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2018**

	Special Revenue Funds							
	CCSD Salvage Vehicle	Concealed Weapons	Sheriff Law Enforcement Training	Local Corrections Officer's Training	Sheriff Park Patrol	Road Patrol Overtime	Law Library	
ASSETS:								
Cash and Investments - Unrestricted	\$ 3,275	\$ 33,644	\$ 1,119	\$ 14,107	\$ 9,470	\$ 53,891	\$ 1,513	\$ -
Cash and Investments - Restricted	-	-	-	-	-	-	-	-
Taxes Receivable	-	-	-	-	-	-	-	-
Accounts Receivable	-	36	188	-	-	-	-	-
Due from Other Funds	-	-	-	-	-	-	-	-
Due from Governmental Units	-	-	-	-	-	7,339	-	-
Prepaid Items	-	-	-	-	-	-	-	-
TOTAL ASSETS	\$ 3,275	\$ 33,680	\$ 1,307	\$ 14,107	\$ 9,470	\$ 61,230	\$ 1,513	\$ -
LIABILITIES:								
Due to Other Funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts Payable	-	-	-	-	-	-	337	-
Accrued Liabilities	-	169	-	-	-	925	-	-
Unearned Revenues	-	-	-	-	-	-	-	-
TOTAL LIABILITIES	-	169	-	-	-	925	337	-
DEFERRED INFLOWS OF RESOURCES:								
Taxes Levied for a Subsequent Period	-	-	-	-	-	-	-	-
FUND BALANCES:								
Nonspendable	-	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	-	-	-
Committed	-	-	-	-	-	-	-	-
Assigned	3,275	33,511	1,307	14,107	9,470	60,305	1,176	-
TOTAL FUND BALANCES	3,275	33,511	1,307	14,107	9,470	60,305	1,176	-
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 3,275	\$ 33,680	\$ 1,307	\$ 14,107	\$ 9,470	\$ 61,230	\$ 1,513	\$ -

	Special Revenue Funds							
	Animal Shelter Donations	Highway Safety	Chippewa County DHS Appropriation	MIDC Indigent Defense	DHS Child Care	Probate Child Care	Emergency Telephone System	Office of Emergency Services
ASSETS:								
Cash and Investments - Unrestricted	\$ 226,064	\$ -	\$ 47	\$ 122,807	\$ 48,904	\$ -	\$ 1,507	\$ 53,902
Cash and Investments - Restricted	-	-	-	-	-	-	-	-
Taxes Receivable	-	-	-	-	-	-	-	-
Accounts Receivable	685	-	205	-	-	-	113,272	546
Due from Other Funds	-	-	-	-	-	-	7,118	-
Due from Governmental Units	-	4,848	-	-	-	14,765	50,287	196
Prepaid Items	-	-	906	-	-	-	-	7,681
TOTAL ASSETS	\$ 226,749	\$ 4,848	\$ 1,158	\$ 122,807	\$ 48,904	\$ 14,765	\$ 172,184	\$ 62,325
LIABILITIES:								
Due to Other Funds	\$ -	\$ 2,639	\$ -	\$ -	\$ -	\$ 13,605	\$ 127,053	\$ 7,118
Accounts Payable	-	-	-	521	-	-	9,084	4,061
Accrued Liabilities	-	2,209	-	3,779	-	1,160	36,047	4,433
Unearned Revenues	-	-	-	118,507	-	-	-	-
TOTAL LIABILITIES	-	4,848	-	122,807	-	14,765	172,184	15,612
DEFERRED INFLOWS OF RESOURCES:								
Taxes Levied for a Subsequent Period	-	-	-	-	-	-	-	-
FUND BALANCES:								
Nonspendable	-	-	906	-	-	-	-	7,681
Restricted	-	-	-	-	-	-	-	39,032
Committed	-	-	-	-	-	-	-	-
Assigned	226,749	-	252	-	48,904	-	-	-
TOTAL FUND BALANCES	226,749	-	1,158	-	48,904	-	-	46,713
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 226,749	\$ 4,848	\$ 1,158	\$ 122,807	\$ 48,904	\$ 14,765	\$ 172,184	\$ 62,325

	Special Revenue Funds				Debt Service Funds			
	911 State Training	Chippewa County Recycling	MMOG Grant	Secondary Road Patrol	2013 Refunding Debt	2011 Refunding Debt	2010 City Water and Sewer	Superior Township 2000 Improvement Bond Reserve
ASSETS:								
Cash and Investments - Unrestricted	\$ 12,923	\$ 202,629	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Cash and Investments - Restricted	-	-	-	-	-	-	-	34,600
Taxes Receivable	-	560,638	-	-	-	-	-	-
Accounts Receivable	-	-	-	-	-	-	-	-
Due from Other Funds	-	-	-	-	-	-	-	-
Due from Governmental Units	6,672	-	-	37,361	-	-	-	-
Prepaid Items	-	-	-	-	-	-	-	-
TOTAL ASSETS	\$ 19,595	\$ 763,267	\$ -	\$ 37,361	\$ -	\$ -	\$ -	\$ 34,600
LIABILITIES:								
Due to Other Funds	\$ -	\$ -	\$ -	\$ 32,198	\$ -	\$ -	\$ -	\$ -
Accounts Payable	-	-	-	-	-	-	-	-
Accrued Liabilities	-	-	-	5,163	-	-	-	-
Unearned Revenues	-	-	-	-	-	-	-	-
TOTAL LIABILITIES	-	-	-	37,361	-	-	-	-
DEFERRED INFLOWS OF RESOURCES:								
Taxes Levied for a Subsequent Period	-	560,638	-	-	-	-	-	-
FUND BALANCES:								
Nonspendable	-	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	-	-	34,600
Committed	-	-	-	-	-	-	-	-
Assigned	19,595	202,629	-	-	-	-	-	-
TOTAL FUND BALANCES	19,595	202,629	-	-	-	-	-	34,600
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 19,595	\$ 763,267	\$ -	\$ 37,361	\$ -	\$ -	\$ -	\$ 34,600

	Debt Service Funds		Capital Project Fund	
	Superior Township Improvements Debt	New Jail Debt	Hakola-Ross Drainage	Totals
ASSETS:				
Cash and Investments - Unrestricted	\$ -	\$ -	\$ 7,503	\$ 1,640,412
Cash and Investments - Restricted	-	-	-	34,600
Taxes Receivable	-	-	-	672,819
Accounts Receivable	-	-	-	117,698
Due from Other Funds	-	-	-	7,118
Due from Governmental Units	-	-	-	137,386
Prepaid Items	-	-	-	9,182
TOTAL ASSETS	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,503</u>	<u>\$ 2,619,215</u>
LIABILITIES:				
Due to Other Funds	\$ -	\$ -	\$ -	\$ 202,422
Accounts Payable	-	-	-	29,140
Accrued Liabilities	-	-	-	65,395
Unearned Revenues	-	-	-	118,507
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>415,464</u>
DEFERRED INFLOWS OF RESOURCES:				
Taxes Levied for a Subsequent Period	-	-	-	672,819
FUND BALANCES:				
Nonspendable	-	-	-	9,182
Restricted	-	-	-	99,408
Committed	-	-	7,503	7,503
Assigned	-	-	-	1,414,839
TOTAL FUND BALANCES	<u>-</u>	<u>-</u>	<u>7,503</u>	<u>1,530,932</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,503</u>	<u>\$ 2,619,215</u>

**Combining Statement of Revenues, Expenditures, and
Changes in Fund Balance - Nonmajor Governmental Funds
For the Year Ended December 31, 2018**

	Special Revenue Funds							
	50th Circuit Court	Drug Court	Construction Code	District Drug Court	HUD Grant	Family Counseling	Emergency Preparedness Grant	Mental Health Court
REVENUES:								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Federal Sources	-	48,403	-	-	46,099	-	-	-
State Sources	-	12,481	-	552	-	-	25,776	-
Local Sources	-	-	-	-	-	-	-	-
Charges for Services	21,290	4,855	99,553	-	-	3,000	-	50
Interest and Rentals	-	-	-	-	-	-	-	-
Other Revenue	-	14,801	677	-	37,508	-	-	-
TOTAL REVENUES	21,290	80,540	100,230	552	83,607	3,000	25,776	50
EXPENDITURES:								
Judicial	4,945	82,611	-	551	-	-	-	-
General Government	-	-	-	-	-	-	-	-
Public Safety	-	-	-	-	-	-	-	-
Public Works	-	-	79,479	-	-	-	-	-
Health and Welfare	-	-	-	-	-	2,865	-	50
Community/Economic Development	-	-	-	-	46,902	-	-	-
Debt Service	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	4,945	82,611	79,479	551	46,902	2,865	-	50
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	16,345	(2,071)	20,751	1	36,705	135	25,776	-
OTHER FINANCING SOURCES (USES):								
Operating Transfers In	-	1,814	-	-	-	-	-	-
Operating Transfers Out	-	-	(20,751)	-	(46,681)	-	-	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	16,345	(257)	-	1	(9,976)	135	25,776	-
FUND BALANCES, JANUARY 1	36,701	257	-	-	39,610	120	-	-
FUND BALANCES, DECEMBER 31	\$ 53,046	\$ -	\$ -	\$ 1	\$ 29,634	\$ 255	\$ 25,776	\$ -

**Combining Statement of Revenues, Expenditures, and
Changes in Fund Balance - Nonmajor Governmental Funds
For the Year Ended December 31, 2018**

	Special Revenue Funds							
	Operation Stonegarden	Animal Control Millage	FOC Child Support	Community Service	Superior Twp 2000 Improvements Maintenance	Office of Community Correction	Register of Deeds Automation	Drug Forfeiture
REVENUES:								
Taxes	\$ -	\$ 114,609	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Federal Sources	67,800	-	-	-	-	-	-	-
State Sources	-	-	7,840	-	-	-	-	-
Local Sources	-	-	10,484	-	12,655	-	-	-
Charges for Services	-	-	-	-	-	164,459	46,025	-
Interest and Rentals	-	-	-	-	248	-	-	-
Other Revenue	-	-	-	32,892	-	999	-	5,377
TOTAL REVENUES	67,800	114,609	18,324	32,892	12,903	165,458	46,025	5,377
EXPENDITURES:								
Judicial	-	-	-	-	-	-	-	-
General Government	-	-	-	-	-	-	30,584	-
Public Safety	67,800	-	-	-	-	128,903	-	2,647
Public Works	-	-	-	32,487	-	-	-	-
Health and Welfare	-	89,808	-	-	-	-	-	-
Community/Economic Development	-	-	-	-	-	-	-	-
Debt Service	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	67,800	89,808	-	32,487	-	128,903	30,584	2,647
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	24,801	18,324	405	12,903	36,555	15,441	2,730
OTHER FINANCING SOURCES (USES):								
Operating Transfers In	-	-	-	-	-	-	-	-
Operating Transfers Out	-	-	-	-	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	-	24,801	18,324	405	12,903	36,555	15,441	2,730
FUND BALANCES, JANUARY 1	-	184,904	131,666	11,958	77,617	98,913	67,594	27,407
FUND BALANCES, DECEMBER 31	\$ -	\$ 209,705	\$ 149,990	\$ 12,363	\$ 90,520	\$ 135,468	\$ 83,035	\$ 30,137

**Combining Statement of Revenues, Expenditures, and
Changes in Fund Balance - Nonmajor Governmental Funds
For the Year Ended December 31, 2018**

	Special Revenue Funds							
	CCSD Salvage Vehicle	Concealed Weapons	Sheriff Law Enforcement Training	Local Corrections Officer's Training	Sheriff Park Patrol	Road Patrol Overtime	Law Library	Youth Alcohol
REVENUES:								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Federal Sources	-	-	-	-	-	-	-	-
State Sources	-	-	2,996	-	-	85,196	-	6,587
Local Sources	-	-	-	-	-	-	-	-
Charges for Services	2,400	18,157	-	10,376	1,636	-	3,500	-
Interest and Rentals	-	-	-	-	-	-	-	-
Other Revenue	-	-	-	-	-	1,233	-	-
TOTAL REVENUES	2,400	18,157	2,996	10,376	1,636	86,429	3,500	6,587
EXPENDITURES:								
Judicial	-	-	-	-	-	-	3,598	-
General Government	-	-	-	-	-	-	-	-
Public Safety	5,353	8,587	5,657	8,620	2,076	66,591	-	-
Public Works	-	-	-	-	-	-	-	-
Health and Welfare	-	-	-	-	-	-	-	6,587
Community/Economic Development	-	-	-	-	-	-	-	-
Debt Service	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	5,353	8,587	5,657	8,620	2,076	66,591	3,598	6,587
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(2,953)	9,570	(2,661)	1,756	(440)	19,838	(98)	-
OTHER FINANCING SOURCES (USES):								
Operating Transfers In	-	-	-	-	-	-	-	-
Operating Transfers Out	-	-	-	-	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	(2,953)	9,570	(2,661)	1,756	(440)	19,838	(98)	-
FUND BALANCES, JANUARY 1	6,228	23,941	3,968	12,351	9,910	40,467	1,274	-
FUND BALANCES, DECEMBER 31	\$ 3,275	\$ 33,511	\$ 1,307	\$ 14,107	\$ 9,470	\$ 60,305	\$ 1,176	\$ -

**Combining Statement of Revenues, Expenditures, and
Changes in Fund Balance - Nonmajor Governmental Funds
For the Year Ended December 31, 2018**

	Special Revenue Funds							
	Animal Shelter Donations	Highway Safety	Chippewa County DHS Appropriation	MIDC Indigent Defense	DHS Child Care	Probate Child Care	Emergency Telephone System	Office of Emergency Services
REVENUES:								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Federal Sources	-	-	-	-	-	-	-	34,648
State Sources	-	22,082	-	24,356	-	217,761	195,502	-
Local Sources	-	-	-	-	-	7,500	-	-
Charges for Services	-	-	-	-	-	-	493,021	-
Interest and Rentals	-	-	-	-	-	-	-	-
Other Revenue	73,168	-	-	-	-	3,291	188,799	15,408
TOTAL REVENUES	73,168	22,082	-	24,356	-	228,552	877,322	50,056
EXPENDITURES:								
Judicial	-	-	-	-	-	-	-	-
General Government	-	-	-	-	-	-	-	-
Public Safety	-	22,082	-	-	-	-	948,195	166,441
Public Works	-	-	-	-	-	-	-	-
Health and Welfare	4,753	-	18,021	24,356	-	454,478	-	-
Community/Economic Development	-	-	-	-	-	-	-	-
Debt Service	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	4,753	22,082	18,021	24,356	-	454,478	948,195	166,441
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	68,415	-	(18,021)	-	-	(225,926)	(70,873)	(116,385)
OTHER FINANCING SOURCES (USES):								
Operating Transfers In	-	-	18,021	-	-	225,926	70,873	98,803
Operating Transfers Out	-	-	-	-	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	68,415	-	-	-	-	-	-	(17,582)
FUND BALANCES, JANUARY 1	158,334	-	1,158	-	48,904	-	-	64,295
FUND BALANCES, DECEMBER 31	\$ 226,749	\$ -	\$ 1,158	\$ -	\$ 48,904	\$ -	\$ -	\$ 46,713

**Combining Statement of Revenues, Expenditures, and
Changes in Fund Balance - Nonmajor Governmental Funds
For the Year Ended December 31, 2018**

	Special Revenue Funds				Debt Service Funds			
	911 State Training	Chippewa County Recycling	MMOG Grant	Secondary Road Patrol	2013 Refunding Debt	2011 Refunding Debt	2010 City Water and Sewer	Superior Twp 2000 Improvement Bond Reserve
REVENUES:								
Taxes	\$ -	\$ 566,694	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Federal Sources	-	-	-	-	-	-	-	-
State Sources	12,644	-	8,380	61,127	-	-	-	-
Local Sources	-	-	-	-	562,919	763,750	-	-
Charges for Services	-	-	-	-	-	-	-	-
Interest and Rentals	-	-	-	-	-	-	-	-
Other Revenue	-	-	-	-	-	-	-	-
TOTAL REVENUES	12,644	566,694	8,380	61,127	562,919	763,750	-	-
EXPENDITURES:								
Judicial	-	-	-	-	-	-	-	-
General Government	-	-	-	-	-	-	-	-
Public Safety	6,341	-	8,380	151,726	-	-	-	-
Public Works	-	550,000	-	-	-	-	-	-
Health and Welfare	-	-	-	-	-	-	-	-
Community/Economic Development	-	-	-	-	-	-	-	-
Debt Service	-	-	-	-	562,919	763,750	427,150	-
TOTAL EXPENDITURES	6,341	550,000	8,380	151,726	562,919	763,750	427,150	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	6,303	16,694	-	(90,599)	-	-	(427,150)	-
OTHER FINANCING SOURCES (USES):								
Operating Transfers In	-	-	-	90,599	-	-	427,150	-
Operating Transfers Out	-	-	-	-	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	6,303	16,694	-	-	-	-	-	-
FUND BALANCES, JANUARY 1	13,292	185,935	-	-	-	-	-	34,600
FUND BALANCES, DECEMBER 31	\$ 19,595	\$ 202,629	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 34,600

**Combining Statement of Revenues, Expenditures, and
Changes in Fund Balance - Nonmajor Governmental Funds
For the Year Ended December 31, 2018**

	Debt Service Funds		Capital Fund	Totals
	Superior Township Improvements Debt	New Jail Debt	Hakola-Ross Drainage	
REVENUES:				
Taxes	\$ -	\$ -	\$ -	\$ 681,303
Federal Sources	-	-	-	196,950
State Sources	-	-	-	683,280
Local Sources	26,308	-	-	1,383,616
Charges for Services	-	-	-	868,322
Interest and Rentals	-	-	-	248
Other Revenue	-	-	-	374,153
TOTAL REVENUES	26,308	-	-	4,187,872
EXPENDITURES:				
Judicial	-	-	-	91,705
General Government	-	-	-	30,584
Public Safety	-	-	-	1,599,399
Public Works	-	-	-	661,966
Health and Welfare	-	-	-	600,918
Community/Economic Development	-	-	-	46,902
Debt Service	26,308	218,400	-	1,998,527
TOTAL EXPENDITURES	26,308	218,400	-	5,030,001
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	(218,400)	-	(842,129)
OTHER FINANCING SOURCES (USES):				
Operating Transfers In	-	218,400	-	1,151,586
Operating Transfers Out	-	-	-	(67,432)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	-	-	-	242,025
FUND BALANCES, JANUARY 1	-	-	7,503	1,288,907
FUND BALANCES, DECEMBER 31	\$ -	\$ -	\$ 7,503	\$ 1,530,932

**Combining Statement of Net Position
Major Tax Collection Enterprise Fund
December 31, 2018**

	2015 Tax Revolving	2016 Tax Revolving	2017 Tax Revolving	Prior Years' Tax Revolving	Tax Revolving Admin	Totals
ASSETS:						
Cash and Investments - Unrestricted	\$ 445,572	\$ 684,064	\$ 2,228,088	\$ 6,542,366	\$ 50,077	\$ 9,950,167
Taxes Receivable	5,110	260,815	1,312,686	1,883	-	1,580,494
Accrued Interest Receivable	-	86,070	136,526	6,444	-	229,040
TOTAL ASSETS	\$ 450,682	\$ 1,030,949	\$ 3,677,300	\$ 6,550,693	\$ 50,077	\$ 11,759,701
LIABILITIES:						
Due to Governmental Units	\$ 59,314	\$ 17,314	\$ -	\$ 69	\$ -	\$ 76,697
Accrued Liabilities	-	-	22	-	-	22
TOTAL LIABILITIES	59,314	17,314	22	69	-	76,719
NET POSITION:						
Unrestricted	391,368	1,013,635	3,677,278	6,550,624	50,077	11,682,982
TOTAL NET POSITION	391,368	1,013,635	3,677,278	6,550,624	50,077	11,682,982
TOTAL LIABILITIES AND NET POSITION	\$ 450,682	\$ 1,030,949	\$ 3,677,300	\$ 6,550,693	\$ 50,077	\$ 11,759,701

County of Chippewa, Michigan

**Combining Statement of Revenues, Expenses, and
Changes in Net Position - Major Tax Collection Enterprise Fund
For the Year Ended December 31, 2018**

	2015 Tax Revolving	2016 Tax Revolving	2017 Tax Revolving	Prior Years' Tax Revolving	Tax Revolving Admin	Totals
OPERATING REVENUES:						
Charges for Services	\$ 12,680	\$ 40,210	\$ 80,794	\$ 47	\$ -	\$ 133,731
Penalties and Interest Charges	6,808	145,853	225,418	783	-	378,862
TOTAL OPERATING REVENUES	19,488	186,063	306,212	830	-	512,593
OPERATING EXPENSES:						
Other Supplies and Expenses	1,092	-	-	60	3,024	4,176
Total Operating Expenses	1,092	-	-	60	3,024	4,176
OPERATING INCOME (LOSS)	18,396	186,063	306,212	770	(3,024)	508,417
NON-OPERATING REVENUES (EXPENSES):						
Interest on Deposits	-	-	20,686	87,296	-	107,982
Total Non-operating Revenues (Expenses)	-	-	20,686	87,296	-	107,982
INCOME (LOSS) BEFORE TRANSFERS	18,396	186,063	326,898	88,066	(3,024)	616,399
Operating Transfers In	-	-	3,350,380	-	-	3,350,380
Operating Transfers Out	(600,037)	(3,051,380)	-	(299,000)	-	(3,950,417)
CHANGES IN NET POSITION	(581,641)	(2,865,317)	3,677,278	(210,934)	(3,024)	16,362
NET POSITION, JANUARY 1	973,009	3,878,952	-	6,761,558	53,101	11,666,620
NET POSITION, DECEMBER 31	\$ 391,368	\$ 1,013,635	\$ 3,677,278	\$ 6,550,624	\$ 50,077	\$ 11,682,982

**Combining Statement of Net Position
Nonmajor Enterprise Funds
December 31, 2018**

	State Education Tax Parcel Fee	2013 Tax Foreclosure	2014 Tax Foreclosure	2015 Tax Foreclosure	Sheriff Commissary	Homestead Tax	Totals
ASSETS:							
Cash and Investments - Unrestricted	\$ 24,521	\$ -	\$ 285,185	\$ 101,927	\$ 34,806	\$ -	\$ 446,439
Due from Governmental Units	-	-	-	-	-	873	873
TOTAL ASSETS	\$ 24,521	\$ -	\$ 285,185	\$ 101,927	\$ 34,806	\$ 873	\$ 447,312
LIABILITIES:							
Due To Other Funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 873	\$ 873
TOTAL LIABILITIES	-	-	-	-	-	873	873
NET POSITION :							
Unrestricted	\$ 24,521	\$ -	\$ 285,185	\$ 101,927	\$ 34,806	\$ -	\$ 446,439
TOTAL NET POSITION	\$ 24,521	\$ -	\$ 285,185	\$ 101,927	\$ 34,806	\$ -	\$ 446,439

**Combining Statement of Revenues, Expenses, and
Changes in Net Position - Nonmajor Enterprise Funds
For the Year Ended December 31, 2018**

	State Education Tax Parcel Fee	2013 Tax Foreclosure	2014 Tax Foreclosure	2015 Tax Foreclosure	Sheriff Commissary	Homestead Tax	Totals
OPERATING REVENUES:							
Penalties and Interest Charges	\$ 4,050	\$ 60	\$ -	\$ 141,278	\$ 339,474	\$ -	\$ 484,862
TOTAL OPERATING REVENUES	4,050	60	-	141,278	339,474	-	484,862
OPERATING EXPENSES:							
Other Supplies and Expenses	493	30	30	39,351	302,150	-	342,054
TOTAL OPERATING EXPENSES	493	30	30	39,351	302,150	-	342,054
OPERATING INCOME (LOSS)	3,557	30	(30)	101,927	37,324	-	142,808
INCOME (LOSS) BEFORE TRANSFERS	3,557	30	(30)	101,927	37,324	-	142,808
Operating Transfers Out	-	(122,876)	-	-	(35,000)	-	(157,876)
CHANGES IN NET POSITION	3,557	(122,846)	(30)	101,927	2,324	-	(15,068)
NET POSITION, JANUARY 1	20,964	122,846	285,215	-	32,482	-	461,507
NET POSITION, DECEMBER 31	\$ 24,521	\$ -	\$ 285,185	\$ 101,927	\$ 34,806	\$ -	\$ 446,439

**Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Year Ended December 31, 2018**

	State Education Tax Parcel Fee	2013 Tax Foreclosure	2014 Tax Foreclosure	2015 Tax Foreclosure	Sheriff Commissary	Homestead Tax	Totals
CASH FLOWS FROM OPERATING ACTIVITIES:							
Receipts from Customers	\$ 4,050	\$ 60	\$ -	\$ 141,278	\$ 339,474	\$ 11,344	\$ 496,206
Payments to Suppliers	(493)	(30)	(30)	(39,351)	(302,150)	(11,344)	(353,398)
Net Cash Provided (Used) by Operating Activities	<u>3,557</u>	<u>30</u>	<u>(30)</u>	<u>101,927</u>	<u>37,324</u>	<u>-</u>	<u>142,808</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:							
Operating Transfers Out	-	(122,876)	-	-	(35,000)	-	(157,876)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>-</u>	<u>(122,876)</u>	<u>-</u>	<u>-</u>	<u>(35,000)</u>	<u>-</u>	<u>(157,876)</u>
Net Increase (Decrease) in Cash and Investments	3,557	(122,846)	(30)	101,927	2,324	-	(15,068)
Balances - Beginning of the Year	20,964	122,846	285,215	-	32,482	-	461,507
Balances - End of the Year	<u>\$ 24,521</u>	<u>\$ -</u>	<u>\$ 285,185</u>	<u>\$ 101,927</u>	<u>\$ 34,806</u>	<u>\$ -</u>	<u>\$ 446,439</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:							
Operating Income (Loss)	\$ 3,557	\$ 30	\$ (30)	\$ 101,927	\$ 37,324	\$ -	\$ 142,808
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:							
Change in Assets and Liabilities:							
(Increase)Decrease in Assets:							
Due from Governmental Units	-	-	-	-	-	11,344	11,344
Increase(Decrease) in Liabilities:							
Due to Other Funds	-	-	-	-	-	(11,344)	(11,344)
Net Cash Provided (Used) by Operating Activities	<u>\$ 3,557</u>	<u>\$ 30</u>	<u>\$ (30)</u>	<u>\$ 101,927</u>	<u>\$ 37,324</u>	<u>\$ -</u>	<u>\$ 142,808</u>

**Combining Statement of Net Position
Internal Service Funds
December 31, 2018**

	<u>Self Insurance- Health</u>	<u>Self Insurance- Workers Comp.</u>	<u>Central Stores</u>	<u>Total</u>
ASSETS:				
Cash and Investments - Unrestricted	\$ 135,115	\$ 25,293	\$ -	\$ 160,408
Inventory	-	-	7,319	7,319
Due from Governmental Units	72,203	-	-	72,203
TOTAL ASSETS	<u>\$ 207,318</u>	<u>\$ 25,293</u>	<u>\$ 7,319</u>	<u>\$ 239,930</u>
LIABILITIES:				
Due to Other Funds	\$ -	\$ -	\$ 7,319	\$ 7,319
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>7,319</u>	<u>7,319</u>
NET POSITION:				
Unrestricted	<u>207,318</u>	<u>25,293</u>	<u>-</u>	<u>232,611</u>
TOTAL NET POSITION	<u>207,318</u>	<u>25,293</u>	<u>-</u>	<u>232,611</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 207,318</u>	<u>\$ 25,293</u>	<u>\$ 7,319</u>	<u>\$ 239,930</u>

**Combining Statement of Revenues, Expenses, and
Changes in Net Position - Internal Service Funds
For the Year Ended December 31, 2018**

	Self Insurance- Health	Self Insurance- Workers Comp.	Central Stores	Total
OPERATING REVENUES:				
Charges for Services	\$ 2,921,537	\$ 135,164	\$ 11,730	\$ 3,068,431
Total Operating Revenues	<u>2,921,537</u>	<u>135,164</u>	<u>11,730</u>	<u>3,068,431</u>
OPERATING EXPENSES:				
Premium Payments	3,261,843	137,146	-	3,398,989
Supplies	-	-	11,914	11,914
Total Operating Expenses	<u>3,261,843</u>	<u>137,146</u>	<u>11,914</u>	<u>3,410,903</u>
OPERATING INCOME (LOSS)	(340,306)	(1,982)	(184)	(342,472)
NET POSITION, JANUARY 1	<u>547,624</u>	<u>27,275</u>	<u>184</u>	<u>575,083</u>
NET POSITION, DECEMBER 31	<u>\$ 207,318</u>	<u>\$ 25,293</u>	<u>\$ -</u>	<u>\$ 232,611</u>

**Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended December 31, 2018**

	Self Insurance- Health	Self Insurance- Workers Comp.	Central Stores	Totals
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from Customers	\$ 2,935,402	\$ 135,164	\$ 11,730	\$ 3,082,296
Payments to Suppliers	(3,261,843)	(137,146)	(13,251)	(3,412,240)
Internal Activity - Receipts(Payments) with Other Funds	-	-	1,521	1,521
	(326,441)	(1,982)	-	(328,423)
Net Cash Provided (Used) by Operating Activities				
Net Increase (Decrease) in Cash and Investments	(326,441)	(1,982)	-	(328,423)
Balances - Beginning of the Year	461,556	27,275	-	488,831
Balances - End of the Year	\$ 135,115	\$ 25,293	\$ -	\$ 160,408
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating Income (Loss)	\$ (340,306)	\$ (1,982)	\$ (184)	\$ (342,472)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Change in Assets and Liabilities:				
(Increase) Decrease in Assets:				
Due from Governmental Units	13,865	-	-	13,865
Inventory	-	-	(1,337)	(1,337)
Increase (Decrease) in Liabilities:				
Due to Other Funds	-	-	1,521	1,521
	-	-	1,521	1,521
Net Cash Provided (Used) by Operating Activities	\$ (326,441)	\$ (1,982)	\$ -	\$ (328,423)

Reports on Compliance



ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

KINROSS OFFICE

SUE A. BOWLBY, CPA, PRINCIPAL
KENNETH A. TALSMA, CPA, PRINCIPAL
AMBER N. MACK, CPA, PRINCIPAL

PHILLIP J. WOLF, CPA
LESLIE BOHN, CPA

MEMBER AICPA
DIVISION FOR CPA FIRMS

MEMBER MACPA

OFFICES IN
MICHIGAN & WISCONSIN

**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
County of Chippewa, Michigan
Sault Ste. Marie, MI 49783

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 the County of Chippewa, Michigan as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the County of Chippewa's basic financial statements and have issued our report thereon dated June 1, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County of Chippewa, Michigan'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County of Chippewa, Michigan's internal control. Accordingly, we do not express an opinion on the effectiveness of the County of Chippewa, Michigan'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.

Members of the Board
County of Chippewa, Michigan

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County of Chippewa, Michigan'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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 result 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.



Anderson, Tackman & Company, PLC
Certified Public Accountants
Kincheloe, Michigan

June 1, 2019



ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

KINROSS OFFICE

SUE A. BOWLBY, CPA, PRINCIPAL
KENNETH A. TALSMA, CPA, PRINCIPAL
AMBER N. MACK, CPA, PRINCIPAL

PHILLIP J. WOLF, CPA
LESLIE BOHN, CPA

MEMBER AICPA
DIVISION FOR CPA FIRMS

MEMBER MACPA

OFFICES IN
MICHIGAN & WISCONSIN

**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
County of Chippewa, Michigan
Sault Ste. Marie, MI 49783

Report on Compliance for Each Major Federal Program

We have audited the County of Chippewa, Michigan's 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 of Chippewa, Michigan's major federal programs for the year ended December 31, 2018. The County of Chippewa, Michigan's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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 the compliance for each of the County of Chippewa, Michigan'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 of Chippewa, Michigan'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 of Chippewa, Michigan's compliance.

Opinion on Each Major Federal Program

In our opinion, the County of Chippewa, Michigan complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2018.

Report on Internal Control Over Compliance

Management of the County of Chippewa, Michigan 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 of Chippewa, Michigan'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 of Chippewa, Michigan'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 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.



Anderson, Tackman and Company, PLC
Certified Public Accountants
Kincheloe, Michigan

June 1, 2019

County of Chippewa, Michigan

Schedule of Expenditures of Federal Awards For the Year Ended December 31, 2018

Federal Agency / Cluster / Program Title	CFDA Number	Passed Through	Pass-through / Grantor Number	Total Subawards	Federal Expenditures
U.S. Department of Agriculture					
Women, Infant and Children - Resident Services	10.557	MDHHS	IW100342	\$ -	\$ 196,068
Women, Infant and Children - Breastfeeding	10.557	MDHHS	W500342	-	17,889
Subtotal				-	213,957
Forest Service Schools and Roads Cluster					
Schools and Roads Grants to States - Title I	10.665	MDNR	N/A	318,236	318,236
Total U.S. Department of Agriculture				318,236	532,193
U.S. Department of Housing & Urban Development					
Community Development Block Grant	14.228	MSHDA	MSC-2015-0731-HO	-	46,099
U.S. Department of Justice					
STOP Grant	16.588	DPRC	STOP 16-17001-1	-	17,000
U.S. Department of Transportation					
Michigan Department of Transportation					
Federal Transit Capital Grants					
Capital Grant - Marine Capital	20.205	MDOT	2016-029-01	-	1,161,807
Capital Grant - Section 5311	20.509	MDOT	2012-126904	-	7,754
Operating Assistance - Section 5311	20.509	MDOT	2017-0047P6	-	81,654
Rural Transit Assistance Program (RTAP)	20.509	MDOT	N/A	-	4,500
Subtotal State and Federal, Capital and Operating Assistance				-	1,255,715
Michigan Department of Transportation					
Job Access and Reverse Commute Program (JARC)	20.516	MDOT	2017-0047PS	-	15,258
Highway Safety Cluster					
Airport Project - State Administered	20.106	MDOT	3-26-0139-3817	-	689,269
Airport Project - State Administered	20.106	MDOT	3-26-0139-3918	-	835,102
MDOT Projects - State Administered	20.205	MDOT	STP	-	1,120,988
Subtotal				-	2,645,359
Passed Through from the State Court Administrators Office					
Office of Highway Safety Planning	20.601	MDC	03062	-	48,403
Total U.S. Department of Transportation				-	3,964,735
U.S. Environmental Protection Agency					
Drinking Water State Revolving Fund Cluster					
Type II Operator Assisted	66.468	MDEQ	FS97548714	-	938
Type II Capacity Development	66.468	MDEQ	FS97548713	-	450
Subtotal				-	1,388
Great Lakes Beach Monitoring	66.472	MDEQ	CU00E99305	-	3,578
Total U.S. Environmental Protection Agency				-	4,966
U.S. Department of Health and Human Services					
Public Health Emergency Preparedness					
Public Health Emergency Preparedness	93.069	MDHHS	NU90TP000528	-	89,051
Public Health Emergency Preparedness	93.069	MDHHS	NU90TP921906	-	27,152
Subtotal				-	116,203

See accompanying notes to the schedule of expenditures of federal awards.

County of Chippewa, Michigan

Schedule of Expenditures of Federal Awards For the Year Ended December 31, 2018

Federal Agency / Cluster / Program Title	CFDA Number	Passed Through	Pass-through / Grantor Number	Total Subawards	Federal Expenditures
U.S. Department of Health and Human Services (Continued)					
Family Planning/BCCCP	93.217	MDHHS	FPHPA05017341		3,539
Family Planning/BCCCP	93.217	MDHHS	FPHPA056287	-	38,931
Subtotal					42,470
Immunization - Vaccines (noncash)	93.268	MDHHS	N/A	-	88,381
Immunization - Childen	93.268	MDHHS	NH23IP000752	-	4,350
Immunization - IAP	93.268	MDHHS	NH23IP000752	-	20,889
Subtotal				-	113,620
Immunization - IAP	93.539	MDHHS	H23 IP000752	-	13,197
Child Support Enforcement:					
Title IV-D - CRP Friend of the Court	93.563	MDHHS	CSFOC-13-17001	-	235,136
Title IV-D - CRP Friend of the Court	93.563	MDHHS	CSFOC-17-17001	-	105,113
Title IV-D - CRP Prosecuting Attorney	93.563	MDHHS	CSPA-13-17002	-	55,528
Title IV-D - CRP Prosecuting Attorney	93.563	MDHHS	CSPA-17-17002	-	29,548
Performance Incentive Payment	93.563	MDHHS	N/A	-	47,705
Subtotal				-	473,030
BCCCP Coordination	93.752	MDHHS	NUI58DP006334	-	5,625
Passed Through from Western Michigan Health					
Vaccinate the UP	93.758	WMHD	251019	-	1,330
Medicaid Cluster:					
Medicaid Outreach	93.778	MDHHS	05 U05M15ADM	-	12,113
Medicaid - Administration	93.778	MDHHS	1805MI5ADM	-	982
Medicaid - Administration	93.778	MDHHS	05 U05M15ADM	-	15,082
Subtotal				-	28,177
Maternal & Child Health Services Block Grants to the States:					
Maternal & Child Health Services Block Grant	93.994	MDHHS	B04MC31495	-	6,954
Maternal & Child Health Services Block Grant	93.994	MDHHS	B04MC31495	-	22,059
Subtotal				-	29,013
Total U.S. Department of Health and Human Services				-	822,665
U.S. Department of Homeland Security					
2018 Marine Safety Program	97.012	MDNR	N/A	-	10,600
Emergency Management Performance Grant	97.042	MSP	EMC-2016-EP-00001	-	16,995
Subtotal				-	27,595
Homeland Security Program Grant:					
Operation Stonegarden Grant	97.067	MSP	2010-SS-T0-0009	-	67,800
Homeland Security Grant - 2015	97.067	HC	N/A	-	5,713
Homeland Security Grant - 2016	97.067	HC	N/A	-	5,474
Homeland Security Grant - 2017	97.067	HC	N/A	-	6,466
Subtotal				-	85,453
Total U.S. Department of Homeland Security				-	113,048
Total Expenditures of Federal Awards				\$ 318,236	\$ 5,500,706

See accompanying notes to the schedule of expenditures of federal awards.

NOTE A - BASIS OF PRESENTATION:

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the County of Chippewa, Michigan under programs of the federal government for the year ended December 31, 2018. 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 of Chippewa, Michigan, it is not intended to and does not present the financial position, changes in net position, or cash flows of the County of Chippewa, Michigan.

NOTE B - COGNIZANT AGENCY:

The County has not been assigned a cognizant agency. Therefore, the County is under the general oversight of the U.S. Department of Transportation which provided the greatest amount of indirect federal funding to the County during 2018.

NOTE C - INDIRECT COST:

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

NOTE D - MDOT ADMINISTRATION:

The Highway Planning and Construction Grants (Chippewa County Road Commission), Capital Grants – Section 5311 (EUP Transportation Authority) and Airport Improvement Grants (Chippewa County Economic Development Corporation) include various contracted projects. Accordingly, the federal expenditures recognized on each negotiated project do not necessarily relate to the County's actual costs for that project. Contracted projects are administered by MDOT which monitors the applicable compliance requirements of those projects.

NOTE E - RECONCILIATION TO THE STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE:

The following is a reconciliation of the amounts reported on the basic financial statements to the Schedule of Expenditures of Federal Awards:

Total Federal Sources per Financial Statements	
Primary Government	\$ 1,266,138
Federal Grants of Component Units	3,916,332
Federal Grants in Trust & Agency	<u>318,236</u>
Total Federal Revenue Recognized per Schedule of Expenditures of Federal Awards	<u>\$ 5,500,706</u>

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued:	Unmodified
Internal control over financial reporting:	
· Material weaknesses identified?	No
· Significant deficiencies identified that are not considered to be material weaknesses?	No
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
· Material weaknesses identified?	No
· Significant deficiencies identified that are not considered to be material weaknesses?	No
Type of auditor’s report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Title 2 (CFR) part 200, Uniform Guidance?	No

Identification of Major Programs

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
20.205	Marine Capital
Dollar threshold used to distinguish between types A and type B programs:	\$750,000
Auditee qualified as low-risk auditee?	Yes

Section II – Financial Statement Findings

NONE.

Section III – Federal Award Findings and Questioned Costs

NONE.

Section III – Federal Award Findings and Questioned Costs

NONE.

Additional Information

CHIPPEWA COUNTY, MICHIGAN

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT ON ADDITIONAL INFORMATION.....	117
Note 1 - Debt Issues Applicable to SEC Rule 15c2-12	
Disclosure Requirements.....	118
Note 2 - Tables:	
A – Population.....	118
B - Taxable Value by Use and Class	118
C - Taxable Value.....	119
D - SEV by Use and Class	120
E - Maximum Tax Rates	120
F – Revenues from the State of Michigan	121
G - Property Tax Rates.....	121
H - Highest and Lowest Tax Rates	121
I - Property Tax Collections.....	122
J - Ten Largest Taxpayers	122
K - Legal Debt Margin.....	123
L - Debt Schedule.....	123
M - Debt History	124
N - Installment Purchase and Lease Obligations	124
O - Short Term Borrowings	125
P - Future Financing.....	125
Q - Vacation and Sick Leave Liabilities	125
R – Pension.....	126
S – Other Post-Employment Benefits.....	126
T - Labor Contracts	127
U - Profile of Major Employers	127
V - Employment.....	128



ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

KINROSS OFFICE

SUE A. BOWLBY, CPA, PRINCIPAL
KENNETH A. TALSMA, CPA, PRINCIPAL
AMBER N. MACK, CPA, PRINCIPAL

PHILLIP J. WOLF, CPA
LESLIE BOHN, CPA

**MEMBER AICPA
DIVISION FOR CPA FIRMS**

MEMBER MACPA

**OFFICES IN
MICHIGAN & WISCONSIN**

INDEPENDENT AUDITOR'S REPORT ON ADDITIONAL INFORMATION

Members of the Board
County of Chippewa, Michigan
Sault Ste. Marie, MI 49783

Our report on our audit of the basic financial statements of County of Chippewa, Michigan, as of and for the year ended December 31, 2018, appears on page 1. That audit was conducted for the purpose of forming opinions on the basic financial statements taken as a whole. The additional information listed on the following pages regarding the municipal securities disclosure requirements of the Securities Exchange Commission (SEC) Rule 15c2-12 is presented for purposes of additional analysis and is not a required part of the basic financial statements, and accordingly, we express no opinion on it.

Anderson Tackman & Co. PLC

Anderson, Tackman & Company, PLC
Certified Public Accountants
Kincheloe, Michigan

June 1, 2019

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, 2017, 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		
		2017 estimate	37,711

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

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

Use	2018		2017	
	Amount	Percent of Total	Amount	Percent of Total
Agricultural	\$ 35,118,204	3.08%	\$ 37,296,982	3.35%
Commercial (R&P)	164,274,521	14.40%	155,948,335	14.00%
Industrial (R&P)	25,921,711	2.27%	26,882,186	2.41%
Residential	866,880,741	76.00%	847,809,693	76.08%
Utility	48,465,800	4.25%	46,472,100	4.16%
Total	<u>\$ 1,140,660,977</u>	<u>100.00%</u>	<u>\$ 1,114,409,296</u>	<u>100.00%</u>

NOTE 2 – TABLES: (Continued)

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

Class	2018		2017	
	Amount	Percent of Total	Amount	Percent of Total
Real Property	\$ 1,065,152,377	93.38%	\$ 1,045,224,196	93.79%
Personal Property	<u>75,508,600</u>	<u>6.62%</u>	<u>69,185,100</u>	<u>6.21%</u>
Total	<u>\$ 1,140,660,977</u>	<u>100.00%</u>	<u>\$ 1,114,409,296</u>	<u>100.00%</u>

Source: County of Chippewa

C. Taxable Value:

Assessed Value as of December 31	Year of State Equalization and Tax Levy	County's Fiscal Year Ended or Ending December 31	Ad Valorem Taxable Value	Taxable Value of Property Granted Tax Abatement Under Acts 198 and 255	Total Taxable Value	Percent Increase/ (Decrease) Over Prior Year
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%
2015	2016	2017	1,114,409,296	1,095,900	1,115,505,196	1.11%
2016	2017	2018	1,140,660,977	880,700	1,141,541,677	2.33%

Per Capita Total taxable value for the fiscal year ending December 31, 2018 \$29,650.

Source: County of Chippewa

NOTE 2 - TABLES: (Continued)

D. SEV by Use and Class:

Use	Fiscal Year Ended or Ending December 31							
	2015	%	2016	%	2017	%	2018	%
Agriculture	\$ 53,636,992	4%	\$ 54,264,400	4%	\$ 54,038,200	4%	\$ 50,829,900	4%
Commercial	176,292,812	13%	173,528,900	13%	172,900,619	13%	181,939,800	14%
Industrial	33,339,200	3%	32,417,400	3%	31,340,000	2%	31,482,400	2%
Residential	1,027,578,600	77%	1,029,117,076	77%	1,030,810,300	77%	1,034,520,200	77%
Utility	41,180,000	3%	43,686,700	3%	46,472,100	4%	48,465,800	3%
Total	\$ 1,332,027,604	100%	\$ 1,333,014,476	100%	\$ 1,335,561,219	100%	\$ 1,347,238,100	100%
Class								
Real Property	\$ 1,266,502,092	95%	\$ 1,263,635,676	95%	\$ 1,266,376,619	95%	\$ 1,271,729,500	94%
Personal Property	65,525,512	5%	69,378,800	5%	69,561,219	5%	75,508,600	6%
Total	\$ 1,332,027,604	100%	\$ 1,333,014,476	100%	\$ 1,335,937,838	100%	\$ 1,347,238,100	100%

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
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, 2021.
- (3) Voted. Final levy will be December 31, 2018.
- (4) Voted and levied first time in 2009. Expires December 31, 2020.
- (5) Voted. Expires with December 31, 2017 levy. Expired.
- (6) Voted. Expires with December 31, 2018 levy.

Source: County of Chippewa

NOTE 2 - TABLES: (Continued)

F. Revenues from the State of Michigan

<u>Fiscal Year Ended/Ending</u>	<u>Revenue Sharing Payments</u>
December 31, 2014	\$618,628
December 31, 2015	\$716,250
December 31, 2016	\$719,883
December 31, 2017	\$724,783
December 31, 2018	\$733,169

Source: County of Chippewa

G. Property Tax Rates:

Levy	Fiscal Years		Fire/ Ambulance	Road Improvements	Recycling	Jail	Senior Program	Animal Shelter	Total
	Ended or	Ending							
1-Dec	31-Dec	Allocated	(1)	(1)	(1)	(1)	(1)	(1)	
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
2017	2018	6.1500	0.4275	0.9879	0.5000	0.7078	0.4994	0.1000	9.3726
2018	2019	6.1500	0.4275	0.9879	0.5000	0.0000	0.4994	0.1000	8.6648

(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, 2018:

Property Classification	Highest Tax Rate		Lowest Tax Rate	
	Municipality	Tax Rate	Municipality	Tax Rate
Special Exemption*	Sault Ste. Marie	43.2721 mills	Detour Township	21.1184 mills
Other	Sault Ste. Marie	61.2721 mills	Detour Township	39.1184 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

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
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%
2016	2017	9,814,287	9,110,481	92.82%
2017	2018	9,513,458	8,881,752	93.36%

(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. Top Largest Taxpayers:

Taxpayer	Principal Product or Service	December 31, 2018	
		Taxable Value (1)	Percent of of Total (2)
Cloverland Electric Co.	Utility	\$ 36,505,827	30.64%
State of Michigan	Properties	16,732,190	14.04%
American Transmission	Utility	17,982,895	15.09%
Cascade X LLC	Shopping Mall	8,539,300	7.17%
Sault Ste. Marie Tribe of Chippewa Indians	Properties	6,671,691	5.60%
Wal-Mart Real Estate	Shopping Center	5,442,000	4.57%
Meijer Stores	Shopping Center	4,715,900	3.96%
Continental Teves, Inc.	Auto Testing Service	4,442,000	3.73%
Pointe West I LP	Apartment Complex	3,648,200	3.06%
DTE Gas Company	Utility	3,053,942	2.56%
Hoover Precision Products	Manufacturer	2,762,677	2.32%
Dir Owner LLC	Resort	2,604,911	2.19%
Drummond Dolomite, Inc.	Dolomite Quarry	2,416,300	2.03%
Smithers Scientific Services	Vehicle Testing Service	2,044,482	1.72%
McGahey Properties	Construction	1,572,913	1.32%

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

(2) Based on \$1,141,541,677 which is the County's Total Taxable Value for the fiscal year ending December 31, 2018. Includes the Equivalent Taxable Value of property granted tax abatement under Act 198.

Source: County of Chippewa

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)	\$ 134,723,810
Debt Outstanding (2)	<u>(6,686,958)</u>
Legal Debt Margin	<u>\$ 128,036,852</u>

- (1) 10% of \$1,347,238,100 which is the County's Total SEV for its fiscal year ending December 31, 2018. Includes the SEV of property granted tax abatement under Act 198.
- (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, 2017:

<u>County Direct Debt</u>	<u>Gross</u>	<u>Self-Supporting</u>	<u>Net</u>
Building Authority Bonds:			
Dated July 12, 2011 (LT)	\$ 1,015,000	\$ -	\$ 1,015,000
Water and Sewer Bonds:			
Dated December 13, 2013	5,360,000	5,360,000	-
Dated June 26, 2000	<u>311,958</u>	<u>311,958</u>	-
Subtotal	<u>5,671,958</u>	<u>5,671,958</u>	-
General Obligation Bonds:			
Dated December 10, 2009	-	-	-
Installment Obligations	-	-	-
Total	<u>\$ 6,686,958</u>	<u>\$ 5,671,958</u>	<u>\$ 1,015,000</u>
Per Capita Net County Direct Debt			\$ 26.92
Percent of Net Direct Debt to Total SEV			.075%

NOTE 2 - TABLES: (Continued)

L. Debt Schedule: (Continued)

<u>Underlying Debt of County (5)</u>	<u>Total</u>
City	\$ 16,440,000
Townships	1,154,604
School Districts	21,829,210
ISD	<u>-</u>
 Total Underlying Debt	 <u>\$ 39,423,814</u>
 Per Capita Underlying Debt (3)	 \$ 1,023.46
Percent of Underlying Debt to Total SEV (4)	2.93%
 Total Direct and Underlying Debt	 <u>\$ 40,438,814</u>
 Per Capita Net Direct and Underlying Debt (3)	 \$ 1,049.81
Percent of Net Direct and Underlying Debt to Total SEV (4)	3.00%

- (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 2010 census of 38,520.
- (4) Based on \$1,347,238,100 which is the County's Total SEV for its fiscal year ending December 31, 2018. Includes the SEV of property granted tax abatement under Act 198.
- (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.

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:

<u>Year Issued</u>	<u>Notes Issued</u>	<u>Amount Outstanding</u>
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, 2018, the accumulated unpaid compensated absences amount to \$460,094.

NOTE 2 - TABLES: (Continued)

R. Pension:

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 22 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
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%
2016	32,491,180	46,797,040	69%
2017	32,623,560	46,270,543	69%

Source: County of Chippewa

S. Other Post-Employment Benefits:

Within this Annual Financial Report, available in the Notes to the Financial Statements, this information can be found at Note 9 – Other Post-Employment Benefits.

Source: Chippewa County

T. Labor Contracts:

The County courthouse has 148 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
Michigan Fraternal Order of Police Labor Council	16	December 31, 2021
Non-Union Employees	77	Not applicable
Police Officers Association of Michigan	12	December 31, 2021
Michigan Fraternal Order of Police Labor Council: Dispatchers	<u>8</u>	December 31, 2021
Total Permanent County Employees	<u>145</u>	

Source: County of Chippewa

U. 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>
Michigan Department of Corrections	Correctional Institution	1,191
War Memorial Hospital	Hospital	906
Bay Mills Community	Enterprises	674
Sault Ste. Marie Tribe of Chippewa Indians	Tribal Enterprises and Governmental Operations	644
Kewadin Casinos	Casino and Hotel Operations	534
Lake Superior State University	Education	500
Wal-Mart	General Retail	410
Sault Area Public Schools	Education	292
Bay Mills Community	Tribal Government	204
C.L.M. Community Action	Child Daycare Services / Senior Services	192

Source: Eastern Upper Peninsula Regional Planning

NOTE 2 - TABLES: (Continued)

V. Employment:

Reflected below are the unemployment statistics for the County for the calendar years 2012 through 2017:

<u>County of Chippewa</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Employed	15,332	15,346	15,632	15,272	16,543	15,231
Unemployed	<u>1,796</u>	<u>1,609</u>	<u>1,257</u>	<u>1,219</u>	<u>1,283</u>	<u>1,081</u>
Labor Force	<u>17,128</u>	<u>16,955</u>	<u>16,880</u>	<u>16,491</u>	<u>17,826</u>	<u>16,312</u>
Unemployed as % Of Labor Force (1)	10.5%	9.5%	7.4%	7.4%	7.8%	6.6%

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

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



ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

KINROSS OFFICE

SUE A. BOWLBY, CPA, PRINCIPAL
KENNETH A. TALSMA, CPA, PRINCIPAL
AMBER N. MACK, CPA, PRINCIPAL

PHILLIP J. WOLF, CPA
LESLIE BOHN, CPA

MEMBER AICPA
DIVISION FOR CPA FIRMS

MEMBER MACPA

OFFICES IN
MICHIGAN & WISCONSIN

COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

Members of the Board
County of Chippewa
Sault Ste. Marie, MI 49783

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 County of Chippewa, Michigan for the year ended December 31, 2018, and have issued our report thereon dated June 1, 2019. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards* and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards and the Uniform Guidance

As stated in our engagement letter dated May 7, 2019, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing our audit, we will consider the County of Chippewa, Michigan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. We will also consider internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance.

As part of obtaining reasonable assurance about whether the County of Chippewa, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants. However, providing an opinion on compliance with those provisions is not an objective of our audit. Also, in accordance with the Uniform Guidance, we will examine, on a test basis, evidence about the County of Chippewa, Michigan's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Compliance Supplement applicable to each of its major federal programs for the purpose of expressing an opinion on the County of Chippewa, Michigan's compliance with those requirements. While our audit will provide a reasonable basis for our opinion, it does not provide a legal determination on the County of Chippewa, Michigan's compliance with those requirements.

Generally accepted accounting principles provide for certain required supplementary information (RSI) to supplement the basic financial statements. Our responsibility with respect to the management's discussion and analysis and budgetary comparison schedules, which supplement(s) the basic financial statements, is to apply certain limited procedures in accordance with generally accepted auditing standards. However, the RSI will not be audited and, because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance, we will not express an opinion or provide any assurance on the RSI.

We have been engaged to report on schedule of expenditures of federal awards, which accompany the financial statements but are not RSI. Our responsibility for this other information, as described by professional standards, is to evaluate the presentation of the other information in relation to the financial statements as a whole and to report on whether the other information is fairly stated, in all material respects, in relation to the financial statements as a whole.

We have not been engaged to report on the Securities Exchange Commission (SEC) section, which accompany the financial statements but are not RSI. Our responsibility with respect to this other information in documents containing the audited financial statements and auditor's report does not extend beyond the financial information identified in the report. We have no responsibility for determining whether this other information is properly stated. This other information will not be audited and we will not express an opinion or provide any assurance on it.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our correspondence about planning matters dated May 7, 2019.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the County of Chippewa, Michigan are described in Note 1 to the financial statements. One new accounting pronouncement was adopted regarding GASB statement number 75, and the application of existing policies was not changed during the year. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions that 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 financial statements were:

- Management's estimate of the depreciation expense is based on estimated lives. We evaluated the key factors and assumptions used to develop the estimate in determining that it is reasonable in relation to the financial statements taken as a whole.
- Management's estimate of the vested employee benefits is based on current hourly rates and policies regarding payment of sick and vacation banks.

- The allowance for doubtful accounts is based on management's estimates of accounts which will not be collected in subsequent periods, historical write-off experience, and payment analysis.
- Management's estimate of the Annual Required Contribution for OPEB Obligations and pension benefits were based on various assumptions regarding life expectancies, inflation, premium increases, and investment rates.

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. There were no misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreement 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 1, 2019.

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 governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

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 governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Comments and Recommendations

Other Postemployment Benefits (Prior Year)

In June 2015, the Governmental Accounting Standards Board issued Statement Number 75 – “Financial Reporting for Postemployment Benefits Other Than Pensions.” The standard addresses how to measure long-term liabilities and annual costs of Other Postemployment Benefits (OPEB) for the purposes of reporting them in the financial statements. The standard does not apply to how a governmental unit should fund future OPEB payments, however. The standard makes significant changes which will increase the liability and may adjust annual OPEB expense as well. A net OPEB liability will be reported in the employer’s statement of net position which could amount to a significant increase than past amounts reported. The OPEB expense will also be significantly more volatile, since there will likely be two sets of calculations for expense and funding. Additionally, changes in methods and assumptions used in the actuarial calculations, more extensive footnote disclosures and required supplementary information will be needed.

Status: Implemented in the current year

Single Approach for Reporting Leases (Prior Year)

The Governmental Accounting Standards Board (GASB) issued guidance that establishes a single approach to accounting for and reporting leases by state and local governments. The single approach is based on the principle that leases are financing of the right to use an underlying asset.

GASB Statement No. 87, *Leases*, provides guidance for lease contracts for nonfinancial assets – including vehicles heavy equipment, and buildings – but excludes nonexchange transactions, including donated assets, and leases of intangible assets.

Under the new Statement, a lessee government is required to recognize (1) a lease liability and (2) an intangible asset representing the lessee’s right to use the leased asset. A lessor government is required to recognize (1) a lease receivable and (2) a deferred inflow of resources. A lessor will continue to report the leased asset in its financial statements.

A lease also will report the following in its financial statements:

- Amortization expense for using the lease asset (similar to depreciation) over the shorter of the term of the lease or the useful life of the underlying asset.
- Interest expense on the lease liability.
- Note disclosures about the lease, including a general description of the leasing arrangement, the amount of the lease assets recognized, and a schedule of future lease payments to be made.

Limited exceptions to the single-approach guidance are provided for:

- Short-term leases, defined as lasting a maximum of 12 months at inception, including any options to extend.
- Financial purchases.
- Certain regulated leases, such as between municipal airports and air carriers.

The full text of Statement 87 is available on the GASB website, www.gasb.org.

This will be effective for the Corporations fiscal year ended December 31, 2020.

Intrusion Testing

In our review of IT security control, it was noted that the county has not had an intrusion test performed to the knowledge of the IT personal. We recommend that in the ever-changing IT risk environment that the county consider performing an intrusion test to ensure the county IT controls.

Backup Testing

It was noted in our review of IT security controls that the county does not perform regular testing of backups. We recommend that the county research and develop a policy that sets up periodic testing of the system backups to ensure that all information being backed up is properly stored and uncorrupted.

GASB 83 – Certain Asset Retirement Obligations

Effective 06/15/2019 (your FY 2019)

This statement addresses accounting and financial reporting for certain asset retirement obligations--legally enforceable liabilities associated with the retirement of tangible capital assets.

GASB 84 – Fiduciary Activities

Effective 12/15/2019 (your FY 2019)

This standard establishes new criteria for determining how to report fiduciary activities in governmental financial statements. The focus is on whether the government is controlling the assets, and who the beneficiaries are. Under this revised standard, certain activities previously reported in agency funds may be reclassified in future periods.

Due to the number of specific factors to consider, management should assess the degree to which this standard may impact the County.

Other Matters

We applied certain limited procedures to the management's discussion and analysis and budgetary comparison schedules, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquires of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and our 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 fund financial statements and schedule of expenditures of federal awards, which accompany the financial statements but are not RSI. With respect to this other information, we made certain inquires 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 other information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Conclusion

We would like to express our appreciation, as well as that of our staff, for the excellent cooperation we received while performing the audit. If we can be of assistance in implementing the above recommendations, please contact us.

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

A handwritten signature in blue ink that reads "Anderson Tackman & Co. PLC". The signature is written in a cursive, flowing style.

Anderson, Tackman & Company, PLC
Certified Public Accountants
Kincheloe, Michigan

June 1, 2019