

County of Chippewa, Michigan

BASIC FINANCIAL STATEMENTS

December 31, 2008

CHIPPEWA COUNTY, MICHIGAN

ORGANIZATION

COUNTY BOARD OF COMMISSIONERS

CHAIRMAN	SCOTT SHACKLETON
VICE CHAIRMAN	RICHARD TIMMER
COMMISSIONER	DONALD COOPER
COMMISSIONER	DONALD MCLEAN
COMMISSIONER	JAMES MOORE
COMMISSIONER	JESSE KNOLL
COMMISSIONER	TED POSTULA

APPOINTED/ELECTED OFFICERS

COUNTY ADMINISTRATOR	JAMES GERMAN
COUNTY TREASURER	MARJORIE HANK
COUNTY CLERK	DIANE CORK
COUNTY REGISTER OF DEEDS	SHARON KENNEDY
COUNTY SHERIFF	JEFF MORAN
COUNTY SURVEYOR	WILLIAM KARR
COUNTY DRAIN COMMISSSIONER	ANTHONY BOSLEY

JUDICIARY

CIRCUIT COURT	HON. NICHOLAS LAMBROS
PROBATE COURT	HON. LOWELL ULRICH
DISTRICT COURT	HON. ELIZABETH CHURCH

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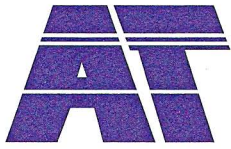
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ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

KINROSS OFFICE

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MEMBER AICPA
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, 2008, 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, 2008, 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 April 29, 2009 on our consideration of the County of Chippewa, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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 and budgetary comparison information as listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Chippewa, Michigan's basic financial statements. The combining 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.



Anderson, Tackman & Company, PLC
Certified Public Accountants

April 29, 2009

Management's Discussion and Analysis

As management of Chippewa County, Michigan, we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of Chippewa County for the year ended December 31, 2008.

Financial Highlights

- The assets of the County exceeded its liabilities at the close of the most recent fiscal year by \$22,716,660. Of this amount, \$17,886,243 may be used to meet the government's ongoing obligations to citizens and creditors.
- Net assets for the County as a whole increased by \$3,169,853. Net assets of our governmental activities increased by \$3,300,912 and net assets of our business-type activities decreased by \$131,059.
- During the year, the County had expenses for governmental activities that were \$23,811,078, and expenses for business-type activities that were \$140,808.
- The General Fund reported a net fund balance of \$5,439,473, an increase of \$1,347,828. At the end of the current fiscal year, unreserved and undesignated fund balance for the General Fund was \$5,439,473, or 52.8% of total General Fund expenditures (including operating transfers.)

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

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

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

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

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

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

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The County adopts an annual appropriated budget for its general and special revenue funds. Budgetary comparison statements or schedules have been provided herein to demonstrate compliance with those budgets.

The basic governmental fund financial statements can be found on pages 12-13 of this report.

Proprietary funds. The County maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The County uses enterprise funds to account for its jail commissary operations and delinquent tax operations. Internal service funds are an accounting device used to accumulate and allocate costs internally among the County's various functions. Chippewa County uses an internal service fund to account for its central supplies and self-insurance activities. Because these services predominantly benefit governmental rather than business-type functions, they have been included within the governmental activities in the government-wide financial statements.

The basic proprietary fund financial statements can be found on pages 15-16 of this report.

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

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

Notes to the financial statements. The notes provide additional information that is essential to full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 21-50 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information. This includes the combining and individual fund financial statements and schedules. Combining and individual fund statements and schedules can be found on pages 51-78 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Chippewa County, assets exceeded liabilities by \$22,716,660 at the close of the most recent fiscal year.

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

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Current Assets	\$16,391,329	\$15,880,150	\$ 9,891,068	\$ 9,850,057	\$26,282,397	\$25,730,207
Capital Assets	<u>12,906,010</u>	<u>9,613,915</u>	<u>-</u>	<u>-</u>	<u>12,906,010</u>	<u>9,613,915</u>
Total Assets	<u>\$29,297,339</u>	<u>\$25,494,065</u>	<u>\$ 9,891,068</u>	<u>\$ 9,850,057</u>	<u>\$39,188,407</u>	<u>\$35,344,122</u>
Current Liabilities	\$ 5,108,204	\$ 4,298,503	\$ 187,491	\$ 15,421	\$ 5,295,695	\$ 4,313,924
Noncurrent Liabilities	<u>11,176,052</u>	<u>11,483,391</u>	<u>-</u>	<u>-</u>	<u>11,176,052</u>	<u>11,483,391</u>
Total Liabilities	<u>16,284,256</u>	<u>15,781,894</u>	<u>187,491</u>	<u>15,421</u>	<u>16,471,747</u>	<u>15,797,315</u>
Net Assets						
Invested in Capital Assets -						
Net of Debt	1,726,608	(2,223,981)	-	-	1,726,608	(2,223,981)
Unrestricted (Deficit)	8,182,666	7,944,990	9,703,577	9,834,636	17,886,243	17,779,626
Restricted	<u>3,103,809</u>	<u>3,991,162</u>	<u>-</u>	<u>-</u>	<u>3,103,809</u>	<u>3,991,162</u>
Total Net Assets	<u>\$13,013,083</u>	<u>\$ 9,712,171</u>	<u>\$ 9,703,577</u>	<u>\$ 9,834,636</u>	<u>\$22,716,660</u>	<u>\$19,546,807</u>

The current level of unrestricted net assets for our governmental activities stands at \$8,182,666, or about 39% of expenses. This is within the targeted range set by the County Board of Commissioners during its last budget process.

Net Assets of the governmental activities increased approximately 34%. Net Assets of the business-type activities decreased approximately 1.3%.

The following table shows the activities of the County.

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Program Revenues						
Charges for Services	\$ 8,143,031	\$ 7,614,013	\$ 710,313	\$ 672,793	\$ 8,853,344	\$ 8,286,806
Operating Grants and Contributions	3,542,914	3,579,092	-	-	3,542,914	3,579,092
Capital Grants and Contributions	850,852	-	-	-	850,852	-
General Revenues:						
Property Taxes	7,574,888	7,741,033	-	-	7,574,888	7,741,033
Interest Income	712,400	881,693	37,514	120,848	749,914	1,002,541
Other Revenue	1,937,192	2,050,213	-	-	1,937,192	2,050,213
Total Revenues	<u>22,761,277</u>	<u>21,866,044</u>	<u>747,827</u>	<u>793,641</u>	<u>23,509,104</u>	<u>22,659,685</u>
Program Expenses						
Legislative	169,946	141,676	-	-	169,946	141,676
Judicial	2,271,807	2,195,614	-	-	2,271,807	2,195,614
General Government	2,568,837	2,606,580	-	-	2,568,837	2,606,580
Public Safety	4,179,193	3,899,120	-	-	4,179,193	3,899,120
Public Works	581,008	498,067	-	-	581,008	498,067
Health and Welfare	8,268,600	8,042,090	-	-	8,268,600	8,042,090
Community/Development	250,328	139,057	-	-	250,328	139,057
Interest Expense – Unallocated	542,506	566,423	-	-	542,506	566,423
Other Expenses	784,431	848,957	-	-	784,431	848,957
Tax Collection	-	-	20,565	29,558	20,565	29,558
Depreciation - Unallocated	581,787	579,091	-	-	581,787	579,091
Other Nonmajor	-	-	120,243	76,678	120,243	76,678
Total Expenses	<u>20,198,443</u>	<u>19,516,675</u>	<u>140,808</u>	<u>106,236</u>	<u>20,339,251</u>	<u>19,622,911</u>
Excess (Deficiency) Before Transfers	2,562,834	2,349,369	607,019	687,405	3,169,853	3,036,774
Transfers	<u>738,078</u>	<u>50,000</u>	<u>(738,078)</u>	<u>(50,000)</u>	<u>-</u>	<u>-</u>
Changes in Net Assets	3,300,912	2,399,369	(131,059)	637,405	3,169,853	3,036,774
Beginning Net Assets	<u>9,712,171</u>	<u>7,312,802</u>	<u>9,834,636</u>	<u>9,197,231</u>	<u>19,546,807</u>	<u>16,510,033</u>
Ending Net Assets	<u>\$ 13,013,083</u>	<u>\$ 9,712,171</u>	<u>\$ 9,703,577</u>	<u>\$ 9,834,636</u>	<u>\$ 22,716,660</u>	<u>\$ 19,546,807</u>

The focus of the County's government funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unreserved fund balance may serve as a useful measure of government's net resources available for spending at the end of the fiscal year.

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

The County's Funds

Our analysis of the County's major funds begins on page 12 following the entity wide financial statements. The individual funds' financial statements provide detail information about the most significant funds, not the County as a whole. The County Board of Commissioners creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages. The County's major funds for 2008 include the General Fund, Revenue Sharing Reserve, Health Department, Chippewa County Recycling, Office of Emergency Services and Correctional Facility Maintenance Fund, and Delinquent Tax Fund.

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

The 9-1-1 Dispatch Fund was intended to be supported financially predominately from revenue generated from landline telephone surcharges and wireless proceeds received from the State. Similar to other counties, Chippewa County saw the landline revenue fall off though the population continued to grow. The perception is that cell phone usage is increasing and is replacing landline phones in many cases. The State changed its law regarding 9-1-1 revenue for the year. Chippewa County entered into two contracts during the year for 9-1-1 Dispatch services, one with Mackinac County and one with Luce County.

General Fund Budgetary Highlights

The difference between the original budget and final amended budget for expenditures and transfers out in the General Fund resulted in an increase of \$536,853 in appropriations. The largest increases were for (1) an increase of \$250,000 for a transfer to set up a special revenue fund for future insurance, (2) an increase of \$105,000 for a substance abuse program which was terminated at the beginning of the year but reinstated during the year and (3) an increase of \$25,000 for a transfer to the Eastern Upper Peninsula Transportation Authority for the increase cost of fuel for the year.

During the year, general fund revenues were more than budgetary estimates, while general fund expenditures were less than budgetary estimates. The actual change in fund balance was an increase.

Capital Assets

The County's investment in capital assets for its governmental and business type activities as of December 31, 2008, amounted to \$12,906,010 (net of accumulated depreciation). This investment in capital assets includes land, building and improvements, machinery and equipment, and vehicles. The total increase in the County's investment in capital assets for the current fiscal year was \$3,995,547.

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

- Construction in progress increased by \$2,691,866 in governmental type activities. The preponderance of the asset additions were for the completion of the renovations to the Correctional Facility. The Correctional Facility renovation is a 58 bed expansion of the current jail and is expected to be completed in May, 2009.
- Equipment increased by \$1,000,000 in the Office of Emergency Fund. The equipment purchased was for an upgrade of the 9-1-1 console. This was a state of the art upgrade to the 9-1-1 equipment used for emergency services.

Additional information on the County's capital assets can be found in note 4 on page 31 of this report.

Debt Administration

At the end of the current fiscal year, the County had total debt outstanding of \$12,405,293. Of this amount, \$10,784,000 comprises debt backed by the full faith and credit of the government. The remainder of the County's debt is comprised of compensated absences and leases.

The County reduced its bond debt by \$862,500 in principal payments and issued no new debt.

Additional information on the County's long-term debt can be found in note 7 on pages 36-37 of this report.

Economic Factors and Next Year's Budgets and Rates

In order to maintain financial stability over the long term, the budgeting practice in Chippewa County is to not only adopt a balanced budget as required by law, but to manage its budget in a manner such that actual expenses do not exceed actual revenues on an annual basis. This policy, along with a conscious awareness of the fund balance, has given Chippewa County the reserves necessary to address this difficult economic time without resorting to a crisis-management approach. It has permitted the County Board to utilize its annual budget process as the primary vehicle to make decisions on the type and level of County services to be provided. When unexpected revenue losses or expenditure increases occur during the year, they will be addressed through short term expenditure reduction measures such as reductions in controllable expenses, hiring delays, and deferrals of certain capital expenditures.

- As the economy has slowed, there have been financial impacts to the County. Although property tax revenues remain stable, programs that rely on state and federal grants have suffered financial losses.

- Two Michigan constitutional laws limit property tax growth to the rate of inflation or a maximum allowable increase in assessment of 5.0 percent, whichever is less. Property tax revenue anticipated for the ensuing fiscal year will reflect the restrictions of these laws.
- Public Act 357 of 2004 (MCL 211.44a) created a funding mechanism to serve as a substitute to state revenue sharing payments. Chippewa County completed a gradual shift in its County operating property tax millage from a winter tax levy to a summer tax levy in 2007.
- The County as a whole continues to be in excellent financial shape and manages its money well.

Component Units

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

Requests for Information

This financial report is designed to provide a general overview of the County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chippewa County Administration Office at (906) 635-6330.

Basic Financial Statements

County of Chippewa, Michigan

Statement of Net Assets

December 31, 2008

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Totals	
ASSETS:				
Cash & Investments - Unrestricted	\$ 9,855,798	\$ 8,223,397	\$ 18,079,195	\$ 3,631,542
- Restricted	827,840	-	827,840	574,846
Receivables:				
Accounts	1,682,530	-	1,682,530	178,539
Taxes	2,142,118	1,434,352	3,576,470	684,388
Interest	226,487	249,804	476,291	3,891
Internal Loans	16,485	(16,485)	-	-
Due from Governmental Units	1,540,928	-	1,540,928	1,583,844
Inventories	39,452	-	39,452	982,847
Prepaid Expenses	59,691	-	59,691	162,140
Capital Assets (net of accumulated depreciation, including nondepreciable of \$2,923,676)	12,906,010	-	12,906,010	101,244,676
TOTAL ASSETS	\$ 29,297,339	\$ 9,891,068	\$ 39,188,407	\$ 109,046,713
LIABILITIES:				
Current Liabilities:				
Short Term Notes Payable	\$ -	\$ -	\$ -	\$ 301,932
Accounts Payable	782,388	-	782,388	285,886
Accrued Liabilities	632,962	180,481	813,443	232,014
Advances	-	-	-	1,045,976
Accrued Interest Payable	120,111	-	120,111	-
Due to Governmental Units	323,305	7,010	330,315	681,597
Deferred Revenue	2,020,197	-	2,020,197	684,401
Notes Payable	-	-	-	374,897
Bonds Payable	918,500	-	918,500	-
Capital Leases Payable	87,653	-	87,653	-
Compensated Absences	223,088	-	223,088	-
Non-current Liabilities:				
Notes Payable	-	-	-	1,500,072
Bonds Payable	9,865,500	-	9,865,500	-
Capital Leases Payable	187,638	-	187,638	-
Compensated Absences & OPEB Obligations	1,122,914	-	1,122,914	1,277,341
TOTAL LIABILITIES	16,284,256	187,491	16,471,747	6,384,116
NET ASSETS:				
Invested in Capital Assets (net of related debt)	1,726,608	-	1,726,608	99,058,820
Restricted for County Road	-	-	-	1,958,172
Restricted for Transportation	-	-	-	427,171
Restricted for Debt Service	574,497	-	574,497	-
Restricted for Revenue Sharing	2,529,312	-	2,529,312	-
Unrestricted	8,182,666	9,703,577	17,886,243	1,218,434
TOTAL NET ASSETS	\$ 13,013,083	\$ 9,703,577	\$ 22,716,660	\$ 102,662,597

County of Chippewa, Michigan

Statement of Activities For the Year Ended December 31, 2008

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units
					Governmental Activities	Business-type Activities	Totals	
Primary Government:								
Governmental Activities:								
Legislative	\$ 169,946	\$ -	\$ -	\$ -	\$ (169,946)	\$ -	\$ (169,946)	\$ -
Judicial	2,271,807	375,555	729,316	-	(1,166,936)	-	(1,166,936)	-
General Government	2,568,837	398,266	551,659	-	(1,618,912)	-	(1,618,912)	-
Public Safety	4,179,193	1,734,394	464,785	850,852	(1,129,162)	-	(1,129,162)	-
Public Works	581,008	-	-	-	(581,008)	-	(581,008)	-
Health & Welfare	8,268,600	5,634,816	1,603,232	-	(1,030,552)	-	(1,030,552)	-
Community/Economic Development	250,328	-	193,922	-	(56,406)	-	(56,406)	-
Interest expense - Unallocated	542,506	-	-	-	(542,506)	-	(542,506)	-
Other	784,431	-	-	-	(784,431)	-	(784,431)	-
Depreciation - Unallocated	581,787	-	-	-	(581,787)	-	(581,787)	-
Total Governmental Activities	20,198,443	8,143,031	3,542,914	850,852	(7,661,646)	-	(7,661,646)	-
Business-type activities:								
Tax Collection	20,565	484,110	-	-	-	463,545	463,545	-
Other Nonmajor	120,243	226,203	-	-	-	105,960	105,960	-
Total Business-type Activities	140,808	710,313	-	-	-	569,505	569,505	-
Total Primary Government	\$ 20,339,251	\$ 8,853,344	\$ 3,542,914	\$ 850,852	(7,661,646)	569,505	(7,092,141)	-
Component Units:								
Road Commission	\$ 9,259,836	\$ 1,781,568	\$ 2,153,887	\$ 5,946,091				621,710
Economic Development Corporation	3,236,438	2,262,475	-	1,659,265				685,302
E.U.P. Transportation Authority	3,823,069	1,466,206	1,668,452	653,279				(35,132)
Total Component Units	16,319,343	5,510,249	3,822,339	8,258,635				1,271,880
Total	\$ 36,658,594	\$ 14,363,593	\$ 7,365,253	\$ 9,109,487				
General Revenues and Transfers:								
Taxes					7,574,888	-	7,574,888	675,458
Local Sources and Other					1,937,192	-	1,937,192	291,551
Interest Income					712,400	37,514	749,914	86,850
Transfers					738,078	(738,078)	-	-
Total General Revenues and Transfers					10,962,558	(700,564)	10,261,994	1,053,859
Changes in Net Assets					3,300,912	(131,059)	3,169,853	2,325,739
Net Assets - Beginning					9,712,171	9,834,636	19,546,807	100,336,858
Net Assets - Ending					\$ 13,013,083	\$ 9,703,577	\$ 22,716,660	\$ 102,662,597

See accompanying notes to financial statements.

County of Chippewa, Michigan

Balance Sheet Governmental Funds December 31, 2008

	General	Revenue Sharing Reserve	Health Department	Chippewa County Recycling	Office of Emergency Services	Correctional Facility Maintenance	Non-Major Governmental Funds	Total Governmental Funds
ASSETS:								
Cash & Investments - Unrestricted	\$ 3,988,046	\$ 2,476,787	\$ 641,406	\$ 404,399	\$ 50	\$ 225,912	\$ 1,577,643	\$ 9,314,243
- Restricted	-	-	827,840	-	-	-	-	827,840
Receivables:								
Accounts	-	-	1,619,248	-	-	-	63,282	1,682,530
Taxes	651,927	-	-	485,306	-	584,239	420,646	2,142,118
Interest	151,602	68,854	-	-	-	-	6,031	226,487
Due from Other Funds	771,095	-	-	-	-	-	100,000	871,095
Due from Governmental Units	324,619	-	441,442	-	635,163	-	139,704	1,540,928
Prepaid Expenditures	13,059	-	46,192	-	-	-	440	59,691
TOTAL ASSETS	<u><u>\$ 5,900,348</u></u>	<u><u>\$ 2,545,641</u></u>	<u><u>\$ 3,576,128</u></u>	<u><u>\$ 889,705</u></u>	<u><u>\$ 635,213</u></u>	<u><u>\$ 810,151</u></u>	<u><u>\$ 2,307,746</u></u>	<u><u>\$ 16,664,932</u></u>
LIABILITIES:								
Due to Other Funds	\$ -	\$ 16,329	\$ -	\$ -	\$ 586,090	\$ 100,000	\$ 113,106	\$ 815,525
Accounts Payable	81,035	-	231,459	-	7,435	294	462,165	782,388
Accrued Liabilities	304,943	-	261,487	-	3,630	-	62,902	632,962
Due to Governmental Units	-	-	89,929	-	-	-	-	89,929
Deferred Revenue	74,897	-	450,173	485,306	-	584,239	425,582	2,020,197
Compensated Absences	-	-	223,088	-	-	-	-	223,088
TOTAL LIABILITIES	<u>460,875</u>	<u>16,329</u>	<u>1,256,136</u>	<u>485,306</u>	<u>597,155</u>	<u>684,533</u>	<u>1,063,755</u>	<u>4,564,089</u>
FUND BALANCES:								
Reserved	-	2,529,312	-	-	-	-	-	2,529,312
Unreserved:								
Designated	-	-	600,674	404,399	38,058	125,618	1,243,991	2,412,740
Undesignated	5,439,473	-	1,719,318	-	-	-	-	7,158,791
TOTAL FUND BALANCES	<u>5,439,473</u>	<u>2,529,312</u>	<u>2,319,992</u>	<u>404,399</u>	<u>38,058</u>	<u>125,618</u>	<u>1,243,991</u>	<u>12,100,843</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 5,900,348</u></u>	<u><u>\$ 2,545,641</u></u>	<u><u>\$ 3,576,128</u></u>	<u><u>\$ 889,705</u></u>	<u><u>\$ 635,213</u></u>	<u><u>\$ 810,151</u></u>	<u><u>\$ 2,307,746</u></u>	
Reconciliation to amounts reported for governmental activities in the statement of net assets:								
Capital assets used by governmental activities								12,906,010
Long-term notes & leases payable for governmental activities								(11,059,291)
Compensated absences and OPEB liabilities								(1,122,914)
Internal service funds included in governmental activities								308,546
Accrued interest expense								(120,111)
Net assets of governmental activities								<u><u>\$ 13,013,083</u></u>

County of Chippewa, Michigan

Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds For the Year Ended December 31, 2008

	General	Revenue Sharing Reserve	Health Department	Chippewa County Recycling	Office of Emergency Services	Correctional Facility Maintenance	Non-Major Governmental Funds	Totals Governmental Funds
REVENUES:								
Taxes	\$ 6,128,897	\$ -	\$ -	\$ 473,058	\$ -	\$ 567,898	\$ 405,035	\$ 7,574,888
License and Permits	43,699	-	-	-	-	-	3,690	47,389
Federal Sources	542,991	-	-	-	850,852	-	231,763	1,625,606
State Sources	1,047,080	-	1,589,288	-	-	-	131,792	2,768,160
Local Sources	252,774	-	190,383	-	-	-	886,747	1,329,904
Charges for Services	1,858,575	-	5,550,997	-	-	-	139,388	7,548,960
Interest & Rentals	579,427	99,494	856	-	-	5,149	27,474	712,400
Fees and Collections	-	-	-	-	-	-	481,035	481,035
Fines and Forfeitures	65,647	-	-	-	-	-	-	65,647
Other Revenue	238,413	-	45,435	-	103,395	-	221,245	608,488
TOTAL REVENUES	10,757,503	99,494	7,376,959	473,058	954,247	573,047	2,528,169	22,762,477
EXPENDITURES:								
Legislative	169,946	-	-	-	-	-	-	169,946
Judicial	2,260,588	-	-	-	-	-	11,219	2,271,807
General Government	2,634,975	-	-	-	-	-	51,063	2,686,038
Public Safety	2,974,322	-	-	-	1,152,717	22,020	2,972,000	7,121,059
Public Works	-	-	-	440,000	-	-	141,008	581,008
Health & Welfare	296,250	-	7,262,095	-	-	-	825,286	8,383,631
Community/Economic Development	-	-	-	-	-	-	250,328	250,328
Capital Outlay	135,281	-	-	-	-	-	-	135,281
Debt Service	-	-	-	-	-	-	1,427,549	1,427,549
Other Expenditures	784,431	-	-	-	-	-	-	784,431
TOTAL EXPENDITURES	9,255,793	-	7,262,095	440,000	1,152,717	22,020	5,678,453	23,811,078
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,501,710	99,494	114,864	33,058	(198,470)	551,027	(3,150,284)	(1,048,601)
OTHER FINANCING SOURCES (USES):								
Note/Lease Proceeds	-	-	104,171	-	-	-	-	104,171
Operating Transfers In	895,293	-	-	-	-	-	3,159,696	4,054,989
Operating Transfers Out	(1,049,175)	(670,515)	-	-	-	(1,350,000)	(247,221)	(3,316,911)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	1,347,828	(571,021)	219,035	33,058	(198,470)	(798,973)	(237,809)	(206,352)
FUND BALANCES, JANUARY 1	4,091,645	3,100,333	2,100,957	371,341	236,528	924,591	1,481,800	12,307,195
FUND BALANCES, DECEMBER 31	\$ 5,439,473	\$ 2,529,312	\$ 2,319,992	\$ 404,399	\$ 38,058	\$ 125,618	\$ 1,243,991	\$ 12,100,843

**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, 2008**

Net Changes in fund balances - total governmental funds \$ (206,352)

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 (\$3,995,547) exceeded depreciation (\$702,252) and loss on disposal (\$1,200) in the current period.

3,292,095

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

862,500

Capital Lease

80,358

Lease proceeds recognized as other financing sources
but not for full accrual basis

(104,171)

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 and OPEB Liabilities

(814,102)

Internal Service Fund Activity

190,584

Changes in net assets of governmental activities

\$ 3,300,912

Statement of Net Assets
Proprietary Funds
December 31, 2008

	Business-Type Activities Enterprise Funds			Governmental Activities
	Tax Collections	Nonmajor Funds	Totals	Internal Service Funds
ASSETS:				
Cash & Investments	\$ 7,994,009	\$ 229,388	\$ 8,223,397	\$ 541,555
Taxes Receivable	1,434,352	-	1,434,352	-
Inventories	-	-	-	39,452
Accrued Interest Receivable	233,350	16,454	249,804	-
TOTAL ASSETS	\$ 9,661,711	\$ 245,842	\$ 9,907,553	\$ 581,007
LIABILITIES:				
Due to Other Funds	\$ -	\$ 16,485	\$ 16,485	\$ 39,085
Accrued Liabilities	179,889	592	180,481	233,376
Due to Other Governmental Units	7,010	-	7,010	-
TOTAL LIABILITIES	186,899	17,077	203,976	272,461
NET ASSETS:				
Unrestricted	9,474,812	228,765	9,703,577	308,546
TOTAL NET ASSETS	\$ 9,474,812	\$ 228,765	\$ 9,703,577	\$ 308,546

County of Chippewa, Michigan

Statement of Revenues, Expenses, and Changes in Net Assets - Proprietary Funds For the Year Ended December 31, 2008

	Business-Type Activities Enterprise Funds			Governmental Activities
	Tax Collections	Nonmajor Funds	Totals	Internal Service Funds
OPERATING REVENUES:				
Charges for Services	\$ 146,626	\$ 226,203	\$ 372,829	\$ 2,489,373
Penalties and Interest Charges	337,484	-	337,484	-
Total Operating Revenues	484,110	226,203	710,313	2,489,373
OPERATING EXPENSES:				
Personal Services	18,397	10,886	29,283	-
Premium Reimbursements	-	-	-	2,188,581
Fees & Claims	-	-	-	77,833
Other Supplies and Expenses	2,168	109,357	111,525	32,375
Total Operating Expenses	20,565	120,243	140,808	2,298,789
OPERATING INCOME (LOSS)	463,545	105,960	569,505	190,584
NON-OPERATING REVENUES (EXPENSES):				
Interest on Deposits	37,514	-	37,514	-
Total Non-operating Revenues (Expenses)	37,514	-	37,514	-
INCOME (LOSS) BEFORE TRANSFERS	501,059	105,960	607,019	190,584
Operating Transfers In	4,978,902	-	4,978,902	-
Operating Transfers Out	(5,571,100)	(145,880)	(5,716,980)	-
CHANGE IN NET ASSETS	(91,139)	(39,920)	(131,059)	190,584
NET ASSETS, JANUARY 1	9,565,951	268,685	9,834,636	117,962
NET ASSETS, DECEMBER 31	\$ 9,474,812	\$ 228,765	\$ 9,703,577	\$ 308,546

County of Chippewa, Michigan

Statement of Cash Flows Proprietary Fund Types For the Year Ended December 31, 2008

	Business-Type Activities Enterprise Funds			Governmental Activities
	Tax Collections	Nonmajor Funds	Total	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from Customers	\$ 321,496	\$ 226,242	\$ 547,738	\$ 2,489,373
Payments to Suppliers	(27,059)	(120,642)	(147,701)	(2,211,693)
Net Cash Provided (Used) by Operating Activities	294,437	105,600	400,037	277,680
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Operating Transfers In	4,978,902	-	4,978,902	-
Operating Transfers Out	(5,571,100)	(145,880)	(5,716,980)	-
Net Cash Provided (Used) by Noncapital Financing Activities	(592,198)	(145,880)	(738,078)	-
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest on Deposits	37,514	-	37,514	-
Net Cash Provided (Used) by Investing Activities	37,514	-	37,514	-
Net Increase (Decrease) in Cash and Cash Equivalents	(260,247)	(40,280)	(300,527)	277,680
Balances - Beginning of the Year	8,254,256	269,668	8,523,924	263,875
Balances - End of the Year	\$ 7,994,009	\$ 229,388	\$ 8,223,397	\$ 541,555
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities				
Operating Income (Loss)	\$ 463,545	\$ 105,960	\$ 569,505	\$ 190,584
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities.				
Change in Assets and Liabilities:				
(Increase) Decrease in Assets:				
Taxes Receivable	(348,784)	-	(348,784)	-
Accrued Interest Receivable	7,207	-	7,207	-
Inventory	-	-	-	9,262
Due from Other Governmental Units	-	39	39	-
Increase Decrease) in Liabilities:				
Due to Other Governmental Units	(6,494)	-	(6,494)	-
Accrued Liabilities	178,963	(399)	178,564	-
Other Liabilities	-	-	-	77,834
Net Cash Provided (Used) by Operating Activities	\$ 294,437	\$ 105,600	\$ 400,037	\$ 277,680

Statement of Fiduciary Net Assets
Fiduciary Funds
December 31, 2008

	<u>Agency Funds</u>
ASSETS:	
Cash & Investments - Unrestricted	<u>\$ 1,109,701</u>
 TOTAL ASSETS	 <u><u>\$ 1,109,701</u></u>
 LIABILITIES:	
Due to Other Governmental Units	\$ 791,285
Other Liabilities	299,130
Undistributed Tax Collections	<u>19,286</u>
 TOTAL LIABILITIES	 <u><u>\$ 1,109,701</u></u>

Component Units

County of Chippewa, Michigan

Statement of Net Assets Component Units December 31, 2008

	Road Commission	Economic Development Corporation	E.U.P. Transportation Authority	Totals
ASSETS:				
Cash & Investments - Unrestricted	\$ 2,421,718	\$ 683,996	\$ 525,828	\$ 3,631,542
- Restricted	-	554,846	20,000	574,846
Receivables:				
Interest	-	3,891	-	3,891
Accounts	497	63,955	114,087	178,539
Taxes	684,388	-	-	684,388
Due from Governmental Units	1,456,043	-	127,801	1,583,844
Inventory	937,223	45,624	-	982,847
Prepaid Expense	143,296	-	18,844	162,140
Capital Assets (net of accumulated depreciation, including nondepreciable of \$41,494,414)	70,958,722	20,810,406	9,475,548	101,244,676
TOTAL ASSETS	\$ 76,601,887	\$ 22,162,718	\$ 10,282,108	\$ 109,046,713
LIABILITIES:				
Current Liabilities:				
Short Term Note Payable	\$ -	\$ 301,932	\$ -	\$ 301,932
Accounts Payable	187,480	38,247	60,159	285,886
Due to Governmental Units	679,865	-	1,732	681,597
Deferred Revenue	684,401	-	-	684,401
Accrued Liabilities	128,070	-	103,944	232,014
Advances	1,045,976	-	-	1,045,976
Notes Payable - Current	331,467	-	43,430	374,897
Non-Current Liabilities:				
Notes Payable	1,454,907	-	45,165	1,500,072
Compensated Absences & OPEB	968,156	95,631	213,554	1,277,341
TOTAL LIABILITIES	5,480,322	435,810	467,984	6,384,116
NET ASSETS:				
Invested in Capital Assets, net of related debt	69,163,393	20,508,474	9,386,953	99,058,820
Restricted for County Road	1,958,172	-	-	1,958,172
Restricted for Transportation	-	-	427,171	427,171
Unrestricted	-	1,218,434	-	1,218,434
TOTAL NET ASSETS	71,121,565	21,726,908	9,814,124	102,662,597
TOTAL LIABILITIES AND NET ASSETS	\$ 76,601,887	\$ 22,162,718	\$ 10,282,108	\$ 109,046,713

County of Chippewa, Michigan

Statement of Activities Component Units For the Year Ended December 31, 2008

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	E.U.P. Transportation Authority	Total
Road Commission:								
Public Works	\$ 9,259,836	\$ 1,781,568	\$ 2,153,887	\$ 5,946,091	\$ 621,710	\$ -	\$ -	\$ 621,710
Economic Development Corporation:								
Economic Development	3,236,438	2,262,475	-	1,659,265	-	685,302	-	685,302
E.U.P. Transportation Authority:								
Public Works	3,823,069	1,466,206	1,668,452	653,279	-	-	(35,132)	(35,132)
Total Component Units	<u>\$ 16,319,343</u>	<u>\$ 5,510,249</u>	<u>\$ 3,822,339</u>	<u>\$ 8,258,635</u>	<u>621,710</u>	<u>685,302</u>	<u>(35,132)</u>	<u>1,271,880</u>
General Revenues:								
Taxes					675,458	-	-	675,458
Interest Income					42,083	40,105	4,662	86,850
Other					291,551	-	-	291,551
Total General Revenues					<u>1,009,092</u>	<u>40,105</u>	<u>4,662</u>	<u>1,053,859</u>
Changes in Net Assets					1,630,802	725,407	(30,470)	2,325,739
Net Assets - Beginning					69,490,763	21,001,501	9,844,594	100,336,858
Net Assets - Ending					<u>\$ 71,121,565</u>	<u>\$ 21,726,908</u>	<u>\$ 9,814,124</u>	<u>\$ 102,662,597</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.

Discretely Presented Component Units

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

Chippewa County Road Commission – The members of the governing board of the Road Commission are appointed by the County Commission. Although the County does not have the authority to approve or modify the Road Commission's operational and capital budgets, travel, and per diem rates, bonded debt must be approved by the County Commission.

Eastern Upper Peninsula Transportation Authority – The members of the governing board of the Transportation Authority are appointed as follows: Three members by Chippewa County and two members by Luce County. The County exercises oversight responsibility and has accountability of fiscal matters. The Transportation Authority has a September 30, 2008 year end.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Condensed Financial Statements – The combining financial statements present condensed financial statements of each of the three discretely presented component units. Complete financial statements of the individual component units can be obtained directly from their administrative offices.

Discretely Presented Component Units Administrative Offices:

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

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

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

Multi-County Agency

Hiawatha Behavioral Health Authority -The County participates jointly in the operation of the Hiawatha Behavioral Health Authority with Mackinac and Schoolcraft Counties. The funding formula requires the County to provide approximately 60% of the budget appropriation requirement, which amounted to \$171,334 for the year ended December 31, 2008.

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

Jointly Organized Property

The County owns a building jointly with the City of Sault Ste. Marie, Michigan. The operations are governed by a five-member committee. During 2008, the County remitted payments to the City of \$102,285 for their share of the costs of operations.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**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. The County first utilizes restricted resources to finance qualifying activities.

C – Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxes Receivable

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

Although the County of Chippewa 2008 ad valorem tax is levied and collectible on December 1, 2007, and 2008 ad valorem tax is levied and collectible on July 1, 2008, 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, 2007 taxable valuation of the County of Chippewa totaled \$931,416,340, on which ad valorem taxes levied consisted of 0.4287 mills for fire/ambulance services, 0.9906 mills for roads, 0.4994 mills for recycling, and 0.600 mills for debt service. These amounts are recognized in the respective Special Revenue Fund, Debt Service Fund, and Component Unit financial statements as revenue.

The July 1, 2008 taxable valuation of the County of Chippewa totaled \$976,118,163, on which ad valorem taxes levied consisted of 6.1327 mills for the General Fund. This amount is recognized in the General Fund as revenue.

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

The County reports the following major governmental funds:

General Fund

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

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.

Health Department

This fund accounts for health services and related grant funds.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Chippewa County Recycling

This fund accounts for the collection of the tax millage for the recycling center operated by Northern Transitions, Inc.

Office of Emergency Services

This fund accounts for emergency services within Chippewa County.

Correctional Maintenance Fund

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

The County reports the following major proprietary funds:

Tax Collection Fund

This fund accounts for property tax administration within the county.

Additionally, the County reports the following fund types:

Internal Service Funds

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

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.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

D - Assets, Liabilities, 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 and July 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

Inventories and 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, to a maximum of 168 hours. All vacation pay is accrued when incurred in the government-wide financial statements to a maximum of 200 hours.

Vested or accumulated vacation leave of proprietary funds is recorded as an expense and liability of those funds as the benefits accrue to employees. In accordance with Statement of Financial Accounting Standards 43, no liability is recorded for nonvesting accumulating rights to receive sick-pay benefits. However, a liability is recognized or that portion of accumulating sick-leave benefits that is estimated will be taken as “terminal leave” prior to retirement.

Long-Term Obligations – In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.
- d. The general statute governing County budgetary activity is the State of Michigan Uniform Budgeting and Accounting Act. In addition to the provisions of said Act and Board policy, general statements concerning the Board's intent regarding the administration of each year's budget are set out in the Annual General Appropriations Act. The Chippewa County Board of Commissioners, through policy action, specifically directs the Administrator not to authorize or participate in any expenditure of funds except as authorized by the Annual General Appropriations Act. The Board recognized that, in addition to possible Board sanctions for willful disregard of this policy, State statutes provide for civil liability for violations of the Annual General Appropriations Act.
- e. Supplemental appropriations are submitted to and reviewed and submitted to the Finance Committee for further consideration. If approved, they are transmitted to the County Board of Commissioners for their review and approval. If approved, they are implemented by the Administrator's office through a budget revision.
- f. The County of Chippewa adopts its Annual Budget on a departmental basis. At each level of detail, governmental operations are summarized into expenditure account groups. Funding sources are also identified and adopted at each level of detail. Budgetary control exists at the most detailed level adopted by the Board of Commissioners, i.e., department for analytical purposes. A detailed line item breakdown is prepared for each program. Accounting, i.e., classification control, resides at the line item detail level.
- g. Budgets were adopted in substance on the modified accrual basis which is consistent with U.S. generally accepted accounting principles. Budgeted amounts reported in the financial statements are as amended by the County Board of Commissioners which was materially the same as originally adopted.

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

- 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 principles 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.

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:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Fiduciary Funds</u>	<u>Total Primary Government</u>	<u>Component Units</u>
Cash and Investments					
-Unrestricted	\$ 9,855,798	\$ 8,223,397	\$ 1,109,701	\$ 19,188,896	\$ 3,631,542
-Restricted	<u>827,840</u>	<u>-</u>	<u>-</u>	<u>827,840</u>	<u>574,846</u>
Total	<u>\$ 10,683,638</u>	<u>\$ 8,223,397</u>	<u>\$ 1,109,701</u>	<u>\$ 20,016,736</u>	<u>\$ 4,206,388</u>

The categories of deposits and investments are as follows:

	<u>Primary Government</u>	<u>Component Units</u>
Bank Deposits (checking and savings accounts, certificates of deposit)	\$ 19,937,811	\$ 3,599,006
Investment:		
Repurchase Agreement	75,645	-
Public Money Market Funds	-	605,102
Petty Cash and Cash on Hand	<u>3,280</u>	<u>2,280</u>
Total	<u>\$ 20,016,736</u>	<u>\$ 4,206,388</u>

Cash is restricted in the Health Department fund for health department operations.

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)**Investment and Deposit Risk –Primary Government**

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

Credit risk. The County's investment policy does not have specific limits in excess of state law on investment credit risk. 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, \$16,695,402 of the County's bank balance of \$20,516,596 was exposed to credit risk because it was uninsured and uncollateralized.

Custodial investment credit risk. For investments, custodial credit risk is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of December 31, 2008, none of the County's investments, excluding the money market accounts which are not subject to custodial credit risk, were exposed to risk since the securities are held in the County's name by the counter party.

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.

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

- 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 - CAPITAL ASSETS

Capital asset activity for the General County year ended December 31, 2008, was as follows:

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balances</u>
Governmental Activities:				
<i>Capital assets not being depreciated:</i>				
Construction in progress	\$ -	\$ 2,691,866	\$ -	\$ 2,691,866
Land	<u>231,810</u>	<u>-</u>	<u>-</u>	<u>231,810</u>
Subtotal	<u>231,810</u>	<u>2,691,866</u>	<u>-</u>	<u>2,923,676</u>
<i>Capital assets being depreciated:</i>				
Land improvements	209,400	-	-	209,400
Buildings & improvements	15,560,716	8,965	-	15,569,681
Furniture & equipment	2,097,727	1,192,431	34,848	3,255,310
Vehicles	<u>627,097</u>	<u>102,285</u>	<u>67,270</u>	<u>662,112</u>
Subtotal	<u>18,494,940</u>	<u>1,303,681</u>	<u>102,118</u>	<u>19,696,503</u>
<i>Less accumulated depreciation on:</i>				
Land improvements	100,410	4,260	-	104,670
Buildings & improvements	7,465,439	358,387	-	7,823,826
Furniture & equipment	1,177,081	246,773	34,848	1,389,006
Vehicles	<u>369,905</u>	<u>92,832</u>	<u>66,070</u>	<u>396,667</u>
Subtotal	<u>9,112,835</u>	<u>702,252</u>	<u>100,918</u>	<u>9,714,169</u>
Net Capital Assets Being Depreciated	<u>9,382,105</u>	<u>601,429</u>	<u>(1,200)</u>	<u>9,982,334</u>
Governmental Activity Capital Assets, Net of Depreciation	<u>\$ 9,613,915</u>	<u>\$ 3,293,295</u>	<u>\$ (1,200)</u>	<u>\$ 12,906,010</u>

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

Governmental Activities	
Health & Welfare	\$ 120,465
Unallocated	<u>581,787</u>
Total Governmental Activities	<u>\$ 702,252</u>

NOTE 4 - CAPITAL ASSETS (Continued)

Capital asset activity of the Chippewa County Road Commission for the current year was as follows:

	Beginning Balances	Additions	Deductions	Ending Balances
<i>Capital Assets Not Being Depreciated</i>				
Land and Improvements	\$ 267,569	\$ -	\$ -	\$ 267,569
Land/Improvements - Infrastructure	<u>36,616,704</u>	<u>2,635,735</u>	<u>2,304</u>	<u>39,254,743</u>
Subtotal	<u>36,884,273</u>	<u>2,635,735</u>	<u>2,304</u>	<u>39,522,312</u>
<i>Capital Assets Being Depreciated</i>				
Buildings	4,131,767	83,758	-	4,215,525
Road Equipment	11,032,144	1,294,310	1,174,208	11,152,246
Shop Equipment	156,526	86,843	-	243,369
Office Equipment	59,638	2,868	-	62,506
Engineers' Equipment	58,952	-	-	58,952
Depletable Assets	1,121,822	-	-	1,121,822
Infrastructure – Roads	30,644,685	2,838,067	1,387,664	32,095,088
Infrastructure – Bridges	<u>12,894,149</u>	<u>469,985</u>	<u>169,000</u>	<u>13,195,134</u>
Subtotal	<u>60,099,683</u>	<u>4,775,831</u>	<u>2,730,872</u>	<u>62,144,642</u>
<i>Less Accumulated Depreciation</i>				
Buildings	1,604,718	121,358	-	1,726,076
Road Equipment	9,533,183	719,882	1,172,989	9,080,076
Shop Equipment	111,393	14,679	-	126,072
Office Equipment	58,672	1,459	-	60,131
Engineers' Equipment	40,978	7,882	-	48,860
Depletion	102,851	21,518	-	124,369
Infrastructure – Roads	12,865,560	1,647,753	1,387,664	13,125,649
Infrastructure – Bridges	<u>6,270,391</u>	<u>293,075</u>	<u>146,467</u>	<u>6,416,999</u>
Subtotal	<u>30,587,746</u>	<u>2,827,606</u>	<u>2,707,120</u>	<u>30,708,232</u>
Net Capital Assets Being Depreciated	<u>29,511,937</u>	<u>1,948,225</u>	<u>23,752</u>	<u>31,436,410</u>
Total Net Capital Assets	<u>\$ 66,396,210</u>	<u>\$ 4,583,960</u>	<u>\$ 21,448</u>	<u>\$ 70,958,722</u>

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

Total Depreciation Expense – Public Works \$ 2,827,606

NOTE 4 - CAPITAL ASSETS (Continued)

Capital asset activity of the Economic Development Corporation for the current year was as follows:

	Beginning Balances	Additions	Deductions	Ending Balances
<i>Capital assets not being depreciated:</i>				
Construction in progress	\$ -	\$ 25,427	\$ -	\$ 25,427
Land	<u>1,946,675</u>	<u>-</u>	<u>-</u>	<u>1,946,675</u>
Subtotal	<u>1,946,675</u>	<u>25,427</u>	<u>-</u>	<u>1,972,102</u>
<i>Capital assets being depreciated:</i>				
Vehicles	1,375,391	20,095	-	1,395,486
Improvements	12,342,892	1,662,900	(150,470)	13,855,322
Buildings	10,085,723	16,430	-	10,102,153
Equipment	<u>3,500,493</u>	<u>30,260</u>	<u>-</u>	<u>3,530,753</u>
Subtotal	<u>27,304,499</u>	<u>1,729,685</u>	<u>(150,470)</u>	<u>28,883,714</u>
<i>Less accumulated depreciation:</i>				
Vehicles	(995,132)	(72,144)	-	(1,067,276)
Improvements	(2,896,318)	(483,201)	150,470	(3,229,049)
Buildings	(3,236,406)	(344,207)	-	(3,580,613)
Equipment	<u>(1,824,203)</u>	<u>(344,269)</u>	<u>-</u>	<u>(2,168,472)</u>
Subtotal	<u>(8,952,059)</u>	<u>(1,243,821)</u>	<u>150,470</u>	<u>(10,045,410)</u>
Net Capital Assets Being Depreciated	<u>18,352,440</u>	<u>485,864</u>	<u>-</u>	<u>18,838,304</u>
Capital assets – Net of depreciation	<u>\$ 20,299,115</u>	<u>\$ 511,291</u>	<u>\$ -</u>	<u>\$ 20,810,406</u>

Depreciation expense was charged to business activities for economic development in the amount of \$1,243,821.

Capital Assets activity for the Eastern Upper Peninsula Transportation Authority as of September 30, 2008 was as follows:

	Beginning Balances	Additions	Deductions	Ending Balances
Business-Type Activities:				
<i>Capital Assets not Being Depreciated:</i>				
Construction in Progress	<u>\$ 61,448</u>	<u>\$ -</u>	<u>\$ 61,448</u>	<u>\$ -</u>
<i>Capital Assets Being Depreciated:</i>				
EUPTA Assets	1,805	-	-	1,805
Busing Assets	808,233	22,728	-	830,961
Ferry Assets	15,375,260	672,224	3,258	16,044,226
Administrative Assets	<u>1,398</u>	<u>-</u>	<u>-</u>	<u>1,398</u>
Subtotal	<u>16,186,696</u>	<u>694,952</u>	<u>3,258</u>	<u>16,878,390</u>

NOTE 4 - CAPITAL ASSETS (Continued)

	Beginning Balances	Additions	Deductions	Ending Balances
<i>Less Accumulated Depreciation for:</i>				
EUPA Assets	(1,715)	(72)	-	(1,787)
Busing Assets	(388,143)	(105,856)	-	(493,999)
Ferry Assets	(6,379,928)	(525,730)	-	(6,905,658)
Administrative Assets	(1,398)	-	-	(1,398)
Subtotal	(6,771,184)	(631,658)	-	(7,402,842)
Net Capital Assets being Depreciated	9,415,512	63,294	3,258	9,475,548
Total Capital Assets – Net of Depreciation	\$ 9,476,960	\$ 63,294	\$ 64,706	\$ 9,475,548

Depreciation expense was charged to Public Works Business-type activities.

NOTE 5 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The County of Chippewa reports interfund balances between many of its funds. Some of the balances are considered immaterial and are aggregated into a single column or row. The total of all balances agrees with the sum of interfund balances presented in the statements of net 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
Revenue Sharing Reserve	\$ 16,329	\$ -	\$ 16,329
Office of Emergency Services	586,090	-	586,090
Correction Facility Maintenance	-	100,000	100,000
All Others	168,676	-	168,676
Total	\$ 771,095	\$ 100,000	\$ 871,095

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.

NOTE 5 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (Continued)

	TRANSFERS TO			
	General Fund	Nonmajor Governmental	Tax Collections	Total
General Fund	\$ -	\$ 1,049,175	\$ -	\$ 1,049,175
Revenue Sharing Reserve	670,515	-	-	670,515
Correctional Facility Maintenance	-	1,350,000	-	1,350,000
Nonmajor Governmental	78,898	168,323	-	247,221
Tax Collections	-	592,198	4,978,902	5,571,100
Nonmajor Business-type	145,880	-	-	145,880
Total	\$ 895,293	\$ 3,159,696	\$ 4,978,902	\$ 9,033,891

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

NOTE 6 - LEASES

Capital Leases – The Health Department has entered into lease agreements 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>
2009	\$ 106,687
2010	91,838
2011	60,607
2012	46,109
2013	11,544
Total Minimum Lease Payments	316,785
Less: Amount Representing Interest	(41,494)
Present Value	\$ 275,291

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

NOTE 7 - 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.

	<u>Interest Rate</u>	<u>Principal Matures</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities							
General Obligation Bonds, 1977							
Superior Twp. Water & Sewer Bonds	5.00%	2016	\$ 50,000	\$ -	\$ 5,000	\$ 45,000	\$ 5,000
2000 Chippewa Co. Water Supply System Bonds (Series A)	4.50%	2040	552,000	-	7,000	545,000	8,000
2000 Chippewa Co. Water Supply System Bonds (Series B)	4.50%	2040	24,500	-	500	24,000	500
1995 City of Sault Ste. Marie Water Supply and Sewage Disposal System Bonds	5.04%	2015	1,850,000	-	190,000	1,660,000	195,000
1995 Building Authority Bonds	5.47%	2015	1,065,000	-	110,000	955,000	115,000
1998 City of Sault Ste. Marie Water Supply and Sewage Disposal System Bonds	4.29%	2018	2,155,000	-	100,000	2,055,000	110,000
1999 Building Authority Bonds	4.30%	2018	3,300,000	-	200,000	3,100,000	215,000
2000 Building Authority Bonds	4.83%	2009	370,000	-	180,000	190,000	190,000
2001 Chippewa County Water Supply and Sewage Disposal System Bonds	3.50%	2022	<u>2,280,000</u>	<u>-</u>	<u>70,000</u>	<u>2,210,000</u>	<u>80,000</u>
Total Governmental Activities			<u>\$11,646,500</u>	<u>\$ -</u>	<u>\$ 862,500</u>	<u>\$10,784,000</u>	<u>\$ 918,500</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>
2009	\$ 918,500	\$ 495,884
2010	763,500	452,631
2011	814,500	416,853
2012	854,500	378,617
2013	914,500	338,140
2014-2018	5,011,500	1,040,201
2019-2023	1,109,500	226,903
2024-2028	87,500	80,022
2029-2033	110,000	57,828
2034-2038	136,000	30,243
2039-2040	<u>64,000</u>	<u>2,902</u>
Total	<u>\$ 10,784,000</u>	<u>\$ 3,520,224</u>

NOTE 7 - LONG-TERM DEBT (Continued)

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

Governmental Activities:	
Health & Welfare	\$ 22,543
Unallocated	<u>542,506</u>
Total	<u>\$ 565,049</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.

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balances</u>
Compensated Absences	<u>\$ 519,198</u>	<u>\$ 75,535</u>	<u>\$ -</u>	<u>\$ 594,733</u>

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

A summary of accrued compensated absences at December 31, 2008 is as follows:

Vacation	\$ 317,770
Sick Leave	270,557
Other Compensation Time	<u>6,406</u>
TOTALS	<u>\$ 594,733</u>

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
State Infrastructure Bank loan, principal due in single installment of \$597,000, interest payments at rate of 3%, due 2010.	\$ -	\$ 597,000	\$ -	\$ 597,000	\$ -
Installment payable secured by real estate mortgage, payable in monthly installments of \$5,055 including interest of 3.90%.	334,692	-	48,486	286,206	50,392

NOTE 7 - LONG-TERM DEBT (Continued)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Within One Year</u>
Installment payable secured by equipment, payable in monthly installments of \$648 including interest of 4.5%.	12,421	-	7,347	5,074	5,074
Installment payable secured by Trucks, payable in monthly installments of \$14,029 including interest of 3.45%, due 2013.	-	772,100	96,400	675,700	147,352
Installment payable secured by vehicles, payable in monthly installments of \$11,239 including interest of 3.79%.	<u>346,396</u>	<u>-</u>	<u>124,002</u>	<u>222,394</u>	<u>128,649</u>
Subtotal	693,509	1,369,100	276,235	1,786,374	<u>\$ 331,467</u>
Compensated Absences (1)	<u>265,227</u>	<u>18,435</u>	<u>-</u>	<u>283,662</u>	
TOTAL LONG-TERM DEBT	<u>\$ 958,736</u>	<u>\$ 1,387,535</u>	<u>\$ 276,235</u>	<u>\$ 2,070,036</u>	

(1) Net increase.

Annual debt service requirements are as follows:

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>Total</u>
Principal	<u>\$ 331,467</u>	<u>\$ 895,655</u>	<u>\$ 212,336</u>	<u>\$ 220,032</u>	<u>\$ 113,457</u>	<u>\$ 13,427</u>	<u>\$ 1,786,374</u>
Interest	<u>\$ 55,478</u>	<u>\$ 25,497</u>	<u>\$ 16,673</u>	<u>\$ 8,977</u>	<u>\$ 2,164</u>	<u>\$ 71</u>	<u>\$ 108,860</u>

NOTE 8 - RISK MANAGEMENT

The government is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The government was unable to obtain general liability insurance at a cost it considered to be economically justifiable. The County joined together with other governments and created a public entity risk pool currently operating as a common risk management and insurance program. The government pays an annual premium to the pool for its general insurance coverage. The agreement provides that the pool will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$75,000 for each insured event.

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

NOTE 8 - RISK MANAGEMENT (Continued)

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

The County established the Self Insurance Fund (an internal service fund) to account for and finance its uninsured risks of loss. Health insurance is reinsured for claims exceeding \$50,000 in aggregate. All funds of the County participate in the program and make payments to the Fund based on estimates of the amounts needed to pay prior-and current-year claims and to establish a reserve for catastrophe losses. That reserve was \$63,856 and is reported as an unrestricted net asset. The claims liability of \$233,376 reported in the Fund for 2008 is based on the requirements of Governmental Accounting Standards Board statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Changes in the Fund's claims liability amount in fiscal 2008 and 2007 were:

	Beginning Balance	Current-Year Claims and Changes in Estimates	Claim Payments	Ending Balance
2007	\$ 111,359	\$ 1,885,331	\$ (1,841,147)	\$ 155,543
2008	155,543	2,349,641	(2,271,808)	233,376

NOTE 9 - CONTINGENT LIABILITIES

Grants

The County has received significant financial assistance from state and federal agencies in the form of various grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreement and is subject to audit by the grantor agency. Any disallowed claims resulting from such audits could become a liability of the applicable fund of the County. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the County at December 31, 2008.

Construction

The County has executed contracts for the renovation and additional construction of the Correctional Facility. Contracted commitments are \$3,135,000. The project was approximately 62% completed at year end with \$391,242 owed on the project. Total project costs are expected to be \$3,148,500.

NOTE 10 - OTHER POST-EMPLOYMENT BENEFITS

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

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

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

Funding Policy. Contribution requirements also are negotiated between the County and employees at varying levels. The Health Department contributes 100% of the cost of current-year premiums for eligible retired plan members. For fiscal year 2008, the Health Department contributed \$793,596 to the plan. Total member contributions were \$0.

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

	<u>County</u>	<u>Health Department</u>	<u>EDC</u>	<u>EUPTA</u>
Annual required contribution	\$ 737,772	\$ 397,163	\$ 37,596	\$ 243,102
Interest on net OPEB obligation	-	-	-	-
Adjustment to annual required contribution	-	-	-	-
Annual OPEB cost (expense)	737,772	397,163	37,593	243,102
Contributions made	(239,665)	(144,001)	(10,204)	(147,771)
Increase in net OPEB obligation	498,107	253,162	27,392	95,331
Net OPEB obligation – beginning of year	-	-	-	-
Net OPEB obligation – end of year	<u>\$ 498,107</u>	<u>\$ 253,162</u>	<u>\$ 27,392</u>	<u>\$ 95,331</u>

NOTE 10 - OTHER POST-EMPLOYMENT BENEFITS (Continued)

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2008 is as follows:

Fiscal Year End	Annual OPEB Cost				Percentage of Annual OPEB Cost Contributed				Net OPEB Obligation			
	County	EUPTA	Health Dept.	EDC	County	EUPTA	Health Dept.	EDC	County	EUPTA	Health Dept.	EDC
2008	\$737,772	\$243,102	\$397,163	\$ 37,596	32%	61%	36%	27%	\$498,107	\$ 95,331	\$253,162	\$ 27,392

Funded status and Funding Progress. As of December 31, 2008, the actuarial accrued liability for benefits was \$10,596,337, all of which was unfunded and \$4,605,971 for EUPTA. The covered payroll (annual payroll of active employees covered by the plan) was unavailable, and the ratio of the unfunded actuarial accrued liability to the covered payroll was unavailable.

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

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

In the December 31, 2007, actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 8.0% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 10% initially, reduced by decrements to an ultimate rate of 4.5% after ten years. Both rates included a percent inflation assumption. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis.

NOTE 10 - OTHER POST-EMPLOYMENT BENEFITS (Continued)

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Funding Progress for the Retiree Health Plan - County

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percent of Covered Payroll ((b - a) / c)
2007	\$ -	\$ 10,569,337	\$ 10,569,337	0.0%	Not Available	-

Schedule of Funding Progress for the Retiree Health Plan – EUPTA

2007	\$ 1,162,090	\$ 4,605,971	\$ 3,443,881	25%	Not Available	-
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The County Board has created a special revenue fund in the amount of \$250,000 for post employment benefits. The Health Department board has designated \$404,613 of its fund balance to assist in funding the post employment benefits.

Road Commission

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

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

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

Funding Policy. Contribution requirements also are negotiated between the Commission and employees. The Commission contributes 100% of the cost of current-year premiums for eligible retired plan members. For fiscal year 2008, the Commission contributed \$1,115,703 to the plan. Total member contributions were \$215,588.

NOTE 10 - OTHER POST-EMPLOYMENT BENEFITS (Continued)

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

	Road Fund
Annual required contribution	\$ 1,093,909
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost (expense)	1,093,909
Contributions made	(409,415)
Increase in net OPEB obligation	684,494
Net OPEB obligation – beginning of year	-
Net OPEB obligation – end of year	\$ 684,494

The Commission's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2008 is as follows:

<u>Fiscal Year End</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2008	\$ 1,093,909	37.43%	\$ 684,494

Funded Status and Funding Progress. As of December 31, 2008, the actuarial accrued liability for benefits was \$16,347,444, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was unavailable, and the ratio of the unfunded actuarial accrued liability to the covered payroll was unavailable.

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

NOTE 10 - OTHER POST-EMPLOYMENT BENEFITS (Continued)

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

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

In the December 31, 2007, actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 6.0% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 10% initially, reduced by decrements to an ultimate rate of 4.5% after ten years. Both rates included a percent inflation assumption. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis.

REQUIRED SUPPLEMENTARY INFORMATION**Schedule of Funding Progress for the Retiree Health Plan**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percent of Covered Payroll ((b - a) / c)
2008	\$ -	\$16,347,444	\$16,347,444	0.0%	Not Available	-

NOTE 11 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS

Description of Plan and Plan Assets

The County is in an agent multiple-employer defined benefit pension plan with the Municipal Employees' Retirement System (MERS). The system provides the following provisions: normal retirement, deferred retirement and service retirement to plan members and their beneficiaries. The service requirement is computed using credited service at the time of termination of membership multiplies by the sum of 2.0 percent times the final compensation (FAC). The most recent period of which actuarial data was available was for the fiscal year ended December 31, 2007.

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 1134 Municipal Way, 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, 2008 is as follows:

General – Other	12.46%
Sheriff	13.89%
Health Department	5.74%
Employment, Training	3.62%
General – Economic	4.90%
Economic Officials	1.92%
Non-Union	6.05%

Annual Pension Cost

During the fiscal year ended December 31, 2008, the County's contributions totaling \$698,004 were made in accordance with contribution requirement determined by an actuarial valuation of the plan as of December 31, 2006. 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 11 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

Three year trend information as of December 31st follows:

	<u>2005</u>	<u>2006</u>	<u>2007</u>
Actuarial Value of Assets	\$ 21,105,600	\$ 22,719,301	\$ 24,411,785
Actuarial Accrued Liability	24,098,670	25,841,406	27,878,398
Unfunded AAL	2,993,070	3,122,105	3,466,613
Funded Ratio	88%	88%	88%
Covered Payroll	6,359,260	7,049,299	7,167,183
UAAL as a Percentage of Covered Payroll	47%	44%	48%

<u>Year Ended Dec 31</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2005	\$ 632,043	100%	0
2006	664,979	100%	0
2007	694,476	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, 2007.

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 1134 Municipal Way, Lansing, Michigan 48917-9755.

NOTE 11 - 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 is as follows:

General	16.07%
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Annual Pension Cost (Road Commission)

During the fiscal year ended December 31, 2008, the Commission's contributions totaling \$354,107 were made in accordance with contribution requirements determined by an actuarial valuation of the plan as of December 31, 2006. 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 31st follows:

	2005	2006	2007
Actuarial Value of Assets	\$ 10,111,438	\$ 10,481,715	\$ 10,856,676
Actuarial Accrued Liability	13,239,985	13,793,265	14,655,311
Unfunded AAL	3,125,547	3,311,550	3,798,635
Funded Ratio	76%	76%	74%
Covered Payroll	2,192,621	2,364,544	2,214,216
UAAL as a Percentage of Covered Payroll	142%	140%	172%

Year Ended Dec 31	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2005	\$ 292,179	100%	0
2006	331,307	100%	0
2007	306,080	100%	0

NOTE 11 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)**Eastern Upper Peninsula Transportation Authority****Description of Plan and Plan Assets**

The Authority is in an agent single-employer defined benefit pension plan with the Municipal Employees' Retirement System (MERS). The system provides the following provisions; normal retirement, deferred retirement and service retirement to plan members and their beneficiaries. The service requirement is computed using credited service at the time of termination of membership multiplied by the sum of 2.25 percent times the final compensation (FAC), with a maximum benefit of 80% of FAC. The most recent period of which actuarial data was available was for the fiscal year ended December 31, 2007.

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 issued 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 1134 Municipal Way, Lansing, Michigan 48917-9755.

Funding Policy

The obligation to contribute to and maintain the system for these employees was established by negotiation with the Authority's competitive bargaining unit and personnel policy. The Authority is required to contribute at an actuarially determined rate. The contribution rate as a percentage of payroll at December 31, 2007 was 21.62%.

Annual Pension Cost

During the fiscal year ended September 30, 2008, the Authority's contributions totaling \$224,803 were made in accordance with the contribution requirement determined by an actuarial valuation of the plan as of December 31, 2007. The employer contribution rate has been determined based on the entry age normal funding method. Under the entry age normal cost funding method, the total employer contribution is comprised of the normal cost plus the level annual percentage of payroll payment required amortizing the unfunded actuarial accrued liability over 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 this projected benefit. Significant actuarial assumptions used include a long-term investment yield rate of 8 percent and annual salary increases of 4.5 percent based on an age-related scale to reflect merit, longevity, and promotional salary increases. Employees of the Authority are not required to contribute to the plan.

NOTE 11 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

Three year trend information as of December 31, 2007 is as follows:

	2005	2006	2007
Actuarial Value of Assets	\$ 4,317,915	\$ 4,583,829	\$ 4,867,594
Actuarial Accrued Liability	6,503,321	7,025,848	7,517,599
Unfunded AAL	2,185,406	2,442,019	2,650,005
Funded Ratio	66%	65%	65%
Covered Payroll	873,221	900,733	919,794
UAAL as a Percentage of Covered Payroll	250%	271%	288%

Year Ended Dec 31	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2005	\$ 164,490	100%	0
2006	186,852	100%	0
2007	217,599	100%	0

NOTE 12 - 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.

NOTE 13 - FUND EQUITY DESIGNATIONS/RESERVATIONS

Fund equity designations can be described as follows:

Health Department	\$ 600,674	Future Retirement Obligations
Debt Service	574,497	Designated for Debt Service
Other Special Revenue	1,236,612	Designated for Fund Purpose
Capital Projects	957	Designated for Capital Projects

NOTE 13 - FUND EQUITY DESIGNATIONS/RESERVATIONS (Continued)

Fund equity reservations are described as follows:

Revenue Sharing Reserve	\$ 2,529,312	Reserved for Revenue Sharing
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NOTE 14 - SUBSEQUENT EVENTS

For the period January 2009 through April 2009, the County approved and remitted payments on renovation and construction of the Correctional Facility in the amount of \$969,898.

Required Supplementary Information

County of Chippewa, Michigan

Required Supplementary Information Budgetary Comparison Schedule General Fund For the Year Ended December 31, 2008

	Budgeted Amounts			Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final			
REVENUES:					
Taxes	\$ 5,898,723	\$ 5,898,723	\$ 6,128,897	\$ 230,174	
License & Permits	39,000	39,000	43,699	4,699	
Federal Sources	540,203	540,203	542,991	2,788	
State Sources	914,662	1,124,662	1,047,080	(77,582)	
Local Sources	200,000	200,000	252,774	52,774	
Charges for Services	1,548,000	1,548,000	1,858,575	310,575	
Interest & Rentals	637,000	637,000	579,427	(57,573)	
Fines & Forfeitures	51,000	51,000	65,647	14,647	
Other Revenue	182,250	183,290	238,413	55,123	
TOTAL REVENUES	10,010,838	10,221,878	10,757,503	535,625	
EXPENDITURES:					
Legislative:					
Board of Commissioners	147,785	170,385	169,946	439	
Judicial:					
Juvenile Court	286,469	286,469	261,329	25,140	
Circuit Court	355,065	383,090	364,281	18,809	
District Court	539,587	539,587	508,120	31,467	
Friend of the Court	346,475	346,475	333,046	13,429	
Jury Board	4,150	4,150	4,071	79	
Probate Court	508,233	510,432	479,155	31,277	
Public Defender	272,946	272,946	271,946	1,000	
Bailiff	57,415	57,414	38,640	18,774	
Total Judicial	2,370,340	2,400,563	2,260,588	139,975	
General Government:					
Administrator	264,785	264,785	255,232	9,553	
Information Systems	271,493	271,492	223,629	47,863	
Elections	46,150	46,150	34,791	11,359	
County Clerk	259,342	259,341	242,190	17,151	
Equalization	192,145	192,145	184,695	7,450	
Prosecuting Attorney	430,047	430,047	407,890	22,157	
Support Coordinator	112,728	112,729	102,153	10,576	
Crime Victim Advocate	64,449	64,449	57,687	6,762	
Remonumentation	182,472	182,472	134,137	48,335	
Register of Deeds	240,776	245,276	241,322	3,954	
Treasurer	265,847	265,847	257,059	8,788	
Cooperative Extension	100,111	100,111	94,442	5,669	
Buildings & Grounds	418,289	423,228	346,466	76,762	
Drain Commission	1,985	1,985	1,219	766	
Soil Conservation District	24,000	24,000	24,000	-	
Surveyor	28,621	28,622	28,063	559	
Total General Government	2,903,240	2,912,679	2,634,975	277,704	

County of Chippewa, Michigan

Required Supplementary Information Budgetary Comparison Schedule General Fund For the Year Ended December 31, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Public Safety:				
Sheriff	937,690	948,231	891,404	56,827
Concealed Weapons Board	13,223	13,223	11,033	2,190
S.A.N.E	74,583	79,583	76,895	2,688
Marine	26,731	27,731	19,171	8,560
Correctional Facility	1,853,683	1,861,183	1,787,117	74,066
Regional Planning Commission	20,000	20,000	20,000	-
Snowmobile Patrol Grant	72,768	72,768	33,259	39,509
O.R.V. Grant	16,635	16,635	14,180	2,455
Animal Control	122,160	122,160	121,263	897
Total Public Safety	3,137,473	3,161,514	2,974,322	187,192
Health & Welfare:				
Substance Abuse	-	105,000	104,843	157
Medical Examiner	50,000	85,000	66,515	18,485
Health Department Building & Tax	16,068	16,068	9,354	6,714
Veterans Affairs	74,601	74,601	70,538	4,063
Senior Citizen Nutrition Program	45,000	45,000	45,000	-
Total Health & Welfare	185,669	325,669	296,250	29,419
Other Expenditures:				
Retirees Hospitalization	300,000	300,000	274,415	25,585
Insurance	200,000	200,000	192,303	7,697
Rural Bus Program	30,000	55,000	55,000	-
Legal Services	10,000	20,000	18,639	1,361
Audit	27,700	27,700	21,817	5,883
Telephone	5,000	7,000	6,589	411
Postage Meter	5,000	5,000	2,019	2,981
Record Copier	10,000	10,000	7,865	2,135
Cost Allocation Plan	4,450	4,450	4,450	-
Contingencies	20,000	20,000	-	20,000
Appropriations	201,334	201,334	201,334	-
Total Other Expenditures	813,484	850,484	784,431	66,053
Capital Outlay:				
Computer	44,420	44,420	27,327	17,093
Vehicle	140,000	140,000	107,954	32,046
Total Capital Outlay	184,420	184,420	135,281	49,139
TOTAL EXPENDITURES	9,742,411	10,005,714	9,255,793	749,921
EXCESS OF REVENUES OVER EXPENDITURES	268,427	216,164	1,501,710	1,285,546
OTHER FINANCING SOURCES (USES):				
Operating Transfers In	758,344	754,655	895,293	140,638
Operating Transfers Out	(979,118)	(1,252,668)	(1,049,175)	203,493

County of Chippewa, Michigan

Required Supplementary Information Budgetary Comparison Schedule General Fund For the Year Ended December 31, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	<u>\$ 47,653</u>	<u>\$ (281,849)</u>	1,347,828	<u>\$ 1,629,677</u>
FUND BALANCE, JANUARY 1			<u>4,091,645</u>	
FUND BALANCE, DECEMBER 31			<u>\$ 5,439,473</u>	

**Required Supplementary Information
Budgetary Comparison Schedule
Revenue Sharing Reserve Fund
For the Year Ended December 31, 2008**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Interest & Rentals	\$ 100,000	\$ 100,000	\$ 99,494	\$ (506)
Total Revenues	100,000	100,000	99,494	(506)
OTHER FINANCING SOURCES (USES):				
Operating Transfers Out	(669,207)	(670,515)	(670,515)	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	<u>\$ (569,207)</u>	<u>\$ (570,515)</u>	(571,021)	<u>\$ (506)</u>
FUND BALANCE, JANUARY 1			3,100,333	
FUND BALANCE, DECEMBER 31			<u>\$ 2,529,312</u>	

County of Chippewa, Michigan

Required Supplementary Information Budgetary Comparison Schedule Health Department For the Year Ended September 30, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
State Sources	\$ 1,012,548	\$ 1,520,224	\$ 1,589,288	\$ 69,064
Local Sources	173,750	198,084	190,383	(7,701)
Charges for Services	5,200,511	5,623,053	5,550,997	(72,056)
Interest & Rentals	-	856	856	-
Other Revenue	238,835	185,993	45,435	(140,558)
TOTAL REVENUES	6,625,644	7,528,210	7,376,959	(151,251)
EXPENDITURES:				
Health and Welfare	6,625,644	7,632,381	7,262,095	370,286
TOTAL EXPENDITURES	6,625,644	7,632,381	7,262,095	370,286
EXCESS OF REVENUES OVER EXPENDITURES	-	(104,171)	114,864	219,035
OTHER FINANCING SOURCES (USES):				
Lease Proceeds	-	104,171	104,171	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	\$ -	\$ -	219,035	\$ 219,035
FUND BALANCE, OCTOBER 1			2,100,957	
FUND BALANCE, SEPTEMBER 30			\$ 2,319,992	

County of Chippewa, Michigan

Required Supplementary Information Budgetary Comparison Schedule Chippewa County Recycling For the Year Ended December 31, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 463,080	\$ 463,080	\$ 473,058	\$ 9,978
TOTAL REVENUES	463,080	463,080	473,058	9,978
EXPENDITURES:				
Public Works	420,000	440,000	440,000	-
TOTAL EXPENDITURES	420,000	440,000	440,000	-
EXCESS OF REVENUES OVER EXPENDITURES	\$ 43,080	\$ 23,080	33,058	\$ 9,978
FUND BALANCE, JANUARY 1			371,341	
FUND BALANCE, DECEMBER 31			\$ 404,399	

Required Supplementary Information Budgetary Comparison Schedule Office of Emergency Services For the Year Ended December 31, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Federal Sources	\$ 711,917	\$ 1,177,000	\$ 850,852	\$ (326,148)
Other Revenue	-	-	103,395	103,395
TOTAL REVENUES	711,917	1,177,000	954,247	(222,753)
EXPENDITURES:				
Public Safety	711,917	1,177,000	1,152,717	24,283
TOTAL EXPENDITURES	711,917	1,177,000	1,152,717	24,283
EXCESS OF REVENUES OVER EXPENDITURES	\$ -	\$ -	(198,470)	\$ (198,470)
FUND BALANCE, JANUARY 1			236,528	
FUND BALANCE, DECEMBER 31			\$ 38,058	

County of Chippewa, Michigan

Required Supplementary Information Budgetary Comparison Schedule Correctional Facility Maintenance For the Year Ended December 31, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 555,554	\$ 555,554	\$ 567,898	\$ 12,344
Interest & Rentals	-	-	5,149	5,149
TOTAL REVENUES	555,554	555,554	573,047	17,493
EXPENDITURES:				
Public Safety	31,300	84,300	22,020	62,280
TOTAL EXPENDITURES	31,300	84,300	22,020	62,280
EXCESS OF REVENUES OVER EXPENDITURES	524,254	471,254	551,027	79,773
OTHER FINANCING SOURCES (USES):				
Operating Transfers Out	-	(1,350,000)	(1,350,000)	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	\$ 524,254	\$ (878,746)	(798,973)	\$ (44,787)
FUND BALANCE, JANUARY 1			924,591	
FUND BALANCE, DECEMBER 31			\$ 125,618	

Other Supplementary Information

County of Chippewa, Michigan

Combining Balance Sheet Nonmajor Governmental Funds December 31, 2008

	Special Revenue Funds							
	50th Circuit Court	Construction Code	HUD Grant	Victim's Compensation	D.A.R.E.	Family Counseling	Emergency Telephone System	Bench Warrant
ASSETS:								
Cash & Investments - Unrestricted	\$ 5,478	\$ 6,159	\$ 10,207	\$ 1,964	\$ 25	\$ 180	\$ -	\$ 2,123
Accounts Receivable	-	-	-	-	-	-	52,631	-
Taxes Receivable	-	-	-	-	-	-	-	-
Interest Receivable	-	-	-	-	-	-	-	-
Due from Other Funds	-	-	-	-	-	-	-	-
Due from Governmental Units	-	-	-	-	-	-	82,971	2,332
Prepaid Expenditures	-	200	-	-	-	-	240	-
TOTAL ASSETS	<u>\$ 5,478</u>	<u>\$ 6,359</u>	<u>\$ 10,207</u>	<u>\$ 1,964</u>	<u>\$ 25</u>	<u>\$ 180</u>	<u>\$ 135,842</u>	<u>\$ 4,455</u>
LIABILITIES:								
Due to Other Funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 99,707	\$ -
Accounts Payable	333	36	-	-	-	-	6,063	-
Accrued Liabilities	-	6,323	-	-	-	-	30,072	-
Deferred Revenue	-	-	-	-	-	-	-	-
TOTAL LIABILITIES	<u>333</u>	<u>6,359</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>135,842</u>	<u>-</u>
FUND BALANCES:								
Unreserved:								
Designated	5,145	-	10,207	1,964	25	180	-	4,455
TOTAL FUND BALANCES	<u>5,145</u>	<u>-</u>	<u>10,207</u>	<u>1,964</u>	<u>25</u>	<u>180</u>	<u>-</u>	<u>4,455</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 5,478</u>	<u>\$ 6,359</u>	<u>\$ 10,207</u>	<u>\$ 1,964</u>	<u>\$ 25</u>	<u>\$ 180</u>	<u>\$ 135,842</u>	<u>\$ 4,455</u>

County of Chippewa, Michigan

Combining Balance Sheet Nonmajor Governmental Funds December 31, 2008

	Special Revenue Funds							
	FOC Child Support	Community Service	Superior Twp 2000 Improvements Maint	Office of Community Correction	Register of Deeds Automation	CCSD Salvage Vehicle	Secondary Road Patrol	Sheriff Law Enforcement Training
ASSETS:								
Cash & Investments - Unrestricted	\$ 36,826	\$ 6,350	\$ 19,112	\$ 64,422	\$ 38,567	\$ 14,653	\$ 8,504	\$ 3,935
Accounts Receivable	-	-	-	10,621	30	-	-	-
Taxes Receivable	-	-	-	-	-	-	-	-
Interest Receivable	-	-	-	-	-	-	-	-
Due from Other Funds	-	-	-	-	-	-	-	-
Due from Governmental Units	-	-	-	-	-	-	21,710	-
Prepaid Expenditures	-	-	-	-	-	-	-	-
TOTAL ASSETS	<u>\$ 36,826</u>	<u>\$ 6,350</u>	<u>\$ 19,112</u>	<u>\$ 75,043</u>	<u>\$ 38,597</u>	<u>\$ 14,653</u>	<u>\$ 30,214</u>	<u>\$ 3,935</u>
LIABILITIES:								
Due to Other Funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts Payable	-	-	-	3,919	-	-	-	-
Accrued Liabilities	-	-	-	2,731	7,726	-	5,570	-
Deferred Revenue	-	-	-	-	-	-	-	-
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,650</u>	<u>7,726</u>	<u>-</u>	<u>5,570</u>	<u>-</u>
FUND BALANCES:								
Unreserved:								
Designated	36,826	6,350	19,112	68,393	30,871	14,653	24,644	3,935
TOTAL FUND BALANCES	<u>36,826</u>	<u>6,350</u>	<u>19,112</u>	<u>68,393</u>	<u>30,871</u>	<u>14,653</u>	<u>24,644</u>	<u>3,935</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 36,826</u>	<u>\$ 6,350</u>	<u>\$ 19,112</u>	<u>\$ 75,043</u>	<u>\$ 38,597</u>	<u>\$ 14,653</u>	<u>\$ 30,214</u>	<u>\$ 3,935</u>

County of Chippewa, Michigan

Combining Balance Sheet Nonmajor Governmental Funds December 31, 2008

	Special Revenue Funds							
	Local Corrections Officer's Training	Sheriff Park Patrol	Road Patrol Overtime	Sheriff Special Projects	Law Library	Snowmobile Trail Marker	Animal Shelter Donations	Highway Safety
ASSETS:								
Cash & Investments - Unrestricted	\$ 10,897	\$ 12,500	\$ 7,424	\$ 13,153	\$ 5,737	\$ 1,632	\$ 17,368	\$ -
Accounts Receivable	-	-	-	-	-	-	-	-
Taxes Receivable	-	-	-	-	-	-	-	-
Interest Receivable	-	-	-	-	-	-	-	-
Due from Other Funds	-	-	-	-	-	-	-	-
Due from Governmental Units	-	-	8,536	-	-	-	-	24,155
Prepaid Expenditures	-	-	-	-	-	-	-	-
TOTAL ASSETS	<u>\$ 10,897</u>	<u>\$ 12,500</u>	<u>\$ 15,960</u>	<u>\$ 13,153</u>	<u>\$ 5,737</u>	<u>\$ 1,632</u>	<u>\$ 17,368</u>	<u>\$ 24,155</u>
LIABILITIES:								
Due to Other Funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13,399
Accounts Payable	-	-	-	-	265	-	102	1,999
Accrued Liabilities	-	-	1,706	-	-	-	-	8,757
Deferred Revenue	-	-	-	-	-	-	4,936	-
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>1,706</u>	<u>-</u>	<u>265</u>	<u>-</u>	<u>5,038</u>	<u>24,155</u>
FUND BALANCES:								
Unreserved:								
Designated	10,897	12,500	14,254	13,153	5,472	1,632	12,330	-
TOTAL FUND BALANCES	<u>10,897</u>	<u>12,500</u>	<u>14,254</u>	<u>13,153</u>	<u>5,472</u>	<u>1,632</u>	<u>12,330</u>	<u>-</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 10,897</u>	<u>\$ 12,500</u>	<u>\$ 15,960</u>	<u>\$ 13,153</u>	<u>\$ 5,737</u>	<u>\$ 1,632</u>	<u>\$ 17,368</u>	<u>\$ 24,155</u>

County of Chippewa, Michigan

Combining Balance Sheet Nonmajor Governmental Funds December 31, 2008

	Special Revenue Funds							
	Juvenile Accountability Block Grant	Chippewa County DHS Appropriation	DHS Child Care	Probate Child Care	Veteran's Trust	Health Set Aside	Friends of the Courthouse	Hakola-Ross Drainage
ASSETS:								
Cash & Investments - Unrestricted	\$ 1,251	\$ 1,158	\$ 115,042	\$ 23,245	\$ 301	\$ 250,000	\$ 1,779	\$ 7,503
Accounts Receivable	-	-	-	-	-	-	-	-
Taxes Receivable	-	-	-	-	-	-	-	-
Interest Receivable	-	-	-	-	-	-	-	-
Due from Other Funds	-	-	-	-	-	-	-	-
Due from Governmental Units	-	-	-	-	-	-	-	-
Prepaid Expenditures	-	-	-	-	-	-	-	-
TOTAL ASSETS	<u>\$ 1,251</u>	<u>\$ 1,158</u>	<u>\$ 115,042</u>	<u>\$ 23,245</u>	<u>\$ 301</u>	<u>\$ 250,000</u>	<u>\$ 1,779</u>	<u>\$ 7,503</u>
LIABILITIES:								
Due to Other Funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts Payable	-	-	34,961	23,245	-	-	-	-
Accrued Liabilities	17	-	-	-	-	-	-	-
Deferred Revenue	-	-	-	-	-	-	-	-
TOTAL LIABILITIES	<u>17</u>	<u>-</u>	<u>34,961</u>	<u>23,245</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES:								
Unreserved:								
Designated	1,234	1,158	80,081	-	301	250,000	1,779	7,503
TOTAL FUND BALANCES	<u>1,234</u>	<u>1,158</u>	<u>80,081</u>	<u>-</u>	<u>301</u>	<u>250,000</u>	<u>1,779</u>	<u>7,503</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,251</u>	<u>\$ 1,158</u>	<u>\$ 115,042</u>	<u>\$ 23,245</u>	<u>\$ 301</u>	<u>\$ 250,000</u>	<u>\$ 1,779</u>	<u>\$ 7,503</u>

County of Chippewa, Michigan

Combining Balance Sheet Nonmajor Governmental Funds December 31, 2008

	Special Revenue Fund	Debt Service Funds						
	Ambulance	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	Correctional Bond Retirement
ASSETS:								
Cash & Investments - Unrestricted	\$ 29,483	\$ -	\$ 28,965	\$ -	\$ -	\$ -	\$ 254,358	\$ 285,021
Accounts Receivable	-	-	-	-	-	-	-	-
Taxes Receivable	420,646	-	-	-	-	-	-	-
Interest Receivable	-	-	-	-	-	-	2,136	3,895
Due from Other Funds	-	-	-	-	-	-	-	-
Due from Governmental Units	-	-	-	-	-	-	-	-
Prepaid Expenditures	-	-	-	-	-	-	-	-
TOTAL ASSETS	<u>\$ 450,129</u>	<u>\$ -</u>	<u>\$ 28,965</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 256,494</u>	<u>\$ 288,916</u>
LIABILITIES:								
Due to Other Funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts Payable	-	-	-	-	-	-	-	-
Accrued Liabilities	-	-	-	-	-	-	-	-
Deferred Revenue	420,646	-	-	-	-	-	-	-
TOTAL LIABILITIES	<u>420,646</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES:								
Unreserved:								
Designated	29,483	-	28,965	-	-	-	256,494	288,916
TOTAL FUND BALANCES	<u>29,483</u>	<u>-</u>	<u>28,965</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>256,494</u>	<u>288,916</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 450,129</u>	<u>\$ -</u>	<u>\$ 28,965</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 256,494</u>	<u>\$ 288,916</u>

County of Chippewa, Michigan

Combining Balance Sheet Nonmajor Governmental Funds December 31, 2008

	Debt Service Funds			Capital Projects Funds		
	1988 Bldg. Authority Bond Retirement	Courthouse Annex Renovation	1977 Superior Twp. Debt Retirement	Correctional Building	Courthouse Annex Renovation	Totals
ASSETS:						
Cash & Investments - Unrestricted	\$ 122	\$ -	\$ -	\$ 291,242	\$ 957	\$ 1,577,643
Accounts Receivable	-	-	-	-	-	63,282
Taxes Receivable	-	-	-	-	-	420,646
Interest Receivable	-	-	-	-	-	6,031
Due from Other Funds	-	-	-	100,000	-	100,000
Due from Governmental Units	-	-	-	-	-	139,704
Prepaid Expenditures	-	-	-	-	-	440
TOTAL ASSETS	<u>\$ 122</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 391,242</u>	<u>\$ 957</u>	<u>\$ 2,307,746</u>
LIABILITIES:						
Due to Other Funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 113,106
Accounts Payable	-	-	-	391,242	-	462,165
Accrued Liabilities	-	-	-	-	-	62,902
Deferred Revenue	-	-	-	-	-	425,582
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>391,242</u>	<u>-</u>	<u>1,063,755</u>
FUND BALANCES:						
Unreserved:						
Designated	122	-	-	-	957	1,243,991
TOTAL FUND BALANCES	<u>122</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>957</u>	<u>1,243,991</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 122</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 391,242</u>	<u>\$ 957</u>	<u>\$ 2,307,746</u>

County of Chippewa, Michigan

Combining Statement of Revenues, Expenditures, and Changes in Fund Balance Nonmajor Governmental Funds For the Year Ended December 31, 2008

	Special Revenue Funds							
	50th Circuit Court	Construction Code	HUD Grant	Victim's Compensation	D.A.R.E.	Family Counseling	Emergency Telephone System	Bench Warrant
REVENUES:								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
License & Permits	-	-	-	-	-	3,690	-	-
Federal Sources	-	-	193,922	-	-	-	-	-
State Sources	-	-	-	-	-	-	-	2,333
Local Sources	-	-	-	-	-	-	-	-
Charges for Services	10,998	80,129	-	-	-	-	-	-
Interest & Rentals	-	-	-	-	-	-	-	-
Fees & Collections	-	-	-	-	-	-	481,035	-
Other Revenue	-	-	-	-	-	-	61,956	-
TOTAL REVENUES	10,998	80,129	193,922	-	-	3,690	542,991	2,333
EXPENDITURES:								
Judicial	8,036	-	-	-	-	-	-	-
General Government	-	-	-	-	-	-	-	-
Public Safety	-	-	-	-	-	-	676,353	-
Public Works	-	141,008	-	-	-	-	-	-
Health & Welfare	-	-	-	-	-	3,990	-	-
Community/Economic Development	-	-	249,479	-	-	-	-	-
Debt Service	-	-	-	-	-	-	27,500	-
TOTAL EXPENDITURES	8,036	141,008	249,479	-	-	3,990	703,853	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	2,962	(60,879)	(55,557)	-	-	(300)	(160,862)	2,333
OTHER FINANCING SOURCES (USES):								
Operating Transfers In	-	60,879	-	-	-	-	160,862	-
Operating Transfers Out	(5,000)	-	-	-	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	(2,038)	-	(55,557)	-	-	(300)	-	2,333
FUND BALANCES, JANUARY 1	7,183	-	65,764	1,964	25	480	-	2,122
FUND BALANCES, DECEMBER 31	\$ 5,145	\$ -	\$ 10,207	\$ 1,964	\$ 25	\$ 180	\$ -	\$ 4,455

County of Chippewa, Michigan

Combining Statement of Revenues, Expenditures, and Changes in Fund Balance Nonmajor Governmental Funds For the Year Ended December 31, 2008

	Special Revenue Funds						
	FOC Child Support	Community Service	Superior Twp 2000 Improvements Maintenance	Office of Community Correction	Register of Deeds Automation	CCSD Salvage Vehicle	Sheriff Law Enforcement Training
REVENUES:							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
License & Permits	-	-	-	-	-	-	-
Federal Sources	-	-	-	-	-	-	-
State Sources	6,960	-	-	-	-	-	4,705
Local Sources	-	-	9,195	-	-	-	-
Charges for Services	-	-	-	-	34,602	2,900	-
Interest & Rentals	-	-	241	-	-	-	-
Fees & Collections	-	-	-	-	-	-	-
Other Revenue	810	540	-	136,581	-	-	-
TOTAL REVENUES	7,770	540	9,436	136,581	34,602	2,900	4,705
EXPENDITURES:							
Judicial	-	-	-	-	-	-	-
General Government	-	-	-	-	51,063	-	-
Public Safety	-	-	-	126,117	-	3,214	5,764
Public Works	-	-	-	-	-	-	-
Health & Welfare	8,087	-	-	-	-	-	-
Community/Economic Development	-	-	-	-	-	-	-
Debt Service	-	-	-	-	-	-	-
TOTAL EXPENDITURES	8,087	-	-	126,117	51,063	3,214	5,764
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(317)	540	9,436	10,464	(16,461)	(314)	(1,059)
OTHER FINANCING SOURCES (USES):							
Operating Transfers In	-	-	-	3,500	-	-	-
Operating Transfers Out	-	-	-	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	(317)	540	9,436	13,964	(16,461)	(314)	(1,059)
FUND BALANCES, JANUARY 1	37,143	5,810	9,676	54,429	47,332	14,967	4,994
FUND BALANCES, DECEMBER 31	\$ 36,826	\$ 6,350	\$ 19,112	\$ 68,393	\$ 30,871	\$ 14,653	\$ 3,935

County of Chippewa, Michigan

Combining Statement of Revenues, Expenditures, and Changes in Fund Balance Nonmajor Governmental Funds For the Year Ended December 31, 2008

	Special Revenue Funds							
	Local Corrections Officer's Training	Sheriff Park Patrol	Road Patrol Overtime	Sheriff Special Projects	Law Library	Snowmobile Trail Marker	Animal Shelter Donations	Highway Safety
REVENUES:								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
License & Permits	-	-	-	-	-	-	-	-
Federal Sources	-	3,906	32,754	-	-	-	-	-
State Sources	-	-	516	-	-	-	-	24,637
Local Sources	-	-	-	6,500	-	-	5,921	-
Charges for Services	10,759	-	-	-	-	-	-	-
Interest & Rentals	-	-	-	-	-	-	-	-
Fees & Collections	-	-	-	-	-	-	-	-
Other Revenue	-	-	-	3,252	3,500	1,800	-	-
TOTAL REVENUES	10,759	3,906	33,270	9,752	3,500	1,800	5,921	24,637
EXPENDITURES:								
Judicial	-	-	-	-	3,183	-	-	-
General Government	-	-	-	-	-	-	-	-
Public Safety	10,600	3,824	21,793	8,276	-	-	-	33,352
Public Works	-	-	-	-	-	-	-	-
Health & Welfare	-	-	-	-	-	-	4,614	-
Community/Economic Development	-	-	-	-	-	849	-	-
Debt Service	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	10,600	3,824	21,793	8,276	3,183	849	4,614	33,352
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	159	82	11,477	1,476	317	951	1,307	(8,715)
OTHER FINANCING SOURCES (USES):								
Operating Transfers In	-	-	-	-	-	-	-	-
Operating Transfers Out	-	-	-	-	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	159	82	11,477	1,476	317	951	1,307	(8,715)
FUND BALANCES, JANUARY 1	10,738	12,418	2,777	11,677	5,155	681	11,023	8,715
FUND BALANCES, DECEMBER 31	\$ 10,897	\$ 12,500	\$ 14,254	\$ 13,153	\$ 5,472	\$ 1,632	\$ 12,330	\$ -

County of Chippewa, Michigan

Combining Statement of Revenues, Expenditures, and Changes in Fund Balance Nonmajor Governmental Funds For the Year Ended December 31, 2008

	Special Revenue Funds							
	Juvenile Accountability Block Grant	Chippewa County DHS Appropriations	DHS Child Care	Probate Child Care	Veteran's Trust	Health Set Aside	Friends of the Courthouse	Hakola-Ross Drainage
REVENUES:								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
License & Permits	-	-	-	-	-	-	-	-
Federal Sources	1,181	-	-	-	-	-	-	-
State Sources	-	-	-	1,751	4,052	-	-	-
Local Sources	-	-	-	7,500	-	-	-	-
Charges for Services	-	-	-	-	-	-	-	-
Interest & Rentals	-	-	-	-	-	-	-	-
Fees & Collections	-	-	-	-	-	-	-	-
Other Revenue	-	-	-	12,806	-	-	-	-
TOTAL REVENUES	1,181	-	-	22,057	4,052	-	-	-
EXPENDITURES:								
Judicial	-	-	-	-	-	-	-	-
General Government	-	-	-	-	-	-	-	-
Public Safety	-	-	-	-	-	-	-	-
Public Works	-	-	-	-	-	-	-	-
Health & Welfare	749	20,110	46,941	337,023	3,994	-	-	-
Community/Economic Development	-	-	-	-	-	-	-	-
Debt Service	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	749	20,110	46,941	337,023	3,994	-	-	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	432	(20,110)	(46,941)	(314,966)	58	-	-	-
OTHER FINANCING SOURCES (USES):								
Operating Transfers In	-	20,110	46,941	422,685	-	250,000	-	-
Operating Transfers Out	-	-	-	(107,719)	(1,140)	-	-	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	432	-	-	-	(1,082)	250,000	-	-
FUND BALANCES, JANUARY 1	802	1,158	80,081	-	1,383	-	1,779	7,503
FUND BALANCES, DECEMBER 31	\$ 1,234	\$ 1,158	\$ 80,081	\$ -	\$ 301	\$ 250,000	\$ 1,779	\$ 7,503

County of Chippewa, Michigan

Combining Statement of Revenues, Expenditures, and Changes in Fund Balance Nonmajor Governmental Funds For the Year Ended December 31, 2008

	Special Revenue Fund	Debt Service Funds						
		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	Correctional Bond Retirement
	Ambulance							
REVENUES:								
Taxes	\$ 405,035	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
License & Permits	-	-	-	-	-	-	-	-
Federal Sources	-	-	-	-	-	-	-	-
State Sources	-	-	-	-	-	-	-	-
Local Sources	-	176,449	3,460	33,274	189,918	283,305	163,725	-
Charges for Services	-	-	-	-	-	-	-	-
Interest & Rentals	-	-	421	-	-	-	6,348	20,464
Fees & Collections	-	-	-	-	-	-	-	-
Other Revenue	-	-	-	-	-	-	-	-
TOTAL REVENUES	405,035	176,449	3,881	33,274	189,918	283,305	170,073	20,464
EXPENDITURES:								
Judicial	-	-	-	-	-	-	-	-
General Government	-	-	-	-	-	-	-	-
Public Safety	-	-	-	-	-	-	-	-
Public Works	-	-	-	-	-	-	-	-
Health & Welfare	399,778	-	-	-	-	-	-	-
Community/Economic Development	-	-	-	-	-	-	-	-
Debt Service	-	176,449	-	33,274	189,918	283,305	167,618	343,135
TOTAL EXPENDITURES	399,778	176,449	-	33,274	189,918	283,305	167,618	343,135
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	5,257	-	3,881	-	-	-	2,455	(322,671)
OTHER FINANCING SOURCES (USES):								
Operating Transfers In	-	-	-	-	-	-	-	-
Operating Transfers Out	(133,362)	-	-	-	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	(128,105)	-	3,881	-	-	-	2,455	(322,671)
FUND BALANCES, JANUARY 1	157,588	-	25,084	-	-	-	254,039	611,587
FUND BALANCES, DECEMBER 31	\$ 29,483	\$ -	\$ 28,965	\$ -	\$ -	\$ -	\$ 256,494	\$ 288,916

County of Chippewa, Michigan

Combining Statement of Revenues, Expenditures, and Changes in Fund Balance Nonmajor Governmental Funds For the Year Ended December 31, 2008

	Debt Service Funds			Capital Project Funds		
	1988 Bldg Authority Bond Retirement	Courthouse Annex Renovation	1977 Superior Twp Debt Retirement	Correctional Building	Courthouse Annex Renovation	Totals
REVENUES:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 405,035
License & Permits	-	-	-	-	-	3,690
Federal Sources	-	-	-	-	-	231,763
State Sources	-	-	-	-	-	131,792
Local Sources	-	-	7,500	-	-	886,747
Charges for Services	-	-	-	-	-	139,388
Interest & Rentals	-	-	-	-	-	27,474
Fees & Collections	-	-	-	-	-	481,035
Other Revenue	-	-	-	-	-	221,245
TOTAL REVENUES	-	-	7,500	-	-	2,528,169
EXPENDITURES:						
Judicial	-	-	-	-	-	11,219
General Government	-	-	-	-	-	51,063
Public Safety	-	-	-	1,942,198	-	2,972,000
Public Works	-	-	-	-	-	141,008
Health & Welfare	-	-	-	-	-	825,286
Community/Economic Development	-	-	-	-	-	250,328
Debt Service	-	198,850	7,500	-	-	1,427,549
TOTAL EXPENDITURES	-	198,850	7,500	1,942,198	-	5,678,453
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	(198,850)	-	(1,942,198)	-	(3,150,284)
OTHER FINANCING SOURCES (USES):						
Operating Transfers In	-	198,850	-	1,942,198	-	3,159,696
Operating Transfers Out	-	-	-	-	-	(247,221)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	-	-	-	-	-	(237,809)
FUND BALANCES, JANUARY 1	122	-	-	-	957	1,481,800
FUND BALANCES, DECEMBER 31	\$ 122	\$ -	\$ -	\$ -	\$ 957	\$ 1,243,991

County of Chippewa, Michigan

Combining Statement of Net Assets Major Tax Collection Enterprise Fund December 31, 2008

	2006 Tax Revolving	2007 Tax Revolving	Prior Years' Tax Revolving	Tax Revolving Admin	Totals
ASSETS:					
Cash & Investments - Unrestricted	\$ 2,262,909	\$ 2,121,640	\$ 3,488,044	\$ 121,416	\$ 7,994,009
Taxes Receivable	173,995	1,260,357	-	-	1,434,352
Accrued Interest	62,195	126,036	45,119	-	233,350
TOTAL ASSETS	<u>\$ 2,499,099</u>	<u>\$ 3,508,033</u>	<u>\$ 3,533,163</u>	<u>\$ 121,416</u>	<u>\$ 9,661,711</u>
LIABILITIES:					
Due to Other Governmental Units	\$ 7,010	\$ -	\$ -	\$ -	\$ 7,010
Accrued Liabilities	63,965	115,199	-	725	179,889
TOTAL LIABILITIES	<u>70,975</u>	<u>115,199</u>	<u>-</u>	<u>725</u>	<u>186,899</u>
NET ASSETS:					
Unrestricted	<u>2,428,124</u>	<u>3,392,834</u>	<u>3,533,163</u>	<u>120,691</u>	<u>9,474,812</u>
TOTAL NET ASSETS	<u>2,428,124</u>	<u>3,392,834</u>	<u>3,533,163</u>	<u>120,691</u>	<u>9,474,812</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,499,099</u>	<u>\$ 3,508,033</u>	<u>\$ 3,533,163</u>	<u>\$ 121,416</u>	<u>\$ 9,661,711</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, 2008

	2006 Tax Revolving	2007 Tax Revolving	Prior Years' Tax Revolving	Tax Revolving Admin	Totals
OPERATING REVENUES:					
Charges for Services	\$ -	\$ 70,988	\$ 65,797	\$ 9,841	\$ 146,626
Penalties and Interest Charges	131,578	204,385	1,521	-	337,484
TOTAL OPERATING REVENUES	131,578	275,373	67,318	9,841	484,110
OPERATING EXPENSES:					
Personal Services	6,097	3,673	-	8,627	18,397
Other Supplies and Expenses	-	-	71	2,097	2,168
Total Operating Expenses	6,097	3,673	71	10,724	20,565
OPERATING INCOME (LOSS)	125,481	271,700	67,247	(883)	463,545
NON-OPERATING REVENUES (EXPENSES):					
Interest on Deposits	37,514	-	-	-	37,514
Total Non-operating Revenues (Expenses)	37,514	-	-	-	37,514
INCOME (LOSS) BEFORE TRANSFERS	162,995	271,700	67,247	(883)	501,059
Operating Transfers In	-	3,121,134	1,857,768	-	4,978,902
Operating Transfers Out	(1,032,737)	-	(2,680,595)	-	(5,571,100)
CHANGES IN NET ASSETS	(869,742)	3,392,834	(755,580)	(883)	(91,139)
NET ASSETS, JANUARY 1	3,297,866	-	4,288,743	121,574	9,565,951
NET ASSETS, DECEMBER 31	\$ 2,428,124	\$ 3,392,834	\$3,533,163	\$ 120,691	\$ 9,474,812

County of Chippewa, Michigan

Combining Statement of Net Assets

Nonmajor Enterprise Funds

December 31, 2008

	State Education Tax Parcel Fee	2003 Tax Foreclosure	2004 Tax Foreclosure	2005 Tax Foreclosure	Sheriff Commissary	Homestead Tax	Totals
ASSETS:							
Cash & Investments - Unrestricted	\$ 4,546	\$ -	\$ 137,673	\$ 86,874	\$ 256	\$ 39	\$ 229,388
Due from Other Governmental Units	-	-	-	-	-	16,454	16,454
TOTAL ASSETS	<u>\$ 4,546</u>	<u>\$ -</u>	<u>\$ 137,673</u>	<u>\$ 86,874</u>	<u>\$ 256</u>	<u>\$ 16,493</u>	<u>\$ 245,842</u>
LIABILITIES:							
Due to Other Funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 16,485	\$ 16,485
Accrued Liabilities	-	-	592	-	-	-	592
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>592</u>	<u>-</u>	<u>-</u>	<u>16,485</u>	<u>17,077</u>
NET ASSETS:							
Unrestricted	<u>4,546</u>	<u>-</u>	<u>137,081</u>	<u>86,874</u>	<u>256</u>	<u>8</u>	<u>228,765</u>
TOTAL NET ASSETS	<u>4,546</u>	<u>-</u>	<u>137,081</u>	<u>86,874</u>	<u>256</u>	<u>8</u>	<u>228,765</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 4,546</u>	<u>\$ -</u>	<u>\$ 137,673</u>	<u>\$ 86,874</u>	<u>\$ 256</u>	<u>\$ 16,493</u>	<u>\$ 245,842</u>

County of Chippewa, Michigan

Combining Statement of Revenues, Expenses, and Changes in Net Assets - Nonmajor Enterprise Funds For the Year Ended December 31, 2008

	State Education Tax Parcel Fee	2003 Tax Foreclosure	2004 Tax Foreclosure	2005 Tax Foreclosure	Sheriff Commissary	Homestead Tax	Totals
OPERATING REVENUES:							
Charges for Services	\$ 3,932	\$ -	\$ -	\$ 98,009	\$ 124,262	\$ -	\$ 226,203
TOTAL OPERATING REVENUES	3,932	-	-	98,009	124,262	-	226,203
OPERATING EXPENSES:							
Personal Services	9,926	-	-	960	-	-	10,886
Other Supplies and Expenses	2,589	-	-	10,175	96,593	-	109,357
Total Operating Expenses	12,515	-	-	11,135	96,593	-	120,243
OPERATING INCOME (LOSS)	(8,583)	-	-	86,874	27,669	-	105,960
INCOME (LOSS) BEFORE TRANSFERS	(8,583)	-	-	86,874	27,669	-	105,960
Operating Transfers Out	-	(115,880)	-	-	(30,000)	-	(145,880)
CHANGES IN NET ASSETS	(8,583)	(115,880)	-	86,874	(2,331)	-	(39,920)
NET ASSETS, JANUARY 1	13,129	115,880	137,081	-	2,587	8	268,685
NET ASSETS, DECEMBER 31	<u>\$ 4,546</u>	<u>\$ -</u>	<u>\$ 137,081</u>	<u>\$ 86,874</u>	<u>\$ 256</u>	<u>\$ 8</u>	<u>\$ 228,765</u>

County of Chippewa, Michigan

Combining Statement of Cash Flows Nonmajor Enterprise Funds For the Year Ended December 31, 2008

	State Education Tax Parcel Fee	2003 Tax Foreclosure	2004 Tax Foreclosure	2005 Tax Foreclosure	Sheriff Commissary	Homestead Tax	Totals
CASH FLOWS FROM OPERATING ACTIVITIES:							
Receipts from Customers	\$ 3,932	\$ -	\$ -	\$ 98,009	\$ 124,262	\$ 39	\$ 226,242
Payments to Suppliers	(12,914)	-	-	(11,135)	(96,593)	-	(120,642)
Net Cash Provided (Used) by Operating Activities	(8,982)	-	-	86,874	27,669	39	105,600
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:							
Operating Transfers Out	-	(115,880)	-	-	(30,000)	-	(145,880)
Net Cash Provided (Used) by Noncapital Financing Activities	-	(115,880)	-	-	(30,000)	-	(145,880)
Net Increase (Decrease) in Cash and Cash Equivalents	(8,982)	(115,880)	-	86,874	(2,331)	39	(40,280)
Balances - Beginning of the Year	13,528	115,880	137,673	-	2,587	-	269,668
Balances - End of the Year	<u>\$ 4,546</u>	<u>\$ -</u>	<u>\$ 137,673</u>	<u>\$ 86,874</u>	<u>\$ 256</u>	<u>\$ 39</u>	<u>\$ 229,388</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:							
Operating Income (Loss)	\$ (8,583)	\$ -	\$ -	\$ 86,874	\$ 27,669	\$ -	\$ 105,960
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:							
Change in Assets and Liabilities:							
(Increase)Decrease in Assets:							
Due from Other Governmental Units	-	-	-	-	-	39	39
Increase(Decrease) in Liabilities:							
Accrued Liabilities	(399)	-	-	-	-	-	(399)
Net Cash Provided (Used) by Operating Activities	<u>\$ (8,982)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 86,874</u>	<u>\$ 27,669</u>	<u>\$ 39</u>	<u>\$ 105,600</u>

County of Chippewa, Michigan

Statement of Net Assets Internal Service Funds December 31, 2008

	Self Insurance- Health	Self Insurance- Workers Comp.	Central Stores	Total
ASSETS:				
Cash	\$ 461,495	\$ 79,806	\$ 254	\$ 541,555
Inventories	-	-	39,452	39,452
TOTAL ASSETS	<u>\$ 461,495</u>	<u>\$ 79,806</u>	<u>\$ 39,706</u>	<u>\$ 581,007</u>
LIABILITIES:				
Due to Other Funds	\$ -	\$ -	\$ 39,085	\$ 39,085
INBR Payable	233,376	-	-	233,376
TOTAL LIABILITIES	<u>233,376</u>	<u>-</u>	<u>39,085</u>	<u>272,461</u>
NET ASSETS:				
Unrestricted	228,119	79,806	621	308,546
TOTAL NET ASSETS	<u>228,119</u>	<u>79,806</u>	<u>621</u>	<u>308,546</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 461,495</u>	<u>\$ 79,806</u>	<u>\$ 39,706</u>	<u>\$ 581,007</u>

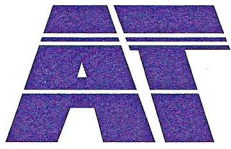
County of Chippewa, Michigan**Statement of Revenues, Expenses, and
Changes in Net Assets - Internal Service Funds
For the Year Ended December 31, 2008**

	Self Insurance- Health	Self Insurance- Workers Comp.	Central Stores	Total
OPERATING REVENUES:				
Charges for Services	\$ 2,331,984	\$ 135,324	\$ 22,065	\$ 2,489,373
Total Operating Revenues	2,331,984	135,324	22,065	2,489,373
OPERATING EXPENSES:				
Premium Reimbursements	2,089,888	98,693	-	2,188,581
Fees & Claims	77,833	-	-	77,833
Supplies	-	-	32,375	32,375
Total Operating Expenses	2,167,721	98,693	32,375	2,298,789
OPERATING INCOME (LOSS)	164,263	36,631	(10,310)	190,584
NET ASSETS, JANUARY 1	63,856	43,175	10,931	117,962
NET ASSETS, DECEMBER 31	\$ 228,119	\$ 79,806	\$ 621	\$ 308,546

**Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended December 31, 2008**

	Self Insurance- Health	Self Insurance- Workers Comp.	Central Stores	Totals
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from Customers	\$ 2,331,984	\$ 135,324	\$ 22,065	\$ 2,489,373
Payments to Suppliers	<u>(2,089,887)</u>	<u>(98,693)</u>	<u>(23,113)</u>	<u>(2,211,693)</u>
Net Cash Provided (Used) by Operating Activities	<u>242,097</u>	<u>36,631</u>	<u>(1,048)</u>	<u>277,680</u>
Net Increase (Decrease) in Cash and Cash Equivalents	242,097	36,631	(1,048)	277,680
Balances - Beginning of the Year	<u>219,398</u>	<u>43,175</u>	<u>1,302</u>	<u>263,875</u>
Balances - End of the Year	<u><u>\$ 461,495</u></u>	<u><u>\$ 79,806</u></u>	<u><u>\$ 254</u></u>	<u><u>\$ 541,555</u></u>
 Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating Income (Loss)	\$ 164,263	\$ 36,631	\$ (10,310)	\$ 190,584
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Change in Assets and Liabilities:				
(Increase) Decrease in Assets:				
Inventory	-	-	9,262	9,262
Increase (Decrease) in Liabilities:				
Accrued Liabilities	<u>77,834</u>	<u>-</u>	<u>-</u>	<u>77,834</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$ 242,097</u></u>	<u><u>\$ 36,631</u></u>	<u><u>\$ (1,048)</u></u>	<u><u>\$ 277,680</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. TALSMA, CPA, PRINCIPAL

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 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, 2008 which collectively comprise the County's basic financial statements and have issued our report thereon, dated April 29, 2009. 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 as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the County's financial statements that is more than inconsequential will not be prevented or detected by the County's internal control over financial reporting. We consider the deficiencies described in 08-1 in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the County's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County of Chippewa'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 material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the County of Chippewa, Michigan in a separate letter dated April 29, 2009.

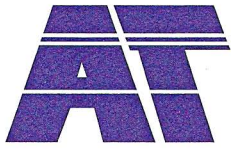
Chippewa County's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs and summary schedule of prior audit findings. We did not audit Chippewa County's responses; and accordingly, we express no opinion on it.

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

April 29, 2009



ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

KINROSS OFFICE

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

MEMBER MACPA

OFFICES IN
MICHIGAN & WISCONSIN

**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, 2008. 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 auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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.

In our opinion, 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, 2008. However the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 08-1.

Internal Control Over Compliance

The management of the County of Chippewa, Michigan is responsible for establishing and maintaining effective internal control over compliance with the 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A control deficiency in a County's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the County's internal control. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and question costs as item 08-1 to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the County's internal control. We did not consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness.

Chippewa County's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the County's response and accordingly, we express no opinion on it.

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

April 29, 2009

County of Chippewa, Michigan

Schedule of Expenditures of Federal Awards For the Year Ended December 31, 2008

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Agency or Pass-through Number	Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE:			
<i>Pass-through from the Michigan Department of Community Health:</i>			
Women, Infant and Children	10.557	XX4W1006	158,924
Subtotal			158,924
<i>Pass-through from the Michigan Department of Natural Resources:</i>			
Schools and Roads Grant	10.665	-	545,864
Schools and Roads Grant	10.665	-	47,763
Subtotal			593,627
Total U.S. Department of Agriculture			752,551
U.S. DEPARTMENT OF COMMERCE:			
<i>Pass-through from the State of Michigan Department of State Police, Emergency Management Division:</i>			
Public Safety Interoperable Grant	11.555	2007-GS-H7-0043	335,000
<i>Pass-through from the County of Marquette:</i>			
Public Safety Interoperable Grant	11.555	2007-GS-H7-0043	155,413
Total U.S. Department of Commerce			490,413
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-2006-0731-HOA	26,437
CDBG Housing Program	14.228	MSC-2007-0731-HOA	84,338
Total U.S. Department of Housing and Urban Development			110,775
U.S. DEPARTMENT OF JUSTICE:			
<i>Pass-through from the State of Michigan Department of Human Services (DHS):</i>			
Juvenile Accountability Grant	16.523	JABGN-07-17001	1,181
Subtotal			1,181
<i>Pass-through from Diane Peppler Resource Center:</i>			
STOP Grant	16.588	-	17,000
<i>Pass-through from Emmet County:</i>			
S.A.N.E.	16.579	70868-8K04	16,880
<i>Direct Award:</i>			
COPS 2006 Technology	16.xxx	2006CKWX0534	197,445
Total U.S. Department of Justice			232,506
U.S. DEPARTMENT OF TRANSPORTATION:			
<i>Pass-through from the State of Michigan Department of Transportation:</i>			
<i>Airport Improvement Program - MDOT Administered:</i>			
Rehabilitation of E&C Lighting Phase I	20.106	3-26-0139-2208	912,576
Rehabilitation of Electrical Vault Phase I	20.106	3-26-0139-2308	305,793
Equipment/Sweeper	20.106	3-26-0139-2408	25,427
Subtotal			1,243,796
<i>Pass-through Programs from the State of Michigan Department of Transportation (MDOT) - MDOT Administered:</i>			
Railroad Construction Improvements	20.205	STP 0817(009)	373,300
Tilson Road	20.205	HPSL 0717(015)	1,241,698
Subtotal			1,614,998

County of Chippewa, Michigan

Schedule of Expenditures of Federal Awards For the Year Ended December 31, 2008

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Agency or Pass-through Number	Federal Expenditures
<i>Pass-through Programs from the State of Michigan Department of Transportation (MDOT) - Local Force Account:</i>			
Documentation of Historic Shipwrecks	20.205	ENH-2003-00148	46,823
Subtotal			46,823
<i>Pass-through Programs from the State of Michigan Department of Transportation (MDOT):</i>			
Section 5311 Operating Assistance	20.509	2007-0204 101906	75,642
Capital Grants - Section 5311 (80/20)	20.509	2002-0035 84398	367
Capital Grants - Section 5311 (100/0)	20.509	2007-0204 89906	27,875
Capital Grants - Section 5309 (80/20)	20.500	2002-0035 88029	608
Capital Grants - Section 511 (100/0)	20.900	2002-0035 76694	60,800
Capital Grants - Section 5316 (80/20)	20.516	2007-0035 101971	17,889
Job Access and Reverse Commute Program (JARC)	20.516	2007-0204 101971	8,797
Rural Transit Assistance Program (RTAP)	20.xxx	-	3,067
Subtotal			195,045
<i>Pass-through from the State of Michigan Department of State Police, Office of Highway Safety Planning:</i>			
Alcohol Traffic Safety and Drunk Driving Prevention	20.601		24,637
<i>Pass-through from the State of Michigan Department of State Police, Emergency Management Division:</i>			
HEMP	20.503	-	32,612
Total U.S. Department of Transportation			3,157,911
U.S. ENVIRONMENTAL PROTECTION AGENCY:			
<i>Pass-through from State of Michigan Department of Environmental Quality:</i>			
Noncommunity (Type II) - Operator Certification	66.471	-	1,400
Beaches Great Lakes	66.472	-	10,294
Subtotal			11,694
Total U.S. Environmental Protection Agency			11,694
U.S. DEPARTMENT OF HOMELAND SECURITY:			
<i>Pass-through from the State of Michigan Department of Natural Resources, Grants Management</i>			
2008 Marine Safety Program	97.012	-	14,337
<i>Pass-through from the State of Michigan Department of State Police, Emergency Management Division:</i>			
Emergency Management Performance Grant	97.042	-	12,096
<i>Pass-through from the County of Houghton:</i>			
2006 Homeland Security Grant Program Grant Agreement	97.067	-	103,135
Total U.S. Department of Homeland Security			129,568
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	93.563	-	20,784
Prosecuting Attorney - Incentive	93.563	-	20,784
Friend of the Court - Cooperative Reimbursement	93.563	CS/FOC-09-17001	62,812
Friend of the Court - Cooperative Reimbursement	93.563	CS/FOC-08-17001	143,263
Prosecuting Attorney - Cooperative Reimbursement	93.563	CS/PA-09-17002	12,284
Prosecuting Attorney - Cooperative Reimbursement	93.563	CS/PA-08-17002	22,976
Friend of the Court PRO FC	93.658	PROFC-08-17001	3,125
Subtotal			286,028

See notes to schedule of expenditures of federal awards.

County of Chippewa, Michigan

Schedule of Expenditures of Federal Awards For the Year Ended December 31, 2008

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Agency or Pass-through Number	Federal Expenditures
<i>Pass-through from Pathways:</i>			
SAPT Block Grant for Prevention and Substance Abuse	93.959	09BMISAPT	45,565
Substance Abuse Treatment Prevention	93.959	00 B1MISAPT05	45,000
Subtotal			90,565
<i>Pass-through from the State of Michigan Department of Community Health:</i>			
Family Planning	93.217	05H000173	49,617
SPF/SIG	93.243	U79SP11196	25,892
Immunizations - Handling	93.268	H23 CCH522556	13,018
Immunizations - IAP	93.268	H23 CCH522556	3,149
Vaccine Provided	93.268	-	397,087
Immunization AFIX	93.268	H23CCH522556	150
VFC Provider Site Visits	93.268	H23CCH522556	450
Bioterrorism	93.283	CCU517018	195,238
Cancer-BCCCP Coordination	93.283	U57 CCU506738	29,876
Cancer-Family Planning Coordination	93.283	U57 CCU506738	3,273
Medical Assistance Program	93.778	5XX05MI5048	14,093
CSHCS Care Coordination	93.778	50705MI5078	240
Maternal and Child Health Block Grant - Local MCH	93.994	B1MIMCHS	25,920
Maternal and Child Health Block Grant - Case Management Services	93.994	B1MIMCHS	6,742
Subtotal			764,745
Total U.S. Department of Health & Human Services			1,141,338
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 6,026,756

**Notes to Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2008**

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>110,775</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 contracted projects. Accordingly, the federal expenditures recognized on each negotiated project do not necessarily relate to the County's actual costs for that project. Contracted projects are administered by MDOT which monitors the applicable compliance requirements of those projects.

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

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

Total Federal per Financial Statements	
Revenues – Primary Government	\$ 1,625,606
Federal Grants of Component Units	3,100,662
Federal Grants in Trust & Agency	593,627
Federal Revenue classified as State and Other	<u>706,861</u>
Total Federal Revenue Recognized per Schedule of Expenditures of Federal Awards	\$ <u>6,026,756</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
· Significant deficiencies identified that are not considered to be material weaknesses?	Yes
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
· Material weaknesses identified?	No
· Significant deficiencies identified that are not considered to be material weaknesses?	Yes
Type of auditor’s report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	No

Identification of Major Programs

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
10.665	Schools and Roads Grant
11.555	Public Safety Interoperable Grant
93.268	Immunization Grants
Dollar threshold used to distinguish between types A and type B programs:	\$ 300,000
Auditee qualified as low-risk auditee?	Yes

Section II – Financial Statement Findings

NONE.

Section III – Federal Award Findings and Questioned Costs

Noncompliance - U.S. Department of Commerce

Finding 08-1

Program Award: Public Safety Interoperable Grant; CFDA No. 11.555; Pass-through from the State of Michigan Department of State Police, Emergency Management Division.

Criteria: Internal controls should be in place to provide reasonable assurance to the County that equipment purchased with federal grants is inventoried within the last two years and that capital asset records contain date of acquisition, cost, percentage of federal participation and location.

Condition: A physical inventory of equipment was not performed at least biennially and records do not contain the above information for items purchased with federal grant monies.

Effect: The effect of this condition violates provisions of A-102 Common Rule as applicable to local units of government result in potential weakness in the property management system of internal controls.

Cause: Departments do not report federal acquisition information to capital asset management personnel.

Recommendation: The County should consider amending its property management system to include information required above, and develop a system for reporting federal purchases by departments procuring equipment with federal award funds.

Planned Corrective Action: The County will amend the reporting process to identify and inventory federal equipment purchases and provide for department reporting of capital asset purchases.

- Contact Person(s) Responsible for Correction:
Jim German, Administrator
- Anticipated Completion Date:
June 2009

Section II – Financial Statement Findings

SIGNIFICANT DEFICIENCIES

**Preparation of the Financial Statements in Accordance
with Generally Accepted Accounting Principles**

Finding 07-1

Specific Requirement: Establishment and maintenance of internal control over the financial reporting process as defined by Statement on Auditing Standards Number 112 requires management to prepare annual audit statements in accordance with GASB Statement Number 34. (Audit report format)

Criteria: Internal controls should be in place to provide reasonable assurance to the County that management reports financial statements (with GASB Statement number 34 formats) necessary to monitor and report annual financial activity without auditor intervention.

Condition: Auditor prepares financial statements and annual report in compliance with GASB 34.

Effect: The effect of this condition places a reliance on the independent auditor as part of the County's internal controls over financial reporting.

Cause: Change in application of auditing standards.

Recommendation: The County should consider subcontracting financial statement preparation activities to monitor and report annual financial activity in accordance with GASB Statement Number 34.

Planned Corrective Action: The County will consider preparing the financial statements internally, contracting this process or continuing to utilize the external auditors for reporting based on the results of a cost benefit analysis.

- Contact Person(s) Responsible for Correction:
Jim German, Administrator

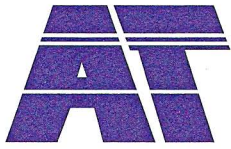
Status: To satisfy the requirements of GASB Statement Number 34, the County has contracted with an independent accountant with the ability to prepare the audit report. The finding is considered corrected.

Additional Information

CHIPPEWA COUNTY, MICHIGAN

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ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

KINROSS OFFICE

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**MEMBER AICPA
DIVISION FOR CPA FIRMS**

MEMBER MACPA

**OFFICES IN
MICHIGAN & WISCONSIN**

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, 2008, 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 & Company, PLC
Certified Public Accountants

April 29, 2009

**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, 2008, 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
		2008 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	2007		2008	
	Amount	Percent of Total	Amount	Percent of Total
Agricultural	\$ 27,794,086	2.94%	\$ 30,317,642	3.11%
Commercial	163,287,404	17.27%	162,453,852	16.64%
Industrial	23,478,795	2.48%	24,412,454	2.50%
Residential	705,519,971	74.64%	733,823,615	75.18%
Utility	25,175,700	2.67%	25,110,600	2.57%
Total	<u>\$ 945,255,956</u>	<u>100.00%</u>	<u>\$ 976,118,163</u>	<u>100.00%</u>

NOTE 2 – TABLES: (Continued)

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

Class	2007		2008	
	Amount	Percent of Total	Amount	Percent of Total
Real Property	\$ 887,594,526	93.90%	\$ 919,007,021	94.15%
Personal Property	57,661,430	6.10%	57,111,142	5.85%
Total	\$ 945,255,956	100.00%	\$ 976,118,163	100.00%

Source: County of Chippewa

C. Taxable Value:

Assessed Value as of December 31	Year of State Equalization and Tax Levy	County's Fiscal Year Ended or Ending December 31	Ad Valorem Taxable Value	Taxable Value of Property Granted Tax Abatement Under Acts 198 and 255	Total Taxable Value	Percent Increase Over Prior Year
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	6,328,550	857,080,157	5.95%
2005	2006	2007	897,212,364	4,264,000	901,476,364	5.18%
2006	2007	2008	945,255,956	4,428,200	949,684,156	5.35%
2007	2008	2009	976,118,163	4,428,200	980,546,363	3.35%

Per Capita Total taxable value for the fiscal year ending December 31, 2008 \$25,142.

(1) Based on the County's 2008 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				
	2004	2005	2006	2007	2008
Agriculture	\$ 90,255,236	\$ 103,601,050	\$ 48,141,800	\$ 51,172,100	\$ 54,648,700
Commercial	158,447,959	165,701,913	174,780,232	176,609,794	176,124,589
Industrial	22,950,600	23,390,300	23,459,550	24,569,200	25,920,700
Residential	858,373,843	917,115,556	977,061,879	1,032,125,880	1,076,007,514
Utility	21,201,883	23,227,200	24,571,100	25,175,700	25,110,600
Total	<u>\$ 1,151,229,521</u>	<u>\$ 1,233,036,019</u>	<u>\$ 1,248,014,561</u>	<u>\$ 1,309,652,674</u>	<u>\$ 1,357,812,103</u>
Class					
Real Property	\$ 1,102,410,302	\$ 1,181,367,905	\$ 1,192,976,161	\$ 1,251,991,094	\$ 1,300,698,423
Personal Property	<u>48,819,219</u>	<u>51,668,114</u>	<u>55,038,400</u>	<u>57,661,580</u>	<u>57,113,680</u>
Total	<u>\$ 1,151,229,521</u>	<u>\$ 1,233,036,019</u>	<u>\$ 1,248,014,561</u>	<u>\$ 1,309,652,674</u>	<u>\$ 1,357,812,103</u>

Source: County of Chippewa

E. Maximum Tax Rates:

Millage Classification	Millage Authorized	Millage Reduction Fraction (1)	Maximum Allowable Millage
Allocated	6.1500	1.0000	6.1426
Fire/Ambulance (2)	0.4293	1.0000	.4280
Roads (2)	1.0000	1.0000	.9906
Recycling (2)	0.5000	1.0000	.4994
Jail Renovation (3)	0.7500	1.0000	.7098

(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
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
2006	2007	5.9314	0.4293	0.9607	0.5000	0.7107	8.5321
2007	2008	6.1426	0.4280	0.9906	0.4994	0.7098	8.7704
2008	2009	6.1327	0.4280	0.9890	0.4986	0.7086	8.7569

(1) Voted.

Source: County of Chippewa

G. Highest and Lowest Tax Rates:

The highest and lowest tax rates for properties allowed special exemption status and all other taxable properties within the County for its fiscal year ending December 31, 2008:

Property Classification	Highest Tax Rate		Lowest Tax Rate	
	Municipality	Tax Rate	Municipality	Tax Rate
Special Exemption*	Sault Ste. Marie	38.9555 mils	Soo Township	19.1283 mils
Other	Sault Ste. Marie	56.9159 mils	Soo Township	37.0887 mils

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

Source: County of Chippewa

NOTE 2 - TABLES: (Continued)

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
2003	2004	\$ 6,433,285	\$ 5,748,854	89.36%
2004	2005	6,515,275	5,896,835	90.51%
2005	2006	6,779,257	6,223,099	91.80%
2006	2007	7,192,915	6,648,532	92.43%
2007	2008	7,473,870	6,869,311	91.91%

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

Source: County of Chippewa

I. Ten Largest Taxpayers:

		December 31, 2008	
Taxpayer	Principal Productor Service	Taxable Value (1)	Percent of of Total (2)
Edison Sault Electric Co.	Utility	\$ 17,705,370	29.36%
Cloverland Electric Co.	Utility	10,740,279	17.81%
DDR Michigan II LLC	Shopping Mall	7,585,868	12.58%
Pointe West I LP	Apartment Complex	4,901,000	8.13%
Precision Edge/12 th Ave Rlty	Manufacturing	4,057,300	6.73%
Continental Teves, Inc.	Auto Testing Service	4,519,286	7.49%
Key Plastics LLC	Manufacturer	2,642,200	4.38%
Drummond Dolomite	Dolomite Quarry	2,613,700	4.33%
Sault Ste. Marie Tribe	Various	3,005,755	4.98%
Michigan Consolidated Gas	Utility	2,543,896	4.21%
		<u>\$ 60,314,654</u>	<u>\$ 100.00%</u>

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

(2) Based on \$976,118,163 which is the County's Total Taxable Value for the fiscal year ending December 31, 2008. 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, 2008.

Debt Limit (1)	\$ 135,781,210
Debt Outstanding (2)	<u>(12,658,969)</u>
Legal Debt Margin	<u>\$ 123,122,241</u>

- (1) 10% of \$1,357,812,103 which is the County's Total SEV for its fiscal year ending December 31, 2008. 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, 2008:

County Direct Debt	Gross	Self-Supporting	Net
Building Authority Bonds:			
Dated March 1, 2000 (LT)	\$ 190,000	\$ -	\$ 190,000
Dated February 1, 1999 (LT)	3,100,000	-	3,100,000
Dated June 1, 1995 (LT)	<u>955,000</u>	<u>-</u>	<u>955,000</u>
Subtotal	<u>4,245,000</u>	<u>-</u>	<u>4,245,000</u>
Water and Sewer Bonds:			
Dated December 11, 2001	2,210,000	2,210,000	-
Dated November 4, 1998	2,055,000	2,055,000	-
Dated November 30, 1995	1,660,000	1,660,000	-
Dated 1977	45,000	45,000	-
Dated June 1, 2000	545,000	545,000	-
Dated June 1, 2000	<u>24,000</u>	<u>24,000</u>	<u>-</u>
Subtotal	<u>6,539,000</u>	<u>6,539,000</u>	<u>-</u>
Notes Payable:			
Dated April 20, 2000	<u>88,595</u>	<u>-</u>	<u>88,595</u>
Installment Obligations	<u>1,786,374</u>	<u>-</u>	<u>1,786,374</u>
Total	<u>\$ 12,658,969</u>	<u>\$ 6,539,000</u>	<u>\$ 6,119,969</u>
Per Capita Net County Direct Debt			\$ 156.92
Percent of Net Direct Debt to Total SEV			0.45%

NOTE 2 - TABLES: (Continued)

K. Debt Schedule: (Continued)

<u>Underlying Debt of County (5)</u>	<u>Total</u>
City	\$ 8,060,000
Townships	1,044,100
Village	130,000
School Districts	<u>29,255,419</u>
Total Underlying Debt	<u>\$ 38,489,519</u>
Per Capita Underlying Debt (3)	\$ 987
Percent of Underlying Debt to Total SEV (4)	2.84%
Total Direct and Underlying Debt	<u>\$ 44,609,488</u>
Per Capita Net Direct and Underlying Debt (3)	\$ 1,143.83
Percent of Net Direct and Underlying Debt to Total SEV (4)	3.29%

- (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 2008 population estimate of 39,000.
- (4) Based on \$1,357,812,103 which is the County's Total SEV for its fiscal year ending December 31, 2008. 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, 2008, the accumulated unpaid compensated absences amount to \$594,733.

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>
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
2005	21,105,600	24,098,670	88
2006	22,719,301	25,841,406	88
2007	24,411,785	27,878,398	88

Source: County of Chippewa

R. Labor Contracts:

The County courthouse has 142 full and part-time employees. Approximately 47% 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	December 31, 2011
Police Officers Labor Council	32	December 31, 2009
Non-Union Employees	<u>76</u>	Not applicable
Total Permanent County Employees	<u>142</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	1,460
State of Michigan	State Prisons / State Government	1,343
Bay Mills Indian Community	Indians Various Tribal Enterprises/ Casino	800
War Memorial Hospital	Hospital	664
Lake Superior State University	Education	320
Sault Area Public Schools	Education	310
Wal-Mart	Department Store	200
U.S. Coast Guard	Federal Government	195
C.L.M. Community Action	Child Daycare Services / Senior Services	190
Rudyard Area Schools	Education	177

Source: County of Chippewa

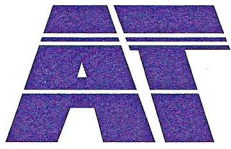
T. Employment:

Reflected below are the unemployment statistics for the County for the calendar years 2003 through 2008:

<u>County of Chippewa</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Employed	16,175	16,425	16,500	16,395	16,188	15,811
Unemployed	<u>1,475</u>	<u>1,375</u>	<u>1,509</u>	<u>1,510</u>	<u>1,528</u>	<u>1,718</u>
Labor Force	<u>17,650</u>	<u>17,800</u>	<u>18,009</u>	<u>17,905</u>	<u>17,716</u>	<u>17,529</u>
Unemployed as % Of Labor Force (1)	8.4%	7.7%	8.4%	8.4%	8.6%	9.8%

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

Source: Michigan Unemployment Agency



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MICHIGAN & WISCONSIN

COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Chippewa, Michigan for the year ended December 31, 2008, and have issued our report thereon dated April 29, 2009. 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 dated March 25, 2009, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing our audit, we 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 opinions 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.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on March 25, 2009.

Significant Accounting Policies

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the County of Chippewa, Michigan are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements are:

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. There were no misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreement with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated April 29, 2009.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Comments and Recommendations

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: Personnel are in the process of escheating items to the State.

Self Insurance Fund (Prior Comment)

Management should develop an agreement with the participating departments and units of government addressing refunds, premium calculations and required reserves. The policy should also state terms regarding termination of participation by one its member as to retention of reserves.

Status: Management is in the process of obtaining samples of self insurance agreements.

Personal Property Taxes (Prior Comment)

Currently, the County is not recording the amount of outstanding delinquent personal property taxes that are due to the County in the general ledger. It is recommended the County record the amount of outstanding delinquent personal property taxes in the general ledger of each fund that has a tax levy. The County should maintain subsidiary ledgers which show the amount of delinquent personal property taxes owed by each taxing unit by individual tax year.

Status: Corrected.

Check Copies (Prior Comment)

Due to changes in bank practices, the County does not receive canceled checks. The County should contact the bank to obtain “imaged” checks to assure compliance with state retention policies and to assure proper clearing of amounts by the bank.

Status: Corrected.

Fund Closing

The general ledger contains a few funds which are inactive or are no longer required to maintain a separate accounting. The ledger should be reviewed for inactive funds and amounts should be transferred to the general fund. The Board should also approve all fund closings prior to transfer of any remaining balances.

Status: Management will provide a list of proposed funds to be closed in 2009.

Animal Control

During our review of the animal control department receipting procedures, we noted missing receipt numbers due to voided transactions. In the future, the voided receipts should be retained and defaced rather than deleted to account for all receipts.

Status: Corrected.

Outstanding Court Bonds

The Bonds Payable account could not be reconciled to subsidiary records as of December 31, 2008. An immaterial variance existed as of the year end between the Agency Fund account in the general ledger and the subsidiary records. The County should reconcile the variance and then continue to reconcile the balance at least quarterly. This procedure should help ensure that all court bonds are properly accounted for.

Vender Credits

Due to the risk of significant credit balances due to the County from various vendors, the Board should consider establishing a purchasing policy which would require all credits in excess of \$1,000 be refunded to the County. This would improve cash flow and prevent excessive vendor credit related to grant funded programs and in authorized purchases.

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 record 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.

Status: Corrected and reported in 2008.

Appointed Board Compensation

To comply with state statutes, the Board should document and approve all County Board appointee compensation annually. This approval should be noted in the board minutes, as well.

Federal Grants

A federal grants schedule should be maintained to assist in tracking federal grants by requests for reimbursement to amounts reported in the general ledger. This would assist in determining grant awards by contract and by funding agency.

Conclusion

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

This report is intended solely for the information and use of the Board of Commissioners, management, federal awarding agencies, pass-through entities and others within the organization 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

April 29, 2009