

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name County of Chippewa	County Chippewa
Audit Date 12/31/05	Opinion Date 2/16/06	Date Accountant Report Submitted to State: 5/8/06	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.


We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).	✓		

Certified Public Accountant (Firm Name) Anderson, Tackman & Company, PLC			
Street Address 16978 S. Riley Avenue	City Kincheloe	State MI	ZIP 49788
Accountant Signature 		Date 5/8/06	

COUNTY OF CHIPPEWA, MICHIGAN

BASIC FINANCIAL STATEMENTS

December 31, 2005

CHIPPEWA COUNTY, MICHIGAN

ORGANIZATION

COUNTY BOARD OF COMMISSIONERS

CHAIRMAN	EARL KAY
VICE CHAIRMAN	TED POSTULA
COMMISSIONER	DON COOPER
COMMISSIONER	BERNARD LAJOIE
COMMISSIONER	JAMES MOORE
COMMISSIONER	SCOTT SHACKLETON
COMMISSIONER	RICHARD TIMMER

ELECTED OFFICERS

COUNTY TREASURER	MARILYN McDONALD
COUNTY CLERK	DIANE CORK
COUNTY REGISTER OF DEEDS	SHARON KENNEDY
COUNTY SHERIFF	JEFF MORAN
COUNTY SURVEYOR	WILLIAM CARR
COUNTY DRAIN COMMISSSIONER	ANTHONY BOSLEY

JUDICIARY

CIRCUIT COURT	HON. NICHOLAS LAMBROS
PROBATE COURT	HON. LOWELL ULRICH
DISTRICT COURT	HON. MICHAEL MacDONALD

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ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

KINROSS OFFICE

PHILLIP J. WOLF, CPA, PRINCIPAL
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DIVISION FOR CPA FIRMS

MEMBER MACPA

OFFICES IN
MICHIGAN & WISCONSIN

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and aggregate remaining fund information, of the County of Chippewa, Michigan, as of and for the year ended December 31, 2005, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Chippewa, Michigan as of December 31, 2005, and the respective changes in financial position and cash flows, where applicable, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 16, 2006 on our consideration of the County of Chippewa, Michigan's internal control over financial reporting and 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis has not been presented which accounting principles generally accepted in the United States of America have determined is necessary to supplement, although not required to be part of the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Chippewa, Michigan basic financial statements. The combining and individual major and nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual major and nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The additional information regarding the Municipal Securities Disclosure Requirements of the Securities Exchange Commission (SEC) Rule 15c2-12 are presented for purposes of additional analysis and are not a required part of the basic financial statements of the County. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis and is not a required part of the basic financial statements of the County of Chippewa, Michigan. Such information, except for that portion marked "unaudited," on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in blue ink that reads "Anderson Tackman & Co. PLC".

Anderson, Tackman & Company, PLC
Certified Public Accountants

February 16, 2006

Basic Financial Statements

County of Chippewa, Michigan

Statement of Net Assets

December 31, 2005

	Primary Government			
	Governmental	Business-type		Component
	Activities	Activities	Totals	Units
ASSETS:				
Cash & Investments - Unrestricted	\$ 4,740,647	\$ 7,492,530	\$ 12,233,177	\$ 1,884,417
- Restricted	265,097	-	265,097	451,872
Receivables:				
Accounts	836,641	-	836,641	2,198,791
Taxes	6,436,286	970,796	7,407,082	-
Interest	181,494	26,089	207,583	878
Internal Loans	78,465	-	78,465	-
Due from Governmental Units	901,391	12,876	914,267	-
Inventories	44,912	-	44,912	696,356
Prepaid Expenses	53,851	-	53,851	197,350
Capital Assets (Net of Accumulated Depreciation)	9,859,688	-	9,859,688	79,841,091
TOTAL ASSETS	\$ 23,399,038	\$ 8,502,291	\$ 31,901,329	\$ 85,270,755
LIABILITIES:				
Current Liabilities:				
Internal Loans	\$ -	\$ 12,868	\$ 12,868	\$ 65,597
Short Term Notes Payable	-	-	-	429,379
Accounts Payable	329,837	24,551	354,388	237,837
Accrued Liabilities	390,511	-	390,511	57,445
Advances	-	-	-	511,086
Accrued Interest Payable	143,764	-	143,764	-
Due to Governmental Units	90,606	-	90,606	69,705
Deferred Revenue	5,097,867	-	5,097,867	65,597
Other Liabilities	19,965	-	19,965	-
Notes Payable - Current	-	-	-	319,072
Bonds Payable - Current	807,500	-	807,500	-
Capital Leases Payable - Current	52,953	-	52,953	13,753
Non-current Liabilities:				
Notes Payable	-	-	-	522,997
Bonds Payable	12,409,000	-	12,409,000	-
Capital Leases Payable	129,376	-	129,376	-
Compensated Absences	549,291	-	549,291	527,983
TOTAL LIABILITIES	20,020,670	37,419	20,058,089	2,820,451
NET ASSETS:				
Invested in Capital Assets (net of related debt)	(3,682,905)	-	(3,682,905)	78,555,889
Restricted for County Road	-	-	-	3,187,171
Restricted for Debt Service	817,885	-	817,885	-
Restricted for Other Purposes	2,598,416	-	2,598,416	-
Unrestricted	3,644,972	8,464,872	12,109,844	707,244
TOTAL NET ASSETS	\$ 3,378,368	\$ 8,464,872	\$ 11,843,240	\$ 82,450,304

County of Chippewa, Michigan

Statement of Activities For the Year Ended December 31, 2005

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units
					Governmental Activities	Business-type Activities	Total	
Primary Government:								
Governmental Activities:								
Legislative	\$ 143,001	\$ -		\$ -	\$ (143,001)	\$ -	\$ (143,001)	\$ -
Judicial	1,966,170	429,434	736,245	-	(800,491)	-	(800,491)	-
General Government	2,240,362	536,929	572,186	-	(1,131,247)	-	(1,131,247)	-
Public Safety	4,140,594	1,395,852	341,181	712,799	(1,690,762)	-	(1,690,762)	-
Public Works	665,532	83,013	12,500	-	(570,019)	-	(570,019)	-
Health & Welfare	6,472,520	4,107,671	1,541,139	-	(823,710)	-	(823,710)	-
Interest expense - Unallocated	695,038	-	-	-	(695,038)	-	(695,038)	-
Other	748,586	-	-	-	(748,586)	-	(748,586)	-
Depreciation - Unallocated	533,331	-	-	-	(533,331)	-	(533,331)	-
 Total Governmental Activities	 17,605,134	 6,552,899	 3,203,251	 712,799	 (7,136,185)	 -	 (7,136,185)	 -
Business-type activities:								
Tax Collection	20,812	392,903	-	-	-	372,091	372,091	-
 Total Business-type Activities	 20,812	 392,903	 -	 -	 -	 372,091	 372,091	 -
Total Primary Government	\$ 17,625,946	\$ 6,945,802	\$ 3,203,251	\$ 712,799	(7,136,185)	372,091	(6,764,094)	-
Component Units:								
Road Commission	\$ 6,505,162	\$ 1,404,054	\$ 6,068,634	\$ 1,129,288				2,096,814
Economic Development	2,595,010	1,640,403	71,451	1,531,653				648,497
 Total Component Units	 9,100,172	 3,044,457	 6,140,085	 2,660,941				 2,745,311
Total	\$ 26,726,118	\$ 9,990,259	\$ 9,343,336	\$ 3,373,740				
General Revenues and Transfers:								
Taxes					3,398,493	-	3,398,493	566,297
Local Sources and Other					1,557,834	-	1,557,834	3,921
Investment Earnings (Loss)					434,838	61,844	496,682	38,619
Transfers					15,505	(15,505)	-	-
Total General Revenues and Transfers					5,406,670	46,339	5,453,009	608,837
Change in Net Assets					(1,729,515)	418,430	(1,311,085)	3,354,148
Net Assets - Beginning					5,107,883	8,046,442	13,154,325	79,096,156
Net Assets - Ending					\$ 3,378,368	\$ 8,464,872	\$ 11,843,240	\$ 82,450,304

See accompanying notes to financial statements.

County of Chippewa, Michigan

Balance Sheet Governmental Funds December 31, 2005

	General	Revenue Sharing Reserve	Health Department	Jail Expansion Bond Retirement	Non-Major Governmental Funds	Total Governmental Funds
ASSETS:						
Cash & Investments - Unrestricted	\$ 450,588	\$ 979,112	\$ 1,297,537	\$ 807,541	\$ 1,205,869	\$ 4,740,647
- Restricted	-	-	265,097	-	-	265,097
Receivables:						
Accounts	-	-	794,210	-	42,431	836,641
Taxes	3,486,510	1,591,779	-	600,704	757,293	6,436,286
Interest	143,625	27,525	-	10,344	-	181,494
Due from Other Funds	341,084	-	-	-	65,597	406,681
Due from Governmental Units	203,175	-	210,095	-	488,121	901,391
Prepaid Expenses	16,804	-	37,047	-	-	53,851
TOTAL ASSETS	\$ 4,641,786	\$ 2,598,416	\$ 2,603,986	\$ 1,418,589	\$ 2,559,877	\$ 13,822,654
LIABILITIES:						
Due to Other Funds	\$ -	\$ -	\$ -	\$ -	\$ 296,651	\$ 296,651
Accounts Payable	62,740	-	163,789	-	103,308	329,837
Accrued Liabilities	200,716	-	155,583	-	34,212	390,511
Other Liabilities	-	-	19,965	-	-	19,965
Due to Governmental Units	-	-	35,606	-	55,000	90,606
Deferred Revenue	3,486,510	-	248,424	600,704	762,229	5,097,867
Compensated Absences	-	-	213,371	-	-	213,371
TOTAL LIABILITIES	3,749,966	-	836,738	600,704	1,251,400	6,438,808
FUND BALANCES:						
Unrestricted:						
Designated	-	2,598,416	1,767,248	817,885	1,308,477	6,492,026
Undesignated	891,820	-	-	-	-	891,820
TOTAL FUND BALANCES	891,820	2,598,416	1,767,248	817,885	1,308,477	7,383,846
TOTAL LIABILITIES AND FUND BALANCES	\$ 4,641,786	\$ 2,598,416	\$ 2,603,986	\$ 1,418,589	\$ 2,559,877	
Reconciliation to amounts reported for governmental activities in the statement of net assets:						
Capital assets used by governmental activities						9,859,688
Long-term notes & leases payable for governmental activities						(13,398,829)
Compensated absences liability						(335,920)
Internal service funds included in governmental activities						13,347
Accrued interest expense						(143,764)
Net assets of governmental activities						\$ 3,378,368

County of Chippewa, Michigan

Statement of Changes in Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds For the Year Ended December 31, 2005

	General	Revenue Sharing Reserve	Health Department	Jail Expansion Bond Retirement	Non-Major Governmental Funds	Totals Governmental Funds
REVENUES:						
Taxes	\$ 4,855,132	\$ 1,565,952	\$ -	\$ 476,410	\$ 724,786	\$ 7,622,280
Federal Sources	528,254	-	669,218	-	1,009,864	2,207,336
State Sources	1,058,199	-	382,293	-	268,222	1,708,714
Local Sources	-	-	-	-	882,673	882,673
Charges for Services	1,590,537	-	355,681	-	156,854	2,103,072
Interest & Rentals	383,972	29,021	-	10,012	11,833	434,838
Fees and Collections	173,836	-	3,727,714	-	548,451	4,450,001
Fines and Forfeitures	66,716	-	-	-	3,500	70,216
Other Revenue	259,776	-	179,449	-	165,720	604,945
TOTAL REVENUES	8,916,422	1,594,973	5,314,355	486,422	3,771,903	20,084,075
EXPENDITURES:						
Legislative	143,001	-	-	-	-	143,001
Judicial	1,957,965	-	-	-	8,205	1,966,170
General Government	2,165,193	-	-	-	36,302	2,201,495
Public Safety	2,528,502	-	-	-	1,761,624	4,290,126
Public Works	-	-	-	-	665,532	665,532
Health & Welfare	240,365	-	5,341,878	-	1,033,357	6,615,600
Capital Outlay	38,467	-	-	-	53,793	92,260
Debt Service	-	-	-	314,070	1,074,561	1,388,631
Other Expenditures	748,586	-	-	-	-	748,586
TOTAL EXPENDITURES	7,822,079	-	5,341,878	314,070	4,633,374	18,111,401
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,094,343	1,594,973	(27,523)	172,352	(861,471)	1,972,674
OTHER FINANCING SOURCES (USES):						
Note/Lease Proceeds	-	-	149,814	-	-	149,814
Operating Transfers In	802,173	-	100,000	-	1,369,239	2,271,412
Operating Transfers Out	(1,099,507)	(611,836)	-	(106,803)	(437,761)	(2,255,907)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	797,009	983,137	222,291	65,549	70,007	2,137,993
FUND BALANCES, JANUARY 1	94,811	1,615,279	1,544,957	752,336	1,238,470	5,245,853
FUND BALANCES, DECEMBER 31	\$ 891,820	\$ 2,598,416	\$ 1,767,248	\$ 817,885	\$ 1,308,477	\$ 7,383,846

County of Chippewa, Michigan

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, 2005

Net Changes in fund balances - total governmental funds	\$ 2,137,993
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The change in net assets 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 (\$407,788) did not exceed depreciation (\$583,874) in the current period and book value.	(176,086)
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Repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net assets.

Principal repayments:	
Bond & Notes Payable	742,500
Capital lease	27,627
Lease proceeds recognized as other financing sources but not for full accrual basis	(149,814)

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:

Compensated absences	(38,867)
Accrued Interest Expense	(48,907)

Recognition difference of revenues between Statement of Activities and revenue reported in the funds.	(4,223,787)
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Internal service fund activity	(174)
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Changes in net assets of governmental activities	<u>\$ (1,729,515)</u>
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County of Chippewa, Michigan

Statement of Net Assets Proprietary Funds December 31, 2005

	Business - type Activities	Governmental Activities
	Enterprise Fund Tax Collections	Internal Service Fund
ASSETS:		
Cash & Investments	\$ 7,492,530	\$ -
Taxes Receivable	970,796	-
Inventories	-	44,912
Due from Other Governmental Units	12,876	-
Accrued Interest Receivable	26,089	-
TOTAL ASSETS	<u>\$ 8,502,291</u>	<u>\$ 44,912</u>
LIABILITIES:		
Due to Other Funds	\$ 12,868	\$ 31,565
Accounts Payable	24,551	-
TOTAL LIABILITIES	<u>37,419</u>	<u>31,565</u>
NET ASSETS:		
Unrestricted	<u>8,464,872</u>	<u>13,347</u>
TOTAL NET ASSETS	<u>\$ 8,464,872</u>	<u>\$ 13,347</u>

County of Chippewa, Michigan

Statement of Revenues, Expenses, and Changes in Net Assets - Proprietary Funds For the Year Ended December 31, 2005

	Business - type Activities Enterprise Fund Tax Collections	Governmental Activities Internal Service Fund
OPERATING REVENUES:		
Charges for Services	\$ 392,903	\$ 16,573
Total Operating Revenues	392,903	16,573
OPERATING EXPENSES:		
Supplies	-	16,747
General and Administrative	20,812	-
Total Operating Expenses	20,812	16,747
OPERATING INCOME (LOSS)	372,091	(174)
NON-OPERATING REVENUES (EXPENSES):		
Interest on Deposits	61,844	-
Total Non-operating Revenues (Expenses)	61,844	-
INCOME (LOSS) BEFORE TRANSFERS	433,935	(174)
Operating Transfers In	3,000,000	-
Operating Transfers Out	(3,015,505)	-
CHANGE IN NET ASSETS	418,430	(174)
NET ASSETS, JANUARY 1	8,046,442	13,521
NET ASSETS, DECEMBER 31	\$ 8,464,872	\$ 13,347

County of Chippewa, Michigan

Statement of Cash Flows Proprietary Fund Types For the Year Ended December 31, 2005

	Business - type Activities	Governmental Activities
	Enterprise Fund Tax Collections	Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from Customers	\$ 1,384,478	\$ 16,573
Payments to Suppliers	(863,192)	(22,876)
Internal Activity - Payments to Other Funds	2,877	6,303
Net Cash Provided (Used) by Operating Activities	524,163	-
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Operating Transfers In	3,000,000	-
Operating Transfers Out	(3,015,505)	-
Net Cash Provided (Used) by Noncapital Financing Activities	(15,505)	-
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest Income	61,844	-
Net Cash Provided (Used) by Investing Activities	61,844	-
Net Increase (Decrease) in Cash and Cash Equivalents	570,502	-
Balances - Beginning of the Year	6,922,028	-
Balances - End of the Year	\$ 7,492,530	\$ -
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities		
Operating Income (Loss)	\$ 372,091	\$ (174)
Adjustments to Reconcile Operating Income (Loss) to Net cash Provided (Used) by Operating Activities.		
Change in Assets and Liabilities:		
Taxes Receivable	140,108	-
Accrued Interest Receivable	(12,428)	-
Inventory	(2,878)	(6,129)
Due from Other Funds	53,734	-
Accounts Payable	24,393	-
Due to Other Funds	(50,857)	6,303
Net Cash Provided (Used) by Operating Activities	\$ 524,163	\$ -

County of Chippewa, Michigan

Statement of Fiduciary Net Assets Fiduciary Funds December 31, 2005

	<u>Agency Funds</u>
ASSETS:	
Cash & Investments - Unrestricted	\$ 1,471,582
Receivables:	
Other Receivables	<u>118,878</u>
 TOTAL ASSETS	 <u><u>\$ 1,590,460</u></u>
LIABILITIES:	
Due to Other Governmental Units	\$ 218,016
Other Liabilities	7,093
Undistributed Tax Collections	968,055
Undistributed Receipts	<u>397,296</u>
 TOTAL LIABILITIES	 <u><u>\$ 1,590,460</u></u>

Component Units

County of Chippewa, Michigan

Statement of Net Assets

Component Units

December 31, 2005

	Road Commission	Economic Development Corporation	Totals
ASSETS:			
Cash & Investments - Unrestricted	\$ 1,560,768	\$ 323,649	\$ 1,884,417
- Restricted	-	451,872	451,872
Receivables:			
Interest	-	878	878
Accounts	2,051,112	147,679	2,198,791
Inventory	657,925	38,431	696,356
Prepaid Expense	197,350	-	197,350
Capital Assets (net)	59,615,256	20,225,835	79,841,091
TOTAL ASSETS	\$ 64,082,411	\$ 21,188,344	\$ 85,270,755
LIABILITIES:			
Current Liabilities:			
Short Term Note Payable	\$ -	\$ 429,379	\$ 429,379
Accounts Payable	162,501	75,336	237,837
Due to Governmental Units	69,705	-	69,705
Amounts Due to Primary Government	-	65,597	65,597
Deferred Revenue	-	65,597	65,597
Accrued Liabilities	57,445	-	57,445
Advances	511,086	-	511,086
Notes Payable - Current	297,780	21,292	319,072
Leases Payable - Current	-	13,753	13,753
Non-Current Liabilities:			
Notes Payable	494,538	28,459	522,997
Compensated Absences	479,248	48,735	527,983
TOTAL LIABILITIES	2,072,303	748,148	2,820,451
NET ASSETS:			
Invested in Capital Assets, net of related debt	58,822,937	19,732,952	78,555,889
Restricted for County Road	3,187,171	-	3,187,171
Unrestricted	-	707,244	707,244
TOTAL NET ASSETS	62,010,108	20,440,196	82,450,304
TOTAL LIABILITIES AND NET ASSETS	\$ 64,082,411	\$ 21,188,344	\$ 85,270,755

See accompanying notes to financial statements.

County of Chippewa, Michigan

Statement of Activities Component Units For the Year Ended December 31, 2005

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Road Commission	Economic Development Corporation	Total
Road Commission:							
Public Works	\$ 6,505,162	\$ 1,404,054	\$ 6,068,634	\$ 1,129,288	\$ 2,096,814	\$ -	\$ 2,096,814
Economic Development Corporation							
Economic Development	2,595,010	1,640,403	71,451	1,531,653	-	648,497	648,497
Total Component Units	<u>\$ 9,100,172</u>	<u>\$ 3,044,457</u>	<u>\$ 6,140,085</u>	<u>\$ 2,660,941</u>	<u>2,096,814</u>	<u>648,497</u>	<u>2,745,311</u>
General Revenues:							
Taxes					566,297	-	566,297
Investment Earnings					23,265	15,354	38,619
Other					3,921	-	3,921
Total General Revenues and Transfers					<u>593,483</u>	<u>15,354</u>	<u>608,837</u>
Change in Net Assets					2,690,297	663,851	3,354,148
Net Assets - Beginning					59,319,811	19,776,345	79,096,156
Net Assets - Ending					<u>\$ 62,010,108</u>	<u>\$ 20,440,196</u>	<u>\$ 82,450,304</u>

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:**Financial 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.

Blended Component Units

Chippewa County Health Department – The members of the governing body of the Chippewa County Health Department are appointed by the County Commission. The Health Department provides limited health services to residents of Chippewa County. The Chippewa County Health Department is a Special Revenue fund of the County of Chippewa, Michigan, and is presented on its fiscal year end, September 30, 2005.

Discretely Presented Component Units

The component units' columns in the financial statements include the financial data of the County's two 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, and per diem rates, bonded debt must be approved by the County Commission.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Condensed Financial Statements – The combining financial statements present condensed financial statements of each of the two 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

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

Blended Component Unit Administrative Offices:

Chippewa County Health Department
508 Ashmun, Suite 120
Sault Ste. Marie, MI 49783

Multi-County Agency

The County participates jointly in the operation of the Hiawatha Behavioral Health Authority with Mackinac and Schoolcraft Counties. All financial operations of the Authority are recorded in Schoolcraft County. 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, 2005.

The County participates jointly in the operation of the Luce-Chippewa County Family Independence Agency (a special revenue fund of Chippewa County). All financial operations of the Agency are recorded in Chippewa County.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**Jointly Organized Property**

The County owns a building jointly with the City of Sault Ste. Marie, Michigan. The operations are governed by a four-member group of individuals. During 2005, the County remitted payments to the City of \$95,701 for their share of the costs of operations.

B – Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets 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.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 – Current or Property Taxes

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 and July 1st.

Although the County of Chippewa 2004 ad valorem tax is levied and collectible on December 1, 2004, and 2005 ad valorem tax is levied and collectible on July 1, 2005, 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, 2004 taxable valuation of the County of Chippewa totaled \$802,649,760, on which ad valorem taxes levied consisted of 6.0373 mills for the County operating, .4213 mills for fire/ambulance services, .9779 mills for roads, .4908 mills for recycling, and .6000 mills for debt service. These amounts are recognized in the respective General, Special Revenue Fund, Debt Service Fund, and Component Unit financial statements as revenue.

The July 1, 2005 taxable valuation of the County of Chippewa totaled \$850,751,607, on which ad valorem taxes levied consisted of 1.9935 mills for the General Fund, this amount is recognized in the General Fund as revenue and the uncollected portion at December 31, 2005 as deferred 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

This Fund accounts for health services and related grant funds.

Revenue Sharing Reserve

This Fund accounts for restricted funds that are limited to amounts previously reported as state revenue sharing distributed annually, which can be used to fund governmental operations.

Jail Expansion Bond Retirement

This fund accounts for the Jail Millage tax revenues and debt payment of the 1999 Building Authority Bonds.

The County reports the following major proprietary fund:

Tax Collection Fund

This fund accounts for property tax administration within the county.

Additionally, the County reports the following fund types:

Internal Service Fund

This fund accounts for central purchases as provider to other departments of the government on a cost reimbursement basis.

Agency Funds

Agency Funds are used to account for assets held by the County as an agent for individuals, private organizations, other governments, and/or other funds. Agency 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.

Private-sector standards of accounting issued prior to December 1, 1989 are generally followed in both the government-wide proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The government has elected not to follow private-sector standards issued after November 30, 1989 for its business-type activities.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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, and Net Assets or Equity

Bank Deposits and Investments – Cash and cash 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 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventories and Prepaids Items – Inventories are valued at the lower of cost or market using the average cost method for proprietary fund types. Inventories of governmental funds 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.

Property, plant and equipment is 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

Compensated Absences (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. All vacation pay is accrued when incurred in the government-wide financial statements.

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 Statement of Financial Accounting Standards 43, no liability is recorded for nonvesting accumulating rights to receive sick-pay benefits. However, a liability is recognized for 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 assets.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Equity – In the fund financial statements governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Deferred Revenues – Deferred 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 and liabilities 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.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

- 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 Controller 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 Controller'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 Governmental Funds. U.S. generally accepted accounting principals require that the financial statements present budgetary comparisons for the Governmental Fund Types for which budgets were legally adopted. The original budget adopted for the General fund was modified throughout the year through various budget amendments.

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

Excess of Expenditures Over Appropriations in Budgeted Funds – In the prior year, the County incurred expenditures in the General and Special Revenue Funds which were in excess of the amount appropriated, as listed in the Schedule of Findings and Questioned Costs as item 04-4.

NOTE 3 - DEPOSITS AND INVESTMENTS

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

	Governmental Activities	Business-Type Activities	Fiduciary Funds	Total Primary Government	Component Units
Cash and Cash Equivalents					
-Unrestricted	\$ 4,740,647	\$ 7,492,530	\$ 1,471,582	\$ 13,704,759	\$ 1,884,417
-Restricted	<u>265,097</u>	<u>-</u>	<u>-</u>	<u>265,097</u>	<u>451,872</u>
Total	<u>\$ 5,005,744</u>	<u>\$ 7,492,530</u>	<u>\$ 1,471,582</u>	<u>\$ 13,969,856</u>	<u>\$ 2,336,289</u>

The categories of deposits and investments are as follows:

	Primary Government	Component Units
Bank Deposits (checking and savings accounts, certificates of deposit)	\$ 13,893,477	\$ 1,775,738
Investment:		
Repurchase agreement	73,349	-
Public Money Market Funds	-	559,827
Petty Cash and Cash on Hand	<u>3,030</u>	<u>724</u>
Total	<u>\$ 13,969,856</u>	<u>\$ 2,336,289</u>

Investment and Deposit Risk

Interest rate risk. State law limits the allowable investments and the maturities of some of the allowable investments as identified in the 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. The County has no investments for which ratings are required.

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, \$14,886,299 of the County's bank balance of \$15,307,302 was exposed to credit risk because it was uninsured and uncollateralized.

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

Statutory Authority:

Michigan Law (Public Act 20 of 1943 as amended) authorizes the County to deposit and invest 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, deposit accounts, or depository receipts of a financial institution that is eligible to be a depository of funds belonging to the State under a law or rule of this State or the United States.
- 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 a.
- e. Banker's acceptance 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, Title I of Chapter 686, 54 Stat. 789, 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64, with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- h. Obligation described in a. through g. if purchased through an interlocal agreement under the urban cooperations 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, 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 - RECEIVABLES

Receivables as of year end for the government's individual major and nonmajor funds, and the internal service and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Revenue Reserve	Health Department	Jail Expansion Bond Retirement	Non-Major and Other Funds	Total
Taxes Receivable	\$ 3,486,510	\$ 1,591,779	\$ -	\$ 600,704	\$ 757,293	\$ 6,436,286
Accounts Due from Government	-	-	794,210	-	42,431	836,641
Units	203,175	-	210,095	-	488,121	901,391
Interest and Other Receivables	<u>143,625</u>	<u>27,525</u>	<u>-</u>	<u>10,344</u>	<u>-</u>	<u>181,494</u>
Net Receivables	<u>\$ 3,833,310</u>	<u>\$ 1,619,304</u>	<u>\$ 1,004,305</u>	<u>\$ 611,048</u>	<u>\$ 1,287,845</u>	<u>\$ 8,355,812</u>

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2005, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental Activities:				
<i>Capital assets not being depreciated:</i>				
Land	\$ 229,620	\$ 2,190	\$ -	\$ 231,810
<i>Capital assets being depreciated:</i>				
Land improvements	209,400	-	-	209,400
Buildings & improvements	15,545,216	-	-	15,545,216
Furniture & equipment	1,057,903	378,498	(73,262)	1,363,139
Vehicles	<u>609,680</u>	<u>27,100</u>	<u>(25,426)</u>	<u>611,354</u>
Subtotal	<u>17,422,199</u>	<u>405,598</u>	<u>(98,688)</u>	<u>17,729,109</u>
<i>Less accumulated depreciation on:</i>				
Land improvements	(87,630)	(4,260)	-	(91,890)
Buildings & improvements	(6,392,574)	(357,520)	-	(6,750,094)
Furniture & equipment	(706,836)	(137,390)	73,262	(770,964)
Vehicles	<u>(429,005)</u>	<u>(84,704)</u>	<u>25,426</u>	<u>(488,283)</u>
Subtotal	<u>(7,616,045)</u>	<u>(583,874)</u>	<u>98,688</u>	<u>(8,101,231)</u>
Net Capital Assets Being Depreciated	<u>9,806,154</u>	<u>(178,276)</u>	<u>-</u>	<u>9,627,878</u>
Governmental Activity Capital Assets, Net of Depreciation	<u>\$ 10,035,774</u>	<u>\$ (176,086)</u>	<u>\$ -</u>	<u>\$ 9,859,688</u>

NOTE 5 - CAPITAL ASSETS (Continued)

Depreciation expense was charged to programs of the primary government as follows:

Governmental Activities	
Health & Welfare	\$ 50,543
Unallocated	<u>533,331</u>
Total Governmental Activities	<u>\$ 583,874</u>

NOTE 6 - 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 assets/balance sheet for governmental funds, proprietary funds, and fiduciary funds. Interfund transactions resulting in interfund Receivables and Payable are as follows:

DUE FROM	DUE TO OTHER FUNDS		
	General Fund	All Others	Totals
Tax Collections	\$ 12,868	\$ -	\$ 12,868
Component Units	65,597	-	65,597
All Others	<u>262,619</u>	<u>65,597</u>	<u>328,216</u>
Total	<u>\$ 341,084</u>	<u>\$ 65,597</u>	<u>\$ 406,681</u>

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

TRANSFERS FROM	TRANSFERS TO				
	General Fund	Health Dept.	Non-Major Governmental	All Others	Total
General Fund	\$ -	\$ 100,000	\$ 999,507	\$ -	\$ 1,099,507
Revenue Sharing Reserve	611,836	-	-	-	611,836
Jail Expansion Bond Retirement	-	-	106,803	-	106,803
Non-Major Governmental	174,832	-	262,929	-	437,761
All Other	<u>15,505</u>	<u>-</u>	<u>-</u>	<u>3,000,000</u>	<u>3,015,505</u>
Total	<u>\$ 802,173</u>	<u>\$ 100,000</u>	<u>\$ 1,369,239</u>	<u>\$ 3,000,000</u>	<u>\$ 5,271,412</u>

NOTE 6 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (Continued)

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 7 - LEASES

Capital Leases – The Health Department and EDC has entered into lease agreements as lessee for financing the purchase of computers and equipment. The lease agreements qualify as capital leases for accounting purposes and, therefore have been recorded at the present value of the future minimum lease payments as of the inception date. The future minimum lease obligations and the net present value is as follows:

<u>Year Ended June 30</u>	<u>Health Department</u>	<u>EDC</u>
2006	\$ 63,439	\$ 14,615
2007	47,741	-
2008	42,699	-
2009	35,640	-
2010	<u>20,790</u>	<u>-</u>
Total Minimum Lease Payments	210,309	14,615
Less: Amount Representing Interest	<u>(27,980)</u>	<u>(862)</u>
Present Value	<u>\$ 182,329</u>	<u>\$ 13,753</u>

Additionally, the County has executed several cancelable operating leases on a month-to-month basis.

NOTE 8 - 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.

NOTE 8 - LONG-TERM DEBT (Continued)

	Interest Rate	Principal Matures	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities							
General Obligation Bonds							
1977 Superior Twp. Water & Sewer Bonds	5.00%	2016	\$ 65,000	\$ -	\$ 5,000	\$ 60,000	\$ 60,000
2000 Chippewa Co. Water Supply System Bonds (Series A)	4.50%	2040	573,000	-	7,000	566,000	7,000
2000 Chippewa Co. Water Supply System Bonds (Series B)	4.50%	2040	26,000	-	500	25,500	500
1995 City of Sault Ste. Marie Water Supply and Sewage Disposal System Bonds	5.04%	2015	2,355,000	-	165,000	2,190,000	160,000
1995 Building Authority Bonds	5.47%	2015	1,350,000	-	90,000	1,260,000	95,000
1998 City of Sault Ste. Marie Water Supply and Sewage Disposal System Bonds	4.29%	2018	2,450,000	-	100,000	2,350,000	90,000
1999 Building Authority Bonds	4.30%	2018	3,795,000	-	150,000	3,645,000	165,000
2000 Building Authority Bonds	4.83%	2009	870,000	-	160,000	710,000	165,000
2001 Chippewa County Water Supply and Sewage Disposal System Bonds	3.50%	2022	<u>2,475,000</u>	<u>-</u>	<u>65,000</u>	<u>2,410,000</u>	<u>65,000</u>
Total Governmental Activities			<u>\$ 13,959,000</u>	<u>\$ -</u>	<u>\$ 742,500</u>	<u>\$ 13,216,500</u>	<u>\$ 807,500</u>

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

<u>Year End December 31</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2006	\$ 807,500	\$ 628,827
2007	812,500	572,091
2008	857,500	533,949
2009	913,500	493,606
2010	758,500	450,606
2011-2015	4,534,500	1,670,116
2016-2020	3,571,500	627,840
2021-2025	595,500	130,028
2026-2030	96,500	71,742
2031-2035	120,000	47,479
2036-2040	<u>149,000</u>	<u>17,416</u>
Total	<u>\$ 13,216,500</u>	<u>\$ 5,243,700</u>

Compensated Absences – County General Employees

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

NOTE 8 - LONG-TERM DEBT (Continued)

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 accrued compensated absences at December 31, 2005 is as follows:

Vacation	\$ 206,291
Sick Leave	339,839
Compensation Time	<u>3,161</u>
TOTALS	<u>\$ 549,291</u>

NOTE 9 - SEGMENT INFORMATION:

Segment information for the year ended December 31, is as follows:

	<u>Economic Development</u>
Operating revenue	\$ 1,640,403
Depreciation	1,056,752
Operating income (loss)	(929,079)
Net income	663,851
Total assets	21,188,344
Net working capital	291,555
Total equity	20,440,196

NOTE 10 - RISK MANAGEMENT

The County is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation), as well as medical benefits provide to employees. The County has purchased commercial insurance for claims and participates a risk pool for claims relating to the County is uninsured for claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Municipal Risk Management Authority risk pool program operates as a claims servicing pool for amounts up to member retention limits, and operates as a common risk-sharing management program for losses in excess of member retention amounts. Although premiums are paid annually to the Authority, that the Authority uses to pay claims up to the retention limits, the ultimate liability for those claims remains with the County.

NOTE 10 - RISK MANAGEMENT (Continued)

The County estimates the liability for claims that have been incurred through the end of the fiscal year, including claims that have been reported as well as those that have not yet been reported. Changes in the estimated liability for the past two fiscal years were not available.

NOTE 11 - CONTINGENT LIABILITIES

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, 2005.

NOTE 12 - 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 County funds between 0% and 100% of the premiums of the policies on a pay-as-you-go basis depending on the contract. During 2005, the County paid hospitalization premiums for 38 qualified individuals. At December 31, 2005, the County contributed \$279,551 towards hospitalization insurance.

NOTE 13 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMSDescription 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 2.0 percent times the final compensation (FAC). The most recent period of which actuarial data was available was for the fiscal year ended December 31, 2004.

NOTE 13 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

MERS was organized pursuant to Section 12A of Act #156, Public Acts of 1851 (MSA 5.333 (a); MCLA 46.12 (a), as amended, State of Michigan. MERS is regulated under Act No. 427 of Public Acts of 1984, sections of which have been approved by the State Pension Commission. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the MERS at 447 North Canal Street, Lansing, Michigan 48917-9755.

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 require employee to contribute to the plan. The County is required to contribute at an actuarially determined rate.

The contribution rate as a percentage of payroll at December 31, 2005 is as follows:

General – Other	12.03%
Sheriff	13.57%
Health Department	3.78%
Employment, Training	4.50%
General – Economic	8.11%
Economic Officials	7.02%
Non-Union	8.41%

Annual Pension Cost

During the fiscal year ended December 31, 2005, the County's contributions totaling \$502,447 were made in accordance with contribution requirement determined by an actuarial valuation of the plan as of December 31, 2003. 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 30 years.

NOTE 13 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

Three year trend information as of December 31, follows:

	<u>2002</u>	<u>2003</u>	<u>2004</u>
Actuarial Value of Assets	\$ 17,113,545	\$ 18,576,288	\$ 19,907,076
Actuarial Accrued Liability	19,641,138	21,329,406	22,727,407
Unfunded AAL	2,527,593	2,753,118	2,820,331
Funded Ratio	87%	87%	88%
Covered Payroll	6,362,413	5,411,733	5,389,356
UAAL as a Percentage of Covered Payroll	40%	51%	53%

<u>Year Ended Dec 31</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2002	\$ 166,594	100%	0
2003	471,809	100%	0
2004	502,622	100%	0

ROAD COMMISSION

The Road Commission has an agent, single-employer defined benefit pension plan with the Municipal Employees' Retirement System (MERS), administered by the State of Michigan. The system provides the following provisions: normal retirement, deferred retirement and service retirement to plan members and their beneficiaries. The service requirement is computed using credited service at the time of termination of membership multiplied by the sum of 2.25 percent times the final compensation (FAC), with a maximum benefit of 80% FAC. The most recent period of which actuarial data was available was for the fiscal year ended December 31, 2004.

MERS was organized pursuant to Section 12A of Act #156, Public Acts of 1851 (MSA 5.333 (a); MCLA 46.12 (a), as amended, State of Michigan. MERS is regulated under Act No. 427 of Public Acts of 1984, sections of which have been approved by the State Pension Commission. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the MERS at 447 North Canal Street, Lansing, Michigan 48917-9755.

NOTE 13 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

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 0% to 10% to the plan. The Road Commission is required to contribute at an actuarially determined rate. The contribution rate as a percentage of payroll at December 31, 2004 is as follows:

General	13.18%
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Annual Pension Cost (Road Commission)

During the fiscal year ended December 31, 2005, the Commission's contributions totaling \$309,188 were made in accordance with contribution requirements determined by an actuarial valuation of the plan as of December 31, 2003. The employer contribution rate has been determined based on the entry age normal cost 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 amortize the unfunded actuarial accrued liability over 30 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 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 level percent of payroll on a closed basis. The remaining amortization period is 30 years.

Three year trend information as of December 31, follows:

	2002	2003	2004
Actuarial Value of Assets	\$ 9,255,579	\$ 9,626,892	\$ 9,958,825
Actuarial Accrued Liability	11,187,090	12,002,874	12,719,846
Unfunded AAL	1,931,511	2,375,982	2,761,021
Funded Ratio	83%	80%	78%
Covered Payroll	2,274,735	2,487,392	2,336,689
UAAL as a Percentage of Covered Payroll	85%	96%	118%

Year Ended Dec 31	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2002	\$ 166,594	100%	0
2003	209,343	100%	0
2004	309,188	100%	0

NOTE 14 - 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 plans 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.

Required Supplementary Information

County of Chippewa, Michigan

Required Supplemental Information Budgetary Comparison Schedule General Fund For the Year Ended December 31, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 4,932,351	\$ 4,881,945	\$ 4,855,132	\$ (26,813)
Federal Sources	407,347	407,347	528,254	120,907
State Sources	1,753,249	1,188,776	1,058,199	(130,577)
Charges for Services	1,476,800	1,593,300	1,590,537	(2,763)
Interest & Rentals	180,000	280,000	383,972	103,972
Fees & Collections	259,550	294,022	173,836	(120,186)
Fines & Forfeitures	63,900	63,900	66,716	2,816
Other Revenue	220,500	220,000	259,776	39,776
TOTAL REVENUES	9,293,697	8,929,290	8,916,422	(12,868)
EXPENDITURES:				
Legislative:				
Board of Commissioners	143,518	143,518	143,001	517
Judicial:				
Juvenile Justice	256,248	271,248	272,962	(1,714)
Circuit Court	284,841	300,000	280,389	19,611
District Court	426,065	426,065	409,917	16,148
Friend of the Court	354,724	355,124	299,329	55,795
Jury Board	2,370	3,000	2,777	223
Probate Court	470,540	468,540	426,438	42,102
Public Defender	247,095	247,095	232,549	14,546
Bailiff	30,654	35,000	33,604	1,396
Total Judicial	2,072,537	2,106,072	1,957,965	148,107
General Government:				
County Controller	177,541	177,541	141,185	36,356
Information Systems	190,267	187,267	173,305	13,962
Elections	25,000	25,000	13,038	11,962
County Clerk	234,431	234,431	201,761	32,670
Equalization	181,348	181,348	156,533	24,815
Prosecuting Attorney	387,822	400,000	381,809	18,191
Support Coordinator	98,738	98,738	65,325	33,413
Crime Victim Advocate	54,897	55,632	48,349	7,283
Remonumentation	125,000	205,000	201,146	3,854
Register of Deeds	230,368	230,368	203,813	26,555
Treasurer	244,739	244,739	226,486	18,253
Cooperative Extension	81,234	81,234	72,269	8,965
Buildings & Grounds	290,607	277,607	240,653	36,954
Drain Commission	1,362	1,362	1,058	304
Soil Conservation District	-	11,000	11,000	-
Surveyor	27,929	30,000	27,463	2,537
Total General Government	2,351,283	2,441,267	2,165,193	276,074

**Required Supplemental Information
Budgetary Comparison Schedule
General Fund
For the Year Ended December 31, 2005**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Public Safety:				
Sheriff	880,267	891,989	811,922	80,067
Concealed Weapons Board	11,141	11,041	6,941	4,100
S.A.N.E	73,322	78,322	69,391	8,931
Marine	23,371	23,371	13,761	9,610
Jail	1,439,067	1,525,000	1,486,075	38,925
Regional Planning Commission	-	6,000	6,000	-
Snowmobile Patrol Grant	47,975	47,975	37,668	10,307
O.R.V. Grant	13,697	15,000	14,216	784
Animal Control	102,568	102,568	82,528	20,040
Total Public Safety	2,591,408	2,701,266	2,528,502	172,764
Health & Welfare:				
Contagious Diseases	1,000	1,000	-	1,000
Health Board	7,000	7,000	7,130	(130)
Substance Abuse	85,010	85,010	85,010	-
Medical Examiner	15,500	20,000	21,928	(1,928)
Health Department Building & Tax	21,000	21,000	16,619	4,381
Veterans Affairs	72,463	72,463	67,678	4,785
Senior Citizen Nutrition Program	42,000	42,000	42,000	-
Total Health & Welfare	243,973	248,473	240,365	8,108
Recreational and cultural:				
UPTRA	-	-	-	-
Other Expenditures:				
Retirees Hospitalization	290,000	290,000	279,551	10,449
Insurance	130,000	185,000	183,200	1,800
Rural Bus Program	-	12,500	12,500	-
Legal Services	5,000	5,000	176	4,824
Audit	29,900	29,900	30,007	(107)
Telephone	5,000	5,000	3,774	1,226
Postage Meter	5,000	5,000	3,596	1,404
Other Miscellaneous	87,798	40,000	24,448	15,552
Cost Allocation Plan	5,000	10,000	10,000	-
PILT - Townships	30,000	30,000	30,000	-
Appropriations	171,334	171,334	171,334	-
Total Other Expenditures	759,032	783,734	748,586	35,148

**Required Supplemental Information
Budgetary Comparison Schedule
General Fund
For the Year Ended December 31, 2005**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Capital Outlay:				
Record Copier	10,000	10,000	3,689	6,311
Computer	20,000	20,000	10,059	9,941
Vehicle	25,000	25,000	24,719	281
Total Capital Outlay	55,000	55,000	38,467	16,533
TOTAL EXPENDITURES	8,216,751	8,479,330	7,822,079	657,251
EXCESS OF REVENUES OVER EXPENDITURES	1,076,946	449,960	1,094,343	644,383
OTHER FINANCING SOURCES (USES):				
Operating Transfers In	25,582	654,045	802,173	148,128
Operating Transfers Out	(1,066,674)	(1,066,674)	(1,099,507)	(32,833)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	\$ 35,854	\$ 37,331	797,009	\$ 759,678
FUND BALANCE, JANUARY 1			94,811	
FUND BALANCE, DECEMBER 31			\$ 891,820	

**Required Supplemental Information
Budgetary Comparison Schedule
Revenue Sharing Reserve Fund
For the Year Ended December 31, 2005**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ -	\$ 1,500,000	\$ 1,565,952	\$ 65,952
Interest & Rentals	-	-	29,021	29,021
Total Revenues	-	1,500,000	1,594,973	94,973
OTHER FINANCING SOURCES (USES):				
Operating Transfers Out	-	(612,000)	(611,836)	164
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	<u>\$ -</u>	<u>\$ 888,000</u>	983,137	<u>\$ 95,137</u>
FUND BALANCE, JANUARY 1			<u>1,615,279</u>	
FUND BALANCE, DECEMBER 31			<u>\$ 2,598,416</u>	

**Required Supplemental Information
Budgetary Comparison Schedule
Health Department
For the Year Ended September 30, 2005**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
State Sources	\$ 797,247	\$ 884,909	\$ 1,051,511	\$ 166,602
Charges for Services	167,671	228,946	355,681	126,735
Fees and Collections	3,626,400	3,779,663	3,727,714	(51,949)
Other Revenue	261,683	439,222	179,449	(259,773)
TOTAL REVENUES	4,853,001	5,332,740	5,314,355	(18,385)
EXPENDITURES:				
Health and Welfare	5,045,348	5,394,485	5,341,878	52,607
TOTAL EXPENDITURES	5,045,348	5,394,485	5,341,878	52,607
EXCESS OF REVENUES OVER EXPENDITURES	(192,347)	(61,745)	(27,523)	34,222
OTHER FINANCING SOURCES (USES):				
Lease Proceeds	-	-	149,814	149,814
Operating Transfers In	192,347	108,000	100,000	(8,000)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	\$ -	\$ 46,255	222,291	\$ 176,036
FUND BALANCE, OCTOBER 1			1,544,957	
FUND BALANCE, SEPTEMBER 30			\$ 1,767,248	

Other Supplemental Information

County of Chippewa, Michigan

Combining Balance Sheet Nonmajor Governmental Funds December 31, 2005

Special Revenue Funds									
	50th Circuit Court	Construction Code	HUD Grant	Victim's Compensation	D.A.R.E.	Family Counseling	Ambulance	Office of Emergency Services	Emergency Telephone System
ASSETS:									
Cash & Investments - Unrestricted	\$ 22,456	\$ 5,500	\$ 10,207	\$ 1,964	\$ 25	\$ 1,215	\$ 226,113	\$ 50	\$ 34,352
Accounts Receivable	-	-	-	-	-	-	-	-	29,677
Taxes Receivable	-	-	-	-	-	-	349,810	-	-
Due from Other Funds	-	-	-	-	-	-	-	-	65,597
Due from Governmental Units	-	-	37,504	-	-	-	-	428,025	-
Prepaid Expenditures	-	130	-	-	-	-	-	-	436
TOTAL ASSETS	<u>\$ 22,456</u>	<u>\$ 5,630</u>	<u>\$ 47,711</u>	<u>\$ 1,964</u>	<u>\$ 25</u>	<u>\$ 1,215</u>	<u>\$ 575,923</u>	<u>\$ 428,075</u>	<u>\$ 130,062</u>
LIABILITIES:									
Accounts Payable	\$ 256	\$ 28	\$ 37,504	\$ -	\$ -	\$ -	\$ 1,075	\$ 758	\$ 4,101
Due to Other Funds	-	1,921	-	-	-	-	-	227,452	65,597
Due to Governmental Units	-	-	-	-	-	-	-	-	-
Accrued Liabilities	-	3,634	-	-	-	-	-	2,288	19,799
Deferred Revenue	-	-	-	-	-	-	349,810	-	-
TOTAL LIABILITIES	<u>256</u>	<u>5,583</u>	<u>37,504</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>350,885</u>	<u>230,498</u>	<u>89,497</u>
FUND BALANCES:									
Unreserved:									
Designated	22,200	47	10,207	1,964	25	1,215	225,038	197,577	40,565
TOTAL FUND BALANCES	<u>22,200</u>	<u>47</u>	<u>10,207</u>	<u>1,964</u>	<u>25</u>	<u>1,215</u>	<u>225,038</u>	<u>197,577</u>	<u>40,565</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 22,456</u>	<u>\$ 5,630</u>	<u>\$ 47,711</u>	<u>\$ 1,964</u>	<u>\$ 25</u>	<u>\$ 1,215</u>	<u>\$ 575,923</u>	<u>\$ 428,075</u>	<u>\$ 130,062</u>

County of Chippewa, Michigan

Combining Balance Sheet Nonmajor Governmental Funds December 31, 2005

	Special Revenue Funds									
	ADC Child Support	Community Service	Correctional Facility Maintenance	Hazardous Waste Facility	Superior Twp 2000 Improvements Maint	Chippewa County Recycling	Office of Community Correction	Homestead Property Tax Exemption Audit	Register of Deeds Automation	
ASSETS:										
Cash & Investments - Unrestricted	\$ 16,223	\$ 4,685	\$ 11,040	\$ -	\$ 42,556	\$ 296,866	\$ 51,619	\$ 679	\$ 46,233	
Accounts Receivable	-	-	-	-	-	-	3,987	-	-	
Taxes Receivable	-	-	-	-	-	407,483	-	-	-	
Due from Other Funds	-	-	-	-	-	-	-	-	-	
Due from Governmental Units	-	-	-	-	-	-	-	-	-	
Prepaid Expenditures	-	-	-	-	-	-	-	-	-	
TOTAL ASSETS	\$ 16,223	\$ 4,685	\$ 11,040	\$ -	\$ 42,556	\$ 704,349	\$ 55,606	\$ 679	\$ 46,233	
LIABILITIES:										
Accounts Payable	\$ -	\$ -	\$ 9,969	\$ -	\$ -	\$ -	\$ 2,800	\$ 637	\$ -	
Due to Other Funds	-	-	-	-	-	-	-	-	-	
Due to Governmental Units	-	-	-	-	-	-	-	-	-	
Accrued Liabilities	-	-	981	-	-	-	2,517	-	603	
Deferred Revenue	-	-	-	-	-	407,483	-	-	-	
TOTAL LIABILITIES	-	-	10,950	-	-	407,483	5,317	637	603	
FUND BALANCES:										
Unreserved:										
Designated	16,223	4,685	90	-	42,556	296,866	50,289	42	45,630	
TOTAL FUND BALANCES	16,223	4,685	90	-	42,556	296,866	50,289	42	45,630	
TOTAL LIABILITIES AND FUND BALANCES	\$ 16,223	\$ 4,685	\$ 11,040	\$ -	\$ 42,556	\$ 704,349	\$ 55,606	\$ 679	\$ 46,233	

County of Chippewa, Michigan

Combining Balance Sheet Nonmajor Governmental Funds December 31, 2005

Special Revenue Funds									
	Chippewa County Liason Officer	Secondary Road Patrol	Sheriff Law Enforcement Training	Local Corrections Officer's Training	Sheriff Park Patrol	Road Patrol Overtime	Sheriff Special Projects	Law Library	Animal Shelter Donations
ASSETS:									
Cash & Investments - Unrestricted	\$ -	\$ -	\$ 4,679	\$ -	\$ 14,782	\$ -	\$ 14,643	\$ 4,327	\$ 9,966
Accounts Receivable	-	7,086	-	-	-	-	-	-	-
Taxes Receivable	-	-	-	-	-	-	-	-	-
Due from Other Funds	-	-	-	-	-	-	-	-	-
Due from Governmental Units	-	22,592	-	-	-	-	-	-	-
Prepaid Expenditures	-	-	-	-	-	-	-	-	-
TOTAL ASSETS	<u>\$ -</u>	<u>\$ 29,678</u>	<u>\$ 4,679</u>	<u>\$ -</u>	<u>\$ 14,782</u>	<u>\$ -</u>	<u>\$ 14,643</u>	<u>\$ 4,327</u>	<u>\$ 9,966</u>
LIABILITIES:									
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,000	\$ 269	\$ -
Due to Other Funds	-	-	-	-	-	-	-	-	-
Due to Governmental Units	-	-	-	-	-	-	-	-	-
Accrued Liabilities	-	4,229	-	-	-	-	-	-	-
Deferred Revenue	-	-	-	-	-	-	-	-	4,936
TOTAL LIABILITIES	<u>-</u>	<u>4,229</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,000</u>	<u>269</u>	<u>4,936</u>
FUND BALANCES:									
Unreserved:									
Designated	-	25,449	4,679	-	14,782	-	9,643	4,058	5,030
TOTAL FUND BALANCES	<u>-</u>	<u>25,449</u>	<u>4,679</u>	<u>-</u>	<u>14,782</u>	<u>-</u>	<u>9,643</u>	<u>4,058</u>	<u>5,030</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ -</u>	<u>\$ 29,678</u>	<u>\$ 4,679</u>	<u>\$ -</u>	<u>\$ 14,782</u>	<u>\$ -</u>	<u>\$ 14,643</u>	<u>\$ 4,327</u>	<u>\$ 9,966</u>

County of Chippewa, Michigan

Combining Balance Sheet Nonmajor Governmental Funds December 31, 2005

Special Revenue Funds									
	Youth Substance Abuse Assistance	Chippewa County FIA Appropriation	FIA Basic Grant	Family Independence Agency	FIA Child Care	Probate Child Care	Veteran's Trust	Friends of the Courthouse	Hakola-Ross Drainage
ASSETS:									
Cash & Investments - Unrestricted	\$ 812	\$ 1,158	\$ -	\$ 55,000	\$ 37,543	\$ 40,383	\$ 2,569	\$ 1,779	\$ 7,503
Accounts Receivable	-	-	-	-	-	-	-	-	-
Taxes Receivable	-	-	-	-	-	-	-	-	-
Due from Other Funds	-	-	-	-	-	-	-	-	-
Due from Governmental Units	-	-	-	-	-	-	-	-	-
Prepaid Expenditures	-	-	-	-	-	-	-	-	-
TOTAL ASSETS	<u>\$ 812</u>	<u>\$ 1,158</u>	<u>\$ -</u>	<u>\$ 55,000</u>	<u>\$ 37,543</u>	<u>\$ 40,383</u>	<u>\$ 2,569</u>	<u>\$ 1,779</u>	<u>\$ 7,503</u>
LIABILITIES:									
Accounts Payable	\$ 528	\$ -	\$ -	\$ -	\$ -	\$ 40,383	\$ -	\$ -	\$ -
Due to Other Funds	-	-	-	-	-	-	-	-	-
Due to Governmental Units	-	-	-	55,000	-	-	-	-	-
Accrued Liabilities	161	-	-	-	-	-	-	-	-
Deferred Revenue	-	-	-	-	-	-	-	-	-
TOTAL LIABILITIES	<u>689</u>	<u>-</u>	<u>-</u>	<u>55,000</u>	<u>-</u>	<u>40,383</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES:									
Unreserved:									
Designated	123	1,158	-	-	37,543	-	2,569	1,779	7,503
TOTAL FUND BALANCES	<u>123</u>	<u>1,158</u>	<u>-</u>	<u>-</u>	<u>37,543</u>	<u>-</u>	<u>2,569</u>	<u>1,779</u>	<u>7,503</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 812</u>	<u>\$ 1,158</u>	<u>\$ -</u>	<u>\$ 55,000</u>	<u>\$ 37,543</u>	<u>\$ 40,383</u>	<u>\$ 2,569</u>	<u>\$ 1,779</u>	<u>\$ 7,503</u>

County of Chippewa, Michigan

Combining Balance Sheet Nonmajor Governmental Funds December 31, 2005

	Special Revenue Funds		Debt Service Funds					
	2005 Access Visitation Grant	CCSD Salvage Vehicle	2001 City of SSM Debt Retirement	Superior Township 2000 Improvement Bond Reserve	Superior Township Improvements Debt	1998 City of SSM Debt Retirement	1995 City of SSM Debt Retirement	Avery Square Bond Retirement
ASSETS:								
Cash & Investments - Unrestricted	\$ -	\$ 9,099	\$ -	\$ 3,460	\$ -	\$ -	\$ -	\$ 225,304
Accounts Receivable	1,681	-	-	-	-	-	-	-
Taxes Receivable	-	-	-	-	-	-	-	-
Due from Other Funds	-	-	-	-	-	-	-	-
Due from Governmental Units	-	-	-	-	-	-	-	-
Prepaid Expenditures	-	-	-	-	-	-	-	-
TOTAL ASSETS	<u>\$ 1,681</u>	<u>\$ 9,099</u>	<u>\$ -</u>	<u>\$ 3,460</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 225,304</u>
LIABILITIES:								
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to Other Funds	1,681	-	-	-	-	-	-	-
Due to Governmental Units	-	-	-	-	-	-	-	-
Accrued Liabilities	-	-	-	-	-	-	-	-
Deferred Revenue	-	-	-	-	-	-	-	-
TOTAL LIABILITIES	<u>1,681</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES:								
Unreserved:								
Designated	-	9,099	-	3,460	-	-	-	225,304
TOTAL FUND BALANCES	<u>-</u>	<u>9,099</u>	<u>-</u>	<u>3,460</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>225,304</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,681</u>	<u>\$ 9,099</u>	<u>\$ -</u>	<u>\$ 3,460</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 225,304</u>

County of Chippewa, Michigan

Combining Balance Sheet Nonmajor Governmental Funds December 31, 2005

	Debt Service Funds			Capital Project Funds		
	1988 Bldg. Authority Bond Retirement	Courthouse Annex Renovation	1977 Superior Twp. Debt Retirement	2000 Superior Twp. Improvements	Courthouse Annex Renovation	Totals
ASSETS:						
Cash & Investments - Unrestricted	\$ 122	\$ -	\$ -	\$ -	\$ 957	\$ 1,205,869
Accounts Receivable	-	-	-	-	-	42,431
Taxes Receivable	-	-	-	-	-	757,293
Due from Other Funds	-	-	-	-	-	65,597
Due from Governmental Units	-	-	-	-	-	488,121
Prepaid Expenditures	-	-	-	-	-	566
TOTAL ASSETS	<u>\$ 122</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 957</u>	<u>\$ 2,559,877</u>
LIABILITIES:						
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 103,308
Due to Other Funds	-	-	-	-	-	296,651
Due to Governmental Units	-	-	-	-	-	55,000
Accrued Liabilities	-	-	-	-	-	34,212
Deferred Revenue	-	-	-	-	-	762,229
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,251,400</u>
FUND BALANCES:						
Unreserved:						
Designated	122	-	-	-	957	1,308,477
TOTAL FUND BALANCES	<u>122</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>957</u>	<u>1,308,477</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 122</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 957</u>	<u>\$ 2,559,877</u>

County of Chippewa, Michigan

Statement of Revenues, Expenditures, and Changes in Fund Balance Nonmajor Governmental Funds For the Year Ended December 31, 2005

	Speical Revenue Funds								
	50th Circuit Court	Construction Code	HUD Grant	Victim's Compensation	D.A.R.E.	Family Counseling	Ambulance	Office of Emergency Services	Emergency Telephone System
REVENUES:									
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 334,479	\$ -	\$ -
Federal Sources	-	-	159,104	-	-	-	-	800,844	-
State Sources	-	-	-	-	-	-	-	-	-
Local Sources	-	-	-	-	-	-	-	-	-
Charges for Services	13,549	83,013	-	-	-	3,735	-	-	-
Interest & Rentals	-	-	-	-	-	-	-	-	-
Fees and Collections	-	-	-	-	-	-	-	-	548,451
Fines and Forfeitures	-	-	-	-	-	-	-	-	-
Other Revenue	-	81	-	-	-	-	-	3,537	8,060
TOTAL REVENUES	13,549	83,094	159,104	-	-	3,735	334,479	804,381	556,511
EXPENDITURES:									
Judicial	4,976	-	-	-	-	-	-	-	-
General Government	-	-	-	-	-	-	-	-	-
Public Safety	-	-	-	-	-	-	-	845,897	616,791
Public Works	-	131,783	-	-	-	-	-	-	-
Health and Welfare	-	-	166,243	-	-	3,255	246,829	-	-
Capital Outlay	-	-	-	-	-	-	-	-	-
Debt Service	-	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	4,976	131,783	166,243	-	-	3,255	246,829	845,897	616,791
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	8,573	(48,689)	(7,139)	-	-	480	87,650	(41,516)	(60,280)
OTHER FINANCING SOURCES (USES):									
Operating Transfers In	-	48,700	-	-	-	-	-	195,659	27,304
Operating Transfers Out	-	-	-	-	-	-	(195,659)	-	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	8,573	11	(7,139)	-	-	480	(108,009)	154,143	(32,976)
FUND BALANCES, JANUARY 1	13,627	36	17,346	1,964	25	735	333,047	43,434	73,541
FUND BALANCES, DECEMBER 31	\$ 22,200	\$ 47	\$ 10,207	\$ 1,964	\$ 25	\$ 1,215	\$ 225,038	\$ 197,577	\$ 40,565

County of Chippewa, Michigan

Statement of Revenues, Expenditures, and Changes in Fund Balance Nonmajor Governmental Funds For the Year Ended December 31, 2005

	Special Revenue Funds								
	ADC Child Support	Community Service	Correctional Facility Maintenance	Hazardous Waste Facility	Superior Twp 2000 Improvements Maint	Chippewa County Recycling	Office of Community Correction	Homestead Property Tax Exemption Audit	Register of Deeds Automation
REVENUES:									
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 390,220	\$ -	\$ -	\$ -
Federal Sources	-	-	-	-	-	-	-	-	-
State Sources	-	-	12,500	-	-	-	-	-	-
Local Sources	-	-	-	-	9,195	-	-	-	-
Charges for Services	-	-	-	-	-	-	-	-	45,724
Interest & Rentals	-	-	5,161	-	642	-	-	5	-
Fees and Collections	-	-	-	-	-	-	-	-	-
Fines and Forfeitures	-	-	-	-	-	-	-	-	-
Other Revenue	9,830	895	-	-	-	-	112,491	-	-
TOTAL REVENUES	9,830	895	17,661	-	9,837	390,220	112,491	5	45,724
EXPENDITURES:									
Judicial	-	-	-	-	-	-	-	-	-
General Government	-	-	-	-	-	-	-	-	36,302
Public Safety	-	-	-	-	-	-	108,041	-	-
Public Works	-	-	163,749	-	-	370,000	-	-	-
Health and Welfare	-	-	-	-	4,091	-	-	-	-
Capital Outlay	-	-	-	-	-	-	-	-	-
Debt Service	-	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	-	-	163,749	-	4,091	370,000	108,041	-	36,302
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	9,830	895	(146,088)	-	5,746	20,220	4,450	5	9,422
OTHER FINANCING SOURCES (USES):									
Operating Transfers In	-	-	143,303	-	-	-	31,169	-	-
Operating Transfers Out	-	-	-	-	(14,445)	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	9,830	895	(2,785)	-	(8,699)	20,220	35,619	5	9,422
FUND BALANCES, JANUARY 1	6,393	3,790	2,875	-	51,255	276,646	14,670	37	36,208
FUND BALANCES, DECEMBER 31	\$ 16,223	\$ 4,685	\$ 90	\$ -	\$ 42,556	\$ 296,866	\$ 50,289	\$ 42	\$ 45,630

County of Chippewa, Michigan

Statement of Revenues, Expenditures, and Changes in Fund Balance Nonmajor Governmental Funds For the Year Ended December 31, 2005

	Special Revenue Funds								
	Chippewa County Liason Officer	Secondary Road Patrol	Sheriff Law Enforcement Training	Local Corrections Officer's Training	Sheriff Park Patrol	Road Patrol Overtime	Sheriff Special Projects	Law Library	Animal Shelter Donations
REVENUES:									
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Federal Sources	-	-	-	-	-	466	-	-	-
State Sources	-	82,933	2,026	-	3,127	-	-	-	-
Local Sources	-	-	-	-	-	-	-	-	-
Charges for Services	-	-	-	10,833	-	-	-	-	-
Interest & Rentals	-	-	-	-	-	-	-	-	-
Fees and Collections	-	-	-	-	-	-	-	-	-
Fines and Forfeitures	-	-	-	-	-	-	-	3,500	-
Other Revenue	-	-	-	-	-	5,984	3,500	-	2,676
TOTAL REVENUES	-	82,933	2,026	10,833	3,127	6,450	3,500	3,500	2,676
EXPENDITURES:									
Judicial	-	-	-	-	-	-	-	3,229	-
General Government	-	-	-	-	-	-	-	-	-
Public Safety	-	142,132	3,523	15,622	1,035	20,055	4,510	-	-
Public Works	-	-	-	-	-	-	-	-	-
Health and Welfare	-	-	-	-	-	-	-	-	703
Capital Outlay	-	-	-	-	-	-	-	-	-
Debt Service	-	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	-	142,132	3,523	15,622	1,035	20,055	4,510	3,229	703
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	(59,199)	(1,497)	(4,789)	2,092	(13,605)	(1,010)	271	1,973
OTHER FINANCING SOURCES (USES):									
Operating Transfers In	-	49,297	-	4,100	-	7,530	-	-	-
Operating Transfers Out	-	-	-	-	-	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	-	(9,902)	(1,497)	(689)	2,092	(6,075)	(1,010)	271	1,973
FUND BALANCES, JANUARY 1	-	35,351	6,176	689	12,690	6,075	10,653	3,787	3,057
FUND BALANCES, DECEMBER 31	\$ -	\$ 25,449	\$ 4,679	\$ -	\$ 14,782	\$ -	\$ 9,643	\$ 4,058	\$ 5,030

County of Chiippewa, Michigan

Statement of Revenues, Expenditures, and Changes in Fund Balance Nonmajor Governmental Funds For the Year Ended December 31, 2005

	Special Revenue Funds								
	Youth Substance Abuse Assistance	Chippewa County FIA Appropriations	FIA Basic Grant	Family Independence Agency	FIA Child Care	Probate Child Care	Veteran's Trust	Friends of the Courthouse	Hakola-Ross Drainage
REVENUES:									
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Federal Sources	10,157	-	-	-	-	-	-	-	-
State Sources	1,128	-	-	161,874	-	-	4,634	-	-
Local Sources	-	-	-	-	-	-	-	-	-
Charges for Services	-	-	-	-	-	-	-	-	-
Interest & Rentals	-	-	-	-	-	-	-	-	-
Fees and Collections	-	-	-	-	-	-	-	-	-
Fines and Forfeitures	-	-	-	-	-	-	-	-	-
Other Revenue	-	4,290	-	3,108	-	7,575	-	-	-
TOTAL REVENUES	11,285	4,290	-	164,982	-	7,575	4,634	-	-
EXPENDITURES:									
Judicial	-	-	-	-	-	-	-	-	-
General Government	-	-	-	-	-	-	-	-	-
Public Safety	-	-	-	-	-	-	-	-	-
Public Works	-	-	-	-	-	-	-	-	-
Health and Welfare	11,162	23,242	1,427	159,093	62,573	351,353	1,886	1,500	-
Capital Outlay	-	-	-	-	-	-	-	-	-
Debt Service	-	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	11,162	23,242	1,427	159,093	62,573	351,353	1,886	1,500	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	123	(18,952)	(1,427)	5,889	(62,573)	(343,778)	2,748	(1,500)	-
OTHER FINANCING SOURCES (USES):									
Operating Transfers In	-	20,110	-	-	64,806	550,352	-	-	-
Operating Transfers Out	-	-	-	(19,981)	-	(206,821)	(855)	-	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	123	1,158	(1,427)	(14,092)	2,233	(247)	1,893	(1,500)	-
FUND BALANCES, JANUARY 1	-	-	1,427	14,092	35,310	247	676	3,279	7,503
FUND BALANCES, DECEMBER 31	\$ 123	\$ 1,158	\$ -	\$ -	\$ 37,543	\$ -	\$ 2,569	\$ 1,779	\$ 7,503

County of Chippewa, Michigan

Statement of Revenues, Expenditures, and Changes in Fund Balance Nonmajor Governmental Funds For the Year Ended December 31, 2005

	Special Revenue Funds		Debt Service Funds					
	2005 Access Visitation Grant	CCSD Salvage Vehicle	2001 City of SSM Debt Retirement	Superior Twp 2000 Improvement Bond Reserve	Superior Township Improvements Debt	1998 City of SSM Debt Retirement	1995 City of SSM Debt Retirement	Avery Square Bond Retirement
REVENUES:								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Federal Sources	-	-	-	-	-	-	-	-
State Sources	-	-	-	-	-	-	-	-
Local Sources			178,924	3,460	34,286	201,278	283,555	163,725
Charges for Services	-	-	-	-	-	-	-	-
Interest & Rentals	-	-	-	-	-	-	-	5,549
Fees and Collections	-	-	-	-	-	-	-	-
Fines and Forfeitures	-	-	-	-	-	-	-	-
Other Revenue	3,693	-	-	-	-	-	-	-
TOTAL REVENUES	3,693	-	178,924	3,460	34,286	201,278	283,555	169,274
EXPENDITURES:								
Judicial	-	-	-	-	-	-	-	-
General Government	-	-	-	-	-	-	-	-
Public Safety	3,693	325	-	-	-	-	-	-
Public Works	-	-	-	-	-	-	-	-
Health and Welfare	-	-	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-	-	-
Debt Service	-	-	178,924	-	34,286	201,278	283,555	163,428
TOTAL EXPENDITURES	3,693	325	178,924	-	34,286	201,278	283,555	163,428
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	(325)	-	3,460	-	-	-	5,846
OTHER FINANCING SOURCES (USES):								
Operating Transfers In	-	9,424	-	-	-	-	-	-
Operating Transfers Out	-	-	-	-	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	-	9,099	-	3,460	-	-	-	5,846
FUND BALANCES, JANUARY 1	-	-	-	-	-	-	-	219,458
FUND BALANCES, DECEMBER 31	\$ -	\$ 9,099	\$ -	\$ 3,460	\$ -	\$ -	\$ -	\$ 225,304

County of Chippewa, Michigan

Statement of Revenues, Expenditures, and Changes in Fund Balance Nonmajor Governmental Funds For the Year Ended December 31, 2005

	Debt Service Funds			Capital Project Funds		
	1988 Bldg Authority Bond Retirement	Courthouse Annex Renovation	1977 Superior Twp Debt Retirement	2000 Superior Twp Improvements	Courthouse Annex Renovation	Totals
REVENUES:						
Taxes	\$ 87	\$ -	\$ -	\$ -	\$ -	\$ 724,786
Federal Sources	-	-	-	39,293	-	1,009,864
State Sources	-	-	-	-	-	268,222
Local Sources	-	-	8,250	-	-	882,673
Charges for Services	-	-	-	-	-	156,854
Interest & Rentals	-	-	-	-	476	11,833
Fees and Collections	-	-	-	-	-	548,451
Fines and Forfeitures	-	-	-	-	-	3,500
Other Revenue	-	-	-	-	-	165,720
TOTAL REVENUES	87	-	8,250	39,293	476	3,771,903
EXPENDITURES:						
Judicial	-	-	-	-	-	8,205
General Government	-	-	-	-	-	36,302
Public Safety	-	-	-	-	-	1,761,624
Public Works	-	-	-	-	-	665,532
Health and Welfare	-	-	-	-	-	1,033,357
Capital Outlay	-	-	-	53,793	-	53,793
Debt Service	1,800	203,040	8,250	-	-	1,074,561
TOTAL EXPENDITURES	1,800	203,040	8,250	53,793	-	4,633,374
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,713)	(203,040)	-	(14,500)	476	(861,471)
OTHER FINANCING SOURCES (USES):						
Operating Transfers In	-	203,040	-	14,445	-	1,369,239
Operating Transfers Out	-	-	-	-	-	(437,761)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	(1,713)	-	-	(55)	476	70,007
FUND BALANCES, JANUARY 1	1,835	-	-	55	481	1,238,470
FUND BALANCES, DECEMBER 31	\$ 122	\$ -	\$ -	\$ -	\$ 957	\$ 1,308,477

County of Chippewa, Michigan

Combining Statement of Net Assets Combining Major Tax Collection Enterprise Fund December 31, 2005

	State Education Tax Parcel Fee	2003 Tax Revolving	2002 Tax Revolving	2004 Tax Revolving	Prior Years' Tax Revolving	Tax Revolving Admin	Homestead Tax	Totals
ASSETS:								
Cash & Investments - Unrestricted	\$ 5,408	\$ 1,411,054	\$ 966,227	\$ 2,342,766	\$ 2,636,260	\$ 130,815	\$ -	\$ 7,492,530
Taxes Receivable	-	118,865	20,438	831,493	-	-	-	970,796
Accrued Interest on Deposits	-	9,732	-	7,851	8,506	-	-	26,089
Due from Other Governmental Units	-	-	-	-	-	-	12,876	12,876
TOTAL ASSETS	<u>\$ 5,408</u>	<u>\$ 1,539,651</u>	<u>\$ 986,665</u>	<u>\$ 3,182,110</u>	<u>\$ 2,644,766</u>	<u>\$ 130,815</u>	<u>\$ 12,876</u>	<u>\$ 8,502,291</u>
LIABILITIES:								
Due to Other Funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,868	\$ 12,868
Accounts Payable	-	14,860	-	-	9,691	-	-	24,551
TOTAL LIABILITIES	<u>-</u>	<u>14,860</u>	<u>-</u>	<u>-</u>	<u>9,691</u>	<u>-</u>	<u>12,868</u>	<u>37,419</u>
NET ASSETS:								
Unrestricted	<u>5,408</u>	<u>1,524,791</u>	<u>986,665</u>	<u>3,182,110</u>	<u>2,635,075</u>	<u>130,815</u>	<u>8</u>	<u>8,464,872</u>
TOTAL NET ASSETS	<u>5,408</u>	<u>1,524,791</u>	<u>986,665</u>	<u>3,182,110</u>	<u>2,635,075</u>	<u>130,815</u>	<u>8</u>	<u>8,464,872</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 5,408</u>	<u>\$ 1,539,651</u>	<u>\$ 986,665</u>	<u>\$ 3,182,110</u>	<u>\$ 2,644,766</u>	<u>\$ 130,815</u>	<u>\$ 12,876</u>	<u>\$ 8,502,291</u>

County of Chippewa, Michigan

Combining Statement of Revenues, Expenses and Changes in Net Assets - Major Tax Collection Enterprise Fund For the Year Ended December 31, 2005

	State Education Tax Parcel Fee	2003 Tax Revolving	2002 Tax Revolving	2004 Tax Revolving	Prior Years' Tax Revolving	Tax Revolving Admin	Homestead Tax	Totals
OPERATING REVENUES:								
Charges for Services	\$ 11,780	\$ 159,632	\$ 67,368	\$ 141,886	\$ 307	\$ 11,930	\$ -	\$ 392,903
TOTAL OPERATING REVENUES	11,780	159,632	67,368	141,886	307	11,930	-	392,903
OPERATING EXPENSES:								
General and Administrative	6,372	5,789	3,801	3,381	760	709	-	20,812
Total Operating Expenses	6,372	5,789	3,801	3,381	760	709	-	20,812
OPERATING INCOME (LOSS)	5,408	153,843	63,567	138,505	(453)	11,221	-	372,091
NON-OPERATING REVENUES (EXPENSES):								
Interest on Deposits	-	9,732	-	43,605	8,507	-	-	61,844
Total Non-operating Revenues (Expenses)	-	9,732	-	43,605	8,507	-	-	61,844
INCOME (LOSS) BEFORE TRANSFERS	5,408	163,575	63,567	182,110	8,054	11,221	-	433,935
Operating Transfers In	-	-	-	3,000,000	-	-	-	3,000,000
Operating Transfers Out	(9,459)	(2,000,000)	-	-	(1,006,046)	-	-	(3,015,505)
CHANGE IN NET ASSETS	(4,051)	(1,836,425)	63,567	3,182,110	(997,992)	11,221	-	418,430
NET ASSETS, JANUARY 1	9,459	3,361,216	923,098	-	3,633,067	119,594	8	8,046,442
NET ASSETS, DECEMBER 31	\$ 5,408	\$ 1,524,791	\$ 986,665	\$ 3,182,110	\$ 2,635,075	\$ 130,815	\$ 8	\$ 8,464,872

County of Chippewa, Michigan

Combining Statement of Cash Flows Major Tax Collection Enterprise Fund For the Year Ended December 31, 2005

	State Education Tax Parcel Fee	2003 Tax Revolving	2002 Tax Revolving	2004 Tax Revolving	Prior Years' Tax Revolving	Tax Revolving Admin	Homestead Tax	Totals
CASH FLOWS FROM OPERATING ACTIVITIES:								
Receipts from Customers	\$ 11,780	\$ 986,963	\$ 207,521	\$ 141,886	\$ 24,398	\$ 11,930	\$ -	\$ 1,384,478
Payments to Suppliers	(6,372)	(5,789)	(3,801)	(842,725)	(760)	(867)	(2,878)	(863,192)
Internal Activity - Receipts (Payments) to Other Funds	-	(3,082)	(10,011)	-	(40,642)	53,734	2,878	2,877
Net Cash Provided (Used) by Operating Activities	5,408	978,092	193,709	(700,839)	(17,004)	64,797	-	524,163
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:								
Operating Transfers In	-	-	-	3,000,000	-	-	-	3,000,000
Operating Transfers Out	(9,459)	(2,000,000)	-	-	(1,006,046)	-	-	(3,015,505)
Net Cash Provided (Used) by Noncapital Financing Activities	(9,459)	(2,000,000)	-	3,000,000	(1,006,046)	-	-	(15,505)
CASH FLOWS FROM INVESTING ACTIVITIES:								
Interest Income	-	9,732	-	43,605	8,507	-	-	61,844
Net Cash Provided (Used) by Investing Activities	-	9,732	-	43,605	8,507	-	-	61,844
Net Increase (Decrease) in Cash and Cash Equivalents	(4,051)	(1,012,176)	193,709	2,342,766	(1,014,543)	64,797	-	570,502
Balances - Beginning of the Year	9,459	2,423,230	772,518	-	3,650,803	66,018	-	6,922,028
Balances - End of the Year	<u>\$ 5,408</u>	<u>\$ 1,411,054</u>	<u>\$ 966,227</u>	<u>\$ 2,342,766</u>	<u>\$ 2,636,260</u>	<u>\$ 130,815</u>	<u>\$ -</u>	<u>\$ 7,492,530</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities								
Operating Income (Loss)	\$ 5,408	\$ 153,843	\$ 63,567	\$ 138,505	\$ (453)	\$ 11,221	\$ -	\$ 372,091
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:								
Change in Assets and Liabilities:								
Taxes Receivable	-	808,542	140,153	(831,493)	22,906	-	-	140,108
Accrued Interest Receivable	-	3,929	-	(7,851)	(8,506)	-	-	(12,428)
Due from Other Governmental Units	-	-	-	-	-	-	(2,878)	(2,878)
Due from Other Funds	-	-	-	-	-	53,734	-	53,734
Accounts Payable	-	14,860	-	-	9,691	(158)	-	24,393
Due to Other Funds	-	(3,082)	(10,011)	-	(40,642)	-	2,878	(50,857)
Net Cash Provided (Used) by Operating Activities	<u>\$ 5,408</u>	<u>\$ 978,092</u>	<u>\$ 193,709</u>	<u>\$ (700,839)</u>	<u>\$ (17,004)</u>	<u>\$ 64,797</u>	<u>\$ -</u>	<u>\$ 524,163</u>

Statement of Net Assets
Internal Service Fund
December 31, 2005

	Central Stores
ASSETS:	
Inventories	\$ 44,912
TOTAL ASSETS	\$ 44,912
LIABILITIES:	
Due to Other Funds	\$ 31,565
TOTAL LIABILITIES	31,565
NET ASSETS:	
Unrestricted	13,347
TOTAL NET ASSETS	13,347
TOTAL LIABILITIES AND NET ASSETS	\$ 44,912

**Statement of Revenues, Expenses and
Changes in Net Assets - Internal Service Fund
For the Year Ended December 31, 2005**

	Central Stores
OPERATING REVENUES:	
Charges for Services	<u>\$ 16,573</u>
Total Operating Revenues	<u>16,573</u>
OPERATING EXPENSES:	
Supplies	<u>16,747</u>
Total Operating Expenses	<u>16,747</u>
OPERATING INCOME (LOSS)	<u>(174)</u>
NET ASSETS, JANUARY 1	<u>13,521</u>
NET ASSETS, DECEMBER 31	<u><u>\$ 13,347</u></u>

Reports on Compliance



ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

KINROSS OFFICE

PHILLIP J. WOLF, CPA, PRINCIPAL
SUE A. BOWLBY, CPA, PRINCIPAL
KENNETH A. TALSMAN, CPA, PRINCIPAL

DEANNA J. MAYER, CPA

MEMBER AICPA
DIVISION FOR CPA FIRMS

MEMBER MACPA

OFFICES IN
MICHIGAN & WISCONSIN

**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 the financial statements of the County of Chippewa, Michigan, as of and for the year ended December 31, 2005, and have issued our report thereon, dated February 16, 2006. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County of Chippewa, Michigan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting, which we have reported to management of the County of Chippewa, Michigan in a separate letter dated February 16, 2006.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Chippewa County's financial statements are free of 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 instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. We noted certain matters that we reported to management of Chippewa County in a separate letter dated February 16, 2006.

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


Anderson, Tackman & Company, PLC
Certified Public Accountants

February 16, 2006



ANDERSON, TACKMAN & COMPANY, PLC
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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO
EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

Compliance

We have audited the compliance of the County of Chippewa, Michigan with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2005. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the County's compliance with those requirements.

As described in items 05-1 and 05-2 in the accompanying schedule of findings and questioned costs, the County of Chippewa, Michigan did not comply with requirements regarding allowable costs and procurement that are applicable to its Title IV-D Coop Reimbursement Grant, State Homeland Security Grant Program, and Hazard Mitigation Grant. Compliance with such requirements is necessary, in our opinion, for the County of Chippewa, Michigan to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the County of Chippewa, Michigan complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2005.

Internal Control Over Compliance

The management of the County of Chippewa, Michigan is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County of Chippewa, Michigan's 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 OMB Circular A-133.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the County of Chippewa, Michigan's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 05-1 and 05-2.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weakness. However, we believe that none of the reportable conditions described above is a material weakness.

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the remaining fund information, of the County of Chippewa, Michigan, as of and for the year end December 31, 2005, which collectively comprise the County's basic financial statements, and have issued our report thereon dated February 16, 2006. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statement and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

A handwritten signature in blue ink that reads "Anderson Tackman & Co. PLC".

Anderson, Tackman & Company, PLC
Certified Public Accountants

February 16, 2006

County of Chippewa, Michigan

Schedule of Expenditures of Federal Awards For the Year Ended December 31, 2005

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Agency or Pass-through Number	Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE:			
<i>Direct Award:</i>			
USDA	10.433	-	39,293
<i>Pass-through from the Michigan Department of Community Health:</i>			
Women, Infant and Children-Special Projects	10.558	2005IW1011	5,000
Women, Infant and Children	10.557	XX4W1008	153,746
Subtotal			158,746
Total U.S. Department of Agriculture			198,039
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:			
<i>Pass-through from the Michigan State Housing Development Authority:</i>			
CDBG Housing Program	14.228	MSC-03-731-HOA	122,563
Total U.S. Department of Housing and Urban Development			122,563
U.S. DEPARTMENT OF JUSTICE:			
<i>Pass-through from the Michigan Department of Community Health:</i>			
Byrne Grant - Live Scan	16.579	-	12,500
<i>Pass-through from Diane Peppler Resource Center:</i>			
STOP Grant	16.588	-	20,000
<i>Pass-through from Emmet County:</i>			
S.A.N.E.	16.579	70868-8K04	36,679
Total U.S. Department of Justice			69,179
U.S. DEPARTMENT OF TRANSPORTATION:			
<i>Passed-through from the Michigan Department of Transportation:</i>			
<i>Airport Improvement Program:</i>			
Runway Rehabilitation, runway lighting, generator, and cargo study	20.106	3-26-0139-1805	1,447,662
Security Enhancements	20.106	3-26-0139-1705	51,555
Subtotal			1,499,217
<i>Passed-through Programs from the State of Michigan Department of Transportation (MDOT):</i>			
Guardrail upgrading along Mackinac Trail	20.205	STP 0517(016)	49,489
Intersection of Gaines Highway & M-80	20.205	STP 0517(015)	99,705
Riverside Drive	20.205	-	5,200
Homestead Road - 9 Mile Rd. to 11 Mile Rd.	20.205	STP 0517(025)	108,841
Nine Mile Road to Riverside Road	20.205	STP 0517(022)	243,229
Mackinac Trail	20.205	-	48,297
Subtotal			554,761
<i>Passed-through Programs from the State of Michigan Department of Transportation (MDOT) - Local Force Account:</i>			
East Shore Road	20.205	-	74,154
Whitefish Point Light Station & Museum	20.205	-	34,332
Documentation of Historic Shipwrecks	20.205	-	50,887
Subtotal			159,373
<i>Pass-through from the State of Michigan Department of State Police, Emergency Management Division:</i>			
HEMP	20.503	-	466
<i>Pass-through from the State of Michigan Department of State Police, Office of Highway Safety Planning:</i>			
State and Community Highway Safety	20.600	-	5,309
Total U.S. Department of Transportation			2,219,126

The accompanying notes are an integral part of this schedule.

County of Chippewa, Michigan

Schedule of Expenditures of Federal Awards For the Year Ended December 31, 2005

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Agency or Pass-through Number	Federal Expenditures
U.S. ENVIRONMENTAL PROTECTION AGENCY:			
<i>Pass Through from State of Michigan Department of Environmental Quality:</i>			
Radon	66.032	-	1,500
Noncommunity (Type II) - Operator Certification	66.471	-	1,400
Noncommunity (Type II) - Arsenic Rule Implementation	66.468	-	263
Beaches Great Lakes	66.472	-	11,393
Subtotal			14,556
Total U.S. Environmental Protection Agency			14,556
U.S. DEPARTMENT OF HOMELAND SECURITY:			
<i>Pass-through from the State of Michigan Department of State Police:</i>			
Hazard Mitigation Grant	97.039	FEMA-1346-DR-MI	415,154
<i>Pass-through from the State of Michigan Department of State Police, Emergency Management Division:</i>			
Emergency Management - 10-1-04 to 9-30-05	97.067	-	12,434
Emergency Management - 10-1-05 to 9-30-06	97.067	-	4,253
Homeland Security Grant - Community Emergency Response Training	97.004	-	32,000
2003 State Homeland Security Grant Program Exercise Grant	97.004	-	7,475
2003 State Homeland Security Grant Program Part II Critical Infrastructure Grant	97.004	-	173,121
2003 State Homeland Security Grant Program Part II Training Grant	97.004	-	18,199
2004 Homeland Security Grant Program Grant Agreement	97.004	-	415,033
2005 Homeland Security Grant Program Grant Agreement	97.067	-	85,070
Subtotal			747,585
Total Federal Emergency Management Agency			1,162,739
U. S. DEPARTMENT OF HEALTH & HUMAN SERVICES:			
<i>Pass-through from the State of Michigan Department of Human Services (DHS):</i>			
Friend of the Court - Incentive	93.560	-	61,982
Friend of the Court - Medical Incentive	93.563	CS/MED-04-17001	6,235
Friend of the Court - Cooperative Reimbursement	93.563	CS/FOC-04-17001	177,230
Friend of the Court - Cooperative Reimbursement	93.563	CS/FOC-05-17001	55,909
Prosecuting Attorney - Cooperative Reimbursement	93.563	CS/PA-04-17002	46,904
Prosecuting Attorney - Cooperative Reimbursement	93.563	CS/PA-05-17002	14,429
Friend of the Court PRO FC	93.658	PROFC-05-17001	2,014
Subtotal			364,703
<i>Pass-through from Pathways:</i>			
Substance Abuse Treatment Prevention	93.959	00 B1MISAPT05	26,967
<i>Pass-through from the Department of Community Health:</i>			
Family Planning	93.217	05H000173	45,334
Immunizations	93.268	H23 CCH522556	12,625
Immunization - Vaccine Handling	93.268	H23 CCH522556	1,402
Vaccine Provided	93.268	-	148,618
Medicaid	93.778	B1MIMCHS	6,140
Medical Assistance Program - CSBC Care Coordination	93.778	B1MIMCHS	1,560
Bioterrorism	93.283	CCU517018	178,796
Breast and Cervical Cancer - Direct	93.919	U57 CCU506738	32,650
Maternal and Child Health Block Grant	93.994	B1MIMCHS	6,471
Maternal and Child Health Block Grant	93.994	B1MIMCHS	25,920
Family Planning Services	93.994	B1MIMCHS	9,433
Subtotal			468,949
Total U.S. Department of Health & Human Services			860,619
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 4,646,821

County of Chippewa, Michigan

Notes to Schedule of Expenditures of Federal Awards For the Year Ended December 31, 2005

NOTE A - BASIS OF PRESENTATION:

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the County of Chippewa, Michigan and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE B - SUBRECIPIENT GRANTEE:

Of the federal expenditures presented in the schedule, the County provided federal awards to subrecipients as follows:

<u>Program Title</u>	<u>Subrecipient</u>	<u>Federal CFDA Number</u>	<u>Amount Provided To Subrecipients</u>
CDBG-Housing Grant	Community Action Human Resource Authority	14.228	\$ <u>122,563</u>

NOTE C - MDOT ADMINISTRATION:

The Highway Planning and Construction Grants (Chippewa County Road Commission) and Airport Improvement Grants (Chippewa County Economic Development Corporation) include various 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 D - RECONCILIATION TO COMBINED 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 per Combined Financial Statements	
Revenues – Primary Government	\$ 2,207,336
Federal Grants of Component Unit	2,628,505
State and other revenue classified as federal	<u>(189,020)</u>
Total Federal Revenue Recognized per Schedule of Expenditures of Federal Awards	\$ <u>4,646,821</u>

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

· Material weaknesses identified? No

· Reportable conditions 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

· Reportable conditions identified
that are not considered to be
material weaknesses? Yes

Type of auditor's report issued on
compliance for major programs: Qualified

Any audit findings disclosed that are
required to be reported in accordance
with section 510(a) of Circular A-133? Yes

Identification of Major Programs**CFDA Numbers****Name of Federal Program or Cluster**

93.283	Bioterrorism
93.563	Title IV-D
97.004 and 97.067	State Homeland Security Grant Program
97.039	Hazard Mitigation Grant

Dollar threshold used to distinguish between types
A and type B programs: \$ 300,000

Auditee qualified as low-risk auditee? No

Section II - Financial Statement Findings

NONE.

Section III - Federal Award Findings and Questioned Costs

Reportable Conditions – Non Compliance

05-1 U.S. Department of Health and Human Services/U.S. Department of Homeland Security

Program Award: Title IV-D Coop Reimbursement; CFDA No. 93.563; U.S. Department of Health & Human Services; Pass-through Michigan Department of Human Services. State Homeland Security Grant; CFDA 97.067; U.S. Department of Homeland Security Grant (EMPG), Pass-through State of Michigan Department of State Police, Emergency Management Division.

Statement of Condition/Criteria: The County does not maintain the required documentation to be in compliance with OMB Circular A-87 for all federally funded grants. OMB Circular A-87 “Cost Principles for State, Local, and Indian Tribal Governments requires time/salaries spent working on Federal Programs to be documented for co-funded and 100% funded staff.

Effect: The County could be incorrectly charging employee salaries to Federal Programs.

Cause of Condition: Unknown.

Recommendation: For County employees who work solely for one federal program, a semi-annual wage certification should be prepared and signed by the employee and a supervisor. For those employees who work on multiple federal programs, a weekly record must be maintained documenting the amount of time spent on each federal program and should be signed by the employee and a supervisor.

Response – Corrective Action Plan: The County will implement the required payroll documentation during 2006.

05-2 U.S. Department of Homeland Security

Program: CFDA # 97.039 – Hazard Mitigation Grant

Statement of Condition/Criteria: OMB Circular A-102 Common Rule, requires the Commission to implement a procurement policy in accordance with federal regulations. The Commission has adopted the State of Michigan’s procurement policy which requires competitive bids for projects over \$10,000. The Commission failed to secure three bids in accordance with the policy.

Effect: Lack of competitive bids does not provide assurance the Commission is receiving the appropriate pricing for specified services in accordance with federal guidelines and Commission policy.

Section III - Federal Award Findings and Questioned Costs

Reportable Conditions – Non Compliance (Continued)

Cause of Condition: Due to project time constraints, staffing commitments and contract funding deadlines, insufficient time existed to obtain three competitive bids. Project completion date requirements would not have been met if competitive bids were obtained.

Recommendation: Emergency bidding procedures should be amended to obtain approval from the grantor agency in these circumstances for exemptions from the competitive bid policy. Additionally, the policy should be amended certify that contractors have not been debarred by checking the Excluded Parties Listing System at the Federal Level. The Board should amend the current policy to incorporate the minimum federal procurement standards.

Response – The board will implement the recommended policy changes as indicated.

Section II - Financial Statement Findings

Material Weakness – Internal Control

04-1 General Ledger Reconciliation

Statement of Condition/Criteria: Several accounts listed on the County's General Ledger for some funds were not reconciled to supporting detail resulting in several balances which were misstated or did not exist. Several accounting standards and Treasury bulletins require reconciliation of ledgers to supporting detail.

Effect: Trial balance and financial statement amounts were misstated.

Cause of Condition: Failure to reconcile supporting ledgers and other documents and post adjusting journal entries to the general ledger due to a lack of time or training.

Recommendation: The County should begin reconciling supporting detail such as bank reconciliations, payroll spreadsheets, accounts receivable/payable listings, grant requests and other documents to the general ledger. Adjusting journal entries should be prepared, approved and posted to present accurate account balances for the reporting period.

Status: Corrected.

Reportable Conditions – Internal Control

04-2 Jail Inmate Trust Bank Reconciliation

Statement of Condition/Criteria: The Jail Inmate trust bank account was reconciled to the bank statement through September 2004 at year end. The remaining bank reconciliations were provided after year end. Bank reconciliations were not reconciled on a timely basis and were not always reconciled to individual inmate balances.

Effect: Lack of reconciliation provides opportunities for inaccurate or unauthorized disbursements from the fund and inaccurate reporting of account activity.

Cause of Condition: Sufficient time does not seem to be provided to personnel to complete reconciliations on a timely basis.

Recommendation: The Board should provide oversight, training or assistance to personnel to assure bank reconciliations are performed on a timely basis and agreed to individual inmate accounts.

Status: Corrected.

Section II - Financial Statement Findings

Reportable Conditions – Internal Control (Continued)

04-3 Friend of the Court Trust Account

Statement of Condition/Criteria: Friend of the Court Trust Account has been reconciled for fiscal 2004, however, funds in the local account have not been transmitted to the State of Michigan as required by the Michigan Court Administration Reference Guide.

Effect: The County has retained \$11,967 in funds due to individuals for child support, alimony and other support payments for the last fiscal year and prior.

Cause of Condition: Sufficient time does not seem to be provided to personnel to complete reconciliations on a timely basis. The State of Michigan has provided limited assistance in transferring and remitting of funds.

Recommendation: The Board should transmit the funds to the State of Michigan in accordance with Administrative guidelines and policies.

Status: Corrected.

04-4 Expenditures in Excess of Appropriations and Special Revenue Fund not Budgeted

Statement of Condition/Criteria: Public Act 621 of 1978 requires that expenditures cannot be incurred until appropriated in accordance with the Uniform Budgeting and Accounting Act. During the fiscal year ended December 31, 2004, the County incurred expenditures in excess of amounts appropriated as follows.

<u>Fund/Function/Activity</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General Funds:			
General Government	\$ 2,313,715	\$ 2,355,031	\$ (41,316)
Public Safety	2,176,426	2,331,086	(154,660)
Other	592,576	680,975	(88,399)
Capital Outlay	35,000	87,150	(52,150)
Special Revenue Funds:			
HUD MSC Grant	-	181,078	(181,078)
Office of Emergency Services	95,919	178,928	(83,009)
Correctional Facility Maintenance	108,873	243,658	(134,785)
Hazardous Waste Facility	-	26	(26)
Chippewa County Recycling	335,884	365,000	(29,116)
Law Enforcement Training	500	3,925	(3,425)
Local Corrections Officers Training	11,250	12,571	(1,321)
Road Patrol Overtime Funding Source	500	25,147	(24,647)
Sheriff Special Project	-	403	(403)
Chippewa County FIA Appropriations	21,000	26,842	(5,842)

The Revenue Sharing Reserve Fund did not have an approved budget.

Section II - Financial Statement Findings

Reportable Conditions – Internal Control (Continued)

Effect: The County has not complied with various State Statutes.

Cause of Condition: Sufficient time does not seem to be provided to personnel to complete required budget amendments and appropriate board actions prior to disbursement and payment of claims.

Recommendation: The Board should provide sufficient time, training or additional personnel to complete this function.

Status: Corrected.

Additional Information

CHIPPEWA COUNTY, MICHIGAN

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ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

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DIVISION FOR CPA FIRMS

MEMBER MACPA

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INDEPENDENT AUDITOR'S REPORT ON ADDITIONAL INFORMATION

To the Honorable Chairman and
Members of the Board of Directors
Chippewa County
Sault Ste. Marie, Michigan

Our report on our audit of the basic financial statements of County of Chippewa, Michigan, as of and for the year ended December 31, 2005, 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

February 16, 2006

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, 2004, the County has the following debt issues which apply to SEC Rule 15c2-12.

1. \$3,040,000 County of Chippewa Water Supply and Sewage Disposal System Limited Tax General Obligation Bonds (City of Sault Ste. Marie), Series 1995.
2. \$2,715,000 County of Chippewa Water Supply and Sewage Disposal System Limited Tax General Obligation Bonds (City of Sault Ste. Marie), Series 1998.
3. \$4,500,000 County of Chippewa Building Authority Bonds, Series 2000.
4. \$1,575,000 Chippewa County Building Authority Bonds, Series 2001.

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:

1960 U.S. Census.....	32,655	1980 U.S. Census	29,029
1970 U.S. Census.....	32,412	1990 U.S. Census	34,604
		2000 U.S. Census	38,543
2005 estimate	39,000		

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

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

Use	2005		2004	
	Amount	Percent of Total	Amount	Percent of Total
Agricultural	\$ 31,706,529	3.73%	\$ 30,395,048	3.79%
Commercial	151,225,614	17.78%	144,291,011	17.98%
Industrial	22,234,689	2.61%	21,801,289	2.72%
Residential	622,357,575	73.15%	584,964,929	72.88%
Utility	23,227,200	2.73%	21,197,483	2.63%
Timber & Developmental	-	0.0%	-	0.0%
Total	<u>\$ 850,751,607</u>	<u>100.00%</u>	<u>\$ 802,649,760</u>	<u>100.00%</u>

NOTE 2 – TABLES: (Continued)

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

Class	2005		2004	
	Amount	Percent of Total	Amount	Percent of Total
Real Property	\$ 799,085,919	93%	\$ 753,860,124	93%
Personal Property	<u>51,665,688</u>	<u>7%</u>	<u>48,789,636</u>	<u>7%</u>
Total	<u>\$ 850,751,607</u>	<u>100.00%</u>	<u>\$ 802,649,760</u>	<u>100.00%</u>

Source: County of Chippewa

C. Taxable Value:

Assessed Value as of December 31	Year of State Equalization and Tax Levy	County's Fiscal Year Ended or Ending December 31	Ad Valorem Taxable Value	Taxable Value of Property Granted Tax Abatement Under Acts 198 and 255	Total Taxable Value	Percent Increase Over Prior Year
1999	2000	2001	653,632,320	1,470,025	655,102,345	4.48%
2000	2001	2002	690,011,404	3,646,925	693,658,329	5.89%
2001	2002	2003	723,710,277	7,101,150	730,811,427	4.33%
2002	2003	2004	759,489,117	6,721,750	766,210,867	4.84%
2003	2004	2005	802,649,760	6,328,550	808,978,310	5.58%
2004	2005	2006	850,751,607	- Unavailable -	-	-

Per Capita Total taxable value for the fiscal year ending December 31, 2005 \$20,743.

(1) Based on the County's 2005 population estimate of 39,000

Source: County of Chippewa

NOTE 2 - TABLES: (Continued)

D. SEV by Use and Class:

Use	Fiscal Year Ended or Ending December 31				
	2001	2002	2003	2004	2005
Agriculture	\$ 35,220,397	\$ 39,375,800	\$ 59,296,445	\$ 90,255,236	\$ 103,601,050
Commercial	153,927,443	154,494,483	156,657,195	158,447,959	165,701,913
Industrial	29,714,720	22,121,370	23,362,470	22,950,600	23,390,300
Residential	649,055,340	708,746,894	792,633,254	858,373,843	917,115,556
Timber Cutover and Developmental	185,300	-	-	-	-
Utility	<u>18,473,495</u>	<u>17,277,200</u>	<u>17,637,605</u>	<u>21,201,883</u>	<u>1,233,036,019</u>
Total	<u>\$ 886,576,695</u>	<u>\$ 942,015,747</u>	<u>\$ 1,049,586,969</u>	<u>\$ 1,151,229,521</u>	<u>\$ 1,233,036,019</u>
Class					
Real Property	\$ 829,747,326	\$ 897,498,756	\$ 1,004,349,670	\$ 1,102,410,302	\$ 1,181,367,905
Personal Property	<u>49,535,519</u>	<u>44,516,991</u>	<u>45,237,299</u>	<u>48,819,219</u>	<u>51,668,114</u>
Total	<u>\$ 879,282,845</u>	<u>\$ 942,015,747</u>	<u>\$ 1,049,586,969</u>	<u>\$ 1,151,229,521</u>	<u>\$ 1,233,036,019</u>

Source: County of Chippewa

E. Maximum Tax Rates:

Millage Classification	Millage Authorized	Millage Reduction Fraction (1)	Maximum Allowable Millage
Allocated	6.1500	.9906	5.9805
Fire/Ambulance (2)	.4293	.9906	.4173
Roads (2)	1.0000	.9906	.9687
Recycling (2)	.5000	.9906	.4861
Jail Renovation (3)	.7500	.9906	.6000

(1) Cumulative.

(2) Voted.

(3) Voted. Final levy will be December 31, 2018.

Source: County of Chippewa

NOTE 2 - TABLES: (Continued)

F. Property Tax Rates:

Levy December 1	Fiscal Years Ended or Ending December 31	Allocated	Fire/ Ambulance (1)	Road Improvements (1)	Recycling (1)	Jail (1)	Total
2001	2002	6.0684	0.4236	0.9867	0.4933	0.6000	8.5720
2002	2003	6.0453	0.4293	0.9962	0.5000	0.6000	8.5708
2003	2004	6.0897	0.4250	0.9864	0.4951	0.6000	8.5962
2004	2005	6.0373	0.4213	0.9779	0.4908	0.6000	8.5273
2005	2006	5.9805	0.4173	0.9687	0.4861	0.7166	8.5692

(1) Voted.

Source: County of Chippewa

G. Highest and Lowest Tax Rates:

The highest and lowest tax rates for homestead and non-homestead properties within the County for its fiscal year ending December 31, 2004:

Property Classification	Highest Tax Rate		Lowest Tax Rate	
	Municipality	Tax Rate	Municipality	Tax Rate
Homestead*	Sault Ste. Marie	39.0721 mils	White Township	18.4828 mils
Non-Homestead	Sault Ste. Marie	57.0325 mils	White Township	36.4828 mils

(*) Homestead 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. Homestead 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 homestead includes only 5 acres adjacent and contiguous to the home of the owner. Homestead 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 to the Michigan Compiled Laws. Homestead also includes property owned by a cooperative housing corporation and occupied as a principal residence by tenant stockholders. Non-Homestead is property not included in the above definition.

Source: County of Chippewa

NOTE 2 - TABLES: (Continued)

H. Property Tax Collections:

December 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
2001	2002	5,817,290	5,184,126	89.12%
2002	2003	5,827,115	5,137,251	88.16%
2003	2004	6,433,285	5,748,854	89.36%
2004	2005	6,515,275	5,896,835	90.50%

(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 and State scavenger sales and personal property taxes canceled by circuit court.

Source: County of Chippewa

I. Ten Largest Taxpayers:

Taxpayer	Principal Productor Service	December 31, 2005	
		Taxable Value (1)	Percent of of Total (2)
Edison Sault Electric Co.	Utility	\$ 18,020,539	24.81
Cloverland Electric	Utility	9,219,022	12.69
Sault Ste. Marie Tribe of Chippewa Indians	Tribal - Various	9,165,071	12.61
DDR Michigan II LLC	Shopping Mall	7,617,146	10.49
State of Michigan	Government	7,495,815	10.32
12 th Avenue Realty Co. LLC	Manufacturing	6,760,800	9.31
Key Plastics LLC	Manufacturing	4,572,400	6.30
Continental Teves	Automotive Testing Facility	4,082,900	5.62
Michigan Consolidated Gas, Co.	Utility	3,406,782	4.69
Great Lakes Gas Co.	Quarry	2,300,402	3.16
		<u>\$ 72,640,877</u>	<u>\$ 100.00%</u>

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

(2) Based on \$766,210,867 which is the County's Total Taxable Value for the fiscal year ending December 31, 2004. Includes the Equivalent Taxable Value of property granted tax abatement under Act 198.

Source: County of Chippewa

NOTE 2 - TABLES: (Continued)

J. 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 as of December 31, 2005.

Debt Limit (1)	\$ 123,303,602
Debt Outstanding (2)	<u>(13,216,500)</u>
Legal Debt Margin	<u>\$ 110,087,102</u>

- (1) 10% of \$1,233,036,019 which is the County's Total SEV for its fiscal year ending December 31, 2005. 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

K. Debt Schedule:

The following table reflects a summary of the County's direct and underlying debt as of December 31, 2005:

County Direct Debt	Gross	Self-Supporting	Net
Building Authority Bonds:			
Dated March 1, 2000 (LT)	\$ 710,000	\$ -	\$ 710,000
Dated February 1, 1999 (LT)	3,645,000	-	3,645,000
Dated June 1, 1995 (LT)	<u>1,260,000</u>	<u>-</u>	<u>1,260,000</u>
Subtotal	<u>\$ 5,615,000</u>	<u>-</u>	<u>\$ 5,615,000</u>
Water and Sewer Bonds:			
Dated December 11, 2001	\$ 2,410,000	\$ 2,410,000	\$ -
Dated November 4, 1998	2,350,000	2,350,000	-
Dated November 30, 1995	2,190,000	2,190,000	-
Dated 1977	60,000	60,000	-
Dated June 1, 2000	566,000	566,000	-
Dated June 1, 2000	<u>25,500</u>	<u>25,500</u>	<u>-</u>
Subtotal	<u>\$ 7,601,500</u>	<u>\$ 7,601,500</u>	<u>\$ -</u>
Installment Obligations	<u>\$ 792,318</u>	<u>\$ -</u>	<u>\$ 792,318</u>
Total	<u>\$ 14,008,818</u>	<u>\$ 7,601,500</u>	<u>\$ 6,407,318</u>
Per Capita Net County Direct Debt			\$ 164.29
Percent of Net Direct Debt to Total SEV			.52%

NOTE 2 - TABLES: (Continued)

K. Debt Schedule: (Continued)

<u>Underlying Debt of County (5)</u>	<u>Total</u>
City	\$ 9,215,000
Townships	891,675
Village	230,000
School Districts	<u>33,141,095</u>
Total Underlying Debt	<u>\$ 43,477,770</u>
Per Capita Underlying Debt (3)	\$ 1,115
Percent of Underlying Debt to Total SEV (4)	3.53%
Total Direct and Underlying Debt	<u>\$ 57,486,588</u>
Per Capita Net Direct and Underlying Debt (3)	\$ 1,474.02
Percent of Net Direct and Underlying Debt to Total SEV (4)	4.66%

- (1) The Bonds described herein.
- (2) Secured by the City of Sault Ste. Marie's full faith and credit and limited taxing power.
- (3) Based on the County's 2005 population estimate of 39,000.
- (4) Based on \$1,233,036,019 which is the County's Total SEV for its fiscal year ending December 31, 2005. 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.

L. Debt History:

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

M. Installment Purchase and Lease Obligations:

See Notes to Financial Statements.

NOTE 2 - TABLES: (Continued)

N. 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 1994 through 2000, inclusive, are as follows:

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

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

Source: County of Chippewa

O. Future Financing:

Not Anticipated.

P. 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, 2005, the accumulated unpaid compensated absences amount to \$549,291.

NOTE 2 - TABLES: (Continued)

Q. Pension Plan:

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

<u>December 31 Valuation Date</u>	<u>Net Assets Available for Benefits</u>	<u>Actuarial Accrued Liability</u>	<u>Assets as a Percent of Actuarial Accrued Liability</u>
1995	\$8,070,864	\$9,985,628	81
1996	9,648,031	11,191,688	86
1997	10,177,361	12,187,923	84
1998	11,739,213	12,245,489	96
1999	13,685,739	13,633,684	100
2000	15,206,302	16,022,011	95
2001	16,467,208	18,117,222	91
2002	17,113,545	19,641,138	87
2003	18,576,288	21,329,406	87
2004	19,907,076	22,727,407	88

Source: County of Chippewa

R. Labor Contracts:

The County courthouse has 160 full and part-time employees. Approximately 41% of the County's permanent employees are represented by labor organizations. The following table illustrates the various labor organizations which represent County employees, the number of members and the expiration date of the present contracts.

<u>Employee Group</u>	<u>Membership</u>	<u>Current Expiration Date</u>
American Federation of State, County and Municipal Employees	34	Unknown
Police Officers Labor Council	32	December 31, 2004
Non-Union Employees	<u>94</u>	Not applicable
Total Permanent County Employees	<u>160</u>	

Source: County of Chippewa

NOTE 2 - TABLES: (Continued)

S. Profile of Major Employers:

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

<u>Company</u>	<u>Principal Product or Service</u>	<u>Approximate Number of Employees</u>
SSM Tribe of Chippewa	Indians Various Tribal Enterprises/ Casino	1,429
Kinross Area Prisons	State Prisons	1,077
Bay Mills Indian Community	Indians Various Tribal Enterprises/ Casino	900
War Memorial Hospital	Hospital	675
Sault Area Public Schools	Education	365
State of Michigan	State Government	361
Lake Superior State University	Education	333
Wal-Mart	Department Store	250
Key Plastics	Rubber Products	222
Chippewa County (All Units)	Local Government	212

Source: County of Chippewa

T. Employment:

Reflected below are the unemployment statistics for the County for the calendar years 2000 through 2005:

<u>County of Chippewa</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Employed	16,825	16,675	16,175	16,175	16,425	16,500
Unemployed	<u>1,375</u>	<u>1,425</u>	<u>1,325</u>	<u>1,475</u>	<u>1,375</u>	<u>1,509</u>
Labor Force	<u>18,200</u>	<u>18,100</u>	<u>17,500</u>	<u>17,650</u>	<u>17,800</u>	<u>18,009</u>
Unemployed as % Of Labor Force (1)	7.6%	7.9%	7.6%	8.4%	7.7%	8.4%

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

Source: Michigan Unemployment Agency



ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

KINROSS OFFICE

PHILLIP J. WOLF, CPA, PRINCIPAL
SUE A. BOWLBY, CPA, PRINCIPAL
KENNETH A. TALSMAN, CPA, PRINCIPAL

DEANNA J. MAYER, CPA

MEMBER AICPA
DIVISION FOR CPA FIRMS

MEMBER MACPA

OFFICES IN
MICHIGAN & WISCONSIN

REPORT TO MANAGEMENT

Honorable Chairman and Members
of the Board of Commissioners
County of Chippewa
Sault Ste. Marie, MI 49783

We have audited the basic financial statements of the County of Chippewa, Michigan for the year ended December 31, 2005, and have issued our reports thereon dated February 16, 2006. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards and OMB Circular A-133

As stated in our engagement letter, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

In planning and performing our audit, we considered the County of Chippewa, Michigan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered 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 OMB Circular A-133.

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, 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. Also, in accordance with OMB Circular A-133, we examined, 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) Circular A-133 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 provides a reasonable basis for our opinion, it does not provide a legal determination on the County of Chippewa, Michigan's compliance with those requirements.

Significant Accounting Policies

Management has the responsibility for selection of appropriate accounting policies. In accordance with the terms of our engagement, we will advise management of the appropriateness of the accounting policies and their application. The significant accounting policies used by the County of Chippewa, Michigan are described in Note 1. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year. We noted no transactions entered into by the County of Chippewa, Michigan during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

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. Asset lives and allowances for bad debt are examples of accounting estimates.

Audit Adjustments

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the basic financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the County of Chippewa, Michigan's financial reporting process (that is, cause future financial statements to be materially misstated.) Our audit adjustments, individually and in the aggregate, have a significant effect on the financial reporting process.

Disagreement with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether significant or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter 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.

Consultation with Other Independent Accountants

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

Issues Discussed Prior to Retention of Independent Auditors

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

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in the performance of our audit.

Comments and Recommendations

General Fixed Assets (Prior Comment)

Inventory

The County has not recently reconciled its general fixed asset listing to an overall physical inventory of fixed assets by department. The County should consider implementing a procedure whereby a physical count of general fixed assets is taken by department on a bi-annual basis. The physical inventory should be reconciled to the general fixed asset listing maintained by the Controller's office and adjusted accordingly. This procedure will help detect and deter any unauthorized use of County-owned assets.

Status: A departmental physical inventory has begun subsequent to year end and will be completed during 2006.

Bank Reconciliation – District Court (Prior Comment)

The District Court bank reconciliation contains outstanding items for prior periods up to 1992. Additionally, the account requires adjustment for interest earnings from prior periods. The account should be adjusted for these items and checks should be escheated to the State of Michigan.

Status: Uncorrected

Debt Activity (Prior Comment)

The County maintains bond issues for other governmental entities. Debt payments and revenues from these units were not recorded in the general ledger. All debt activity must be recorded as it occurs during the year.

Status: Corrected.

Common Cash Reconciliation (Prior Comment)

The cash posting module generates a common cash report which lists cash amounts for all funds included in the common cash pool bank account. This report should be reconciled to the bank statement and general ledger on a monthly basis.

Status: Corrected.

Journal Entries (Prior Comment)

Journal entries for certificate reclassification, savings account transfers, and miscellaneous adjustments were not posted correctly or were missing. A procedure should be implemented to assure transfers and miscellaneous transactions are posted appropriately.

Status: Corrected.

Payroll Revolving Reconciliation (Prior Comment)

The payroll revolving account number .001 and .004 should be reconciled monthly to assure that appropriate funds are charged for payroll related items. These accounts should generally offset each other at the end of the month.

Status: Corrected.

County Inmate Trust

During testing of the inmate trust fund, it was discovered that the sheriff's department purchases and disburses items for the inmates through the inmate trust fund. This trust fund should only include receipts and disbursements made by the inmates housed in the facility. The balance in the trust fund should only reflect the balance of each inmate's personal funds. The purchasing of phone cards, commodities and other items should be purchased through a separate enterprise fund. It is recommended that the sheriff's department separates the purchases of commodities and phone cards into another fund.

Correctional Facility Maintenance Fund

We have reviewed the expenditures in the Correctional Facility Maintenance Fund, some of these items may be utilizing Jail Millage Revenues. The County should contact the Bond Counsel to determine if these types of expenditures are an appropriate use of millage funds in accordance with the ballot language and bond restrictions.

Self Insurance Fund

The County has excess health insurance premiums which should be refunded to various departments and agencies of the County. To assist in determining amounts due to individual units, the Board should establish a Self Insurance Internal Service Fund. The fund should record transactions by department or agency to monitor which units should receive a refund or which units may owe at year end. Premiums by unit should be adjusted accordingly.

Nonprofit Expenditures

The State of Michigan prohibits contributions to nonprofit organizations where there is no contract for specific services. The Department of Treasury has reviewed specific transactions at some local units of government related to 2% funds received from Tribal governments for distributions to nonprofit organizations. The Trust and Agency fund of the County indicates amounts were distributed to nonprofit organizations. The Board should implement procedures to prevent potential unlawful expenditures in this regard.

Summer Tax Levy

With the change in the funding of Revenue Sharing, various issues have surfaced. The State allowed Counties to place an amount equal to 1/3 of their 2004 levy for three years from the 2004, 2005, and 2006 levies in a Reserve fund each January. To replace this 1/3 taken from the operating levy the County is allowed to levy a summer tax beginning in July of 2005. 1/3 of the 2005 levy, 2/3 of the 2006 levy and 3/3 of the 2007 levy would be summer collections. This process of funding would allow the Counties to still fund Revenue Sharing and still receive 100% of their operating levies each year. One area of concern is that the summer collections are not completely received in cash at year end. Furthermore, what isn't collected does not become delinquent until March 1 of each year. This creates a cash flow shortage which can be alleviated by borrowing from the Revenue Sharing Reserve Fund. It also creates a revenue recognition issue in that the revenue is not collected within 60 days of year end. It is collected when tax

settlement occurs in March. In summary, because the legislature intended that the summer levy would make the Counties whole, we recommend that tax revenue be recorded in the General Fund to account for the uncollected summer levy at year end.

GASB Statement 45 – Accounting and Financial Reporting By Employers for Post-Employment Benefits Other Than Pensions

In June 2004, the GASB issued Statement 45, which establishes standards for the measurement, recognition, and display of other post-employment benefits (OPEB) expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information in the financial reports of state and local governmental employers. OPEB includes post-employment healthcare as well as other post-employment benefits such as life insurance.

The Statement is implemented in three phases, which requires the County implement the Statement for the year ended December 31, 2008. GASB Statement 45 impacts the future accounting of post-employment health insurance costs as it relates to the amount the County will be required to fund these benefits. The County will be required by governmental generally accepted accounting principles to pay the current cost of providing those benefits as well as an amount needed to fund a portion of the unfunded liability relating to the post-employment health benefit. The unfunded liability will be required to be actuarially determined and will be amortized over a period likely not to exceed thirty years. The methods used as part of Statement 45 are similar to those currently used to determine required contribution rates for defined benefit pension plans.

The Board of Commissioners as well as Management should begin to consider the impact of GASB Statement 45 prior to the required implementation date.

Conclusion

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



Anderson, Tackman & Company, PLC
Certified Public Accountants

February 16, 2006