County of Chippewa, Michigan

BASIC FINANCIAL STATEMENTS

December 31, 2017

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

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CERTIFIED PUBLIC ACCOUNTANTS

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MEMBER MACPA
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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, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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.

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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, 2017, 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, schedule of funding progress and budgetary comparison information on pages 4 through 9, pages 67 through 69, and pages 70 through 75 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.

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 May 15, 2018 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 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 & Co. PLC

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

May 15, 2018

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, 2017.

Financial Highlights

- The net position of the County exceeded its liabilities at the close of the most recent fiscal year by $3,431,513. Of this amount, $999,583 is restricted.

- Net position for the County as a whole increased by $1,771,163. Net position of our governmental activities increased by $1,326,323 and net position of our business-type activities increased by $444,840.

- During the year, the County had expenses for governmental activities that were $24,799,323 and expenses for business-type activities that were $280,654.

- The General Fund reported a net fund balance of $4,933,940, an increase of $640,028. At the end of the current fiscal year, unassigned fund balance for the General Fund was $4,767,941, or 35% 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 22-66 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 67-75 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 76-97 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 $3,431,513 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	
	2017	2016	2017	2016	2017	2016
Assets						
Current Assets	$ 11,734,589	$ 11,752,531	$ 12,156,233	$ 11,696,789	$ 23,890,822	$ 23,449,320
Capital Assets	11,268,897	11,863,614	-	-	11,268,897	11,863,614
Total Assets	**23,003,486**	**23,616,145**	**12,156,233**	**11,696,789**	**35,159,719**	**35,312,934**
Deferred Outflows of Resources	**1,383,899**	**3,631,243**	**-**	**-**	**1,383,899**	**3,631,243**
Liabilities						
Current Liabilities	2,846,280	2,737,325	28,106	13,502	2,874,386	2,750,827
Noncurrent Liabilities	27,791,363	31,216,769	-	-	27,791,363	31,216,769
Total Liabilities	**30,637,643**	**33,954,094**	**28,106**	**13,502**	**30,665,749**	**33,967,596**
Deferred Inflows of Resources	**2,446,356**	**2,849,285**	**-**	**-**	**2,446,356**	**2,849,285**
Net Position						
Net Investment in Capital Assets	2,894,939	10,793,614	-	-	2,894,939	10,793,614
Restricted	999,583	993,161	-	-	999,583	993,161
Unrestricted	(12,591,136)	(21,612,766)	12,128,127	11,683,287	(463,009)	(9,929,479)
Total Net Position	**$ (8,696,614)**	**$ (9,825,991)**	**$ 12,128,127**	**$ 11,683,287**	**$ 3,431,513**	**$ 1,857,296**

The current level of unrestricted net position for our governmental activities stands at ($12,591,136), or about (51%) of expenses. Net Position of the governmental activities increased $1,326,323. Net Position of the business–type activities increased $444,840.

The following table shows the activities of the County.

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Program Revenues						
Charges for Services	$ 7,785,705	$ 7,014,578	$ 1,135,314	$ 1,085,546	$ 8,921,019	$ 8,100,124
Operating Grants and Contributions	4,867,327	5,922,912	-	-	4,867,327	5,922,912
Capital Grants and Contributions	27,304	4,875	-	-	27,304	4,875
General Revenues						
Property Taxes	9,718,022	9,574,097	-	-	9,718,022	9,574,097
State Revenue Sharing and Other	3,196,357	719,883	-	-	3,196,357	719,883
Interest Income	62,008	53,004	59,103	62,890	121,111	115,894
Total Revenues	**25,656,723**	**23,289,349**	**1,194,417**	**1,148,436**	**26,851,140**	**24,437,785**
Expenses						
Legislative	50,894	74,214	-	-	50,894	74,214
Judicial	2,733,960	2,641,812	-	-	2,733,960	2,641,812
General Government	4,615,049	5,226,718	-	-	4,615,049	5,226,718
Public Safety	5,509,190	5,225,958	-	-	5,509,190	5,225,958
Public Works	510,145	749,231	-	-	510,145	749,231
Health and Welfare	8,069,435	10,198,823	-	-	8,069,435	10,198,823
Community and Economic Development	145,255	52,991	-	-	145,255	52,991
Interest Expense - Unallocated	367,593	412,824	-	-	367,593	412,824
Other	2,122,822	1,166,813	-	-	2,122,822	1,166,813
Tax Collection	-	-	7,983	1,065	7,983	1,065
Depreciation - Unallocated	674,980	610,048	-	-	674,980	610,048
Other Nonmajor	-	-	272,671	196,592	272,671	196,592
Total Expenses	**24,799,323**	**26,359,432**	**280,654**	**197,657**	**25,079,977**	**26,557,089**
Excess (Deficiency) Before Transfers	857,400	(3,070,083)	913,763	950,779	1,771,163	(2,119,304)
Transfers	468,923	883,799	(468,923)	(883,799)	-	-
Changes in Net Position	**1,326,323**	**(2,186,284)**	**444,840**	**66,980**	**1,771,163**	**(2,119,304)**
Net Position - Beginning	(10,022,937)	(7,639,707)	11,683,287	11,616,307	1,660,350	3,976,600
Net Position - Ending	**$ (8,696,614)**	**$ (9,825,991)**	**$ 12,128,127**	**$ 11,683,287**	**$ 3,431,513**	**$ 1,857,296**

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 2017 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, health, 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 $864,472 higher than budgetary estimates, while general fund expenditures were $1,010,209 less than budgetary estimates. The actual change in fund balance was a increase.

Capital Assets

The County's investment in capital assets for its governmental activities as of December 31, 2017, amounted to $11,268,897 (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 $594,717.

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

- Purchases include vehicles of $101,977, building improvements $297,070 and various equipment of $34,999.

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 $29,478,504. Of this amount, $8,373,958 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 $1,626,000 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 38-39 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, 2017

	Primary Government			
	Governmental Activities	Business-type Activities	Totals	Component Units
ASSETS:				
Cash and Investments - Unrestricted	$ 6,654,747	$ 10,298,364	$ 16,953,111	$ 2,790,054
Cash and Investments - Restricted	-	-	-	1,239,403
Receivables:				
Accounts	1,219,026	-	1,219,026	928,867
Taxes	2,814,930	1,594,812	4,409,742	826,484
Interest	3,857	250,840	254,697	-
Due from Governmental Units	847,913	12,217	860,130	1,525,996
Inventory	10,513	-	10,513	918,189
Prepaid Items	183,603	-	183,603	172,893
Capital Assets (nondepreciable)	231,810	-	231,810	56,059,297
Capital Assets (net of accumulated depreciation)	11,037,087	-	11,037,087	66,460,637
TOTAL ASSETS	23,003,486	12,156,233	35,159,719	130,921,820
DEFERRED OUTFLOWS OF RESOURCES:				
Pension Related Items	1,190,978	-	1,190,978	1,359,459
Deferred Charges on Refunding	192,921	-	192,921	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	1,383,899	-	1,383,899	1,359,459
LIABILITIES:				
Accounts Payable	307,113	-	307,113	440,268
Accrued Liabilities	448,617	15,170	463,787	206,978
Advances	(12,217)	12,217	-	578,134
Unearned Revenue	229,894	-	229,894	-
Other Liabilities	4,548	-	4,548	-
Accrued Interest Payable	80,738	-	80,738	-
Due to Governmental Units	100,446	719	101,165	-
Notes Payable - Due within one year	-	-	-	256,766
Notes Payable - Due in more than one year	-	-	-	319,882
Bonds Payable - Due within one year	1,687,000	-	1,687,000	-
Bonds Payable - Due in more than one year	6,686,958	-	6,686,958	-
Vested Employee Benefits - Due in more than one year	536,699	-	536,699	371,847
OPEB Obligations - Due in more than one year	6,894,558	-	6,894,558	3,266,349
Net Pension Liability - Due in more than one year	13,673,289	-	13,673,289	16,335,295
TOTAL LIABILITIES	30,637,643	28,106	30,665,749	21,775,519
DEFERRED INFLOWS OF RESOURCES:				
Taxes Levied for a Subsequent Period	2,327,990	-	2,327,990	826,484
Pension Related Items	118,366	-	118,366	260,767
TOTAL DEFERRED INFLOWS OF RESOURCES	2,446,356	-	2,446,356	1,087,251
NET POSITION:				
Net Investment in Capital Assets	2,894,939	-	2,894,939	121,943,286
Restricted	999,583	-	999,583	693,349
Unrestricted	(12,591,136)	12,128,127	(463,009)	(13,218,126)
TOTAL NET POSITION	$ (8,696,614)	$ 12,128,127	$ 3,431,513	$ 109,418,509

See accompanying notes to financial statements.

Statement of Activities
For the Year Ended December 31, 2017

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Primary Government: Governmental Activities	Primary Government: Business-type Activities	Primary Government: Totals	Component Units
Primary Government:								
Governmental Activities:								
Legislative	$ 50,894	$ -	$ -	$ -	$ (50,894)	$ -	$ (50,894)	$ -
Judicial	2,733,960	397,332	1,368,867	-	(967,761)	-	(967,761)	-
General Government	4,615,049	477,373	377,867	-	(3,759,809)	-	(3,759,809)	-
Public Safety	5,509,190	2,222,739	577,072	27,304	(2,682,075)	-	(2,682,075)	-
Public Works	510,145	-	54,925	-	(455,220)	-	(455,220)	-
Health and Welfare	8,069,435	4,688,261	1,604,842	-	(1,776,332)	-	(1,776,332)	-
Community/Economic Development	145,255	-	883,754	-	738,499	-	738,499	-
Interest Expense - Unallocated	367,593	-	-	-	(367,593)	-	(367,593)	-
Other	2,122,822	-	-	-	(2,122,822)	-	(2,122,822)	-
Depreciation - Unallocated	674,980	-	-	-	(674,980)	-	(674,980)	-
Total Governmental Activities	24,799,323	7,785,705	4,867,327	27,304	(12,118,987)	-	(12,118,987)	-
Business-type activities:								
Tax Collection	7,983	614,717	-	-	-	606,734	606,734	-
Other Nonmajor	272,671	520,597	-	-	-	247,926	247,926	-
Total Business-type Activities	280,654	1,135,314	-	-	-	854,660	854,660	-
Total Primary Government	$ 25,079,977	$ 8,921,019	$ 4,867,327	$ 27,304	(12,118,987)	854,660	(11,264,327)	-
Component Units:								
Road Commission	$ 11,536,349	$ 2,979,526	$ 5,064,500	$ 3,783,198				290,875
Economic Development Corporation	4,140,847	2,658,432	-	971,926				(510,489)
E.U.P. Transportation Authority	4,456,186	1,664,323	1,764,753	952,718				(74,392)
Total Component Units	20,133,382	7,302,281	6,829,253	5,707,842				(294,006)
Total	$ 45,213,359	$ 16,223,300	$ 11,696,580	$ 5,735,146				
General Revenues and Transfers:								
Taxes- Real Property					9,711,824	-	9,711,824	812,324
Taxes- Personal Property					6,198	-	6,198	-
State Revenue Sharing and Other					3,196,357	-	3,196,357	-
Interest Income					62,008	59,103	121,111	13,665
Transfers					468,923	(468,923)	-	-
Gain (Loss) on Disposals					-	-	-	172,409
Total General Revenues and Transfers					13,445,310	(409,820)	13,035,490	998,398
Changes in Net Position					1,326,323	444,840	1,771,163	704,392
Net Position - Beginning					(10,022,937)	11,683,287	1,660,350	108,714,117
Net Position - Ending					$ (8,696,614)	$ 12,128,127	$ 3,431,513	$ 109,418,509

See accompanying notes to financial statements.

Balance Sheet
Governmental Funds
December 31, 2017

	General	Health Department 9/30/2017	Senior Nutrition	Ambulance	Correctional Facility Maintenance	Nonajor Governmental Funds	Total Governmental Funds
ASSETS:							
Cash and Investments - Unrestricted	$ 3,943,434	$ 236,362	$ -	$ 2,356	$ 720,202	$ 1,263,562	$ 6,165,916
Receivables:							
Accounts	17,229	1,084,122	-	-	-	117,675	1,219,026
Taxes	486,940	-	546,616	467,919	656,728	656,727	2,814,930
Interest	3,857	-	-	-	-	-	3,857
Inventory	-	4,531	-	-	-	-	4,531
Due from Other Funds	381,482	-	-	-	-	6,617	388,099
Due from Governmental Units	395,554	122,710	6	5	8	329,630	847,913
Prepaid Items	56,195	33,087	-	-	-	8,253	97,535
TOTAL ASSETS	$ 5,284,691	$ 1,480,812	$ 546,622	$ 470,280	$ 1,376,938	$ 2,382,464	$ 11,541,807
LIABILITIES:							
Due to Other Funds	$ -	$ -	$ -	$ -	$ -	$ 370,084	$ 370,084
Accounts Payable	79,680	207,249	6	-	-	20,178	307,113
Accrued Liabilities	251,682	150,368	-	-	-	46,567	448,617
Due to Governmental Units	19,389	81,057	-	-	-	-	100,446
Unearned Revenue	-	229,894	-	-	-	-	229,894
Other Liabilities	-	4,548	-	-	-	-	4,548
Compensated Absences	-	168,104	-	-	-	-	168,104
TOTAL LIABILITIES	350,751	841,220	6	-	-	436,829	1,628,806
DEFERRED INFLOWS OF RESOURCES:							
Taxes Levied for a Subsequent Period	-	-	546,616	467,919	656,728	656,727	2,327,990
FUND BALANCES:							
Nonspendable	56,195	37,618	-	-	-	8,253	102,066
Restricted	-	-	-	2,361	720,210	277,012	999,583
Committed	-	168,104	-	-	-	7,503	175,607
Assigned	109,804	433,870	-	-	-	996,140	1,539,814
Unassigned	4,767,941	-	-	-	-	-	4,767,941
TOTAL FUND BALANCES	4,933,940	639,592	-	2,361	720,210	1,288,908	7,585,011
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 5,284,691	$ 1,480,812	$ 546,622	$ 470,280	$ 1,376,938	$ 2,382,464	

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

Capital assets used by governmental activities	11,268,897
Deferred Charges on Refunding	192,921
Long-term notes and bonds payable for governmental activities	(8,373,958)
Long-term Vested Employee Benefits and OPEB obligations	(7,263,153)
Internal service funds included in governmental activities	575,083
Accrued interest expense recognized under full accrual accounting	(80,738)
Net pension liability and related deferred outflows& inflows	(12,600,677)
Net position of governmental activities	$ (8,696,614)

See accompanying notes to financial statements.

Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds For the Year Ended December 31, 2017

	General	Health Department 9/30/2017	Senior Nutrition	Ambulance	Correctional Facility Maintenance	Non-Major Governmental Funds	Totals Governmental Funds
REVENUES:							
Taxes	$ 7,342,446	$ -	$ 557,687	$ 477,289	$ 670,592	$ 670,008	$ 9,718,022
Licenses and Permits	36,952	-	-	-	-	-	36,952
Federal Sources	666,651	611,233	-	-	-	219,751	1,497,635
State Sources	2,555,877	366,499	-	-	-	507,364	3,429,740
Local Sources	144,085	363,453	-	-	-	1,536,520	2,044,058
Charges for Services	2,111,534	4,654,367	-	-	-	908,593	7,674,494
Interest and Rentals	58,131	31	-	-	3,628	218	62,008
Fines and Forfeitures	74,259	-	-	-	-	-	74,259
Other Revenue	618,997	378,082	-	-	-	122,476	1,119,555
TOTAL REVENUES	13,608,932	6,373,665	557,687	477,289	674,220	3,964,930	25,656,723
EXPENDITURES:							
Legislative	50,894	-	-	-	-	-	50,894
Judicial	2,636,424	-	-	-	-	82,573	2,718,997
General Government	3,645,238	-	-	-	-	72,980	3,718,218
Public Safety	3,962,821	-	-	-	21,291	1,527,633	5,511,745
Public Works	-	-	-	-	-	678,249	678,249
Health and Welfare	220,773	6,373,584	557,687	309,320	-	562,900	8,024,264
Community/Economic Development	-	-	-	-	-	145,255	145,255
Capital Outlay	372,576	-	-	-	-	51,700	424,276
Debt Service	-	-	-	-	-	1,987,045	1,987,045
Other Expenditures	2,122,822	-	-	-	-	-	2,122,822
TOTAL EXPENDITURES	13,011,548	6,373,584	557,687	309,320	21,291	5,108,335	25,381,765
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	597,384	81	-	167,969	652,929	(1,143,405)	274,958
OTHER FINANCING SOURCES (USES):							
Operating Transfers In	532,065	-	-	-	-	1,285,436	1,817,501
Operating Transfers Out	(489,421)	-	-	(166,557)	(637,200)	(55,400)	(1,348,578)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	640,028	81	-	1,412	15,729	86,631	743,881
FUND BALANCES, JANUARY 1	4,293,912	639,511	-	949	704,481	1,202,277	6,841,130
FUND BALANCES, DECEMBER 31	$ 4,933,940	$ 639,592	$ -	$ 2,361	$ 720,210	$ 1,288,908	$ 7,585,011

See accompanying notes to financial statements.

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, 2017

Net changes in fund balances - total governmental funds	$ 743,881
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 exceeded depreciation in the current period.	(324,717)
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.	1,608,462
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	10,990
Vested Employee Benefits	205,625
OPEB Obligations	683,921
Net Pension Liabilities	(782,068)
Internal Service Fund Activity	(819,771)
Changes in net position of governmental activities	$ 1,326,323

Statement of Net Position
Proprietary Funds
December 31, 2017

	Business-type Activities Enterprise Funds			Governmental Activities
	Tax Collections	Nonmajor Funds	Totals	Internal Service Funds
ASSETS:				
Cash and Investments - Unrestricted	$ 9,836,857	$ 461,507	$ 10,298,364	$ 488,831
Taxes Receivable	1,594,812	-	1,594,812	-
Due from Governmental Units	-	12,217	12,217	86,068
Inventory	-	-	-	5,982
Accrued Interest Receivable	250,840	-	250,840	-
TOTAL ASSETS	$ 11,682,509	$ 473,724	$ 12,156,233	$ 580,881
LIABILITIES:				
Due to Other Funds	$ -	$ 12,217	$ 12,217	$ 5,798
Due to Governmental Units	719	-	719	-
Accrued Liabilities	15,170	-	15,170	-
TOTAL LIABILITIES	15,889	12,217	28,106	5,798
NET POSITION:				
Unrestricted	11,666,620	461,507	12,128,127	575,083
TOTAL NET POSITION	$ 11,666,620	$ 461,507	$ 12,128,127	$ 575,083

See accompanying notes to financial statements.

Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Funds For the Year Ended December 31, 2017

	Business-type Activities Enterprise Funds			Governmental Activities
	Tax Collections	Nonmajor Funds	Totals	Internal Service Funds
OPERATING REVENUES:				
Charges for Services	$ 238,394	$ -	$ 238,394	$ 3,319,264
Penalties and Interest Charges	376,323	520,597	896,920	-
Total Operating Revenues	614,717	520,597	1,135,314	3,319,264
OPERATING EXPENSES:				
Premium Payments	-	-	-	4,129,105
Other Supplies and Expenses	7,983	272,671	280,654	9,930
Total Operating Expenses	7,983	272,671	280,654	4,139,035
OPERATING INCOME (LOSS)	606,734	247,926	854,660	(819,771)
NON-OPERATING REVENUES (EXPENSES):				
Interest on Deposits	59,103	-	59,103	-
Total Non-Operating Revenues (Expenses)	59,103	-	59,103	-
INCOME (LOSS) BEFORE TRANSFERS	665,837	247,926	913,763	(819,771)
Operating Transfers In	3,554,466	-	3,554,466	-
Operating Transfers Out	(3,972,271)	(51,118)	(4,023,389)	-
CHANGES IN NET POSITION	248,032	196,808	444,840	(819,771)
NET POSITION, JANUARY 1	11,418,588	264,699	11,683,287	1,394,854
NET POSITION, DECEMBER 31	$ 11,666,620	$ 461,507	$ 12,128,127	$ 575,083

Statement of Cash Flows
Proprietary Fund Types
For the Year Ended December 31, 2017

	Business-type Activities Enterprise Funds			Governmental Activities
	Tax Collections	Nonmajor Funds	Total	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from Customers	$ 753,607	$ 508,380	$ 1,261,987	$ 3,400,232
Payments to Suppliers	-	(262,104)	(262,104)	(4,144,792)
Internal Activity - Receipts (Payments) with Other Funds	(3,946)	-	(3,946)	(1,467)
Net Cash Provided (Used) by Operating Activities	749,661	246,276	995,937	(746,027)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Operating Transfers In (Out) - net	(417,805)	(51,118)	(468,923)	-
Net Cash Provided (Used) by Noncapital Financing Activities	(417,805)	(51,118)	(468,923)	-
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest on Deposits	59,103	-	59,103	-
Net Cash Provided (Used) by Investing Activities	59,103	-	59,103	-
Net Increase (Decrease) in Cash	390,959	195,158	586,117	(746,027)
Balances - Beginning of the Year	9,445,898	266,349	9,712,247	1,234,858
Balances - End of the Year	$ 9,836,857	$ 461,507	$ 10,298,364	$ 488,831
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities				
Operating Income (Loss)	$ 606,734	$ 247,926	$ 854,660	$ (819,771)
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	138,583	-	138,583	-
Accrued Interest Receivable	307	-	307	-
Inventory	-	-	-	1,283
Due from Governmental Units	-	(12,217)	(12,217)	80,968
Increase (Decrease) in Liabilities:				
Due to Other Funds	-	12,217	12,217	(1,467)
Due to Governmental Units	719	(13)	706	-
Accrued Liabilities	3,318	-	3,318	-
Net Cash Provided (Used) by Operating Activities	$ 749,661	$ 247,913	$ 997,574	$ (738,987)

See accompanying notes to financial statements.

Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2017

	Other Employee Benefit Trust Funds	Agency Funds
ASSETS:		
Cash and Equivalents - Unrestricted	$ -	$ 1,374,819
Total Cash and Equivalents	-	1,374,819
Investments, at fair value:		
Equity Securities	9,019,806	-
Total Investments	9,019,806	-
TOTAL ASSETS	$ 9,019,806	$ 1,374,819
LIABILITIES:		
Undistributed Tax Collections	-	1,085,157
Other Liabilities	-	179,133
Due to Governmental Units	-	110,529
TOTAL LIABILITIES	-	$ 1,374,819
NET POSITION:		
Held in Trust for Pension Benefits and Other Purposes	$ 9,019,806	

See accompanying notes to financial statements.

Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended December 31, 2017

	Other Employee Benefit Trust Funds
ADDITIONS:	
Contributions:	
Employer and Employee	$ 1,804,289
Total Contributions	1,804,289
Investment Income:	
Interest, Dividends	1,084,087
Total Investment Income	1,084,087
Total Additions	2,888,376
DEDUCTIONS:	
Other Deductions	19,167
Participants Payments	1,067,074
Total Deductions	1,086,241
Change in Net Position	1,802,135
Net Position Held in Trust for Benefits, Beginning of Year	7,217,671
Net Position Held in Trust for Benefits, End of Year	$ 9,019,806

See accompanying notes to financial statements.

Component Units

Statement of Net Position
Component Units
December 31, 2017

	Road Commission	Economic Development Corporation	E.U.P. Transportation Authority 9/30/2017	Totals
ASSETS:				
Cash and Investments - Unrestricted	$ 1,484,005	$ 418,380	$ 887,669	$ 2,790,054
Cash and Investments - Restricted	-	346,054	893,349	1,239,403
Receivables:				
Accounts	-	755,663	173,204	928,867
Taxes	826,484	-	-	826,484
Due from Governmental Units	1,511,756	-	14,240	1,525,996
Inventory	880,569	37,620	-	918,189
Prepaid Items	133,322	-	39,571	172,893
Capital Assets (Nondepreciable)	53,999,827	1,946,675	112,795	56,059,297
Capital Assets (Net of Accumulated Depreciation)	38,302,238	20,467,094	7,691,305	66,460,637
TOTAL ASSETS	97,138,201	23,971,486	9,812,133	130,921,820
DEFERRED OUTFLOWS OF RESOURCES:				
Pension Related Items	458,470	33,872	867,117	1,359,459
LIABILITIES:				
Accounts Payable	222,448	33,884	183,936	440,268
Accrued Liabilities	92,934	44,549	69,495	206,978
Advances	578,134	-	-	578,134
Notes Payable - Due within one year	231,766	25,000	-	256,766
Notes Payable - Due in more than one year	269,882	50,000	-	319,882
Vested Employee Benefits - Due in more than one year	127,620	44,014	200,213	371,847
OPEB Obligation - Due in more than one year	3,230,146	36,203	-	3,266,349
Net Pension Liability - Due in more than one year	9,551,135	406,674	6,377,486	16,335,295
TOTAL LIABILITIES	14,304,065	640,324	6,831,130	21,775,519
DEFERRED INFLOWS OF RESOURCES:				
Pension Related Items	221,243	39,524	-	260,767
Taxes Levied for a Subsequent Period	826,484	-	-	826,484
Total Deferred Inflows of Resources	1,047,727	39,524	-	1,087,251
NET POSITION:				
Net Investment in Capital Assets	91,800,417	22,338,769	7,804,100	121,943,286
Restricted for Capital Match	-	-	693,349	693,349
Unrestricted	(9,555,538)	986,741	(4,649,329)	(13,218,126)
TOTAL NET POSITION	$ 82,244,879	$ 23,325,510	$ 3,848,120	$ 109,418,509

See accompanying notes to financial statements.

Statement of Activities
Component Units
For the Year Ended December 31, 2017

		Program Revenues			Net (Expense) Revenue and Changes in Net Position			
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Road Commission	Economic Development Corporation	E.U.P. Transportation Authority 9/30/2017	Totals
Road Commission:								
Public Works	$ 11,536,349	$ 2,979,526	$ 5,064,500	$ 3,783,198	$ 290,875	$ -	$ -	$ 290,875
Economic Development Corporation:								
Economic Development	4,140,847	2,658,432	-	971,926	-	(510,489)	-	(510,489)
E.U.P. Transportation Authority:								
Public Works	4,456,186	1,664,323	1,764,753	952,718	-	-	(74,392)	(74,392)
Total Component Units	$ 20,133,382	$ 7,302,281	$ 6,829,253	$ 5,707,842	290,875	(510,489)	(74,392)	(294,006)
General Revenues and Transfers:								
Taxes - Real Property					812,324	-	-	812,324
Interest Income					-	13,665	-	13,665
Gain (Loss) on Disposal					21,437	150,972	-	172,409
Total General Revenues and Transfers					833,761	164,637	-	998,398
Changes in Net Position					1,124,636	(345,852)	(74,392)	704,392
Net Position - Beginning					81,120,243	23,671,362	3,922,512	108,714,117
Net Position - Ending					$ 82,244,879	$ 23,325,510	$ 3,848,120	$ 109,418,509

See accompanying notes to financial statements.

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, 2017 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, 2017.

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, 2016, and 2017 ad valorem tax is levied and collectible on July 1, 2017, 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, 2016 taxable valuation of the County of Chippewa totaled $1,102,156,530 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, 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, 2017 taxable valuation of the County of Chippewa totaled $1,114,409,296 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:

	Governmental Activities	Business-type Activities	Total Primary Government	Fiduciary Funds	Component Units
Cash and Investments					
-Unrestricted	$ 6,654,474	$ 10,298,364	$ 16,953,111	$ 1,374,819	$ 2,790,054
-Restricted	-	-	-	9,019,806	1,239,403
Total	$ 6,654,474	$ 10,298,364	$ 16,953,111	$ 10,394,625	$ 4,029,457

The categories of cash and investments are as follows:

Bank Deposits (checking and savings accounts, certificates of deposit)	$ 21,886,597
Investments:	
FHLB	92,741
Municipal Bonds	210,000
Fixed Income	163,054
Equity Mutual Funds	9,019,806
Petty Cash and Cash on Hand	4,995
Total	$ 31,377,193

Investments:

Description	Fair Value	Maturity in Years: Less Than 1	1 – 5	6 – 10	S&P Rating
FHLB*	$ 92,741	$ 92,741	$ -	$ -	AAA
Municipal Bonds*	210,000	210,000	-	-	AA-
Fixed Income*	163,054	-	163,054	-	Unavailable
Equity Mutual Funds*	9,019,806	-	-	-	Unavailable
Total Investments	$ 9,485,601	$ 302,585	$ 163,054	$ -	

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, $17,390,681 of the County's bank balance of $18,770,928 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, 2017, 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, 2017:

- US Agency Bonds held by County totaled $92,741. These are valued at level 1 inputs.
- Municipal Bonds total $210,000 and are valued using level 1 inputs.
- Fixed Income investments are valued at $163,054 and are valued using level 1 inputs.
- Investments held in the MERS Investment Services Program, which are primarily mutual funds used to fund retiree defined benefit pensions, with a balance of $9,019,806, 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, 2017, was as follows:

	Beginning Balances	Additions	Adjustments/ Deductions	Ending Balances
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	$ 231,810	$ -	$ -	$ 231,810
Capital Assets Being Depreciated:				
Land Improvements	209,400	-	-	209,400
Buildings and Improvements	18,827,737	297,070	-	19,124,807
Furniture and Equipment	4,873,778	34,999	12,475	4,896,302
Vehicles	960,110	101,977	125,224	936,863
Subtotal	24,871,025	434,046	137,699	25,167,372
Less Accumulated Depreciation:				
Land Improvements	138,750	4,260	-	143,010
Buildings and Improvements	9,158,344	396,879	-	9,555,223
Furniture and Equipment	3,525,474	228,966	12,475	3,741,965
Vehicles	686,653	128,658	125,224	690,087
Subtotal	13,509,221	758,763	137,699	14,130,285
Net Capital Assets Being Depreciated	11,361,804	(324,717)	-	11,037,087
Capital Assets - Net	$ 11,593,614	$ (324,717)	$ -	$ 11,268,897

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

Health and Welfare	$ 83,783
Unallocated	674,980
Total	$ 758,763

NOTE 4 - CAPITAL ASSETS (Continued)

Capital asset activity of the Chippewa County Road Commission year ended December 31, 2017, was as follows:

	Beginning Balances	Additions	Adjustments/ Deductions	Ending Balances
Capital Assets Not Being Depreciated				
Land and Improvements	$ 372,230	$ -	$ -	$ 372,230
Land/Improvements - Infrastructure	52,743,206	884,391	-	53,627,597
Construction in Progress	8,354,982	-	8,354,982	-
Subtotal	61,470,418	884,391	8,354,982	53,999,827
Capital Assets Being Depreciated				
Buildings	5,082,566	39,799	-	5,122,365
Road Equipment	13,741,885	466,422	316,780	13,891,527
Shop Equipment	274,672	1,000	3,499	272,173
Office Equipment	57,695	18,506	-	76,201
Engineers’ Equipment	70,558	38,103	9,024	99,637
Depletable Assets	1,228,438	-	-	1,228,438
Infrastructure – Roads	39,192,657	2,289,983	1,165,550	40,317,090
Infrastructure – Bridges	13,205,142	8,963,806	-	22,168,948
Subtotal	72,853,613	11,817,619	1,494,853	83,176,379
Less Accumulated Depreciation				
Buildings	2,573,552	143,163	-	2,716,715
Road Equipment	12,333,411	553,081	316,122	12,570,370
Shop Equipment	252,277	14,331	3,207	263,401
Office Equipment	54,123	3,123	-	57,246
Engineers’ Equipment	68,035	6,378	9,024	65,389
Depletable Assets	405,128	3,450	-	408,578
Infrastructure – Roads	18,897,892	2,167,900	1,165,550	19,900,242
Infrastructure – Bridges	8,659,263	232,937	-	8,892,200
Subtotal	43,243,681	3,124,363	1,493,903	44,874,141
Net Capital Assets Being Depreciated	29,609,932	8,693,256	(950)	38,302,238
Capital Assets – Net	$ 91,080,350	$ 9,577,647	$ (8,355,932)	$ 92,302,065

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

Total Depreciation Expense – Public Works	$ 3,124,363

NOTE 4 - CAPITAL ASSETS (Continued)

Capital asset activity of the Economic Development Corporation year ended December 31, 2017 was as follows:

	Beginning Balances	Additions	Adjustments/ Deductions	Ending Balances
Capital assets not being depreciated:				
Land	$ 1,946,675	$ -	$ -	$ 1,946,675
Capital assets being depreciated:				
Vehicles	1,491,605	-	-	1,491,605
Improvements	24,106,056	344,761	-	24,450,817
Buildings	11,905,558	304,500	760,112	11,449,946
Equipment	4,865,852	617,399	-	5,483,251
Subtotal	42,369,071	1,266,660	760,112	42,875,619
Less accumulated depreciation:				
Vehicles	1,412,402	15,444	-	1,427,846
Improvements	9,913,540	1,062,663	-	10,976,203
Buildings	5,928,545	374,220	551,084	5,751,681
Equipment	4,093,879	158,916	-	4,252,795
Subtotal	21,348,366	1,611,243	551,084	22,408,525
Net Capital Assets Being Depreciated	21,020,705	(344,583)	209,028	20,467,094
Capital assets – Net	$ 22,967,380	$ (344,583)	$ 209,028	$ 22,413,769

Depreciation expense was charged to business-type activities for the Economic Development Corporation in the amount of $1,611,243.

NOTE 4 - CAPITAL ASSETS (Continued)

Capital assets activity for the Eastern Upper Peninsula Transportation Authority year ended September 30, 2017, was as follows:

	Beginning Balances	Additions/ Adjustments	Deductions/ Adjustments	Ending Balances
Capital assets not being depreciated:				
Construction in Progress	$ 83,902	$ 112,795	$ 83,902	$ 112,795
Capital assets being depreciated:				
EUPTA Assets	$ 1,805	$ 2,484	$ -	$ 4,289
Busing Assets	833,625	168,435	158,247	843,813
Ferry Assets	18,876,943	755,233	37,496	19,594,680
Subtotal	19,712,373	926,152	195,743	20,442,782
Less accumulated depreciation for:				
EUPTA Assets	1,805	455	-	2,260
Busing Assets	652,656	75,740	158,247	570,149
Ferry Assets	11,584,740	631,824	37,496	12,179,068
Subtotal	12,239,201	708,019	195,743	12,751,477
Net Capital Assets Being Depreciated	7,473,172	218,133	-	7,691,305
Capital Assets - Net	$ 7,557,074	$ 330,928	$ (83,902)	$ 7,804,100

Depreciation expense was charged to business-type activities for the Eastern Upper Peninsula Transportation Authority in the amount of $708,019.

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 TO OTHER FUNDS	DUE FROM OTHER FUNDS: General	Nonmajor Governmental	Totals
Nonmajor Governmental	$ 363,467	$ 6,617	$ 370,084
Nonmajor Enterprise	12,217	-	12,217
Internal Service	5,798	-	5,798
Total	$ 381,482	$ 6,617	$ 388,099

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 IN	TRANSFERS (OUT): General	Ambulance	Correctional Facility Maintenance	Nonmajor Governmental	Tax Collection	Nonmajor Enterprise	Totals
General	$ 61,884	$ -	$ -	$ 1,258	$ 417,805	$ 51,118	$ 532,065
Nonmajor Governmental	427,537	166,557	637,200	54,142	-	-	1,285,436
Tax Collections	-	-	-	-	3,554,466	-	3,554,466
Total	$ 489,421	$ 166,557	$ 637,200	$ 55.400	$ 3,972,271	$ 51,118	$ 5,371,967

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	$ 334,958	$ -	$ 11,000	$ 323,958	$ 12,000
2013 City of Sault Ste. Marie Refunding Bonds	2.00% to 4.50%	2029	6,050,000	-	340,000	5,710,000	350,000
2010 Chippewa County Refunding Bonds	2.0% to 4.0%	2018	800,000	-	390,000	410,000	410,000
2011 City of Sault Ste. Marie Refunding Bonds	2.0% to 3.63%	2022	2,405,000	-	685,000	1,720,000	705,000
2009 Chippewa County General Obligation Bonds	4.00%	2018	410,000	-	200,000	210,000	210,000
Total Governmental Activities			$9,999,958	$ -	$ 1,626,000	$ 8,373,958	$ 1,687,000

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

Year End December 31	Governmental Activities Principal	Governmental Activities Interest
2018	$ 1,687,000	$ 311,046
2019	637,000	252,294
2020	648,000	231,704
2021	668,000	210,793
2022	689,000	189,308
2023-2027	2,606,000	637,724
2028-2032	1,360,000	111,165
2033-2036	78,958	7,822
Total	$ 8,373,958	$ 1,951,856

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.

	Beginning Balances	Net (Deductions)/ Additions	Ending Balances
Vested Employee Benefits	$ 574,220	$ (37,521)	$ 536,699

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	$ 280,428
Sick Leave	253,513
Other	2,758
TOTALS	$ 536,699

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Installment payable secured by trucks, payable in monthly installments of $12,272 including interest of 1.89%, due 2019.	$ 487,105	$ -	$ 225,302	$ 261,803	$ 143,768
Installment payable secured by equipment, payable in monthly installments of $3,760 including interest of 2.75%, due 2020.	153,798	-	41,408	112,390	42,601
Installment payable secured by equipment, payable in monthly installments of $4,026 including interest of 2.95%, due 2020.	174,897	-	47,442	127,455	45,397
Subtotal	815,800	-	314,152	501,648	$ 231,766
Compensated Absences – net	150,890	-	23,270	127,620	
TOTAL LONG-TERM DEBT	$ 966,690	$ -	$ 337,422	$ 629,248	

NOTE 6 - LONG-TERM DEBT (Continued)

Annual debt service requirements are as follows:

	Principal	Interest	Total
2018	$ 231,766	$ 8,930	$ 240,696
2019	208,302	4,150	212,452
2020	61,580	657	62,237
Total	$ 501,648	$ 13,737	$ 515,385

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, 2017.

NOTE 9 - OTHER POST EMPLOYMENT BENEFITS

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

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

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

Funding Policy. Contribution requirements also are negotiated between the County and employees at varying levels. The Health Department contributes 100% of the cost of current-year premiums for eligible retired plan members. For fiscal year 2017, the Health Department and EDC contributed $486,630 and $70,425 to the plan. The County contributed $948,610 to the plan.

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

	County	Health Department	EDC
Annual required contribution	$ 637,847	$ 461,622	$ 35,933
Interest on net OPEB obligation	102,338	185,664	270
Annual OPEB cost (expense)	740,185	647,286	36,203
Contributions made	(948,610)	(486,630)	(70,425)
Increase (decrease) in net OPEB obligation	(208,425)	160,656	(34,222)
Net OPEB obligation – beginning of year	2,558,472	4,383,855	70,425
Net OPEB obligation – end of year	$ 2,350,047	$ 4,544,511	$ 36,203

NOTE 9 - OTHER POST EMPLOYMENT BENEFITS (Continued)

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal years 2015, 2016 and 2017 are as follows:

Fiscal Year End	Annual OPEB Cost			Percentage of Annual OPEB Cost Contributed			Net OPEB Obligation		
	County	Health Dept.	EDC	County	Health Dept.	EDC	County	Health Dept.	EDC
2015	$ 1,537,526	$ 1,227,182	$ 62,836	238%	30%	90%	$ 1,459,835	$ 3,821,567	$ 62,836
2016	$ 1,620,164	$ 1,213,074	$ 70,425	57%	34%	89%	$ 2,162,756	$ 4,383,855	$ 70,425
2017	$ 740,185	$ 647,286	$ 36,203	128%	75%	196%	$ 2,350,047	$ 4,544,511	$ 36,203

Funded status and Funding Progress. As of January 1, 2017, the actuarial accrued liability for County benefits was $18,431,916, 60.1% of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was $3,620,445, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 309.7%.

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

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

In the January 1, 2017, actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included an 8.0% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, payroll growth rate of 2%, mortality table RP-2000 Combined Healthy Participant Table 10 years using projection scale AA and an annual healthcare cost trend rate of 11.69% initially, reduced to 9.50% in the next year, then by decrements to an ultimate rate of 5% after ten years. Both rates included a percent inflation assumption. The actuarial value of assets was equal to the reported market value. The UAAL is being amortized as a level dollar amount over a 30 year period.

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.

NOTE 9 - OTHER POST EMPLOYMENT BENEFITS (Continued)

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.

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 2017, the Road Commission contributed $622,770 to the plan. Total member contributions were $25,141.

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

Annual required contribution	$ 1,542,729
Interest on net OPEB obligation	78,972
Annual OPEB cost (expense)	1,621,701
Contributions made	(647,911)
Increase in net OPEB obligation	973,790
Net OPEB obligation – beginning of year	2,256,356
Net OPEB obligation – end of year	$ 3,230,146

The Road Commission's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal years 2015, 2016 and 2017 is as follows:

Fiscal Year End	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2015	$ 1,301,251	105%	$ 2,322,345
2016	$ 1,341,472	105%	$ 2,256,356
2017	$ 1,621,701	40%	$ 3,230,146

Funded Status and Funding Progress. As of December 31, 2017, the actuarial accrued liability for benefits was $27,396,310, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was $2,904,342, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 943%.

NOTE 9 - OTHER POST EMPLOYMENT BENEFITS (Continued)

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

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

In the December 31, 2017, actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included no investment rate of return and an annual healthcare cost trend rate of 8% 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 RP2000 Mortality Combined Healthy Tables projected 20 years with the U.S. Projection Scale AA.

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 multiplies 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, 2016.

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.

NOTE 10 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

01 – Gnrl Other: Closed to new hires, linked to Division HF	
	2016 Valuation
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)

02 – County Corrections: Closed to new hires, linked to Division HB	
	2016 Valuation
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	
	2016 Valuation
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)

15 – Health Dept Non-Un: Closed to new hires, linked to Division HE	
	2016 Valuation
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)

16 – County Non-Union: Closed to new hires, linked to Division HC	
	2016 Valuation
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	
	2016 Valuation
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)

NOTE 10 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

HA – Sheriff Rd after 5/1/10: Open Division, Linked to Division 20	
	2016 Valuation
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)

HB – Sheriff hired after 5/1/10: Open Division, Linked to Division 02	
	2016 Valuation
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	
	2016 Valuation
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 after4/1/11: Open Division, Linked to Division 11	
	2016 Valuation
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)

HE – Non-Union after 4/1/2011: Open Division, Linked to Division 15	
	2016 Valuation
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)

HF – County AFSCME after 04/01/12: Open Division, Linked to Division 01	
	2016 Valuation
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, 2016, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	173
Inactive employees entitled to but not yet receiving benefits	29
Active employees	162
	364

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.

NOTE 10 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

The contribution rate as a percentage of payroll or estimated monthly contributions at December 31, 2016 are as follows:

General – Other	29.82%
Sheriff	22.44%
Health Department	19.38%
Economic – General	13.14%
Non-Union	16.93%
General – Non-Union	16.18%
Sheriff – Road	16.77%
Sheriff – Road new hire	16.77%
Sheriff – Hired after 5/1/10	22.44%
General – Non-Union hired after 5/1/10	16.18%
Teamsters – Hired after 4/1/11	19.38%
Non-Union – Hired after 4/1/11	16.93%
General Other – Hired after 4/1/12	29.82%

Net Pension Liability

The County's net pension liability was measured as of December 31, 2016, 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, 2016actuarial 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:

NOTE 10 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

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 8.0% in 2016 and thereafter. 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:

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at December 31, 2016	$ 41,628,557	$ 26,938,445	$ 14,690,112
Service cost	658,712	-	658,712
Interest on total pension liability	3,265,125	-	3,265,125
Changes in benefits	-	-	-
Difference between expected and actual experience	96,527	-	96,527
Changes in assumptions	-	-	-
Employer contributions	-	1,477,710	(1,477,710)
Employee contributions	-	111,720	(111,720)
Net investment income	-	3,383,628	(3,383,628)
Benefit payments, including employee refunds	(2,287,670)	(2,287,670)	-
Administrative expense	-	(57,209)	57,209
Other changes	(79,187)	42,151	(121,338)
Net changes	1,653,507	2,670,330	(1,016,823)
Balances at December 31, 2017	$ 43,282,064	$ 29,608,775	$ 13,673,289

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 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	$18,512,844	$13,673,289	$9,572,590

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, 2017, the County recognized pension expense of $2,255,231. At December 31, 2017, the County 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	$ 155,457	$ -
Changes in assumptions	792,310	-
Net difference between projected and actual earnings on pension plan investments	-	118,366
Contributions subsequent to the measurement date	243,211	-
Total	$ 1,190,978	$ 118,366

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

Year Ended December 31:	
2018	$ 632,104
2019	632,104
2020	(183,049)
2021	(251,758)

NOTE 10 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

Annual Pension Cost

During the fiscal year ended December 31, 2017, the County's contributions totaling $1,477,710 were made in accordance with the contribution requirement determined by an actuarial valuation of the plan as of December 31, 2015. 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.

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 multiplies 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, 2016.

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	
	2016 Valuation
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)

NOTE 10 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

02 – General: Open Division	
	2016 Valuation
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)

Employees Covered by Benefit Terms

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

Inactive employees or beneficiaries currently receiving benefits	86
Inactive employees entitled to but not yet receiving benefits	4
Active employees	66
	156

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 2017 was $69,599.

Net Pension Liability

The Road Commission's net pension liability was measured as of December 31, 2016, 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, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	3.75 percent
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.

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 8.0% for 2016. 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	$ 19,328,344	$ 9,437,495	$ 9,890,849
Service cost	312,302	-	312,302
Interest on total pension liability	1,505,449	-	1,505,449
Changes in benefits	-	-	-
Difference between expected and actual experience	(92,224)	-	(92,224)
Changes in assumptions	-	-	-
Employer contributions	-	842,918	(842,918)
Employee contributions	-	40,590	(40,590)
Net investment income	-	1,223,866	(1,223,866)
Benefit payments, including employee refunds	(1,332,756)	(1,332,756)	-
Administrative expense	-	(19,412)	19,412
Other changes	22,721	-	22,721
Net changes	415,492	755,206	(339,714)
Balances as of December 31, 2017	$ 19,743,836	$ 10,192,701	$ 9,551,135

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 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	$11,625,219	$9,551,135	$7,782,118

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, 2017, the Road Commission recognized pension expense of $1,338,343. At December 31, 2017, 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	$ -	$ 28,529
Changes in assumptions	458,470	-
Net difference between projected and actual earnings on pension plan investments	-	192,714
Total	$ 458,470	$ 221,243

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

Year Ended December 31:	
2018	$ 255,300
2019	255,300
2020	(175,852)
2021	(97,521)

NOTE 10 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

Annual Pension Cost

During the year ended December 31, 2017, the Road Commission's contributions totaling $842,918 were made in accordance with contribution requirement determined by an actuarial valuation of the plan as of December 31, 2015. 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.

Economic Development Commission

Description of Plan and Plan Assets

The EDC 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 multiplies by the sum of 2.25%, and 1.5% for employees hired after 12/1/13 times the final compensation (FAC). The most recent period of which actuarial data was available was for year ended December 31, 2016.

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	2016 Valuation
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)

NOTE 10 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

17 – EDC General after 12/1/13: Open Division, linked to 13	
	2016 Valuation
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)

Employees Covered by Benefit Terms

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

Inactive employees or beneficiaries currently receiving benefits	5
Inactive employees entitled to but not yet receiving benefits	3
Active employees	8
	16

Funding Policy

The obligation to contribute to and maintain the system for these employees was established by negotiation with the EDC'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 2017 was $4,413.

Net Pension Liability

The EDC's net pension liability was measured as of December 31, 2016, 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, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 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.

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 8.0% for 2016. 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	$ 1,818,223	$ 1,350,389	$ 467,834
Service cost	32,979	-	32,979
Interest on total pension liability	142,786	-	142,786
Changes in benefits	-	-	-
Difference between expected and actual experience	(21,390)	-	(21,390)
Changes in assumptions	-	-	-
Employer contributions	-	47,815	(47,815)
Employee contributions	-	9,917	(9,917)
Net investment income	-	174,753	(174,753)
Benefit payments, including employee refunds	(99,785)	(122,776)	22,991
Administrative expense	-	(2,770)	2,770
Other changes	(8,811)	-	(8,811)
Net changes	45,779	106,939	(61,160)
Balances as of December 31, 2017	$ 1,864,002	$ 1,457,328	$ 406,674

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 EDC, 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	$616,271	$406,674	$230,457

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, 2017, the EDC recognized pension expense of $95,236. At December 31, 2017, 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
Difference between expected and actual experience	$ -	$ 11,072
Changes in assumptions	33,872	-
Net difference between projected and actual earnings on pension plan investments	-	28,452
Total	$ 33,872	$ 39,524

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

Year Ended December 31:	
2018	$ 17,756
2019	17,756
2020	(27,279)
2021	(13,885)

NOTE 10 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

Annual Pension Cost

During the year ended December 31, 2017, the EDC's contributions totaling $47,815 were made in accordance with contribution requirement determined by an actuarial valuation of the plan as of December 31, 2015. 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.

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, 2016.

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: Open Division	
	2016 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)

10 – Busing Union: Open Division	
	2016 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

11 – Gnrl & Busing Union aft 6/1/16: Open Division, linked to Division 01, 10	
	2016 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 31st 2016 valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	30
Inactive employees entitled to but not yet receiving benefits	3
Active employees	20
	53

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 are 45.72% for General and 155.82% for Busing.

Net Pension Liability. The employer's Net Pension Liability was measured as of December 31, 2016, and the total pension liability used to calculate the Net Pension Liability was determined by an annual actuarial valuation as of that date.

NOTE 10 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

Actuarial assumptions. The total pension liability in the December 31, 2016 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation:	2.5 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.

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%	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% in 2016 and thereafter. 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 Net Pension Liability:

	Increases (Decreases)		
	Total Pension Liability	**Plan Fiduciary Net Position**	**Net Pension Liability (Asset)**
Balances at December 31, 2015	$ 10,905,938	$ 4,780,351	$ 6,125,587
Service cost	122,225	-	122,225
Interest on total pension liability	850,842	-	850,842
Changes in benefits	206,904	-	206,904
Difference between expected and actual experience	-	-	-
Changes in assumptions	-	-	-
Employer contributions	-	394,045	(394,045)
Employee contributions	-	-	-
Net investment income	-	530,469	(530,469)
Benefit payments, including employee refunds	(663,053)	(663,053)	-
Administrative expense	-	(10,482)	10,482
Other changes	(14,040)	-	(14,040)
Net changes	502,878	250,979	251,899
Balances as of December 31, 2016	$ 11,408,816	$ 5,031,330	$ 6,377,486

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 8.00%, 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 (7.00%) or 1-percentage-point higher (9.00%) than the current rate:

	1% Decrease (7.00%)	**Current Discount Rate (8.00%)**	**1% Increase (9.00%)**
Calculated Net Pension Liability	$7,662,836	$6,377,486	$5,292,722

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

For the year ended September 30, 2017, the employer recognized pension expense of $931,065. The employer 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
Differences in experience	$ 176,469	$ -
Differences in assumptions	178,971	-
Excess (Deflict) Investment Returns	194,580	-
Contributions subsequent to the measurement date	317,097	-
Total	$ 867,117	$ -

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, 2017.

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

Year Ended September 30:	
2018	$ 332,803
2019	132,541
2020	116,520
2021	(31,844)

Annual Pension Cost

During the fiscal year ended September 30, 2017, the Authority's contributions totaling $394,045 were made in accordance with the contribution requirement determined by an actuarial valuation of the plan as of December 31, 2015. 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 amortizing the unfunded actuarial accrued liability over 24 years. The employer 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 this 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. Employees of the Authority are not required to contribute to the plan.

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

	December 31, 2017	
	Required Balance	Actual Balance
Bond Reserves		
Water Supply System Revenue Bond Series 2000	$ 34,600	$ 34,600
Repair, Replacement and Improvements		
Water Supply System Revenue Bond Series 2000	$ 39,925	$ 39,925*

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

NOTE 13 – TAX ABATEMENT DISCLOSURE

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

City of Sault Ste Marie, for year end December 31, 2017, County's Property taxes were reduced by $4,144 under these programs.

Township of Kinross, for year end December 31, 2017, County's Property taxes were reduced by $478 under these programs.

NOTE 14 - FUND BALANCES

	General	Health Department	Senior Nutrition	Ambulance	Correctional Facility Maintenance	Nonmjor Governmental	Total
Nonspendable:							
Prepaid Items and Inventory	$ 56,195	$ 37,618	$ -	$ -	$ -	$ 8,253	$ 102,066
Restricted for:							
Public Safety	-	-	-	-	720,210	57,508	777,718
Health and Welfare	-	-	-	2,361	-	184,904	187,265
Bond Retirement	-	-	-	-	-	34,600	34,600
Committed:							
General Government	-	168,104	-	-	-	-	168,104
Public Works	-	-	-	-	-	7,503	7,503
Assigned:							
Judicial	-	-	-	-	-	36,958	36,958
General Government	109,804	-	-	-	-	68,308	178,112
Public Safety	-	-	-	-	-	236,477	236,477
Health and Welfare	-	433,870	-	-	-	339,277	773,147
Economic Development	-	-	-	-	-	39,610	39,610
Public Works	-	-	-	-	-	275,510	275,510

Required Supplementary Information

Employee Retirement System
Schedule of Funding Progress
For the Year Ended December 31, 2017

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

Employee Retirement System
Schedule of Funding Progress
For the Year Ended December 31, 2017

	2017	2016	2015
Actuarially determined contribution	$ 1,477,710	$ 1,149,992	$ 1,181,603
Contributions in relation to the actuarially determined contribution	(1,477,710)	(1,149,992)	(1,169,588)
Contribution deficiency (excess)	$ -	$ -	$ 12,015
Covered - employee payroll	$ 7,575,339	$ 7,319,582	$ 4,907,159
Contributions as a percentage of covered-employee payroll	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
Schedule of Funding Progress
December 31, 2017

Health Plan:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b – a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percent of Covered Payroll ((b – a) / c)
Primary Government						
2010	$ -	$ 15,554,524	$ 15,554,524	0.0%	$ 4,447,849	350%
2013	$ 3,247,516	$ 17,616,773	$ 14,369,257	18.4%	$ 3,291,474	437%
2017	$ 5,948,811	$ 11,838,847	$ 5,890,036	50.0%	$ 2,639,575	223%
Road Commission						
2010	$ -	$ 20,182,222	$ 20,182,222	0.0%	$ 2,432,164	830%
2013	$ -	$ 22,606,011	$ 22,606,011	0.0%	$ 2,882,015	784%
2017	$ -	$ 27,396,310	$ 27,396,310	0.0%	$ 2,904,342	943%
Chippewa County Health Department						
2010	$ -	$ 10,325,553	$ 10,325,553	0.0%	Not Available	-
2013	$ -	$ 12,222,665	$ 12,222,665	0.0%	Not Available	-
2017	$ 1,246,487	$ 6,148,907	$ 4,902,420	20.0%	Not Available	-
Chippewa County EDC						
2010	$ 89,000	$ 872,253	$ 783,253	10.2%	$ 144,976	540%
2013	$ 186,270	$ 1,481,858	$ 1,295,588	12.6%	$ 45,511	2,847%
2017	$ 348,507	$ 444,162	$ 95,622	78.5%	$ 50,249	190%

Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended December 31, 2017

	Budgeted Amounts		Actual	Variance with Final Budget - Positive
	Original	Final	Amounts	(Negative)
REVENUES:				
Taxes	$ 7,138,740	$ 7,138,740	$ 7,342,446	$ 203,706
License and Permits	37,100	37,100	36,952	(148)
Federal Sources	669,488	669,489	666,651	(2,838)
State Sources	1,756,769	2,614,141	2,555,877	(58,264)
Local Sources	155,000	155,000	144,085	(10,915)
Charges for Services	1,673,862	1,873,862	2,111,534	237,672
Interest and Rentals	30,000	30,000	58,131	28,131
Fines and Forfeitures	78,800	78,800	74,259	(4,541)
Other Revenue	147,328	147,328	618,997	471,669
TOTAL REVENUES	11,687,087	12,744,460	13,608,932	864,472
EXPENDITURES:				
Legislative:				
Board of Commissioners	60,095	60,095	50,894	9,201
Judicial:				
Juvenile Court	386,958	386,958	319,408	67,550
Circuit Court	567,500	567,500	516,458	51,042
District Court	583,093	583,093	530,443	52,650
Friend of the Court	425,034	463,034	462,828	206
Jury Board	6,718	6,718	4,566	2,152
Probate Court	456,856	472,856	470,470	2,386
Public Defender	304,764	304,764	253,959	50,805
Bailiff	49,727	83,727	78,292	5,435
Total Judicial	2,780,650	2,868,650	2,636,424	232,226
General Government:				
Administrator	271,417	313,937	309,447	4,490
Information Systems	368,414	367,914	367,362	552
Elections	38,315	38,315	34,556	3,759
County Clerk	289,933	299,933	296,733	3,200
Equalization	223,701	226,701	223,006	3,695
Prosecuting Attorney	574,513	575,885	528,652	47,233
Support Coordinator	90,252	90,252	74,793	15,459
Crime Victim Advocate	92,201	106,201	103,469	2,732
Remonumentation	105,977	105,977	105,977	-
Register of Deeds	298,134	358,134	348,821	9,313
Treasurer	301,938	326,938	324,013	2,925
Cooperative Extension	109,761	121,761	118,843	2,918
Buildings and Grounds	356,777	626,777	294,415	332,362
Health Set Aside	-	418,000	417,805	195
Drain Commission	1,032	1,532	1,295	237
Soil Conservation District	26,000	26,000	26,000	-
GIS Mapping	127,000	127,000	32,350	94,650
Surveyor	35,083	39,083	37,701	1,382
Total General Government	3,310,448	4,170,340	3,645,238	525,102

Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended December 31, 2017

	Budgeted Amounts		Actual	Variance with Final Budget - Positive
	Original	Final	Amounts	(Negative)
Public Safety:				
Sheriff	1,206,270	1,225,225	1,205,432	19,793
Marine	16,000	16,000	11,626	4,374
Correctional Facility	2,373,443	2,451,443	2,378,613	72,830
Regional Planning Commission	23,200	79,200	40,836	38,364
Trident Task Force	84,827	84,827	61,410	23,417
Snowmobile Patrol Grant	30,000	30,000	19,686	10,314
O.R.V. Grant	27,000	27,000	20,019	6,981
Animal Control	194,304	231,304	225,199	6,105
Total Public Safety	3,955,044	4,144,999	3,962,821	182,178
Health and Welfare:				
Substance Abuse	86,984	86,984	77,194	9,790
Medical Examiner	80,000	90,000	82,506	7,494
Veterans Affairs	63,057	63,057	61,073	1,984
Total Health and Welfare	230,041	240,041	220,773	19,268
Other Expenditures:				
Retirees Hospitalization	480,000	533,000	530,805	2,195
Insurance	240,000	265,000	264,225	775
Legal Services	10,000	45,000	33,899	11,101
Audit	25,480	25,480	25,480	-
Postage Meter	3,000	3,000	2,298	702
Record Copier	12,000	22,000	19,746	2,254
Cost Allocation Plan	4,000	7,500	7,000	500
Misccellaneous	76,500	877,000	870,716	6,284
Appropriations	368,653	368,653	368,653	-
Total Other Expenditures	1,219,633	2,146,633	2,122,822	23,811
Capital Outlay:				
Building & Improvements	300,000	300,000	287,300	12,700
Equipment	34,999	34,999	34,999	-
Vehicle	56,000	56,000	50,277	5,723
Total Capital Outlay	390,999	390,999	372,576	18,423
TOTAL EXPENDITURES	11,946,910	14,021,757	13,011,548	1,010,209
EXCESS OF REVENUES OVER EXPENDITURES	(259,823)	(1,277,297)	597,384	1,874,681
OTHER FINANCING SOURCES (USES):				
Operating Transfers In	563,840	1,323,840	532,065	(791,775)
Operating Transfers Out	(592,072)	(712,074)	(489,421)	222,653
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	$ (288,055)	$ (665,531)	640,028	$ 1,305,559
FUND BALANCE, JANUARY 1			4,293,912	
FUND BALANCE, DECEMBER 31			$ 4,933,940	

Required Supplementary Information
Budgetary Comparison Schedule
Health Department
For the Year Ended September 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget - Positive
	Original	Final	Amounts	(Negative)
REVENUES:				
Federal Sources	$ 861,052	$ 898,800	$ 611,233	$ (287,567)
State Sources	295,584	295,584	366,499	70,915
Local Sources	404,430	388,387	363,453	(24,934)
Charges for Services	4,566,689	4,799,408	4,654,367	(145,041)
Interest and Rentals	-	-	31	31
Other Revenue	354,510	393,829	378,082	(15,747)
TOTAL REVENUES	6,482,265	6,776,008	6,373,665	(402,343)
EXPENDITURES:				
Health and Welfare	6,482,272	6,768,264	6,373,584	394,680
TOTAL EXPENDITURES	6,482,272	6,768,264	6,373,584	394,680
EXCESS OF REVENUES OVER EXPENDITURES	$ (7)	$ 7,744	81	$ (7,663)
FUND BALANCE, OCTOBER 1			639,511	
FUND BALANCE, SEPTEMBER 30			$ 639,592	

Required Supplementary Information
Budgetary Comparison Schedule
Ambulance
For the Year Ended December 31, 2017

	Budgeted Amounts		Actual	Variance with Final Budget - Positive
	Original	Final	Amounts	(Negative)
REVENUES:				
Taxes	$ 467,903	$ 480,000	$ 477,289	$ (2,711)
TOTAL REVENUES	467,903	480,000	477,289	(2,711)
EXPENDITURES:				
Health and Welfare	304,136	312,000	309,320	2,680
TOTAL EXPENDITURES	304,136	312,000	309,320	2,680
EXCESS OF REVENUES OVER EXPENDITURES	163,767	168,000	167,969	(31)
OTHER FINANCING SOURCES (USES):				
Operating Transfers Out	(163,766)	(168,000)	(166,557)	1,443
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	$ 1	$ -	1,412	$ 1,412
FUND BALANCE, JANUARY 1			949	
FUND BALANCE, DECEMBER 31			$ 2,361	

Required Supplementary Information
Budgetary Comparison Schedule
Senior Nutrition Program
For the Year Ended December 31, 2017

	Budgeted Amounts		Actual	Variance with Final Budget - Positive
	Original	Final	Amounts	(Negative)
REVENUES:				
Taxes	$ 546,598	$ 560,000	$ 557,687	$ (2,313)
TOTAL REVENUES	546,598	560,000	557,687	(2,313)
EXPENDITURES:				
Health and Welfare	546,598	560,000	557,687	2,313
TOTAL EXPENDITURES	546,598	560,000	557,687	2,313
EXCESS OF REVENUES OVER EXPENDITURES	$ -	$ -	-	$ -
FUND BALANCE, JANUARY 1			-	
FUND BALANCE, DECEMBER 31			$ -	

Required Supplementary Information
Budgetary Comparison Schedule
Correctional Facility Maintenance
For the Year Ended December 31, 2017

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES:				
Taxes	$ 656,706	$ 656,706	$ 670,592	$ 13,886
Interest and Rentals	1,500	1,500	3,628	2,128
TOTAL REVENUES	658,206	658,206	674,220	16,014
EXPENDITURES:				
Public Safety	20,000	25,000	21,291	3,709
TOTAL EXPENDITURES	20,000	25,000	21,291	3,709
EXCESS OF REVENUES OVER EXPENDITURES	638,206	633,206	652,929	19,723
OTHER FINANCING SOURCES (USES):				
Operating Transfers Out	(637,200)	(637,200)	(637,200)	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	$ 1,006	$ (3,994)	15,729	$ 19,723
FUND BALANCE, JANUARY 1			704,481	
FUND BALANCE, DECEMBER 31			$ 720,210	

Other Information

Combining Balance Sheet
General Funds
December 31, 2017

	General	Tax Exemption	Sheriff Special Projects	Trident Task Force	Livery Inspections	Building Maintenance	Health Set Aside	Totals
ASSETS:								
Cash and Investments - Unrestricted	$ 3,810,968	$ 20,044	$ 4,395	$ 3,273	$ 1,501	$ 103,253	$ -	$ 3,943,434
Receivables:								
Accounts	17,229	-	-	-	-	-	-	17,229
Taxes	486,940	-	-	-	-	-	-	486,940
Interest	3,857	-	-	-	-	-	-	3,857
Due from Other Funds	381,482	-	-	-	-	-	-	381,482
Due from Governmental Units	395,554	-	-	-	-	-	-	395,554
Prepaid Items	56,195	-	-	-	-	-	-	56,195
TOTAL ASSETS	$ 5,152,225	$ 20,044	$ 4,395	$ 3,273	$ 1,501	$ 103,253	$ -	$ 5,284,691
LIABILITIES:								
Accounts Payable	$ 79,680	$ -	$ -	$ -	$ -	$ -	$ -	$ 79,680
Due to Governmental Units	-	19,389	-	-	-	-	-	19,389
Accrued Liabilities	248,409	-	-	3,273	-	-	-	251,682
TOTAL LIABILITIES	328,089	19,389	-	3,273	-	-	-	350,751
FUND BALANCES:								
Nonspendable	56,195	-	-	-	-	-	-	56,195
Assigned	-	655	4,395	-	1,501	103,253	-	109,804
Unassigned	4,767,941	-	-	-	-	-	-	4,767,941
TOTAL FUND BALANCES	4,824,136	655	4,395	-	1,501	103,253	-	4,933,940
TOTAL LIABILITIES AND FUND BALANCES	$ 5,152,225	$ 20,044	$ 4,395	$ 3,273	$ 1,501	$ 103,253	$ -	$ 5,284,691

Combining Statement of Revenues, Expenditures, and Changes in Fund Balance - General Funds
For the Year Ended December 31, 2017

	General	Tax Exemption	Sheriff Special Projects	Trident Task Force	Livery Inspections	Building Maintenance	Health Set Aside	Totals
REVENUES:								
Taxes	$ 7,342,446	$ -	$ -	$ -	$ -	$ -	$ -	$ 7,342,446
Licenses and Permits	36,952	-	-	-	-	-	-	36,952
Federal Sources	666,651	-	-	-	-	-	-	666,651
State Sources	2,555,877	-	-	-	-	-	-	2,555,877
Local Sources	144,085	-	-	-	-	-	-	144,085
Charges for Services	2,111,424	-	-	-	110	-	-	2,111,534
Interest and Rentals	57,701	430	-	-	-	-	-	58,131
Fines and Forfeitures	74,259	-	-	-	-	-	-	74,259
Other Revenue	611,192	225	1,000	-	-	6,580	-	618,997
TOTAL REVENUES	13,600,587	655	1,000	-	110	6,580	-	13,608,932
EXPENDITURES:								
Legislative	50,894	-	-	-	-	-	-	50,894
Judicial	2,636,424	-	-	-	-	-	-	2,636,424
General Government	3,219,433	-	-	-	-	8,000	417,805	3,645,238
Public Safety	3,898,211	-	3,200	61,410	-	-	-	3,962,821
Health and Welfare	220,773	-	-	-	-	-	-	220,773
Capital Outlay	372,576	-	-	-	-	-	-	372,576
Other Expenditures	2,122,822	-	-	-	-	-	-	2,122,822
TOTAL EXPENDITURES	12,521,133	-	3,200	61,410	-	8,000	417,805	13,011,548
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,079,454	655	(2,200)	(61,410)	110	(1,420)	(417,805)	597,384
OTHER FINANCING SOURCES (USES):								
Operating Transfers In	52,850	-	-	61,410	-	-	417,805	532,065
Operating Transfers Out	(488,947)	(474)	-	-	-	-	-	(489,421)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	643,357	181	(2,200)	-	110	(1,420)	-	640,028
FUND BALANCES, JANUARY 1	4,180,779	474	6,595	-	1,391	104,673	-	4,293,912
FUND BALANCES, DECEMBER 31	$ 4,824,136	$ 655	$ 4,395	$ -	$ 1,501	$ 103,253	$ -	$ 4,933,940

Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2017

	Special Revenue Funds						
	50th Circuit Court	Drug Court	Construction Code	HUD Grant	Family Counseling	Operation Stonegarden	Animal Control Millage
ASSETS:							
Cash and Investments - Unrestricted	$ 36,957	$ -	$ 2,072	$ -	$ 120	$ 1,722	$ 189,294
Taxes Receivable	-	-	-	-	-	-	109,454
Accounts Receivable	-	2,788	-	-	-	-	-
Due from Other Funds	-	-	-	-	-	-	-
Due from Governmental Units	-	13,721	-	83,754	-	-	1
Prepaid Items	-	-	-	-	-	-	-
TOTAL ASSETS	$ 36,957	$ 16,509	$ 2,072	$ 83,754	$ 120	$ 1,722	$ 298,749
LIABILITIES:							
Due to Other Funds	$ -	$ 14,099	$ -	$ 43,694	$ -	$ -	$ -
Accounts Payable	256	1,855	236	450	-	1,722	4,391
Accrued Liabilities	-	298	1,836	-	-	-	-
TOTAL LIABILITIES	256	16,252	2,072	44,144	-	1,722	4,391
DEFERRED INFLOWS OF RESOURCES:							
Taxes Levied for a Subsequent Period	-	-	-	-	-	-	109,454
FUND BALANCES:							
Nonspendable	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	-	184,904
Committed	-	-	-	-	-	-	-
Assigned	36,701	257	-	39,610	120	-	-
TOTAL FUND BALANCES	36,701	257	-	39,610	120	-	184,904
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 36,957	$ 16,509	$ 2,072	$ 83,754	$ 120	$ 1,722	$ 298,749

Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2017

	Special Revenue Funds						
	FOC Child Support	Community Service	Superior Twp 2000 Improvements Maintenance	Office of Community Correction	Register of Deeds Automation	Drug Forfeiture	CCSD Salvage Vehicle
ASSETS:							
Cash and Investments - Unrestricted	$ 131,666	$ 12,937	$ 77,617	$ 104,983	$ 67,896	$ 27,759	$ 6,228
Taxes Receivable	-	-	-	-	-	-	-
Accounts Receivable	-	-	-	-	-	-	-
Due from Other Funds	-	-	-	-	-	-	-
Due from Governmental Units	-	-	-	-	10	-	-
Prepaid Items	-	-	-	-	560	-	-
TOTAL ASSETS	$ 131,666	$ 12,937	$ 77,617	$ 104,983	$ 68,466	$ 27,759	$ 6,228
LIABILITIES:							
Due to Other Funds	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Accounts Payable	-	49	-	3,177	872	352	-
Accrued Liabilities	-	930	-	2,893	-	-	-
TOTAL LIABILITIES	-	979	-	6,070	872	352	-
DEFERRED INFLOWS OF RESOURCES:							
Taxes Levied for a Subsequent Period	-	-	-	-	-	-	-
FUND BALANCES:							
Nonspendable	-	-	-	-	560	-	-
Restricted	-	-	-	-	-	-	-
Committed	-	-	-	-	-	-	-
Assigned	131,666	11,958	77,617	98,913	67,034	27,407	6,228
TOTAL FUND BALANCES	131,666	11,958	77,617	98,913	67,594	27,407	6,228
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 131,666	$ 12,937	$ 77,617	$ 104,983	$ 68,466	$ 27,759	$ 6,228

Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2017

	Special Revenue Funds						
	Concealed Weapons	Sheriff Law Enforcement Training	Local Corrections Officer's Training	Sheriff Park Patrol	Road Patrol Overtime	Law Library	Youth Alcohol
ASSETS:							
Cash and Investments - Unrestricted	$ 24,042	$ 3,968	$ 13,275	$ 9,910	$ 35,906	$ 1,595	$ -
Taxes Receivable	-	-	-	-	-	-	-
Accounts Receivable	-	-	-	-	-	-	-
Due from Other Funds	-	-	-	-	-	-	-
Due from Governmental Units	-	-	-	-	6,219	-	-
Prepaid Items	-	-	-	-	-	-	-
TOTAL ASSETS	$ 24,042	$ 3,968	$ 13,275	$ 9,910	$ 42,125	$ 1,595	$ -
LIABILITIES:							
Due to Other Funds	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Accounts Payable	-	-	924	-	83	321	-
Accrued Liabilities	101	-	-	-	1,575	-	-
TOTAL LIABILITIES	101	-	924	-	1,658	321	-
DEFERRED INFLOWS OF RESOURCES:							
Taxes Levied for a Subsequent Period	-	-	-	-	-	-	-
FUND BALANCES:							
Nonspendable	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	-	-
Committed	-	-	-	-	-	-	-
Assigned	23,941	3,968	12,351	9,910	40,467	1,274	-
TOTAL FUND BALANCES	23,941	3,968	12,351	9,910	40,467	1,274	-
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 24,042	$ 3,968	$ 13,275	$ 9,910	$ 42,125	$ 1,595	$ -

Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2017

	Special Revenue Funds						
	Animal Shelter Donations	Highway Safety	Chippewa County DHS Appropriation	DHS Child Care	Probate Child Care	Veteran's Trust	Emergency Telephone Service
ASSETS:							
Cash and Investments - Unrestricted	$ 156,606	$ -	$ 253	$ 48,904	$ -	$ -	$ -
Taxes Receivable	-	-	-	-	-	-	-
Accounts Receivable	1,940	-	-	-	-	-	112,947
Due from Other Funds	-	-	-	-	-	-	6,617
Due from Governmental Units	-	-	-	-	147,085	1,702	41,458
Prepaid Items	-	-	906	-	-	-	-
TOTAL ASSETS	$ 158,546	$ -	$ 1,159	$ 48,904	$ 147,085	$ 1,702	$ 161,022
LIABILITIES:							
Due to Other Funds	$ -	$ -	$ -	$ -	$ 146,082	$ 1,702	$ 127,053
Accounts Payable	212	-	-	-	1,003	-	3,665
Accrued Liabilities	-	-	-	-	-	-	30,304
TOTAL LIABILITIES	212	-	-	-	147,085	1,702	161,022
DEFERRED INFLOWS OF RESOURCES:							
Taxes Levied for a Subsequent Period	-	-	-	-	-	-	-
FUND BALANCES:							
Nonspendable	-	-	906	-	-	-	-
Restricted	-	-	-	-	-	-	-
Committed	-	-	-	-	-	-	-
Assigned	158,334	-	253	48,904	-	-	-
TOTAL FUND BALANCES	158,334	-	1,159	48,904	-	-	-
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 158,546	$ -	$ 1,159	$ 48,904	$ 147,085	$ 1,702	$ 161,022

Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2017

	Special Revenue Funds					Debt Service Funds	
	Office of Emergency Service	911 State Training	Chippewa County Recycling	MMOG Grant	Secondary Road Patrol	2013 Refunding Debt	2011 Refunding Debt
ASSETS:							
Cash and Investments - Unrestricted	$ 68,528	$ 13,292	$ 185,929	$ -	$ -	$ -	$ -
Taxes Receivable	-	-	547,273	-	-	-	-
Accounts Receivable	-	-	-	-	-	-	-
Due from Other Funds	-	-	-	-	-	-	-
Due from Governmental Units	312	-	6	530	34,832	-	-
Prepaid Items	6,787	-	-	-	-	-	-
TOTAL ASSETS	$ 75,627	$ 13,292	$ 733,208	$ 530	$ 34,832	$ -	$ -
LIABILITIES:							
Due to Other Funds	$ 6,617	$ -	$ -	$ 530	$ 30,307	$ -	$ -
Accounts Payable	610	-	-	-	-	-	-
Accrued Liabilities	4,105	-	-	-	4,525	-	-
TOTAL LIABILITIES	11,332	-	-	530	34,832	-	-
DEFERRED INFLOWS OF RESOURCES:							
Taxes Levied for a Subsequent Period	-	-	547,273		-	-	-
FUND BALANCES:							
Nonspendable	6,787	-	-	-	-	-	-
Restricted	57,508	-	-	-	-	-	-
Committed	-	-	-	-	-	-	-
Assigned	-	13,292	185,935	-	-	-	-
TOTAL FUND BALANCES	64,295	13,292	185,935	-	-	-	-
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 75,627	$ 13,292	$ 733,208	$ 530	$ 34,832	$ -	$ -

Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2017

	Debt Service Funds				Capital Project Fund	
	2010 City Water and Sewer	Superior Township 2000 Improvement Bond Reserve	Superior Township Improvements Debt	New Jail Debt	Hakola-Ross Drainage	Totals
ASSETS:						
Cash and Investments - Unrestricted	$ -	$ 34,600	$ -	$ -	$ 7,503	$ 1,263,562
Taxes Receivable	-	-	-	-	-	656,727
Accounts Receivable	-	-	-	-	-	117,675
Due from Other Funds	-	-	-	-	-	6,617
Due from Governmental Units	-	-	-	-	-	329,630
Prepaid Items	-	-	-	-	-	8,253
TOTAL ASSETS	$ -	$ 34,600	$ -	$ -	$ 7,503	$ 2,382,464
LIABILITIES:						
Due to Other Funds	$ -	$ -	$ -	$ -	$ -	$ 370,084
Accounts Payable	-	-	-	-	-	20,178
Accrued Liabilities	-	-	-	-	-	46,567
TOTAL LIABILITIES	-	-	-	-	-	436,829
DEFERRED INFLOWS OF RESOURCES:						
Taxes Levied for a Subsequent Period	-	-	-	-	-	656,727
FUND BALANCES:						
Nonspendable	-	-	-	-	-	8,253
Restricted	-	34,600	-	-	-	277,012
Committed	-	-	-	-	7,503	7,503
Assigned	-	-	-	-	-	996,140
TOTAL FUND BALANCES	-	34,600	-	-	7,503	1,288,908
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ -	$ 34,600	$ -	$ -	$ 7,503	$ 2,382,464

Combining Statement of Revenues, Expenditures, and Changes in Fund Balance - Nonmajor Governmental Funds
For the Year Ended December 31, 2017

	Special Revenue Funds						
	50th Circuit Court	Drug Court	Construction Code	HUD Grant	Family Counseling	Operation Stonegarden	Animal Control Millage
REVENUES:							
Taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ 111,397
Federal Sources	-	56,437	-	83,754	-	35,962	-
State Sources	-	-	-	-	-		-
Local Sources	-	-	-	-	-	-	-
Charges for Services	16,245	2,745	105,746	-	3,345	-	-
Interest and Rentals	-	-	-	-	-	-	-
Other Revenue	-	15,755	335	27,902	-	-	-
TOTAL REVENUES	16,245	74,937	106,081	111,656	3,345	35,962	111,397
EXPENDITURES:							
Judicial	5,118	73,707	-	-	-	-	-
General Government	-	-	-	-	-	-	-
Public Safety	-	-	-	-	-	35,962	-
Public Works	-	-	137,497	-	-	-	-
Health and Welfare	-	-	-	-	3,375	-	64,285
Community/Economic Development	-	-	-	145,255	-	-	-
Capital Outlay	-	-	-	-	-	-	25,850
Debt Service	-	-	-	-	-	-	-
TOTAL EXPENDITURES	5,118	73,707	137,497	145,255	3,375	35,962	90,135
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	11,127	1,230	(31,416)	(33,599)	(30)	-	21,262
OTHER FINANCING SOURCES (USES):							
Operating Transfers In	-	-	31,416	-	-	-	-
Operating Transfers Out	-	(973)	-	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	11,127	257	-	(33,599)	(30)	-	21,262
FUND BALANCES, JANUARY 1	25,574	-	-	73,209	150	-	163,642
FUND BALANCES, DECEMBER 31	$ 36,701	$ 257	$ -	$ 39,610	$ 120	$ -	$ 184,904

Combining Statement of Revenues, Expenditures, and Changes in Fund Balance - Nonmajor Governmental Funds For the Year Ended December 31, 2017

	Special Revenue Funds						
	FOC Child Support	Community Service	Superior Twp 2000 Improvements Maintenance	Office of Community Correction	Register of Deeds Automation	Drug Forfeiture	CCSD Salvage Vehicle
REVENUES:							
Taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Federal Sources	-	-	-	-	-	-	-
State Sources	7,920	-	-	-	-	-	-
Local Sources	10,309	42,270	12,655	113,941	-	-	-
Charges for Services	-	-	-	-	46,565	-	3,100
Interest and Rentals	-	-	218	-	-	-	-
Other Revenue	-	-	-	10,080	-	7,500	-
TOTAL REVENUES	18,229	42,270	12,873	124,021	46,565	7,500	3,100
EXPENDITURES:							
Judicial	-	-	-	-	-	-	-
General Government	-	-	-	-	72,980	-	-
Public Safety	-	-	-	106,288	-	8,719	2,024
Public Works	-	35,752	-	-	-	-	-
Health and Welfare	2,848	-	-	-	-	-	-
Community/Economic Development	-	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-	-
Debt Service	-	-	-	-	-	-	-
TOTAL EXPENDITURES	2,848	35,752	-	106,288	72,980	8,719	2,024
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	15,381	6,518	12,873	17,733	(26,415)	(1,219)	1,076
OTHER FINANCING SOURCES (USES):							
Operating Transfers In	-	-	-	-	-	-	-
Operating Transfers Out	-	-	-	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	15,381	6,518	12,873	17,733	(26,415)	(1,219)	1,076
FUND BALANCES, JANUARY 1	116,285	5,440	64,744	81,180	94,009	28,626	5,152
FUND BALANCES, DECEMBER 31	$ 131,666	$ 11,958	$ 77,617	$ 98,913	$ 67,594	$ 27,407	$ 6,228

Combining Statement of Revenues, Expenditures, and Changes in Fund Balance - Nonmajor Governmental Funds
For the Year Ended December 31, 2017

	Special Revenue Funds						
	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	-	3,066	-	-	62,489	-	6,377
Local Sources	-	-	-	-	-	-	-
Charges for Services	15,880	-	10,349	1,870	-	3,500	-
Interest and Rentals	-	-	-	-	-	-	-
Other Revenue	-	-	-	-	5,063	-	-
TOTAL REVENUES	15,880	3,066	10,349	1,870	67,552	3,500	6,377
EXPENDITURES:							
Judicial	-	-	-	-	-	3,748	-
General Government	-	-	-	-	-	-	-
Public Safety	9,331	7,191	27,318	2,382	50,642	-	-
Public Works	-	-	-	-	-	-	-
Health and Welfare	-	-	-	-	-	-	6,377
Community/Economic Development	-	-	-	-	-	-	-
Capital Outlay	-	-	-	-		-	-
Debt Service	-	-	-	-	-	-	-
TOTAL EXPENDITURES	9,331	7,191	27,318	2,382	50,642	3,748	6,377
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	6,549	(4,125)	(16,969)	(512)	16,910	(248)	-
OTHER FINANCING SOURCES (USES):							
Operating Transfers In	-	-	-	-	-	-	-
Operating Transfers Out	-	-	-	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	6,549	(4,125)	(16,969)	(512)	16,910	(248)	-
FUND BALANCES, JANUARY 1	17,392	8,093	29,320	10,422	23,557	1,522	-
FUND BALANCES, DECEMBER 31	$ 23,941	$ 3,968	$ 12,351	$ 9,910	$ 40,467	$ 1,274	$ -

Combining Statement of Revenues, Expenditures, and Changes in Fund Balance - Nonmajor Governmental Funds
For the Year Ended December 31, 2017

	Special Revenue Funds						
	Animal Shelter Donations	Highway Safety	Chippewa County DHS Appropriation	DHS Child Care	Probate Child Care	Veteran's Trust	Emergency Telephone System
REVENUES:							
Taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Federal Sources	-	-	-	-	-	-	-
State Sources	2,000	16,464	-	-	149,669	5,459	169,724
Local Sources	-	-	-	-	7,500	-	-
Charges for Services	-	-	-	-	-	-	699,248
Interest and Rentals	-	-	-	-	-	-	-
Other Revenue	39,583	-	-	-	5,486	-	-
TOTAL REVENUES	41,583	16,464	-	-	162,655	5,459	868,972
EXPENDITURES:							
Judicial	-	-	-	-	-	-	-
General Government	-	-	-	-	-	-	-
Public Safety	-	16,464	-	-	-	-	929,002
Public Works	-	-	-	-	-	-	-
Health and Welfare	8,380	-	19,920	54,142	398,399	5,174	-
Community/Economic Development	-	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-	-
Debt Service	-	-	-	-	-	-	-
TOTAL EXPENDITURES	8,380	16,464	19,920	54,142	398,399	5,174	929,002
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	33,203	-	(19,920)	(54,142)	(235,744)	285	(60,030)
OTHER FINANCING SOURCES (USES):							
Operating Transfers In	-	-	19,921	54,142	289,886	-	60,030
Operating Transfers Out	-	-	-	-	(54,142)	(285)	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	33,203	-	1	-	-	-	-
FUND BALANCES, JANUARY 1	125,131	-	1,158	48,904	-	-	-
FUND BALANCES, DECEMBER 31	$ 158,334	$ -	$ 1,159	$ 48,904	$ -	$ -	$ -

Combining Statement of Revenues, Expenditures, and Changes in Fund Balance - Nonmajor Governmental Funds For the Year Ended December 31, 2017

	Special Revenue Funds					Debt Service Funds	
	Office of Emergency Services	911 State Training	Chippewa County Recycling	MMOG Grant	Secondary Road Patrol	2013 Refunding Debt	2011 Refunding Debt
REVENUES:							
Taxes	$ -	$ -	$ 558,611	$ -	$ -	$ -	$ -
Federal Sources	43,598	-	-	-	-	-	-
State Sources	-	13,635	-	6,875	63,686	-	-
Local Sources	-	-	-	-	-	559,719	764,300
Charges for Services	-	-	-	-	-	-	-
Interest and Rentals	-	-	-	-	-	-	-
Other Revenue	10,772	-	-	-	-	-	-
TOTAL REVENUES	54,370	13,635	558,611	6,875	63,686	559,719	764,300
EXPENDITURES:							
Judicial	-	-	-	-	-	-	-
General Government	-	-	-	-	-	-	-
Public Safety	160,406	15,029	-	6,875	150,000	-	-
Public Works	-	-	505,000	-	-	-	-
Health and Welfare	-	-	-	-	-	-	-
Community/Economic Development	-	-	-	-	-	-	-
Capital Outlay	25,850	-	-	-	-	-	-
Debt Service	-	-	-	-	-	559,719	764,300
TOTAL EXPENDITURES	186,256	15,029	505,000	6,875	150,000	559,719	764,300
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(131,886)	(1,394)	53,611	-	(86,314)	-	-
OTHER FINANCING SOURCES (USES):							
Operating Transfers In	106,527	-	-	-	86,314	-	-
Operating Transfers Out	-	-	-	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	(25,359)	(1,394)	53,611	-	-	-	-
FUND BALANCES, JANUARY 1	89,654	14,686	132,324	-	-	-	-
FUND BALANCES, DECEMBER 31	$ 64,295	$ 13,292	$ 185,935	$ -	$ -	$ -	$ -

Combining Statement of Revenues, Expenditures, and Changes in Fund Balance - Nonmajor Governmental Funds
For the Year Ended December 31, 2017

	Debt Service Funds				Capital Fund	
	2010 City Water and Sewer	Superior Twp 2000 Improvement Bond Reserve	Superior Township Improvements Debt	New Jail Debt	Hakola-Ross Drainage	Totals
REVENUES:						
Taxes	$ -	$ -	$ -	$ -	$ -	$ 670,008
Federal Sources	-	-	-	-	-	219,751
State Sources	-	-	-	-	-	507,364
Local Sources	-	-	25,826	-	-	1,536,520
Charges for Services	-	-	-	-	-	908,593
Interest and Rentals	-	-	-	-	-	218
Other Revenue	-	-	-	-	-	122,476
TOTAL REVENUES	-	-	25,826	-	-	3,964,930
EXPENDITURES:						
Judicial	-	-	-	-	-	82,573
General Government	-	-	-	-	-	72,980
Public Safety	-	-	-	-	-	1,527,633
Public Works	-	-	-	-	-	678,249
Health and Welfare	-	-	-	-	-	562,900
Community/Economic Development	-	-	-	-	-	145,255
Capital Outlay	-	-	-	-	-	51,700
Debt Service	420,800	-	25,826	216,400	-	1,987,045
TOTAL EXPENDITURES	420,800	-	25,826	216,400	-	5,108,335
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(420,800)	-	-	(216,400)	-	(1,143,405)
OTHER FINANCING SOURCES (USES):						
Operating Transfers In	420,800	-	-	216,400	-	1,285,436
Operating Transfers Out	-	-	-	-	-	(55,400)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	-	-	-	-	-	86,631
FUND BALANCES, JANUARY 1	-	34,600	-	-	7,503	1,202,277
FUND BALANCES, DECEMBER 31	$ -	$ 34,600	$ -	$ -	$ 7,503	$ 1,288,908

Combining Statement of Net Position
Major Tax Collection Enterprise Fund
December 31, 2017

	2014 Tax Revolving	2015 Tax Revolving	2016 Tax Revolving	Prior Years' Tax Revolving	Tax Revolving Admin	Totals
ASSETS:						
Cash and Investments - Unrestricted	$ 2,285,343	$ 579,530	$ 2,470,090	$ 4,448,793	$ 53,101	$ 9,836,857
Taxes Receivable	5,300	306,883	1,281,259	1,370	-	1,594,812
Accrued Interest Receivable	10,523	101,243	128,126	10,948	-	250,840
TOTAL ASSETS	$ 2,301,166	$ 987,656	$ 3,879,475	$ 4,461,111	$ 53,101	$ 11,682,509
LIABILITIES:						
Due to Governmental Units	$ 719	$ -	$ -	$ -	$ -	$ 719
Accrued Liabilities	-	14,647	523	-	-	15,170
TOTAL LIABILITIES	719	14,647	523	-	-	15,889
NET POSITION:						
Unrestricted	2,300,447	973,009	3,878,952	4,461,111	53,101	11,666,620
TOTAL NET POSITION	2,300,447	973,009	3,878,952	4,461,111	53,101	11,666,620
TOTAL LIABILITIES AND NET POSITION	$ 2,301,166	$ 987,656	$ 3,879,475	$ 4,461,111	$ 53,101	$ 11,682,509

Combining Statement of Revenues, Expenses, and Changes in Net Position - Major Tax Collection Enterprise Fund
For the Year Ended December 31, 2017

	2014 Tax Revolving	2015 Tax Revolving	2016 Tax Revolving	Prior Years' Tax Revolving	Tax Revolving Admin	Totals
OPERATING REVENUES:						
Charges for Services	$ 60,703	$ 79,762	$ 96,139	$ 1,790	$ -	$ 238,394
Penalties and Interest Charges	6,962	140,948	228,347	66	-	376,323
TOTAL OPERATING REVENUES	67,665	220,710	324,486	1,856	-	614,717
OPERATING EXPENSES:						
Other Supplies and Expenses	7,112	-	-	-	871	7,983
Total Operating Expenses	7,112	-	-	-	871	7,983
OPERATING INCOME (LOSS)	60,553	220,710	324,486	1,856	(871)	606,734
NON-OPERATING REVENUES (EXPENSES):						
Interest on Deposits	18,300	-	-	40,803	-	59,103
Total Non-operating Revenues (Expenses)	18,300	-	-	40,803	-	59,103
INCOME (LOSS) BEFORE TRANSFERS	78,853	220,710	324,486	42,659	(871)	665,837
Operating Transfers In	-	-	3,554,466	-	-	3,554,466
Operating Transfers Out	(651,341)	(2,417,805)	-	(903,125)	-	(3,972,271)
CHANGES IN NET POSITION	(572,488)	(2,197,095)	3,878,952	(860,466)	(871)	248,032
NET POSITION, JANUARY 1	2,872,935	3,170,104	-	5,321,577	53,972	11,418,588
NET POSITION, DECEMBER 31	$ 2,300,447	$ 973,009	$ 3,878,952	$ 4,461,111	$ 53,101	$ 11,666,620

Combining Statement of Net Position
Nonmajor Enterprise Funds
December 31, 2017

	State Education Tax Parcel Fee	2012 Tax Foreclosure	2013 Tax Foreclosure	2014 Tax Foreclosure	Sheriff Commissary	Homestead Tax	Totals
ASSETS:							
Cash and Investments - Unrestricted	$ 20,964	$ -	$ 122,846	$ 285,215	$ 32,482	$ -	$ 461,507
Due from Governmental Units	-	-	-	-	-	12,217	12,217
TOTAL ASSETS	$ 20,964	$ -	$ 122,846	$ 285,215	$ 32,482	$ 12,217	$ 473,724
LIABILITIES:							
Due To Other Funds	$ -	$ -	$ -	$ -	$ -	$ 12,217	$ 12,217
TOTAL LIABILITIES	-	-	-	-	-	12,217	12,217
NET POSITION :							
Unrestricted	$ 20,964	$ -	$ 122,846	$ 285,215	$ 32,482	$ -	$ 461,507
TOTAL NET POSITION	$ 20,964	$ -	$ 122,846	$ 285,215	$ 32,482	$ -	$ 461,507

Combining Statement of Revenues, Expenses, and Changes in Net Position - Nonmajor Enterprise Funds
For the Year Ended December 31, 2017

	State Education Tax Parcel Fee	2012 Tax Foreclosure	2013 Tax Foreclosure	2014 Tax Foreclosure	Sheriff Commissary	Homestead Tax	Totals
OPERATING REVENUES:							
Penalties and Interest Charges	$ 4,040	$ -	$ 300	$ 299,896	$ 216,361	$ -	$ 520,597
TOTAL OPERATING REVENUES	4,040	-	300	299,896	216,361	-	520,597
OPERATING EXPENSES:							
Other Supplies and Expenses	497	30	62,087	14,681	195,376	-	272,671
TOTAL OPERATING EXPENSES	497	30	62,087	14,681	195,376	-	272,671
OPERATING INCOME (LOSS)	3,543	(30)	(61,787)	285,215	20,985	-	247,926
INCOME (LOSS) BEFORE TRANSFERS	3,543	(30)	(61,787)	285,215	20,985	-	247,926
Operating Transfers Out	-	(51,118)	-	-	-	-	(51,118)
CHANGES IN NET POSITION	3,543	(51,148)	(61,787)	285,215	20,985	-	196,808
NET POSITION, JANUARY 1	17,421	51,148	184,633	-	11,497	-	264,699
NET POSITION, DECEMBER 31	$ 20,964	$ -	$ 122,846	$ 285,215	$ 32,482	$ -	$ 461,507

Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Year Ended December 31, 2017

	State Education Tax Parcel Fee	2012 Tax Foreclosure	2013 Tax Foreclosure	2014 Tax Foreclosure	Sheriff Commissary	Homestead Tax	Totals
CASH FLOWS FROM OPERATING ACTIVITIES:							
Receipts from Customers	$ 4,040	$ -	$ 300	$ 299,896	$ 216,361	$ (12,217)	$ 508,380
Payments to Suppliers	(497)	(30)	(63,724)	(14,681)	(195,376)	12,204	(262,104)
Net Cash Provided (Used) by Operating Activities	3,543	(30)	(63,424)	285,215	20,985	(13)	246,276
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:							
Operating Transfers Out	-	(51,118)	-	-	-	-	(51,118)
Net Cash Provided (Used) by Noncapital Financing Activities	-	(51,118)	-	-	-	-	(51,118)
Net Increase (Decrease) in Cash and Investments	3,543	(51,148)	(63,424)	285,215	20,985	(13)	195,158
Balances - Beginning of the Year	17,421	51,148	186,270	-	11,497	13	266,349
Balances - End of the Year	$ 20,964	$ -	$ 122,846	$ 285,215	$ 32,482	$ -	$ 461,507
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:							
Operating Income (Loss)	$ 3,543	$ (30)	$ (61,787)	$ 285,215	$ 20,985	$ -	$ 247,926
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	-	-	-	-	-	(12,217)	(12,217)
Increase(Decrease) in Liabilities:							
Due to Governmental Units	-	-	-	-	-	(13)	(13)
Accrued Liablities	-	-	(1,637)	-	-	-	(1,637)
Due to Other Funds	-	-	-	-	-	12,217	12,217
Net Cash Provided (Used) by Operating Activities	$ 3,543	$ (30)	$ (63,424)	$ 285,215	$ 20,985	$ (13)	$ 246,276

Combining Statement of Net Position
Internal Service Funds
December 31, 2017

	Self Insurance-Health	Self Insurance-Workers Comp.	Central Stores	Total
ASSETS:				
Cash and Investments - Unrestricted	$ 461,556	$ 27,275	$ -	$ 488,831
Inventory	-	-	5,982	5,982
Due from Governmental Units	86,068	-	-	86,068
TOTAL ASSETS	$ 547,624	$ 27,275	$ 5,982	$ 580,881
LIABILITIES:				
Due to Other Funds	$ -	$ -	$ 5,798	$ 5,798
TOTAL LIABILITIES	-	-	5,798	5,798
NET POSITION:				
Unrestricted	547,624	27,275	184	575,083
TOTAL NET POSITION	547,624	27,275	184	575,083
TOTAL LIABILITIES AND NET POSITION	$ 547,624	$ 27,275	$ 5,982	$ 580,881

Combining Statement of Revenues, Expenses, and Changes in Net Position - Internal Service Funds
For the Year Ended December 31, 2017

	Self Insurance-Health	Self Insurance-Workers Comp.	Central Stores	Total
OPERATING REVENUES:				
Charges for Services	$ 3,134,151	$ 174,999	$ 10,114	$ 3,319,264
Total Operating Revenues	3,134,151	174,999	10,114	3,319,264
OPERATING EXPENSES:				
Premium Payments	3,460,678	668,427	-	4,129,105
Supplies	-	-	9,930	9,930
Total Operating Expenses	3,460,678	668,427	9,930	4,139,035
OPERATING INCOME (LOSS)	(326,527)	(493,428)	184	(819,771)
NET POSITION, JANUARY 1	874,151	520,703	-	1,394,854
NET POSITION, DECEMBER 31	$ 547,624	$ 27,275	$ 184	$ 575,083

Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended December 31, 2017

	Self Insurance- Health	Self Insurance- Workers Comp.	Central Stores	Totals
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from Customers	$ 3,215,119	$ 174,999	$ 10,114	$ 3,400,232
Payments to Suppliers	(3,467,718)	(668,427)	(8,647)	(4,144,792)
Internal Activity - Receipts(Payments) with Other Funds	-	-	(1,467)	(1,467)
Net Cash Provided (Used) by Operating Activities	(252,599)	(493,428)	-	(746,027)
Net Increase (Decrease) in Cash and Investments	(252,599)	(493,428)	-	(746,027)
Balances - Beginning of the Year	714,155	520,703	-	1,234,858
Balances - End of the Year	$ 461,556	$ 27,275	$ -	$ 488,831
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating Income (Loss)	$ (326,527)	$ (493,428)	$ 184	$ (819,771)
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	80,968	-	-	80,968
Inventory	-	-	1,283	1,283
Increase (Decrease) in Liabilities:				
Accrued Liabilites	(7,040)	-	-	(7,040)
Due to Other Funds	-	-	(1,467)	(1,467)
Net Cash Provided (Used) by Operating Activities	$ (252,599)	$ (493,428)	$ -	$ (746,027)

Reports on Compliance

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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 County of Chippewa, Michigan as of and for the year ended December 31, 2017, 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 May 15, 2018.

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.

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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 & Co. PLC

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

May 15, 2018

ANDERSON, TACKMAN & COMPANY, PLC
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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, 2017. 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 it 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.

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Members of the Board
County of Chippewa, Michigan

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, 2017.

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 & Co. PLC

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

May 15, 2018

Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2017

	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	$ -	$ 202,880
*	Women, Infant and Children - Breastfeeding	10.557	MDHHS	W500342	-	22,626
	Subtotal				-	225,506
	Forest Service Schools and Roads Cluster					
	Schools and Roads Grants to States - Title I	10.665	MDNR	N/A	277,173	277,173
	Total U.S. Department of Agriculture				277,173	502,679
	U.S. Department of Commerce					
	Pass through from the Great Lakes Commission					
	Little Rapids Restoration Project	11.463	MDOT	NA13NMF4630217	-	174,384
	U.S. Department of Housing & Urban Development					
	Community Development Block Grant	14.228	MSHDA	MSC-2104	-	83,754
	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 -Section 5311 (80/20)	20.509	MDOT	2012-0077 129408	-	98,860
	Capital Grant - Marine Capital (80/20)	20.205	MDOT	2017-0047	-	90,236
	Capital Grant -Section 5311 (80/20)	20.509	MDOT	2012-0077 126904	-	35,368
	Operating Assistance - Section 5311	20.509	MDOT	2007-0204 109905	-	79,556
	Rural Transit Assistance Program (RTAP)	20.509	MDOT	N/A	-	4,500
	Subtotal State and Federal, Capital and Operating Assistance				-	308,520
	Michigan Department of Transportation					
	Job Access and Reverse Commute Program (JARC)	20.516	MDOT	2007-0204 107394	-	14,057
	Highway Safety Cluster					
	Airport Project - State Administered	20.106	MDOT	3-26-0139--3716	-	914,052
	MDOT Projects - State Administered	20.205	MDOT	STP	-	679,619
	Planning Grant	20.601	MOHSP	03062-02	-	56,437
	Subtotal				-	1,650,108
	Total U.S. Department of Transportation				-	1,972,685
	U.S. Environmental Protection Agency					
	Drinking Water State Revolving Fund Cluster					
*	Type II Operator Assisted	66.468	MDEQ	FS97548714	-	469
*	Type II Capacity Development	66.468	MDEQ	FS97548713	-	150
*	Source Water Assessment	66.468	MDEQ	FS97548714	-	300
	Subtotal				-	919
*	Great Lakes Beach Monitoring	66.472	MDEQ	CU00E99305	-	6,853
	Total U.S. Environmental Protection Agency				-	7,772
	U.S. Department of Health and Human Services					
*	Public Health Emergency Preparedness	93.069	MDHHS	NU90TP000528	-	89,964
*	Ebola Funding	93.069	MDHHS	NU90TP000528	-	1,678
*	Public Health Emergency Preparedness	93.069	MDHHS	NU90TP000528	-	28,424
	Subtotal				-	120,066

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

	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	GFPHPA05017341	-	30,394
*	Immunization - Vaccines (noncash)	93.268	MDHHS	N/A	-	91,111
*	Immunization - IAP	93.268	MDHHS	H23 CCH522556	-	10,767
	Subtotal				-	101,878
*	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	-	191,753
	Title IV-D - CRP Friend of the Court	93.563	MDHHS	CSFOC-17-17001	-	59,558
	Title IV-D - CRP Prosecuting Attorney	93.563	MDHHS	CSPA-13-17002	-	49,233
	Title IV-D - CRP Prosecuting Attorney	93.563	MDHHS	CSPA-17-17002	-	19,366
	Performance Incentive Payment	93.563	MDHHS	N/A	-	48,122
	Subtotal				-	368,032
*	BCCCP Coordination	93.752	MDHHS	NU58DP003921	-	3,375
	Medicaid Cluster:					
*	CCSHCS Grant Outreach	93.778	MDHHS	05 U05M15ADM	-	14,000
*	Medicaid Outreach - Elevated Blood Level	93.778	MDHHS	05 1205 M15MAP	-	131
	Medicaid Outreach	93.778	MDHHS	05 U05M15ADM	-	1,053
*	Medicaid - Administration	93.778	MDHHS	05 U05M15ADM	-	13,147
	Subtotal				-	28,331
	BCCCP Coordination	93.898	MDHHS	NU58DP006334	-	579
*	BCCCP Coordination	93.919	MDHHS	NU58DP003921	-	771
*	Prevention (Northcare)	93.959	MDHHS	N/A	-	49,251
	Subtotal				-	50,601
	Maternal & Child Health Services Block Grants to the States:					
*	Family Planning/BCCCP	93.994	MDHHS	B1MIMCHS	-	4,460
*	Enabling Services Women	93.994	MDHHS	B1MIMCHS	-	19,872
*	CSHCS Coordination	93.994	MDHHS	B1MIMCHS	-	5,781
	Subtotal				-	30,113
	Total U.S. Department of Health and Human Services				-	745,987
	U.S. Department of Homeland Security					
	2013 Marine Safety Program	97.012	MDNR	N/A	-	12,600
	Emergency Management Performance Grant	97.042	MSP	EMC-2016-EP-00001	-	15,838
	Subtotal				-	28,438
	Homeland Security Program Grant:					
	Operation Stonegarden Grant	97.067	MSP	2010-SS-T0-0009	-	35,962
	Homeland Security Grant - 2015	97.067	HC	N/A	-	17,326
	Homeland Security Grant - 2016	97.067	HC	N/A	-	10,434
	Subtotal				-	63,722
	Total U.S. Department of Homeland Security				-	92,160
	Total Expenditures of Federal Awards				$ 277,173	$ 3,596,421

See accompanying notes to the schedule of expenditures of fereral 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, 2017. 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 Agriculture which provided the greatest amount of indirect federal funding to the County during 2017.

NOTE C.- INDIRECT COST:

For purposes of charging indirect costs to federal awards, the County ha not elected to use the 10% deminimus 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	$	1,497,635
Federal Grants of Component Units		1,821,613
Federal Grants in Trust & Agency		277,173
Total Federal Revenue Recognized per Schedule of Expenditures of Federal Awards	$	3,596,421

Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2017

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

CFDA Numbers	Name of Federal Program or Cluster
10.665	Schools and Roads – Grants to States
10.557	Women, Infant and Children

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

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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, 2017, 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

May 15, 2018

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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
1980 U.S. Census........................... 29,029
1990 U.S. Census........................... 34,604
2000 U.S. Census................................ 38,543
2010 U.S. Census................................ 38,520

2015 estimate 38,000

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

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

	2017		2016	
Use	Amount	Percent of Total	Amount	Percent of Total
Agricultural	$ 37,296,982	3.35%	$ 37,429,518	3.40%
Commercial (R&P)	155,948,335	14.00%	153,878,806	13.96%
Industrial (R&P)	26,882,186	2.41%	28,239,947	2.56%
Residential	847,809,693	76.08%	838,919,559	76.12%
Utility	46,472,100	4.16%	43,686,700	3.96%
Total	$ 1,114,409,296	100.00%	$ 1,102,154,530	100.00%

NOTE 2 – TABLES: (Continued)

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

Class	2017 Amount	2017 Percent of Total	2016 Amount	2016 Percent of Total
Real Property	$ 1,045,224,196	93.79%	$ 1,032,807,030	93.71%
Personal Property	69,185,100	6.21%	69,349,500	6.29%
Total	$ 1,114,409,296	100.00%	$ 1,102,156,530	100.00%

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
2007	2008	2009	$ 976,118,163	$ 4,428,200	$980,546,363	3.35%
2008	2009	2010	1,020,314,976	3,777,300	1,024,092,276	4.44%
2009	2010	2011	1,054,021,915	2,302,600	1,056,324,515	3.15%
2010	2011	2012	1,062,567,992	2,294,400	1,064,862,392	.81%
2011	2012	2013	1,090,343,959	430,500	1,090,774,459	.24%
2012	2013	2014	1,086,611,568	1,249,100	1,087,860,668	(.27)%
2013	2014	2015	1,094,634,260	1,287,800	1,095,922,060	.74%
2014	2015	2016	1,102,156,530	1,116,800	1,103,273,360	.67%
2015	2016	2017	1,114,409,296	1,095,900	1,115,505,196	1.11%

Per Capita Total taxable value for the fiscal year ending December 31, 2017 $29,355.40.

Source: County of Chippewa

NOTE 2 - TABLES: (Continued)

D. SEV by Use and Class:

Use	2014	%	2015	%	2016	%	2017	%
	Fiscal Year Ended or Ending December 31							
Agriculture	$ 54,079,500	4%	$ 53,636,992	4%	$ 54,264,400	4%	$ 54,038,200	4%
Commercial	179,635,000	14%	176,292,812	13%	173,528,900	13%	172,900,619	13%
Industrial	31,649,600	2%	33,339,200	3%	32,417,400	3%	31,340,000	2%
Residential	1,024,233,920	77%	1,027,578,600	77%	1,029,117,076	77%	1,030,810,300	77%
Utility	40,508,600	3%	41,180,000	3%	43,686,700	3%	46,472,100	4%
Total	$ 1,330,106,620	100%	$ 1,332,027,604	100%	$ 1,333,014,476	100%	$ 1,335,561,219	100%
Class								
Real Property	$ 1,262,952,732	95%	$ 1,266,502,092	95%	$ 1,263,635,676	95%	$ 1,266,376,619	95%
Personal Property	67,153,888	5%	65,525,512	5%	69,378,800	5%	69,561,219	5%
Total	$ 1,330,106,620	100%	$ 1,332,027,604	100%	$ 1,333,014,476	100%	$ 1,335,937,838	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
Jail Renovation (5)	0.7500	1.0000	0.7078
Senior Programs (4)	0.5000	1.0000	0.4994
Animal Shelter (6)	0.1000	1.0000	0.1000

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

Source: County of Chippewa

NOTE 2 - TABLES: (Continued)

F. Revenues from the State of Michigan

Fiscal Year Ended/Ending	Revenue Sharing Payments
December 31, 2014	$618,628
December 31, 2015	$716,250
December 31, 2016	$719,883
December 31, 2017	$724,783

Source: County of Chippewa

G. Property Tax Rates:

Levy 1-Dec	Fiscal Years Ended or Ending 31-Dec	Allocated	Fire/ Ambulance (1)	Road Improvements (1)	Recycling (1)	Jail (1)	Senior Program (1)	Animal Shelter (1)	Total
2011	2012	6.1500	0.4275	0.9879	0.5000	0.7078	0.4994	0.0000	9.2726
2012	2013	6.1500	0.4275	0.9879	0.5000	0.7078	0.4994	0.0000	9.2726
2013	2014	6.1500	0.4275	0.9879	0.5000	0.7078	0.4994	0.0000	9.2726
2014	2015	6.1500	0.4275	0.9879	0.5000	0.7078	0.4994	0.0000	9.2726
2015	2016	6.1500	0.4275	0.9879	0.5000	0.7078	0.4994	0.1000	9.3726
2016	2017	6.1500	0.4275	0.9879	0.5000	0.7078	0.4994	0.1000	9.3726
2017	2018	6.1500	0.4275	0.9879	0.5000	0.7078	0.4994	0.1000	9.3726

(1) Voted.

Source: County of Chippewa

H. Highest and Lowest Tax Rates:

The highest and lowest tax rates for properties allowed special exemption status and all other taxable properties within the County for its fiscal year ending December 31, 2017:

Property	Highest Tax Rate		Lowest Tax Rate	
Classification	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
2011	2012	8,573,674	7,525,927	87.77%
2012	2013	9,212,618	8,555,370	92.86%
2013	2014	9,658,175	8,897,874	92.13%
2014	2015	9,613,427	8,863,578	92.19%
2015	2016	9,732,114	9,025,722	92.74%
2016	2017	9,814,287	9,110,481	92.82%

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

Source: County of Chippewa

J. Ten Largest Taxpayers:

		December 31, 2017	
Taxpayer	Principal Product or Service	Taxable Value (1)	Percent of of Total (2)
Cloverland Electric Co.	Utility	$ 37,764,107	30.55%
State of Michigan	Properties	17,435,689	14.10%
American Transmission	Utility	16,745,976	13.55%
Cascade X LLC	Shopping Mall	8,889,100	7.19%
Sault Ste. Marie Tribe of Chippewa Indians	Properties	6,883,519	5.57%
Wal-Mart Real Estate	Shopping Center	5,349,011	4.33%
Continental Teves, Inc.	Auto Testing Service	4,699,600	3.80%
Pointe West I LP	Apartment Complex	3,671,564	2.97%
Hoover Precision Products	Manufacturing	2,875,705	2.33%
Dir Owner LLC	Resort	2,611,255	2.11%

(1) Includes Equivalent Taxable Value of properties granted tax abatement under Act 198.
(2) Based on $123,614,949 which is the County's Total Taxable Value for the fiscal year ending December 31, 2017. 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)	$ 113,190,200
Debt Outstanding (2)	(44,169,133)
Legal Debt Margin	$ 69,021,067

(1) 10% of $ 1,131,901,985 which is the County's Total SEV for its fiscal year ending December 31, 2017. 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:

County Direct Debt	Gross	Self-Supporting	Net
Building Authority Bonds:			
Dated July 12, 2011 (LT)	$ 1,720,000	$ -	$ 1,720,000
Dated April 1, 2010 (LT)	410,000	-	410,000
Subtotal	2,130,000	-	2,130,000
Water and Sewer Bonds:			
Dated December 13, 2013	5,170,000	5,170,000	-
Dated June 26, 2000	323,958	323,958	-
Subtotal	5,493,958	5,493,958	-
General Obligation Bonds:			
Dated December 10, 2009	210,000	-	210,000
Installment Obligations	-	-	
Total	$ 7,833,958	$ 5,493,958	$ 2,340,000
Per Capita Net County Direct Debt			$ 56
Percent of Net Direct Debt to Total SEV			0.2%

NOTE 2 - TABLES: (Continued)

L. Debt Schedule: (Continued)

Underlying Debt of County (5)	Total
City	$ 17,765,000
Townships	1,204,104
School Districts	24,568,046
ISD	11,983
Total Underlying Debt	$ 43,549,133
Per Capita Underlying Debt (3)	$ 1,227.34
Percent of Underlying Debt to Total SEV (4)	3.50%
Total Direct and Underlying Debt	$ 51,383,091
Per Capita Net Direct and Underlying Debt (3)	$ 1,147
Percent of Net Direct and Underlying Debt to Total SEV (4)	3.89%

(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 $1,131,901,985 which is the County's Total SEV for its fiscal year ending December 31, 2017. 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:

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

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

Source: County of Chippewa

P. Future Financing:

Not Anticipated.

Q. Vacation and Sick Leave:

Employees earn varying amounts of annual vacation and sick leave based on number of years of service up to a maximum and on the various labor union contract terms and administration policies of the different County operating units. Vacation is accumulated and taken annually. Sick leave can accumulate up to 168 hours. In addition, each year sheriff employees are given 96 days of sick time for jail employees and 64 days sick time for road patrol employees with 100 percent vesting after three years of service for the Sheriff's department only. At December 31, 2017, the accumulated unpaid compensated absences amount to $536,699.

NOTE 2 - TABLES: (Continued)

R. Pension and OPEB Plan:

All full-time employees of the County are participants in a defined benefit plan administered by the Michigan Municipal Employees Retirement System. The County's contribution to the plan, expressed as a percentage of active member payroll, covers current service costs, unrealized investment income on unfunded accrued liabilities (prior service costs) and the amortization of unfunded accrued liabilities over a 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
2007	24,411,785	27,878,398	88%
2008	25,304,999	30,749,995	82%
2009	26,418,432	32,521,364	81%
2010	27,576,324	34,793,371	79%
2011	28,641,084	36,543,151	78%
2012	29,452,202	38,144,006	77%
2013	30,490,775	39,646,045	77%
2014	31,376,994	41,555,130	76%
2015	31,967,265	45,128,410	71%
2016	32,491,180	46,797,040	69%

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

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

	County	Health Department	EDC	Road
Annual required contribution	$ 637,847	$ 461,622	$ 35,933	$ 1,542,729
Interest on net OPEB obligation	102,338	185,664	270	78,972
Annual OPEB cost (expense)	740,185	647,286	36,203	1,621,701
Contributions made	(948,610)	(486,630)	(70,425)	(647,911)
Increase (decrease) in net OPEB obligation	(208,425)	160,656	(34,222)	973,790
Net OPEB obligation – beginning of year	2,558,472	4,383,855	70,425	2,256,356
Net OPEB obligation – end of year	$ 2,350,047	$ 4,544,511	$ 36,203	$ 3,230,146

Complete OPEB information can be found in Note 9.

Source: County of Chippewa

NOTE 2 - TABLES: (Continued)

S. 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.

Employee Group	Membership	Current Expiration Date
American Federation of State,		
County and Municipal Employees	32	December 31, 2018
Michigan Fraternal Order of Police Labor Council	16	Tentative December 31, 2017
Non-Union Employees	77	Not applicable
Police Officers Association of Michigan	12	December 31, 2017
Michigan Fraternal Order of Police Labor Council:		
Senior Dispatchers	2	December 31, 2018
Dispatchers	6	December 31, 2017
Total Permanent County Employees	145	

Source: County of Chippewa

T. Profile of Major Employers:

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

Company	Principal Product or Service	Approximate Number of Employees
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)

U. Employment:

7Reflected below are the unemployment statistics for the County for the calendar years 2012 through 2017:

County of Chippewa	2012	2013	2014	2015	2016	2017
Employed	15,423	15,332	15,346	15,632	15,272	16,543
Unemployed	1,728	1,796	1,609	1,257	1,219	1,283
Labor Force	17,151	17,128	16,955	16,880	16,491	17,826
Unemployed as % Of Labor Force (1)	10.1%	10.5%	9.5%	7.4%	7.4%	7.8%

(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
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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, 2017, and have issued our report thereon dated May 15, 2018. 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 9, 2018, 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.

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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 9, 2018.

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. No new accounting policies were adopted regarding and the application of existing policies were 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 May 15, 2018.

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

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.

The standard is effective for fiscal years beginning after June 15, 2016. We encourage the Board and management to review the provisions of this new standard and anticipate its effect on the financial reporting process.

Single Approach for Reporting Leases

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 donates 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 payment 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.

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.

Anderson Tackman & Co. PLC

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

May 15, 2018