

County of Chippewa, Michigan

BASIC FINANCIAL STATEMENTS

December 31, 2019

CHIPPEWA COUNTY, MICHIGAN

ORGANIZATION

COUNTY BOARD OF COMMISSIONERS

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

APPOINTED/ELECTED OFFICERS

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

JUDICIARY

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

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CERTIFIED PUBLIC ACCOUNTANTS

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MEMBER AICPA
DIVISION FOR CPA FIRMS

MEMBER MACPA

OFFICES IN
MICHIGAN & WISCONSIN

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information, of the County of Chippewa, Michigan, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the County of Chippewa, Michigan's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Chippewa, Michigan, as of December 31, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedules of funding progress and budgetary comparison information on pages 4 through 9, pages 76 through 78, and pages 79 through 84 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The combining major and nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining major and nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

Members of the Board
County of Chippewa, Michigan

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 9, 2020 on our consideration of the County of Chippewa, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Chippewa County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County of Chippewa, Michigan's internal control over financial reporting and compliance.



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

July 9, 2020

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, 2019.

Financial Highlights

- The net position of the County exceeded its liabilities at the close of the most recent fiscal year by \$(2,450,234). Of this amount, \$974,376 is restricted.
- Net position for the County as a whole increased by \$5,585,679. Net position of our governmental activities increased by \$4,071,706 a result of an increase related to operations of \$5,544,498 and decrease related to prior period adjustment of \$9,616,204 and net position of our business-type activities increased by \$41,181.
- During the year, the County had expenses for governmental activities that were \$18,952,311 and expenses for business-type activities that were \$235,152.
- The General Fund reported a net fund balance of \$5,481,675, a decrease of \$85,188. At the end of the current fiscal year, unassigned fund balance for the General Fund was \$5,397,054, or 39.8% 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 five components: 1) government-wide financial statements, 2) fund financial statements, 3) notes to the financial statements, 4) required supplementary information, and (5) other information.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain other supplementary information. This includes the combining fund financial statements. Combining fund statements can be found on pages 85-104 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government’s financial position. In the case of Chippewa County, net position exceeded liabilities by \$(2,450,234) at the close of the most recent fiscal year.

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

	Governmental Activities		Business-type Activities		Total	
	2018	2019	2018	2019	2018	2019
Assets						
Current Assets	\$ 12,229,933	\$ 12,420,393	\$ 12,207,013	\$ 12,256,161	\$ 24,436,946	\$ 24,676,554
Capital Assets	10,848,905	10,525,459	-	-	10,848,905	10,525,459
Total Assets	23,078,838	22,945,852	12,207,013	12,256,161	35,285,851	35,202,013
Deferred Outflows of Resources	2,383,494	5,193,978	-	-	2,383,494	5,193,978
Liabilities						
Current Liabilities	2,284,146	2,142,922	77,592	85,559	2,361,738	2,228,481
Noncurrent Liabilities	31,592,148	30,080,924	-	-	31,592,148	30,080,924
Total Liabilities	33,876,294	32,223,846	77,592	85,559	33,953,886	32,309,405
Deferred Inflows of Resources	2,135,168	10,536,820	-	-	2,135,168	10,536,820
Net Position						
Net Investment in Capital Assets	4,161,947	4,475,501	-	-	4,161,947	4,475,501
Restricted	714,968	974,376	-	-	714,968	974,376
Unrestricted	(15,426,045)	(20,070,713)	12,129,421	12,170,602	(3,296,624)	(7,900,111)
Total Net Position	\$ (10,549,130)	\$ (14,620,836)	\$ 12,129,421	\$ 12,170,602	\$ 1,580,291	\$ (2,450,234)

The current level of unrestricted net position for our governmental activities stands at (\$20,070,713), or about (106%) of expenses. Net Position of the governmental activities had a net decrease of (\$4,071,076.) from the prior year resulting from a prior period adjustment decrease of \$(9,616,204) and an increase related to year end changes of \$5,544,498. Net Position of the business-type activities increased \$41,181.

The following table shows the activities of the County.

	Governmental Activities		Business-type Activities		Total	
	2018	2019	2018	2019	2018	2019
Program Revenues						
Charges for Services	\$ 7,446,818	\$ 7,416,871	\$ 997,455	\$ 1,055,951	\$ 8,444,273	\$ 8,472,822
Operating Grants and Contributions	5,778,817	5,572,180	-	-	5,778,817	5,572,180
Capital Grants and Contributions	17,653	23,042	-	-	17,653	23,042
General Revenues						
Property Taxes	9,913,796	9,513,189	-	-	9,913,796	9,513,189
State Revenue Sharing and Other	1,780,551	880,772	-	-	1,780,551	880,772
Interest Income	105,666	187,338	107,982	123,799	213,648	311,137
Total Revenues	25,043,301	23,593,392	1,105,437	1,179,750	26,148,738	24,773,142
Expenses						
Legislative	49,854	50,975	-	-	49,854	50,975
Judicial	2,712,619	2,631,875	-	-	2,712,619	2,631,875
General Government	4,266,982	2,608,967	-	-	4,266,982	2,608,967
Public Safety	5,780,862	5,196,774	-	-	5,780,862	5,196,774
Public Works	661,966	653,387	-	-	661,966	653,387
Health and Welfare	7,676,048	5,462,347	-	-	7,676,048	5,462,347
Community and Economic Development	46,902	-	-	-	46,902	-
Interest Expense - Unallocated	367,593	263,237	-	-	367,593	263,237
Other	1,215,472	1,473,002	-	-	1,215,472	1,473,002
Tax Collection	-	-	4,176	6,848	4,176	6,848
Depreciation - Unallocated	651,400	611,747	-	-	651,400	611,747
Other Nonmajor	-	-	342,054	228,304	342,054	228,304
Total Expenses	23,429,698	18,952,311	346,230	235,152	23,775,928	19,187,463
Excess (Deficiency) Before Transfers	1,613,603	4,641,081	759,207	944,598	2,372,810	5,585,679
Transfers	757,913	903,417	(757,913)	(903,417)	-	-
Changes in Net Position	2,371,516	5,544,498	1,294	41,181	2,372,810	5,585,679
Net Position - Beginning (As Restated)	(12,920,646)	(20,165,334)	12,128,127	12,129,421	(792,519)	(8,035,913)
Net Position - Ending	\$ (10,549,130)	\$ (14,620,836)	\$ 12,129,421	\$ 12,170,602	\$ 1,580,291	\$ (2,450,234)

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

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

The County's Funds

Our analysis of the County's major funds begins on page 12 following the entity wide financial statements. The individual funds' financial statements provide detail information about the most significant funds, not the County as a whole. The County Board of Commissioners creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages. The County's major funds for 2019 include the General Fund, Health Department, Senior Nutrition, Ambulance, Correctional Facility Maintenance, and Tax Collection Funds.

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

General Fund Budgetary Highlights

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

During the year, general fund revenues were \$278,790 lower than budgetary estimates, while general fund expenditures were \$645,726 less than budgetary estimates. The actual change in fund balance was a decrease.

Capital Assets

The County's investment in capital assets for its governmental activities as of December 31, 2019, amounted to \$10,525,459 (net of accumulated depreciation). This investment in capital assets includes land, building and improvements, machinery and equipment, and vehicles. The total decrease in the County's investment in capital assets for the current fiscal year was \$323,446.

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

- Purchases include vehicles of \$141,196, building improvements \$28,540 and various equipment of \$187,809.

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

Debt Administration

At the end of the current fiscal year, the County had total debt outstanding of \$30,728,924. Of this amount, \$6,049,958 comprises debt backed by the full faith and credit of the government. The remainder of the County's debt is comprised of vested employee benefits, OPEB obligations and net pension liability.

The County reduced its bond debt by \$637,000 in principal payments and issued no new debt.

Additional information on the County's long-term debt can be found in note 6 on pages 37-38 of this report.

Economic Factors and Next Year's Budgets and Rates

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

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

Component Units

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

Requests for Information

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

Basic Financial Statements

Statement of Net Position
December 31, 2019

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Totals	
ASSETS:				
Cash and Investments - Unrestricted	\$ 8,556,769	\$ 10,276,154	\$ 18,832,923	\$ 4,151,146
Cash and Investments - Restricted	34,600	-	34,600	736,971
Receivables:				
Accounts	755,212	-	755,212	978,478
Taxes	2,232,840	1,643,637	3,876,477	856,090
Interest	9,556	243,374	252,930	-
Due from Governmental Units	617,806	-	617,806	1,927,619
Internal Loans	(92,996)	92,996	-	-
Inventory	13,865	-	13,865	1,307,893
Prepaid Items	292,741	-	292,741	119,118
Capital Assets (nondepreciable)	231,810	-	231,810	58,887,716
Capital Assets (net of accumulated depreciation)	10,293,649	-	10,293,649	66,457,066
TOTAL ASSETS	22,945,852	12,256,161	35,202,013	135,422,097
DEFERRED OUTFLOWS OF RESOURCES:				
Pension & OPEB Related Items	5,036,133	-	5,036,133	2,087,902
Deferred Charges on Refunding	157,845	-	157,845	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	5,193,978	-	5,193,978	2,087,902
LIABILITIES:				
Accounts Payable	362,877	-	362,877	921,078
Accrued Liabilities	511,853	-	511,853	218,449
Advances	-	-	-	855,715
Unearned Revenue	315,926	-	315,926	-
Accrued Interest Payable	57,905	-	57,905	-
Due to Governmental Units	246,361	85,559	331,920	-
Notes Payable - Due within one year	-	-	-	366,809
Notes Payable - Due in more than one year	-	-	-	325,332
Bonds Payable - Due within one year	648,000	-	648,000	-
Bonds Payable - Due in more than one year	5,401,958	-	5,401,958	-
Vested Employee Benefits - Due in more than one year	460,349	-	460,349	437,500
OPEB Obligations - Due in more than one year	9,134,483	-	9,134,483	16,630,289
Net Pension Liability - Due in more than one year	15,084,134	-	15,084,134	18,113,855
TOTAL LIABILITIES	32,223,846	85,559	32,309,405	37,869,027
DEFERRED INFLOWS OF RESOURCES:				
Taxes Levied for a Subsequent Period	1,728,434	-	1,728,434	856,090
Pension & OPEB Related Items	8,808,386	-	8,808,386	7,006,552
TOTAL DEFERRED INFLOWS OF RESOURCES	10,536,820	-	10,536,820	7,862,642
NET POSITION:				
Net Investment in Capital Assets	4,475,501	-	4,475,501	124,799,937
Restricted	974,376	-	974,376	-
Unrestricted	(20,070,713)	12,170,602	(7,900,111)	(33,021,607)
TOTAL NET POSITION	\$ (14,620,836)	\$ 12,170,602	\$ (2,450,234)	\$ 91,778,330

County of Chippewa, Michigan

Statement of Activities For the Year Ended December 31, 2019

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Units
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Totals	
Primary Government:								
Governmental Activities:								
Legislative	\$ 50,975	\$ -	\$ -	\$ -	\$ (50,975)	\$ -	\$ (50,975)	\$ -
Judicial	2,631,875	439,183	1,374,589	-	(818,103)	-	(818,103)	-
General Government	2,608,967	505,594	296,820	-	(1,806,553)	-	(1,806,553)	-
Public Safety	5,196,774	1,992,695	1,001,080	23,042	(2,179,957)	-	(2,179,957)	-
Public Works	653,387	110	935,017	-	281,740	-	281,740	-
Health and Welfare	5,462,347	4,479,289	1,964,674	-	981,616	-	981,616	-
Interest Expense - Unallocated	263,237	-	-	-	(263,237)	-	(263,237)	-
Other	1,473,002	-	-	-	(1,473,002)	-	(1,473,002)	-
Depreciation - Unallocated	611,747	-	-	-	(611,747)	-	(611,747)	-
Total Governmental Activities	18,952,311	7,416,871	5,572,180	23,042	(5,940,218)	-	(5,940,218)	-
Business-type activities:								
Tax Collection	6,848	611,499	-	-	-	604,651	604,651	-
Other Nonmajor	228,304	444,452	-	-	-	216,148	216,148	-
Total Business-type Activities	235,152	1,055,951	-	-	-	820,799	820,799	-
Total Primary Government	\$ 19,187,463	\$ 8,472,822	\$ 5,572,180	\$ 23,042	(5,940,218)	820,799	(5,119,419)	-
Component Units:								
Road Commission	\$ 9,886,668	\$ 3,299,471	\$ 6,606,954	\$ 3,489,267				3,509,024
Economic Development Corporation	5,007,552	3,201,105	38,685	919,752				(848,010)
E.U.P. Transportation Authority	4,669,797	1,842,658	1,868,352	261,712				(697,075)
Total Component Units	19,564,017	8,343,234	8,513,991	4,670,731				1,963,939
Total	\$ 38,751,480	\$ 16,816,056	\$ 14,086,171	\$ 4,693,773				
General Revenues and Transfers:								
Taxes- Real Property					9,489,350	-	9,489,350	850,367
Taxes- Personal Property					23,839	-	23,839	-
State Revenue Sharing and Other					880,772	-	880,772	-
Interest Income					187,338	123,799	311,137	28,133
Transfers					903,417	(903,417)	-	-
Gain (Loss) on Disposals					-	-	-	583,738
Total General Revenues and Transfers					11,484,716	(779,618)	10,705,098	1,462,238
Changes in Net Position					5,544,498	41,181	5,585,679	3,426,177
Net Position - Beginning (As Restated See Note 13)					(20,165,334)	12,129,421	(8,035,913)	88,352,153
Net Position - Ending					\$ (14,620,836)	\$ 12,170,602	\$ (2,450,234)	\$ 91,778,330

See accompanying notes to financial statements.

County of Chippewa, Michigan

Balance Sheet Governmental Funds December 31, 2019

	General	Health Department 9/30/2019	Senior Nutrition	Ambulance	Correctional Facility Maintenance	Nonajor Governmental Funds	Total Governmental Funds
ASSETS:							
Cash and Investments - Unrestricted	\$ 4,617,575	\$ 1,706,453	\$ 7,149	\$ 785	\$ 540,811	\$ 1,683,996	\$ 8,556,769
Cash and Investments - Restricted	-	-	-	-	-	34,600	34,600
Receivables:							
Accounts	85,191	507,733	-	-	-	133,513	726,437
Taxes	504,406	-	565,404	484,001	-	679,029	2,232,840
Interest	9,556	-	-	-	-	-	9,556
Inventory	-	7,023	-	-	-	-	7,023
Due from Other Funds	449,011	-	-	-	-	4,896	453,907
Due from Governmental Units	273,892	124,867	-	-	-	219,047	617,806
Prepaid Items	71,412	27,645	-	-	-	7,717	106,774
TOTAL ASSETS	\$ 6,011,043	\$ 2,373,721	\$ 572,553	\$ 484,786	\$ 540,811	\$ 2,762,798	\$ 12,745,712
LIABILITIES:							
Due to Other Funds	\$ 92,996	\$ -	\$ -	\$ -	\$ -	\$ 299,011	\$ 392,007
Accounts Payable	119,596	166,321	-	-	13,947	63,013	362,877
Accrued Liabilities	303,154	139,110	-	-	-	65,349	507,613
Due to Governmental Units	13,622	231,954	-	785	-	-	246,361
Unearned Revenue	-	222,223	-	-	-	93,703	315,926
TOTAL LIABILITIES	529,368	759,608	-	785	13,947	521,076	1,824,784
DEFERRED INFLOWS OF RESOURCES:							
Taxes Levied for a Subsequent Period	-	-	565,404	484,001	-	679,029	1,728,434
FUND BALANCES:							
Nonspendable	71,412	34,668	-	-	-	7,344	113,424
Restricted	-	109,614	7,149	-	526,864	330,749	974,376
Committed	-	-	-	-	-	7,503	7,503
Assigned	13,209	1,469,831	-	-	-	1,217,097	2,700,137
Unassigned	5,397,054	-	-	-	-	-	5,397,054
TOTAL FUND BALANCES	5,481,675	1,614,113	7,149	-	526,864	1,562,693	9,192,494
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 6,011,043	\$ 2,373,721	\$ 572,553	\$ 484,786	\$ 540,811	\$ 2,762,798	
Reconciliation to amounts reported for governmental activities in the statement of net position:							
Capital assets used by governmental activities							10,525,459
Deferred Charges on Refunding							157,845
Long-term notes and bonds payable for governmental activities							(6,049,958)
Long-term Vested Employee Benefits							(460,349)
Internal service funds included in governmental activities							62,448
Accrued interest expense recognized under full accrual accounting							(57,905)
Net pension liability and related deferred outflows & inflows							(27,990,870)
Net position of governmental activities							\$ (14,620,836)

**Statement of Revenues, Expenditures, and
Changes in Fund Balance - Governmental Funds
For the Year Ended December 31, 2019**

	General	Health Department 9/30/2019	Senior Nutrition	Ambulance	Correctional Facility Maintenance	Non-Major Governmental Funds	Totals Governmental Funds
REVENUES:							
Taxes	\$ 7,752,731	\$ -	\$ 575,668	\$ 492,693	\$ 9,235	\$ 682,862	\$ 9,513,189
Licenses and Permits	34,040	-	-	-	-	-	34,040
Federal Sources	496,596	696,724	-	-	-	186,381	1,379,701
State Sources	1,606,337	286,130	-	-	-	783,709	2,676,176
Local Sources	138,496	320,036	-	-	-	912,397	1,370,929
Charges for Services	1,905,960	4,475,432	-	-	-	916,864	7,298,256
Interest and Rentals	185,245	-	-	-	703	1,390	187,338
Fines and Forfeitures	84,575	-	-	-	-	-	84,575
Other Revenue	244,216	448,492	-	-	-	338,441	1,031,149
TOTAL REVENUES	12,448,196	6,226,814	575,668	492,693	9,938	3,822,044	23,575,353
EXPENDITURES:							
Legislative	50,975	-	-	-	-	-	50,975
Judicial	2,976,715	-	-	-	-	521,233	3,497,948
General Government	3,426,826	-	-	-	-	20,930	3,447,756
Public Safety	4,552,215	-	-	-	68,613	1,875,067	6,495,895
Public Works	-	-	-	-	-	653,387	653,387
Health and Welfare	212,631	5,643,219	570,000	320,250	-	462,243	7,208,343
Capital Outlay	226,771	-	-	-	28,540	58,506	313,817
Debt Service	-	-	-	-	-	889,025	889,025
Other Expenditures	1,473,002	-	-	-	-	-	1,473,002
TOTAL EXPENDITURES	12,919,135	5,643,219	570,000	320,250	97,153	4,480,391	24,030,148
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	(470,939)	583,595	5,668	172,443	(87,215)	(658,347)	(454,795)
OTHER FINANCING SOURCES (USES):							
Transfers In	1,007,998	-	-	-	-	755,086	1,763,084
Transfers Out	(622,247)	-	-	(172,443)	-	(64,977)	(859,667)
TOTAL OTHER FINANCING SOURCES (USES)	385,751	-	-	(172,443)	-	690,109	903,417
NET CHANGE IN FUND BALANCES	(85,188)	583,595	5,668	-	(87,215)	31,762	448,622
FUND BALANCE BEGINNING OF YEAR	5,566,863	1,030,518	1,481	-	614,079	1,530,931	8,743,872
FUND BALANCE END OF YEAR	\$ 5,481,675	\$ 1,614,113	\$ 7,149	\$ -	\$ 526,864	\$ 1,562,693	\$ 9,192,494

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, 2019

Net changes in fund balances - total governmental funds	\$ 448,622
The change in net position reported for governmental activities in the statement of activities is different because:	
Governmental funds reported capital outlays as expenditures. However, in the statement of activities the cost of those assets is capitalized and the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay and gain on disposal in the current period.	
	(323,446)
Repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position. Proceeds from bond issuance is an other financing source in governmental funds but increases the liability in the statement of net position. Discounts and deferred charges result in amortization of these costs for the statement of activities.	
	619,462
Under the modified accrual basis of accounting used in governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. This adjustment combines the following net changes:	
Interest Payable Activity	6,326
Vested Employee Benefits	(255)
OPEB Obligations	5,835,570
Net Pension Liabilities	(871,618)
Internal Service Fund Activity	<u>(170,163)</u>
Changes in net position of governmental activities	<u>\$ 5,544,498</u>

**Statement of Net Position
Proprietary Funds
December 31, 2019**

	Business-type Activities Enterprise Funds			Governmental Activities
	Tax Collections	Nonmajor Funds	Totals	Internal Service Funds
ASSETS:				
Cash and Investments - Unrestricted	\$ 9,959,503	\$ 316,651	\$ 10,276,154	\$ -
Taxes Receivable	1,643,637	-	1,643,637	-
Due from Other Funds	92,996	-	92,996	-
Due from Governmental Units	-	-	-	28,775
Inventory	-	-	-	6,842
Prepaid Expense	-	-	-	185,967
Accrued Interest Receivable	243,374	-	243,374	-
TOTAL ASSETS	<u>\$ 11,939,510</u>	<u>\$ 316,651</u>	<u>\$ 12,256,161</u>	<u>\$ 221,584</u>
LIABILITIES:				
Due to Other Funds	\$ -	\$ -	\$ -	\$ 154,896
Due to Governmental Units	85,559	-	85,559	-
Accrued Liabilities	-	-	-	4,240
TOTAL LIABILITIES	<u>85,559</u>	<u>-</u>	<u>85,559</u>	<u>159,136</u>
NET POSITION:				
Unrestricted	<u>11,853,951</u>	<u>316,651</u>	<u>12,170,602</u>	<u>62,448</u>
TOTAL NET POSITION	<u>\$ 11,853,951</u>	<u>\$ 316,651</u>	<u>\$ 12,170,602</u>	<u>\$ 62,448</u>

**Statement of Revenues, Expenses, and
Changes in Net Position - Proprietary Funds
For the Year Ended December 31, 2019**

	Business-type Activities Enterprise Funds			Governmental Activities
	Tax Collections	Nonmajor Funds	Totals	Internal Service Funds
OPERATING REVENUES:				
Charges for Services	\$ 140,184	\$ 440,357	\$ 580,541	\$ 3,011,633
Penalties and Interest Charges	471,315	4,095	475,410	-
Total Operating Revenues	<u>611,499</u>	<u>444,452</u>	<u>1,055,951</u>	<u>3,011,633</u>
OPERATING EXPENSES:				
Premium Payments	-	-	-	3,171,430
Other Supplies and Expenses	6,848	228,304	235,152	10,366
Total Operating Expenses	<u>6,848</u>	<u>228,304</u>	<u>235,152</u>	<u>3,181,796</u>
OPERATING INCOME (LOSS)	<u>604,651</u>	<u>216,148</u>	<u>820,799</u>	<u>(170,163)</u>
NON-OPERATING REVENUES (EXPENSES):				
Interest on Deposits	123,799	-	123,799	-
Total Non-Operating Revenues (Expenses)	<u>123,799</u>	<u>-</u>	<u>123,799</u>	<u>-</u>
INCOME (LOSS) BEFORE TRANSFERS	728,450	216,148	944,598	(170,163)
Operating Transfers In	3,586,487	-	3,586,487	-
Operating Transfers Out	<u>(4,143,968)</u>	<u>(345,936)</u>	<u>(4,489,904)</u>	<u>-</u>
CHANGES IN NET POSITION	170,969	(129,788)	41,181	(170,163)
NET POSITION, JANUARY 1	<u>11,682,982</u>	<u>446,439</u>	<u>12,129,421</u>	<u>232,611</u>
NET POSITION, DECEMBER 31	<u>\$ 11,853,951</u>	<u>\$ 316,651</u>	<u>\$ 12,170,602</u>	<u>\$ 62,448</u>

County of Chippewa, Michigan

Statement of Cash Flows Proprietary Fund Types For the Year Ended December 31, 2019

	Business-type Activities Enterprise Funds			Governmental Activities
	Tax Collections	Nonmajor Funds	Total	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from Customers	\$ 534,022	\$ 444,452	\$ 978,474	\$ 2,982,858
Payments to Suppliers	1,992	(228,304)	(226,312)	(3,363,046)
Internal Activity - Receipts (Payments) with Other Funds	(92,996)	-	(92,996)	219,780
Net Cash Provided (Used) by Operating Activities	<u>443,018</u>	<u>216,148</u>	<u>659,166</u>	<u>(160,408)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Operating Transfers In (Out) - net	(557,481)	(345,936)	(903,417)	-
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(557,481)</u>	<u>(345,936)</u>	<u>(903,417)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest on Deposits	123,799	-	123,799	-
Net Cash Provided (Used) by Investing Activities	<u>123,799</u>	<u>-</u>	<u>123,799</u>	<u>-</u>
Net Increase (Decrease) in Cash	9,336	(129,788)	(120,452)	(160,408)
Balances - Beginning of the Year	9,950,167	446,439	10,396,606	160,408
Balances - End of the Year	<u>\$ 9,959,503</u>	<u>\$ 316,651</u>	<u>\$ 10,276,154</u>	<u>\$ -</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities				
Operating Income (Loss)	\$ 604,651	\$ 216,148	\$ 820,799	\$ (170,163)
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	(63,143)	-	(63,143)	-
Accrued Interest Receivable	(14,334)	-	(14,334)	-
Inventory	-	-	-	477
Prepaid Expense	-	-	-	(185,967)
Due from Other Funds	(92,996)	-	(92,996)	72,203
Due from Governmental Units	-	-	-	(28,775)
Increase (Decrease) in Liabilities:				
Accounts Payable	-	-	-	4,240
Due to Other Funds	-	-	-	147,577
Due to Governmental Units	8,862	-	8,862	-
Accrued Liabilities	(22)	-	(22)	-
Net Cash Provided (Used) by Operating Activities	<u>\$ 443,018</u>	<u>\$ 216,148</u>	<u>\$ 659,166</u>	<u>\$ (160,408)</u>

**Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2019**

	Other Employee Benefit Trust Funds	<u>Agency Funds</u>
ASSETS:		
Cash and Equivalents - Unrestricted	\$ -	\$ 709,499
Total Cash and Equivalents	<u>-</u>	<u>709,499</u>
Investments, at fair value:		
Equity Securities	<u>11,703,478</u>	<u>-</u>
Total Investments	<u>11,703,478</u>	<u>-</u>
TOTAL ASSETS	<u><u>\$ 11,703,478</u></u>	<u><u>\$ 709,499</u></u>
LIABILITIES:		
Undistributed Tax Collections	-	311,272
Other Liabilities	-	287,332
Due to Governmental Units	<u>-</u>	<u>110,895</u>
TOTAL LIABILITIES	<u>-</u>	<u><u>\$ 709,499</u></u>
NET POSITION:		
Held in Trust for Pension Benefits and Other Purposes	<u><u>\$ 11,703,478</u></u>	

**Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended December 31, 2019**

	<u>Other Employee Benefit Trust Funds</u>
ADDITIONS:	
Contributions:	
Employer and Employee	<u>\$ 1,625,791</u>
Total Contributions	<u>1,625,791</u>
Investment Income Gain (Loss):	
Interest, Dividends, Gain (Losses)	<u>1,845,532</u>
Total Investment Income	<u>1,845,532</u>
Total Additions	<u>3,471,323</u>
DEDUCTIONS:	
Other Deductions	18,593
Participants Payments	<u>906,701</u>
Total Deductions	<u>925,294</u>
Change in Net Position	2,546,029
Net Position Held in Trust for Benefits, Beginning of Year	<u>9,157,449</u>
Net Position Held in Trust for Benefits, End of Year	<u><u>\$ 11,703,478</u></u>

Component Units

County of Chippewa, Michigan

Statement of Net Position Component Units December 31, 2019

	Road Commission	Economic Development Corporation	E.U.P. Transportation Authority 9/30/2019	Totals
ASSETS:				
Cash and Investments - Unrestricted	\$ 1,540,815	\$ 909,478	\$ 1,700,853	\$ 4,151,146
Cash and Investments - Restricted	-	736,971	-	736,971
Receivables:				
Accounts	-	692,591	285,887	978,478
Taxes	856,090	-	-	856,090
Due from Governmental Units	1,777,492	-	150,127	1,927,619
Inventory	1,268,238	39,655	-	1,307,893
Prepaid Items	80,524	-	38,594	119,118
Capital Assets (Nondepreciable)	56,823,250	2,064,466	-	58,887,716
Capital Assets (Net of Accumulated Depreciation)	38,480,599	19,708,152	8,268,315	66,457,066
TOTAL ASSETS	100,827,008	24,151,313	10,443,776	135,422,097
DEFERRED OUTFLOWS OF RESOURCES:				
Pension & OPEB Related Items	932,000	214,550	941,352	2,087,902
LIABILITIES:				
Accounts Payable	759,218	47,461	114,399	921,078
Accrued Liabilities	135,047	12,465	70,937	218,449
Advances	855,715	-	-	855,715
Notes Payable - Due within one year	194,513	172,296	-	366,809
Notes Payable - Due in more than one year	325,332	-	-	325,332
Vested Employee Benefits - Due in more than one year	133,385	51,850	252,265	437,500
OPEB Obligation - Due in more than one year	16,572,673	57,616	-	16,630,289
Net Pension Liability - Due in more than one year	10,518,818	497,724	7,097,313	18,113,855
TOTAL LIABILITIES	29,494,701	839,412	7,534,914	37,869,027
DEFERRED INFLOWS OF RESOURCES:				
Pension & OPEB Related Items	6,717,208	289,344	-	7,006,552
Taxes Levied for a Subsequent Period	856,090	-	-	856,090
Total Deferred Inflows of Resources	7,573,298	289,344	-	7,862,642
NET POSITION:				
Net Investment in Capital Assets	94,784,004	21,747,618	8,268,315	124,799,937
Unrestricted	(30,092,995)	1,489,489	(4,418,101)	(33,021,607)
TOTAL NET POSITION	\$ 64,691,009	\$ 23,237,107	\$ 3,850,214	\$ 91,778,330

County of Chippewa, Michigan

Statement of Activities Component Units For the Year Ended December 31, 2019

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Totals
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Road Commission	Economic Development Corporation	E.U.P. Transportation Authority 9/30/2019	
Road Commission:								
Public Works	\$ 9,886,668	\$ 3,299,471	\$ 6,606,954	\$ 3,489,267	\$ 3,509,024	\$ -	\$ -	\$ 3,509,024
Economic Development Corporation:								
Economic Development	5,007,552	3,201,105	38,685	919,752	-	(848,010)	-	(848,010)
E.U.P. Transportation Authority:								
Public Works	4,669,797	1,842,658	1,868,352	261,712	-	-	(697,075)	(697,075)
Total Component Units	<u>\$ 19,564,017</u>	<u>\$ 8,343,234</u>	<u>\$ 8,513,991</u>	<u>\$ 4,670,731</u>	<u>3,509,024</u>	<u>(848,010)</u>	<u>(697,075)</u>	<u>1,963,939</u>
General Revenues:								
Taxes - Real Property					850,367	-	-	850,367
Interest Income					-	12,174	15,959	28,133
Gain (Loss) on Disposal					30,521	553,217	-	583,738
Total General Revenues					<u>880,888</u>	<u>565,391</u>	<u>15,959</u>	<u>1,462,238</u>
Changes in Net Position					4,389,912	(282,619)	(681,116)	3,426,177
Net Position - Beginning					60,301,097	23,519,726	4,531,330	88,352,153
Net Position - Ending					<u>\$ 64,691,009</u>	<u>\$ 23,237,107</u>	<u>\$ 3,850,214</u>	<u>\$ 91,778,330</u>

Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A – Reporting Entity

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

Component Units:

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

Discretely Presented Component Units

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

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

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

Eastern Upper Peninsula Transportation Authority – The members of the governing board of the Transportation Authority are appointed as follows: three members by Chippewa County and two members by Luce County. The County exercises oversight responsibility and has accountability of fiscal matters. The Transportation Authority has a September 30, 2019 year end.

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

Discretely Presented Component Units Administrative Offices:

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Multi-County Agency

Hiawatha Community 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, 2019.

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

B – Government-Wide and Fund Financial Statements

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

Taxes Receivable

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

Although the County of Chippewa 2018 ad valorem tax is levied and collectible on December 1, 2018, and 2019 ad valorem tax is levied and collectible on July 1, 2019, 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, 2018 taxable valuation of the County of Chippewa totaled \$1,140,660,977 on which ad valorem taxes levied consisted of .4275 mills for fire/ambulance services, .9879 mills for roads, .5000 mills for recycling, .4994 mills for senior program and .1000 mills for animal shelter. These amounts are recognized in the respective Special Revenue Funds, Debt Service Funds, and Component Units financial statements as revenue.

The July 1, 2019 taxable valuation of the County of Chippewa totaled \$1,152,057,665 on which ad valorem taxes levied consisted of 6.1500 mills for the General Fund. This amount is recognized in the General Fund as revenue.

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

The County reports the following major governmental funds:

General Fund

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Health Department Fund

This fund accounts for health services and related grant funds.

Senior Nutrition Fund

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

Ambulance Fund

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

Correctional Facility Maintenance Fund

This fund accounts for the maintenance of the correctional facility.

The County reports the following major proprietary funds:

Tax Collection Fund

This fund accounts for property tax administration within the county.

Additionally, the County reports the following fund types:

Internal Service Funds

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

Fiduciary Funds

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

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

Inventories and Prepaid Items – Inventories are valued at the lower of cost or market using the average cost method for proprietary fund types. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Inventories consist primarily of paper and office supplies. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both governmental-wide and fund financial statements.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

Deferred Inflows of Resources – In addition to liabilities, the statement of net position and governmental funds balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The County has property taxes, pension and OPEB items that qualify for reporting in this category.

Vested Employee Benefits (Vacation and Sick Leave) – It is the County of Chippewa’s policy to permit employees to accumulate earned but unused sick and vacation pay benefits. All sick pay is accrued when incurred in the government-wide financial statements for employees with three years or more of service with the County of Chippewa, to a maximum of 168 hours. All vacation pay is accrued when incurred in the government-wide financial statements to a maximum of 200 hours.

Vested or accumulated vacation leave of proprietary funds is recorded as an expense and liability of those funds as the benefits accrue to employees. In accordance with Accounting Standards Codification Section 710, no liability is recorded for nonvesting accumulating rights to receive sick-pay benefits. However, a liability is recognized or that portion of accumulating sick-leave benefits that is estimated will be taken as “terminal leave” prior to retirement.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

Budgets and Budgetary Control – The County follows these procedures in establishing the budgetary data reflected in the financial statements:

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

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

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

NOTE 3 - CASH AND INVESTMENTS

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

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total Primary Government</u>	<u>Fiduciary Funds</u>	<u>Component Units</u>
Cash and Investments					
-Unrestricted	\$ 8,556,769	\$ 10,276,154	\$ 18,832,923	\$ -	\$ 4,151,146
-Restricted	<u>34,600</u>	<u>-</u>	<u>34,600</u>	<u>12,412,977</u>	<u>736,971</u>
Total	<u>\$ 8,591,369</u>	<u>\$ 10,276,154</u>	<u>\$ 18,867,523</u>	<u>\$ 12,412,977</u>	<u>\$ 4,888,117</u>

The categories of cash and investments are as follows:

Bank Deposits (checking and savings accounts, certificates of deposit)	\$ 24,459,898
Investments:	
Equity Mutual Funds	11,703,478
Petty Cash and Cash on Hand	<u>5,241</u>
Total	<u>\$ 36,168,617</u>

Investments:

<u>Description</u>	<u>Fair Value</u>	<u>Maturity in Years</u>			<u>S&P Rating</u>
		<u>Less Than 1</u>	<u>1 – 5</u>	<u>6 – 10</u>	
Equity Mutual Funds*	<u>11,703,478</u>	<u>-</u>	<u>-</u>	<u>-</u>	Unavailable
Total Investments	<u>\$ 11,703,478</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	

Investment and Deposit Risk –Primary Government

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

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

Custodial deposit credit risk. Custodial deposit credit risk is the risk that in the event of a bank failure, the County’s deposits may not be returned. State law does not require and the County does not have a policy for deposit custodial credit risk. As of year end, \$14,363,475 of the County’s bank balance of \$19,686,750 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, 2019, 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.

NOTE 3 - CASH AND INVESTMENTS (Continued)

Fair value measurement. The County categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or equivalent) as a practical expedient are not classified in the fair value hierarchy. In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The County's assessment of the significance of particular inputs to these fair value measurements required judgment and considers factors specific to each asset or liability.

* The County has the following recurring fair value measurements as of December 31, 2019:

- Investments held in the MERS Investment Services Program, which are primarily mutual funds used to fund retiree defined benefit pensions, with a balance of \$11,703,478, are valued using level 2 inputs.

Statutory Authority:

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

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

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

NOTE 3 - CASH AND INVESTMENTS (Continued)

- h. Obligations described in subdivisions (a) through (g) if purchased through an interlocal agreement under the urban cooperation act of 1967, 1967 (Ex Sess) PA 7, MCL 124.501 to 124.512.
- i. Investment pools organized under the surplus funds investment pool act, 1982 PA 367, MCL 129.111 to 129.118.
- j. The investment pools organized under the local government investment pool act, 1985 PA 121, MCL 129.141 to 129.150.

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the General County year ended December 31, 2019, was as follows:

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Adjustments/ Deductions</u>	<u>Ending Balances</u>
Governmental Activities:				
<i>Capital Assets Not Being Depreciated:</i>				
Land	\$ 231,810	\$ -	\$ -	\$ 231,810
<i>Capital Assets Being Depreciated:</i>				
Land Improvements	209,400	-	-	209,400
Buildings and Improvements	19,340,687	28,540	-	19,369,227
Furniture and Equipment	4,369,753	187,809	(4)	4,557,558
Vehicles	<u>919,757</u>	<u>141,196</u>	<u>(84,364)</u>	<u>976,589</u>
Subtotal	<u>24,839,597</u>	<u>357,545</u>	<u>(84,368)</u>	<u>25,112,774</u>
<i>Less Accumulated Depreciation:</i>				
Land Improvements	147,270	4,260	-	151,530
Buildings and Improvements	9,958,444	403,435	-	10,361,879
Furniture and Equipment	3,385,803	197,007	-	3,582,810
Vehicles	<u>730,985</u>	<u>76,285</u>	<u>84,364</u>	<u>722,906</u>
Subtotal	<u>14,222,502</u>	<u>680,987</u>	<u>84,364</u>	<u>14,819,125</u>
Net Capital Assets Being Depreciated	<u>10,617,095</u>	<u>(323,442)</u>	<u>(4)</u>	<u>10,293,649</u>
Capital Assets - Net	<u>\$ 10,848,905</u>	<u>\$ (323,442)</u>	<u>\$ (4)</u>	<u>\$ 10,525,459</u>

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

Health and Welfare	\$ 69,240
Unallocated	<u>611,747</u>
Total	<u>\$ 680,987</u>

NOTE 4 - CAPITAL ASSETS (Continued)

Capital asset activity of the Chippewa County Road Commission year ended December 31, 2019, was as follows:

	Beginning Balances	Additions	Adjustments/ Deductions	Ending Balances
<i>Capital Assets Not Being Depreciated</i>				
Land and Improvements	\$ 372,230	\$ -	\$ -	\$ 372,230
Land/Improvements - Infrastructure	<u>55,109,040</u>	<u>1,341,980</u>	<u>-</u>	<u>56,451,020</u>
Subtotal	<u>55,481,270</u>	<u>1,341,980</u>	<u>-</u>	<u>56,823,250</u>
<i>Capital Assets Being Depreciated</i>				
Buildings	5,161,491	22,670	-	5,184,161
Road Equipment	15,072,350	646,565	243,396	15,475,519
Shop Equipment	272,173	4,189	560	275,802
Office Equipment	76,391	9,233	6,157	79,467
Engineers' Equipment	99,637	2,035	34,550	67,122
Depletable Assets	1,228,438	-	-	1,228,438
Infrastructure – Roads	41,417,856	2,147,287	1,780,732	41,784,411
Infrastructure – Bridges	<u>22,196,461</u>	<u>-</u>	<u>-</u>	<u>22,196,461</u>
Subtotal	<u>85,524,797</u>	<u>2,831,979</u>	<u>2,065,395</u>	<u>86,291,381</u>
<i>Less Accumulated Depreciation</i>				
Buildings	2,861,234	140,256	-	3,001,490
Road Equipment	12,731,121	996,732	240,301	13,487,552
Shop Equipment	269,130	3,183	560	271,753
Office Equipment	53,842	13,216	6,157	60,901
Engineers' Equipment	78,878	13,428	34,550	57,756
Depletable Assets	431,338	5,772	-	437,110
Infrastructure – Roads	20,334,738	2,232,350	1,780,732	20,786,356
Infrastructure – Bridges	<u>9,292,172</u>	<u>415,692</u>	<u>-</u>	<u>9,707,864</u>
Subtotal	<u>46,052,453</u>	<u>3,820,629</u>	<u>2,062,300</u>	<u>47,810,782</u>
Net Capital Assets Being Depreciated	<u>39,472,344</u>	<u>(988,650)</u>	<u>(3,095)</u>	<u>38,480,599</u>
Total Net Capital Assets	<u>\$ 94,953,614</u>	<u>\$ 353,330</u>	<u>\$ (3,095)</u>	<u>\$ 95,303,849</u>

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

Total Depreciation Expense – Public Works	<u>\$ 3,820,629</u>
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NOTE 4 - CAPITAL ASSETS (Continued)

Capital asset activity of the Economic Development Corporation year ended December 31, 2019 was as follows:

	Beginning Balances	Additions	Adjustments/ Deductions	Ending Balances
<i>Capital assets not being depreciated:</i>				
Land	\$ 1,946,675	\$ 105,959	\$ -	\$ 2,052,634
Construction in Progress	-	11,832	-	11,832
Subtotal	<u>1,946,675</u>	<u>117,791</u>	<u>-</u>	<u>2,064,466</u>
<i>Capital assets being depreciated:</i>				
Vehicles	2,363,167	556,689	-	2,919,856
Improvements	24,895,140	379,074	275,194	24,999,020
Buildings	11,385,946	165,000	222,327	11,328,619
Equipment	<u>5,524,765</u>	<u>28,106</u>	<u>1,285,077</u>	<u>4,267,794</u>
Subtotal	<u>44,169,018</u>	<u>1,128,869</u>	<u>1,782,598</u>	<u>43,515,289</u>
<i>Less accumulated depreciation:</i>				
Vehicles	1,479,964	163,369	-	1,643,333
Improvements	11,565,574	1,228,410	275,194	12,518,790
Buildings	6,084,569	384,180	175,544	6,293,205
Equipment	<u>4,442,401</u>	<u>194,485</u>	<u>1,285,077</u>	<u>3,351,809</u>
Subtotal	<u>23,572,508</u>	<u>1,970,444</u>	<u>1,735,815</u>	<u>23,807,137</u>
Net Capital Assets Being Depreciated	<u>20,596,510</u>	<u>(841,575)</u>	<u>46,783</u>	<u>19,708,152</u>
Capital assets – Net of depreciation	<u>\$ 22,543,185</u>	<u>\$ (723,784)</u>	<u>\$ 46,783</u>	<u>\$ 21,772,618</u>

Depreciation expense was charged to business-type activities for the Economic Development Corporation in the amount of \$1,970,444.

NOTE 4 - CAPITAL ASSETS (Continued)

Capital assets activity for the Eastern Upper Peninsula Transportation Authority year ended September 30, 2019, was as follows:

	<u>Beginning Balances</u>	<u>Additions/ Adjustments</u>	<u>Deductions/ Adjustments</u>	<u>Ending Balances</u>
<i>Capital assets being depreciated:</i>				
EUPA Assets	\$ 8,619	\$ -	\$ -	\$ 8,619
Busing Assets	853,506	40,924	(18,487)	875,943
Ferry Assets	<u>21,431,842</u>	<u>307,026</u>	<u>-</u>	<u>21,738,868</u>
Subtotal	<u>22,293,967</u>	<u>347,950</u>	<u>(18,487)</u>	<u>22,623,430</u>
<i>Less accumulated depreciation for:</i>				
EUPA Assets	(3,093)	(1,363)	-	(4,456)
Busing Assets	(634,899)	(55,151)	18,487	(671,563)
Ferry Assets	<u>(12,886,365)</u>	<u>(792,731)</u>	<u>-</u>	<u>(13,679,096)</u>
Subtotal	<u>(13,524,357)</u>	<u>(849,245)</u>	<u>18,487</u>	<u>(14,355,115)</u>
Net Capital Assets Being Depreciated	<u>8,769,610</u>	<u>(501,295)</u>	<u>-</u>	<u>8,268,315</u>
Capital Assets - Net	<u>\$ 8,769,610</u>	<u>\$ (501,295)</u>	<u>\$ -</u>	<u>\$ 8,268,315</u>

Depreciation expense was charged to business-type activities for the Eastern Upper Peninsula Transportation Authority in the amount of \$849,245.

NOTE 5 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

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

		DUE FROM OTHER FUNDS			
		General	Nonmajor Governmental	Tax Collection	Totals
DUE TO OTHER FUNDS	General	\$ -	\$ -	\$ 92,996	\$ 92,996
	Nonmajor Governmental	294,115	4,896	-	299,011
	Internal Service	154,896	-	-	154,896
	Total	<u>\$ 449,011</u>	<u>\$ 4,896</u>	<u>\$ 92,996</u>	<u>\$ 546,903</u>

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

		TRANSFERS (OUT)					
		General	Ambulance	Nonmajor Governmental	Tax Collection	Nonmajor Enterprise	Total
TRANSFERS IN	General	\$ 88,508	\$ -	\$ 16,073	\$ 557,481	\$ 345,936	\$ 1,007,998
	Nonmajor Governmental	533,739	172,443	48,904	-	-	755,086
	Tax Collections	-	-	-	3,586,487	-	3,586,487
	Total	<u>\$ 622,247</u>	<u>\$ 172,443</u>	<u>\$ 64,977</u>	<u>\$ 4,143,968</u>	<u>\$ 345,936</u>	<u>\$ 5,349,571</u>

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

NOTE 6 - LONG-TERM DEBT

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

	<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							
2000 Chippewa Co. Water Supply System Bonds (Series A)	4.50%	2036	\$ 311,958	\$ -	\$ 12,000	\$ 299,958	\$ 13,000
2013 City of Sault Ste. Marie Refunding Bonds	2.00% to 4.50%	2029	5,360,000	-	365,000	4,995,000	380,000
2011 City of Sault Ste. Marie Refunding Bonds	2.00% to 3.63%	2022	<u>1,015,000</u>	<u>-</u>	<u>260,000</u>	<u>755,000</u>	<u>255,000</u>
Total Governmental Activities			<u>\$ 6,686,958</u>	<u>\$ -</u>	<u>\$ 637,000</u>	<u>\$ 6,049,958</u>	<u>\$ 648,000</u>

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

<u>Year End December 31</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2020	\$ 648,000	\$ 231,412
2021	668,000	210,501
2022	689,000	188,993
2023	465,000	164,405
2024	490,000	145,730
2025-2029	2,948,000	419,681
2030-2034	110,000	20,016
2035-2036	<u>31,958</u>	<u>1,032</u>
Total	<u>\$ 6,049,958</u>	<u>\$ 1,381,770</u>

Interest expense of the primary government was unallocated in the amount of \$263,237.

Vested Employee Benefits

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

	<u>Beginning Balances</u>	<u>Net (Deductions)/ Additions</u>	<u>Ending Balances</u>
Vested Employee Benefits	<u>\$ 460,094</u>	<u>\$ 255</u>	<u>\$ 460,349</u>

NOTE 6 - LONG-TERM DEBT (Continued)

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

A summary of vested employee benefits are as follows:

Vacation	\$ 168,836
Sick Leave	289,403
Other	<u>2,110</u>
TOTALS	<u>\$ 460,349</u>

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Installment payable secured by equipment, payable in monthly installments of \$3,760 including interest of 2.75%, due 2020.	\$ 71,438	\$ -	\$ 43,747	\$ 27,691	\$ 27,691
Installment payable secured by equipment, payable in monthly installments of \$12,103 including interest of 3.31%, due 2023.	584,071	-	127,707	456,364	131,032
Installment payable secured by equipment, payable in monthly installments of \$4,026 including interest of 2.95%, due 2020.	<u>86,112</u>	<u>-</u>	<u>50,322</u>	<u>35,790</u>	<u>35,790</u>
Subtotal	741,621	-	221,776	519,845	<u>\$ 194,513</u>
Compensated Absences (1)	<u>126,057</u>	<u>7,328</u>	<u>-</u>	<u>133,385</u>	
TOTAL LONG-TERM DEBT	<u>\$ 867,678</u>	<u>\$ 7,328</u>	<u>\$ 221,776</u>	<u>\$ 653,230</u>	

(1) Net increase.

Annual debt service requirements are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 194,513	\$ 13,908	\$ 208,421
2021	135,436	8,726	144,162
2022	139,987	4,175	144,162
2023	<u>49,909</u>	<u>360</u>	<u>50,269</u>
Total	<u>\$ 519,845</u>	<u>\$ 27,169</u>	<u>\$ 547,014</u>

NOTE 7 - RISK MANAGEMENT

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

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

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

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

NOTE 8 - CONTINGENT LIABILITIES

Grants

The County has received significant financial assistance from state and federal agencies in the form of various grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreement and is subject to audit by the grantor agency. Any disallowed claims resulting from such audits could become a liability of the applicable fund of the County. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the County at December 31, 2019.

NOTE 9 - OTHER POST EMPLOYMENT BENEFITS

Primary Government

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

Funding Policy. Contribution requirements also are negotiated between the County and employees at varying levels. The County contributes to the cost of current-year premiums for eligible retired plan members. For plan year 2019, the County contributed \$1,120,263 to the plan. Total member contributions were \$0.

Benefits Provided. The County provides post-employment medical, prescription drug, dental and vision benefits for certain eligible retirees.

NOTE 9 - OTHER POST EMPLOYMENT BENEFITS (Continued)

Eligibility and Benefits

Non-Union, AFSCME-Courthouse, AFSCME-Circuit, AFSCME-Probate, and Elected Officials:

Hired Prior to 1984	
20 years of service/55 years old	100% coverage - lifetime benefit
15 years of service/55 years old	75% coverage - lifetime benefit
10 years of service/50 years old	50% coverage - lifetime benefit
Hired between 1/1/85 - 12/31/04	
20 years of service/55 years old	100% coverage - benefits paid for 15 years
15 years of service/55 years old	75% coverage - benefits paid for 10 years
10 years of service/50 years old	50% coverage - benefits paid for 5 years
Hired on or after 1/1/05	
No retiree health care provided.	

Central Dispatch and Senior Dispatcher:

Hired Prior to 2008	
20 years of service/55 years old	100% coverage - benefits paid for 15 years
15 years of service/55 years old	75% coverage - benefits paid for 10 years
10 years of service/50 years old	50% coverage - benefits paid for 5 years
Hired on or after 1/1/08	
No retiree health care provided. There is one exception for one employee.	

Road Patrol and Corrections:

Hired Prior to 2006	
20 years of service/55 years old	100% coverage - benefits paid for 15 years
15 years of service/55 years old	75% coverage - benefits paid for 10 years
10 years of service/50 years old	50% coverage - benefits paid for 5 years
Hired on or after 1/1/06	
No retiree health care provided.	

Employees Covered by Benefit Terms

As of Actuarial date 1/1/19, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	54
Inactive employees entitled to but not yet receiving benefits	-
Active employees	<u>38</u>
Total participants covered by OPEB Plan	<u><u>92</u></u>

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

Total OPEB Liability and Net OPEB Liability

The County's total OPEB liability of \$13,718,923 was measured as of December 31, 2019, and was determined by an actuarial valuation as of January 1, 2019.

As of December 31, 2019, there was \$9,515,495 in assets in the County's OPEB trust, primarily in MERS CAPITAL APPR PORT and MERS TOTAL MARKET PORTFOLIO at 51.10% and 48.90%, respectively.

NOTE 9 - OTHER POST EMPLOYMENT BENEFITS (Continued)

Actuarial assumptions and other inputs

The total OPEB liability in the January 1, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified.

Discount Rate	6.00%
Healthcare Cost Trend Rates	
- 2019 (Pre 65 / Post 65 / Rx)	(0.32%) / (0.56%) / (21.35%)
- 2020 Trend	9.50%
- Decrement	0.50%
- Ultimate Trend	5.00%
- Year Ultimate Trend is Reached	2029
Return on Plan Assets	6.00%
Salary Increases	2.00%
Actuarial Cost Method	Entry Age Normal

Mortality rates were based on the SOA RP-2014 Total Dataset Mortality with Scale MP-2019 (Base Rate 2006).

The long-term expected rate of return on plan investments was determined using a building-block method in which best-estimate ranges of expected future rates of return (expected returns, net of retirement plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in the retirement plan’s target asset allocation as of December 31, 2019 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return</u>
MERS CAPITAL APPR PORT (80/20)	51.10%	6.00%
MERS TOTAL MARET PORTFOLIO	48.90%	6.00%

Significant Changes from the Previous Actuarial Valuation

- Decreasing the discount rate from 8.00% to 6.00%.
- Trend rates were advanced and the current year rate was adjusted to reflect actual experience.
- Mortality assumption changed from RP-2000 Projected 10 Years using Projection Scale AA to SOA RP 2014 Total Dataset Mortality with Scale MP-2019 (Base Rate 2006)

Discount Rate

The discount rate used to measure the total OPEB liability was 6.00%. The projection of cash flows used to determine the discount rate assumed future County contributions. Based on this assumptions, the retirement plan’s fiduciary net position was projected to be sufficient to make all projected future benefit payments of current plan members. For projected benefits that are covered by projected assets, the long-term expected rate was used to discount the projected benefits.

NOTE 9 - OTHER POST EMPLOYMENT BENEFITS (Continued)

	<u>Total OPEB Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net OPEB Liability</u>
Balances at December 31, 2018	\$ 12,178,682	\$ 7,275,122	\$ 4,903,560
Service cost	78,592	-	78,592
Interest	789,791	-	789,791
Changes in assumptions	5,937,932	-	5,937,932
Difference between expected and actual experience	(4,640,800)	-	(4,640,800)
Contributions - Employer	-	1,120,263	(1,120,263)
Net investment income	-	1,553,460	(1,553,460)
Benefit payments	(625,274)	(562,782)	(62,492)
Administrative expense	-	(14,969)	14,969
Other Changes	-	144,401	(144,401)
Net changes	<u>1,540,241</u>	<u>2,240,373</u>	<u>(700,132)</u>
Balances as December 31, 2019	<u>\$ 13,718,923</u>	<u>\$ 9,515,495</u>	<u>\$ 4,203,428</u>

Covered payroll was \$1,937,563.

Actuarial determined contributions as percentage of covered payroll was 59%.

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

The December 31, 2019 valuation was prepared using a discount rate of 6.00%. If the discount rate were 1% higher than what was used in this valuation, the net OPEB Liability would decrease. If the discount rate were 1% lower than what was used in this valuation, the net OPEB Liability would increase.

<u>Discount</u>	<u>1% Decrease</u>	<u>Current Rate</u>	<u>1% Increase</u>
Total OPEB Liability	<u>\$15,329,064</u>	<u>\$13,718,923</u>	<u>\$12,346,792</u>
<u>Trend</u>	<u>1% Decrease</u>	<u>Current Rate</u>	<u>1% Increase</u>
Total OPEB Liability	<u>\$12,216,018</u>	<u>\$13,718,923</u>	<u>\$15,478,119</u>

NOTE 9 - OTHER POST EMPLOYMENT BENEFITS (Continued)

For the year ended December 31, 2019, the County recognized an OPEB expense as follows:

Service Cost	\$ 78,592
Interest on total OPEB liability	789,791
Projected earnings on plan investments	(508,051)
Deferred outflows/inflows from experiences	(4,308,450)
Deferred outflows/inflows from assumption changes	1,870,245
Deferred outflows/inflows from investments (gains) or losses	(209,082)
Investment fees	<u>14,969</u>
Net OPEB Expense	<u>\$ (2,271,986)</u>

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

At December 31, 2019, the County reported deferred outflows / inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 4,502,982
Changes in assumptions	3,805,980	-
Net difference between projected and actual earnings on pension plan investments	<u>-</u>	<u>836,327</u>
Total	<u>\$ 3,805,980</u>	<u>\$ 5,339,309</u>

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

<u>Year Ended December 31:</u>	
2020	\$ (1,390,571)
2021	275,406
2022	(209,082)
2023	<u>(209,082)</u>
	<u>\$ (1,533,329)</u>

NOTE 9 - OTHER POST EMPLOYMENT BENEFITS (Continued)

Chippewa County Health Department

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

Changes in Current Year Reporting. During fiscal year ended September 30, 2019 the county acquired a new actuarial valuation dated as of January 1, 2019. In this actuarial report the historic measurement date of January 1, was changed to December 31, and the January 1, 2018 OPEB liability was changed to being the December 31, 2018 liability amount. This change required this report to show the information as of 12/31/18 with the same liability as the PY and a change in the asset value to reflect the December 31, 2018 value. It also led to prior period adjustment for deferred inflows related to OPEB see Note L for further detail on adjustment.

Funding Policy. Contribution requirements also are negotiated between the Health Department and employees. The Health Department contributes to the cost of current-year premiums for eligible retired plan members. For plan year ended December 31, 2018, the Health Department contributed \$735,615 to the plan. Total member contributions were \$0.

Eligibility and Benefits.

Hired Prior to 1984		
20 years of service/55 years old	100% coverage - lifetime benefit	
15 years of service/55 years old	75% coverage - lifetime benefit	
10 years of service/50 years old	50% coverage - lifetime benefit	
Hired between 1/1/85-12/31/04		
20 years of service/55 years old	100% coverage - benefits paid for 15 years	
15 years of service/55 years old	75% coverage - benefits paid for 10 years	
10 years of service/50 years old	50% coverage - benefits paid for 5 years	
Hired on or after 1/1/05		
No retiree health care provided		

Employees Covered by Benefit Terms

As of Actuarial date 1/1/19, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	32
Inactive employees entitled to but not yet receiving benefits	-
Active employees	<u>13</u>
Total participants covered by OPEB Plan	<u>45</u>

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

Total OPEB Liability and Net OPEB Liability

The Department’s total OPEB liability of \$6,205,219 was measured as of December 31, 2018, and was determined by an actuarial valuation as of January 1, 2019.

As of December 31, 2018, there was \$1,274,164 in assets in the Department’s OPEB trust, primarily in MERS CAPITAL APPR PORT and MERS TOTAL MARKET PORTFOLIO at 50.10% and 49.90% respectively.

NOTE 9 - OTHER POST EMPLOYMENT BENEFITS (Continued)

Actuarial assumptions and other inputs.

The total OPEB liability in the January 1, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified.

Discount Rate	6.00%
Healthcare Cost Trend Rates	
- 2019 (Pre 65 / Post 65 / Rx)	(0.32%) / (0.56%) / (21.35%)
- 2020 Trend	9.50%
- Decrement	0.50%
-Ultimate Trend	5.00%
- Year Ultimate Trend is Reached	2029
Return on Plan Assets	6.00%
Salary Increases	2.00%
Actuarial Cost Method	Entry Age Normal

Mortality rates were based on the SOA RP-2014 Total Dataset Mortality with Scale MP-2019 (Base Rate 2006.)

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

Discount Rate

The discount rate used to measure the total OPEB liability was 6.00%. The projection of cash flows used to determine the discount rate assumed future County contributions. Based on this assumptions, the retirement plan’s fiduciary net position was projected to be sufficient to make all projected future benefit payments of current plan members. For projected benefits that are covered by projected assets, the long-term expected rate was used to discount the projected benefits

NOTE 9 - OTHER POST EMPLOYMENT BENEFITS (Continued)

	<u>Total OPEB Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net OPEB Liability</u>
Balances at December 31, 2017	\$ 6,148,907	\$ 920,353	\$ 5,228,554
Service cost	36,162	-	36,162
Interest	483,048	-	483,048
Difference between expected and actual experience	73,821	-	73,821
Difference between actual and expected investment income	(73,939)	-	(73,939)
Contributions - Employer	-	735,615	(735,615)
Net investment income	-	157,417	(157,417)
Benefit payments	(462,780)	(486,630)	23,850
Other Changes	-	(49,846)	49,846
Administrative expense	-	(2,745)	2,745
Net changes	<u>56,312</u>	<u>353,811</u>	<u>(297,499)</u>
Balances as December 31, 2018	<u>\$ 6,205,219</u>	<u>\$ 1,274,164</u>	<u>\$ 4,931,055</u>

Covered payroll was \$954,143.

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

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

The January 1, 2019 valuation was prepared using a discount rate of 6.00%. If the discount rate were 1% higher than what was used in this valuation, the net OPEB Liability would decrease. If the discount rate were 1% lower than what was used in this valuation, the Net OPEB Liability would increase.

<u>Discount</u>	<u>1% Decrease</u>	<u>Current Rate</u>	<u>1% Increase</u>
Total Net OPEB Liability	<u>\$5,411,659</u>	<u>\$4,931,055</u>	<u>\$4,270,924</u>
<u>Trend</u>	<u>1% Decrease</u>	<u>Current Rate</u>	<u>1% Increase</u>
Total Net OPEB Liability	<u>\$4,255,480</u>	<u>\$4,931,055</u>	<u>\$5,426,919</u>

For the year ended September 30, 2019, the Health Department recognized an OPEB expense as follows:

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

NOTE 9 - OTHER POST EMPLOYMENT BENEFITS (Continued)

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

At September 30, 2019, the Health Department reported deferred outflows / (inflows) of resources related to OPEB from the following sources:

Economic / Demographic Changes	\$ (3,165,977)
Assumption Changes or Inputs	(44,794)
Contributions Subsequent to Measurement Date	<u>271,083</u>
Net Deferred Out/(In)flow of resources	<u>\$ 2,939,668</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense with the exception of contributions subsequent to measurement date as follows:

Year Ended September 30:

2020	\$ 2,089,132
2021	<u>1,121,639</u>
	<u>\$ 3,210,771</u>

Economic Development Corporation of Chippewa County

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

Funding Policy. Contribution requirements also are negotiated between the Corporation and employees. The Corporation contributes to the cost of current-year premiums for eligible retired plan members. For fiscal year 2019, the Corporation contributed \$97,175 to the plan. Total member contributions were \$0.

Employees Covered by Benefit Terms

As of December 31, 2019, the following employees were covered by the benefit terms:

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

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

NOTE 9 - OTHER POST EMPLOYMENT BENEFITS (Continued)

Total OPEB Liability and Net OPEB Liability

The Corporation’s total OPEB liability of \$579,170 was measured as of January 1, 2019, and was determined by an actuarial valuation as of that date.

As of December 31, 2019, there was \$521,554 in assets in the Corporation’s OPEB trust, primarily in Short Term Bonds.

Actuarial assumptions and other inputs.

The total OPEB liability in the January 1, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified.

Discount Rate	6.00%
Healthcare Cost Trend Rates:	
2019 Trend (Per 65 / Post 65 / Rx)	(0.32%) / (0.56%) / (21.35%)
2020 Trend	9.50%
Decrement	0.50%
Ultimate Trend	5.00%
Year Ultimate Trend is Reached	2029
Salary Increases	2.00%

The discount rate was based on County’s expected rate of return on the assets held in the MERS trust as of December 31, 2019.

Mortality rates: SOA RP-2014 Total Dataset Mortality with Scale MP-2019 (Base Rate 2006).

Significant Changes from the Previous Actuarial Valuation:

- Decreasing the discount rate from 8.00% to 6.00%.
- Trend rates were advanced and the current year rate was adjusted to reflect actual experience.
- Mortality assumption changed from RP-2000 Projected 10 Years using Projection Scale AA to SOA RP-2014 Total Dataset Mortality with Scale MP-2019 (Base Rate 2006).
- Morbidity factors were adjusted to reflect rates that better reflect expected underlying costs.

The long-term expected rate of return on plan investments was determined using a building-block method in which best-estimate ranges of expected future rates of return (expected returns, net of retirement plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in the retirement plan’s target asset allocation as of December 31, 2019 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return</u>
Short Term Bonds	100%	6.00%

NOTE 9 - OTHER POST EMPLOYMENT BENEFITS (Continued)

Discount Rate

The discount rate used to measure the total OPEB liability was 6.00%. The projection of cash flows used to determine the discount rate assumed future Corporation contributions. Based on this assumptions, the retirement plan's fiduciary net position was projected to be sufficient to make all projected future benefit payments of current plan members. For projected benefits that are covered by projected assets, the long-term expected rate was used to discount the projected benefits.

	<u>Total OPEB Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net OPEB Liability</u>
Balances at January 1, 2019	\$ 444,162	\$ 348,507	\$ 95,655
Service cost	2,117	-	2,117
Interest	33,286	-	33,286
Change in assumptions	293,687	-	293,687
Difference between expected and actual experience	(172,094)	-	(172,094)
Contributions - Employer	-	97,175	(97,175)
Net investment income	-	16,692	(16,692)
Benefit payments	(21,988)	(55,175)	33,187
Administrative expense	-	(900)	900
Other Changes	-	115,255	(115,255)
Net changes	<u>135,008</u>	<u>173,047</u>	<u>(38,039)</u>
Balances as of December 31, 2019	<u>\$ 579,170</u>	<u>\$ 521,554</u>	<u>\$ 57,616</u>

Covered payroll was \$52,239.

Actuarial determined contribution as a percentage of covered payroll was 59%.

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

The January 1, 2019 valuation was prepared using a discount rate of 8.00%. If the discount rate were 1% higher than what was used in this valuation, the net OPEB Liability would decrease. If the discount rate were 1% lower than what was used in this valuation, the net OPEB Liability would increase.

<u>Discount</u>	<u>1% Decrease</u>	<u>Current Rate</u>	<u>1% Increase</u>
Total OPEB Liability	<u>\$647,145</u>	<u>\$579,170</u>	<u>\$521,243</u>
<u>Trend</u>	<u>1% Decrease</u>	<u>Current Rate</u>	<u>1% Increase</u>
Total OPEB Liability	<u>\$515,722</u>	<u>\$579,170</u>	<u>\$653,438</u>

NOTE 9 - OTHER POST EMPLOYMENT BENEFITS (Continued)

For the year ended December 31, 2019, the Corporation recognized an OPEB expense as follows:

Service Cost	\$ 2,117
Interest on total OPEB liability	33,286
Projected earnings on plan investments	(29,559)
Experience (gains) or losses	(347,630)
Assumption changes	111,951
Investment (gains) or losses	2,573
Investment fees	<u>900</u>
Net OPEB Expense	<u>\$ (226,362)</u>

At December 31, 2019, the Corporation reported deferred outflows / inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 267,842
Changes in assumptions	198,686	-
Net difference between projected and actual earnings on pension plan investments	<u>10,294</u>	<u>-</u>
Total	<u>\$ 208,980</u>	<u>\$ 267,842</u>

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

Year Ended <u>December 31:</u>	
2020	\$ (99,502)
2021	35,492
2022	2,573
2023	<u>2,575</u>
	<u>\$ (58,862)</u>

Chippewa County Road Commission

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

NOTE 9 - OTHER POST EMPLOYMENT BENEFITS (Continued)

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

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

Funding Policy. Contribution requirements also are negotiated between the Road Commission and employees. The Road Commission contributes 100% of the cost of current-year premiums for eligible retired plan members. For fiscal year 2019, the Road Commission contributed \$1,764,717 to the plan. Total member contributions were \$63,098.

Employees Covered by Benefit Terms

As of December 31, 2019, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	71
Inactive employees entitled to but not yet receiving benefits	-
Active employees	<u>67</u>
Total participants covered by OPEB Plan	<u>138</u>

Total OPEB Liability and Trust Assets - The Road Commission’s total OPEB liability of \$18,230,242 was measured as of December 31, 2019, and was determined by an actuarial valuation as of that date.

As of December 31, 2019, there was \$1,657,569 in assets in the Road Commission’s OPEB trust.

Actuarial assumptions and other inputs - The total OPEB liability was determined by an actuarial valuation as of December 31, 2019 and the following actuarial assumptions, applies to all periods included in the measurement:

Salary Increases	3.50%
Investment rate of return	6.18% including inflation
Discount rate	6.18%
Mortality	2010 Public General Employees and Healthy Retirees, with MP–2019 mortality improvement scale.

The long-term expected rate of return on investments was determined using a building-block method in which best-estimate ranges of expected future rates of return (expected returns, net of retirement plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in the retirement plan’s target asset allocation as of December 31, 2019 are summarized in the following table:

NOTE 9 - OTHER POST EMPLOYMENT BENEFITS (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return</u>
Large Cap US	18%	7.60%
Mid Cap US	4	8.30
Small Cap US	4	7.35
International Equities	25	7.10
Emerging Mkt Equity	8	8.80
Short Term Fixed Inc.	14	3.30
US Fixed Inc.	9	3.70
International Fixed Inc.	2	3.40
Inflation – Linked	4	4.70
High Yield	4	5.50
Master Limited Partnerships	4	7.00
Precious Metals (Commodities)	4	3.80

The sum of each target allocation times its long-term expected rate results in a long-term expected rate of return of 6.18%.

Discount Rate - The discount rate used to measure the total OPEB liability was 6.18%. The projection of cash flows used to determine the discount rate assumed that the Road Commission will make annual \$1,000,000 until the plan is fully funded. Based on this assumption, the retirement plan’s fiduciary net position was projected to be sufficient to make projected future benefit payments of current plan members. For projected benefits that are covered by projected assets, the long-term expected rate was used to discount the projected benefits. From the year that benefit payments were not projected to be covered by the projected assets (the crossover point or “*depletion date*”, not applicable for this plan), projected benefits were discounted at a discount rate reflecting a 20-year AA/Aa tax-exempt municipal bond yield. A single equivalent discount rate that yields the same present value of benefits is calculated. This discount rate is used to determine the Total OPEB Liability.

	<u>Total OPEB Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net OPEB Liability</u>
Balances at December 31, 2018	\$ 25,551,384	\$ 735,873	\$ 24,815,511
Service cost	235,298	-	235,298
Interest	940,390	-	940,390
Experience (gains)/losses	(195,101)	-	(195,101)
Change in actuarial assumptions	(7,287,012)	-	(7,287,012)
Contributions to OPEB trust	-	750,000	(750,000)
Contributions/benefit paid from general operating funds	-	1,014,717	(1,014,717)
Net investment income	-	182,778	(182,778)
Benefit payments including refunds of employee contributions	(1,014,717)	(1,014,717)	-
Administrative expense	-	(11,082)	11,082
Net changes	<u>(7,321,142)</u>	<u>921,696</u>	<u>(8,242,838)</u>
Balances as December 31, 2019	<u>\$ 18,230,242</u>	<u>\$ 1,657,569</u>	<u>\$ 16,572,673</u>

NOTE 9 - OTHER POST EMPLOYMENT BENEFITS (Continued)

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

	Discount		
	1% Decrease	Current Rate	1% Increase
Total OPEB Liability	\$20,252,099	\$18,230,242	\$16,526,807
Plan Fiduciary Net Position	1,657,569	1,657,569	1,657,569
Net OPEB Liability	<u>\$18,594,530</u>	<u>\$16,572,673</u>	<u>\$14,869,238</u>
	Trend		
	1% Decrease	Current Rate	1% Increase
Total OPEB Liability	\$16,437,585	\$18,230,242	\$20,349,975
Plan Fiduciary Net Position	1,657,569	1,657,569	1,657,569
Net OPEB Liability	<u>\$14,780,019</u>	<u>\$16,572,673</u>	<u>\$18,692,406</u>

OPEB Expense

Components of Road Commission’s OPEB Expense for the fiscal year ending December 31, 2019 are as follows:

Service Cost	\$ 235,298
Interest on Total OPEB Liability	940,390
Experience (Gains)/Losses	(89,680)
Changes of Assumptions	(2,450,090)
Projected Earnings on OPEB Plan Investments	(84,005)
Investment Earnings (Gains)/Losses	(5,434)
Administrative Expenses	<u>11,082</u>
Total OPEB Expense	<u>\$ 1,442,439</u>

NOTE 9 - OTHER POST EMPLOYMENT BENEFITS (Continued)

Deferred Outflows and Inflows of Resources Related to OPEB Plan

	Deferred Outflows of Resources	Deferred Inflows of Resources
Experience (Gains)/Losses	\$ -	\$ 246,454
Changes in Assumptions	-	6,434,699
Investment Earnings (Gains)/Losses	-	36,055
Total	\$ -	\$ 6,717,208

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

Year Ended December 31:	
2020	\$ (2,545,204)
2021	(2,545,204)
2022	(1,572,953)
2023	(53,847)

NOTE 10 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS

Primary Government

Description of Plan and Plan Assets

The County is in an agent multiple-employer defined benefit pension plan with the Municipal Employees' Retirement System (MERS). The system provides the following provisions: normal retirement, deferred retirement and service retirement to plan members and their beneficiaries. The service requirement is computed using credited service at the time of termination of membership multiplied by the sum of 2.25%, 1% hybrid, and 2.5% for deputies times the final compensation (FAC). The most recent period of which actuarial data was available was for year ended December 31, 2018.

General Information about the Pension Plan

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

NOTE 10 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

01 – Gnrl Other: Closed to new hires, linked to Division HF	
	2018 Valuation
Benefit Multiplier:	2.25% Multiplier (80% max)
Normal Retirement Age:	60
Vesting:	10 Years
Early Retirement (Unreduced):	55/20
Early Retirement (Reduced):	50/25
	55/15
Final Average Compensation:	3 years
COLA for Current Retirees:	2.50% (Non-Compound)
Employee Contributions	2%
Act 88:	Yes (Adopted 3/15/1974)
02 – County Corrections: Closed to new hires, linked to Division HB	
	2018 Valuation
Benefit Multiplier:	2.50% Multiplier (80% max)
Normal Retirement Age:	60
Vesting:	10 Years
Early Retirement (Unreduced):	50/25
	55/20
Early Retirement (Reduced):	55/15
Final Average Compensation:	3 years
COLA for Future Retirees:	2.50% (Non-Compound)
COLA for Current Retirees:	2.50% (Non-Compound)
Employee Contributions	3%
Act 88:	Yes (Adopted 3/15/1974)
11 – Hlth Dept: Closed to new hires, linked to Division HD	
	2018 Valuation
Benefit Multiplier:	2.25% Multiplier (80% max)
Normal Retirement Age:	60
Vesting:	10 Years
Early Retirement (Unreduced):	55/20
Early Retirement (Reduced):	50/25
	55/15
Final Average Compensation:	3 years
COLA for Current Retirees:	2.50% (Non-Compound)
Employee Contributions	2%
Act 88:	Yes (Adopted 3/15/1974)

NOTE 10 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

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

	<u>2018 Valuation</u>
Benefit Multiplier:	2.25% Multiplier (80% max)
Normal Retirement Age:	60
Vesting:	10 Years
Early Retirement (Unreduced):	55/20
Early Retirement (Reduced):	50/25
	55/15
Final Average Compensation:	3 years
Employee Contributions	2%
Act 88:	Yes (Adopted 3/15/1974)

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

	<u>2018 Valuation</u>
Benefit Multiplier:	2.25% Multiplier (80% max)
Normal Retirement Age:	60
Vesting:	10 Years
Early Retirement (Unreduced):	55/20
Early Retirement (Reduced):	50/25
	55/15
Final Average Compensation:	3 years
Employee Contributions	2%
Act 88:	Yes (Adopted 3/15/1974)

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

	<u>2018 Valuation</u>
Benefit Multiplier:	2.50% Multiplier (80% max)
Normal Retirement Age:	60
Vesting:	10 Years
Early Retirement (Unreduced):	50/25
	55/20
Early Retirement (Reduced):	55/15
Final Average Compensation:	3 years
COLA for Current Retirees:	2.50% (Non-Compound)
Employee Contributions	3%
Act 88:	Yes (Adopted 3/15/1974)

NOTE 10 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

HA – Sheriff Rd after 5/1/10: Open Division, Linked to Division 20	
	2018 Valuation
Benefit Multiplier:	Hybrid Plan – 1.00% Multiplier
Normal Retirement Age:	60
Vesting:	6 Years
Early Retirement (Unreduced):	-
Early Retirement (Reduced):	-
Final Average Compensation:	3 years
Employee Contributions	0%
Act 88:	Yes (Adopted 5/1/2010)
HB – Sheriff hired after 5/1/10: Open Division, Linked to Division 02	
	2018 Valuation
Benefit Multiplier:	Hybrid Plan – 1.00% Multiplier
Normal Retirement Age:	60
Vesting:	6 Years
Early Retirement (Unreduced):	-
Early Retirement (Reduced):	-
Final Average Compensation:	3 years
Employee Contributions	0%
Act 88:	Yes (Adopted 5/1/2010)
HC – General Non-Un hired after 5/1/10: Open Division, Linked to Division 16	
	2018 Valuation
Benefit Multiplier:	Hybrid Plan – 1.00% Multiplier
Normal Retirement Age:	60
Vesting:	6 Years
Early Retirement (Unreduced):	-
Early Retirement (Reduced):	-
Final Average Compensation:	3 years
Employee Contributions	0%
Act 88:	Yes (Adopted 5/1/2010)
HD – Teamsters after 4/1/11: Open Division, Linked to Division 11	
	2018 Valuation
Benefit Multiplier:	Hybrid Plan – 1.00% Multiplier
Normal Retirement Age:	60
Vesting:	6 Years
Early Retirement (Unreduced):	-
Early Retirement (Reduced):	-
Final Average Compensation:	3 years
Employee Contributions	0%
Act 88:	Yes (Adopted 3/15/1974)

NOTE 10 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

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

	<u>2018 Valuation</u>
Benefit Multiplier:	Hybrid Plan – 1.00% Multiplier
Normal Retirement Age:	60
Vesting:	6 Years
Early Retirement (Unreduced):	-
Early Retirement (Reduced):	-
Final Average Compensation:	3 years
Employee Contributions	0%
Act 88:	Yes (Adopted 3/15/1974)

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

	<u>2018 Valuation</u>
Benefit Multiplier:	Hybrid Plan – 1.00% Multiplier
Normal Retirement Age:	60
Vesting:	6 Years
Early Retirement (Unreduced):	-
Early Retirement (Reduced):	-
Final Average Compensation:	3 years
Employee Contributions	0%
Act 88:	Yes (Adopted 5/1/2010)

Employees Covered by Benefit Terms

At December 31, 2019, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	168
Inactive employees entitled to but not yet receiving benefits	93
Active employees	<u>155</u>
	416

Funding Policy

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

NOTE 10 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

The contribution rate as a percentage of payroll or estimated monthly contributions at December 31, 2019 are as follows:

General – Other	\$ 30,314
Sheriff	11,508
Health Department	9,877
HD Non-Union	21,553
General – Non-Union	31,482
Sheriff – Road	8,712
Sheriff – Hired after 5/1/10	1,346
General – Non-Union hired after 5/1/10	5,340
Non-Union – Hired after 4/1/11	1,878
General Other – Hired after 4/1/12	2,353

Net Pension Liability

The County’s net pension liability was measured as of December 31, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions. The total pension liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	60.0%	3.70%
Global Fixed Income	20.0%	0.30%
Private Investments	20.0%	1.30%

NOTE 10 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

Discount Rate. The discount rate used to measure the total pension liability is 8.0%. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the Net Pension Liability:

	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability</u>
Balances at December 31, 2018	\$ 44,336,806	\$ 29,039,479	\$ 15,297,327
Service cost	639,114	-	639,114
Interest on total pension liability	3,461,811	-	3,461,811
Changes in benefits	-	-	-
Difference between expected and actual experience	(154,500)	-	(154,500)
Changes in assumptions	-	-	-
Employer contributions	-	1,775,846	(1,775,846)
Employee contributions	-	101,006	(101,006)
Net investment income	-	2,310,083	(2,310,083)
Benefit payments, including employee refunds	(2,767,443)	(2,767,443)	-
Administrative expense	-	(63,684)	63,684
Other changes	(36,367)	-	(36,367)
Net changes	<u>1,142,615</u>	<u>1,355,808</u>	<u>(213,193)</u>
Balances at December 31, 2019	<u>\$ 45,479,421</u>	<u>\$ 30,395,287</u>	<u>\$ 15,084,134</u>

The Changes in the Net Pension Liability for the Chippewa County Health Department, included in the chart above, are reported as of the measurement date December 31, 2018. The fiscal year-end of the health department is September 30, 2019, which prevents us from reporting the Plan at the same measurement date of the remainder of the primary government. The Pension Liability, Plan Fiduciary Net Position, and Net Pension Liability for the health department are \$13,052,410, \$8,448,810, and \$4,603,600, respectively.

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability of the County, calculated using the discount rate of 8%, as well as what the County’s net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7%) or 1-percentage-point higher (9%) than the current rate:

NOTE 10 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

	1% Decrease (7%)	Current Discount Rate (8%)	1% Increase (9%)
County's net pension liability	\$20,028,004	\$15,084,134	\$10,886,238

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

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

For the year ended December 31, 2019, the County recognized pension expense of \$2,646,892. At December 31, 2019, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 258,306
Changes in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	719,387	-
Contributions subsequent to the measurement date	239,681	-
Total	\$ 959,068	\$ 258,306

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

<u>Year Ended December 31:</u>	
2020	\$ 89,492
2021	20,782
2022	355,827
2023	(5,020)

NOTE 10 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

Chippewa County Road Commission

Description of Plan and Plan Assets

The Road Commission is in an agent multiple-employer defined benefit pension plan with the Municipal Employees’ Retirement System (MERS). The system provides the following provisions: normal retirement, deferred retirement and service retirement to plan members and their beneficiaries. The service requirement is computed using credited service at the time of termination of membership multiplied by the sum of 2.25% times the final compensation (FAC). The most recent period of which actuarial data was available was for year ended December 31, 2018.

General Information about the Pension Plan

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

01 – General: Closed Division	
	<u>2018 Valuation</u>
Benefit Multiplier:	2.25% Multiplier (80% max)
Normal Retirement Age:	60
Vesting:	10 Years
Early Retirement (Unreduced):	55/25
Early Retirement (Reduced):	50/25
	55/15
Final Average Compensation:	5 years
Employee Contributions	0%
Act 88:	Yes (Adopted 11/20/1970)
02 – General: Open Division	
	<u>2018 Valuation</u>
Benefit Multiplier:	2.25% Multiplier (80% max)
Normal Retirement Age:	60
Vesting:	10 Years
Early Retirement (Unreduced):	55/25
Early Retirement (Reduced):	50/25
	55/15
Final Average Compensation:	5 years
Employee Contributions	2%
Act 88:	Yes (Adopted 2/1/2004)

NOTE 10 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

Employees Covered by Benefit Terms

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

Inactive employees or beneficiaries currently receiving benefits	91
Inactive employees entitled to but not yet receiving benefits	4
Active employees	63
	158

Funding Policy

The obligation to contribute to and maintain the system for these employees was established by negotiation with the Road Commission’s competitive bargaining unit and personnel policy, which require employees to contribute to the plan. The Road Commission is required to contribute at an actuarially determined monthly amount for 2019 was \$81,195.

Net Pension Liability

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

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

Inflation	2.50%
Salary increases	3.75%
Investment rate of return	7.75%, net of interest and administrative expense including inflation

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

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	55.5%	3.42%
Global Fixed Income	18.5%	0.23%
Real Assets	13.5%	0.97%
Diversifying Strategies	12.5%	0.63%

NOTE 10 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

Discount Rate. The discount rate used to measure the total pension liability is 8.0%. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the Net Pension Liability:

	Increases (Decreases)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at December 31, 2018	\$ 20,311,189	\$ 9,403,262	\$ 10,907,927
Service cost	335,653	-	335,653
Interest on total pension liability	1,578,409	-	1,578,409
Difference between expected and actual experience	24,754	-	24,754
Employer contributions	-	1,047,895	(1,047,895)
Employee contributions	-	55,396	(55,396)
Net investment income	-	1,255,648	(1,255,648)
Benefit payments, including employee refunds	(1,497,808)	(1,497,808)	-
Administrative expense	-	(21,628)	21,628
Other changes	9,386	-	9,386
Net changes	450,394	839,503	(389,109)
Balances as of December 31, 2019	\$ 20,761,583	\$ 10,242,765	\$ 10,518,818

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

	1% Decrease	Current Discount Rate	1% Increase
	(7.00%)	(8.00%)	(9.00%)
Road Commission's net pension liability	\$12,681,753	\$10,518,818	\$8,673,346

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

NOTE 10 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

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

For the year ended December 31, 2019, the Road Commission recognized pension expense of \$1,786,323. At December 31, 2019, the Road Commission reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 54,509	\$ -
Changes in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	877,491	-
Total	\$ 932,000	\$ -

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

<u>Year Ended December 31:</u>	
2020	\$ 201,105
2021	279,434
2022	347,455
2023	104,006

Annual Pension Cost

During the year ended December 31, 2019, the Road Commission’s contributions totaling \$1,047,895 were made in accordance with contribution requirement determined by an actuarial valuation of the plan as of December 31, 2017. 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 22 years.

NOTE 10 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

Economic Development Corporation of Chippewa County

Description of Plan and Plan Assets

The Corporation is in an agent multiple-employer defined benefit pension plan with the Municipal Employees' Retirement System (MERS). The system provides the following provisions: normal retirement, deferred retirement and service retirement to plan members and their beneficiaries. The service requirement is computed using credited service at the time of termination of membership multiplied by the sum of 2.25%, and 1.50% for deputies' times the final compensation (FAC). The most recent period of which actuarial data was available was for year ended December 31, 2018.

General Information about the Pension Plan

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

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

	<u>2018 Valuation</u>
Benefit Multiplier:	2.25% Multiplier (80% max)
Normal Retirement Age:	60
Vesting:	10 Years
Early Retirement (Unreduced):	55/20
Early Retirement (Reduced):	50/25 55/15
Final Average Compensation:	3 years
COLA for Current Retirees:	2.5% (Non-Compound)
Employee Contributions	2%
Act 88:	Yes (Adopted 3/15/1974)

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

	<u>2018 Valuation</u>
Benefit Multiplier:	1.50% Multiplier (80% max)
Normal Retirement Age:	60
Vesting:	10 Years
Early Retirement (Unreduced):	-
Early Retirement (Reduced):	50/25 55/15
Final Average Compensation:	3 years
Employee Contributions	3%
Act 88:	Yes (Adopted 3/15/1974)

NOTE 10 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

Employees Covered by Benefit Terms

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

Inactive employees or beneficiaries currently receiving benefits	5
Inactive employees entitled to but not yet receiving benefits	2
Active employees	9
	16

Funding Policy

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

The level dollar based on valuation payroll contribution rate at December 31, 2019 was \$4,681 per month.

Net Pension Liability

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

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

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

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

The actuarial assumptions used in valuation were based on the results of the most recent actuarial experience study of January 1, 2009, through December 31, 2013.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	55.50%	3.42%
Global Fixed Income	18.50%	0.23%
Real Assets	13.50%	0.97%
Diversifying Strategies	12.50%	0.63%

NOTE 10 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

Discount Rate. The discount rate used to measure the total pension liability is 8.0%. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the Net Pension Liability:

	Increases (Decreases)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at December 31, 2018	\$ 1,912,350	\$ 1,353,147	\$ 559,203
Service cost	41,442	-	41,442
Interest on total pension liability	150,421	-	150,421
Changes in benefits	-	-	-
Difference between expected and actual experience	(3,578)	-	(3,578)
Changes in assumptions	-	-	-
Employer contributions	-	55,730	(55,730)
Employee contributions	-	11,915	(11,915)
Net investment income	-	183,039	(183,039)
Benefit payments, including employee refunds	(105,623)	(105,623)	-
Administrative expense	-	(3,154)	3,154
Other changes	(2,234)	-	(2,234)
Net changes	80,428	141,907	(61,479)
Balances at December 31, 2019	\$ 1,992,778	\$ 1,495,054	\$ 497,724

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

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
EDC net pension liability	\$721,637	\$497,724	\$309,118

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

NOTE 10 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

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

For the year ended December 31, 2019, the Corporation recognized pension expense of \$103,280. At December 31, 2019, the EDC reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ 21,502
Changes in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	<u>5,570</u>	<u>-</u>
Total	<u>\$ 5,570</u>	<u>\$ 21,502</u>

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

Year Ended

<u>December 31:</u>	
2020	\$ (16,019)
2021	(2,625)
2022	17,998
2023	(15,286)

Annual Pension Costs. For year ended 2019, the Corporation's annual pension cost of \$55,730 for the plan was equal to the required and actual contribution. The annual required contribution was determined as part of an actuarial valuation as December 31, 2017, using the age normal cost method. Significant actuarial assumptions used include: (i) an 8% investment rate of return; (ii) projected salary increases of 4.5% per year. Both determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is being amortized as a level percent of payroll on a closed basis. The remaining amortization period is 22 years.

NOTE 10 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

Eastern Upper Peninsula Transportation Authority

Description of Plan and Plan Assets

The Authority is in the Municipal Employees’ Retirement System (MERS), an agent multiple employer public employee retirement system that acts as a common investment and administrative agent for units of local government in Michigan. The system provides the following provisions: normal retirement, deferred retirement and service retirement to plan members and their beneficiaries. All full-time employees become a member of the System on the first day of employment and are completely vested after 10 years of service. Service retirement allowances are based upon percentages ranging from 1.5 to 2.25 percent of 3 to 5-year final average compensation depending on benefit program selected and social security coverage, etc. The most recent period of which actuarial data was available was for the fiscal year ended December 31, 2018.

General Information about the Pension Plan

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

01 – General: Closed to new hires, linked to Division 11

	2018 Valuation
Benefit Multiplier:	2.25% Multiplier (80% max)
Normal Retirement Age:	60
Vesting:	6 Years
Early Retirement (Unreduced):	55/15
Early Retirement (Reduced):	50/25
Final Average Compensation:	3 years
Cola for Future Retirees:	2.5% (non-compound)
Member Contributions:	0%
Act 88:	No

10 – Busing Union: Closed to new hires linked to Division 11

	2018 Valuation
Benefit Multiplier:	2.25% Multiplier (80% max)
Normal Retirement Age:	60
Vesting:	6 Years
Early Retirement (Unreduced):	55/15
Early Retirement (Reduced):	50/25
Final Average Compensation:	3 years
Cola for Future Retirees:	2.5% (non-compound)
Member Contributions:	0%
Act 88:	No

NOTE 10 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

11 – Gnrl & Busing Union aft 6/1/16: Open Division, linked to Division 01, 10

	2018 Valuation
Benefit Multiplier:	1.5% Multiplier (no max)
Normal Retirement Age:	60
Vesting:	10 Years
Early Retirement (Unreduced):	-
Early Retirement (Reduced):	50/25 55/15
Final Average Compensation:	5 years
Member Contributions:	0%
Act 88:	No

Employees Covered by Benefit Term. At the December 31, 2018 valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	31
Inactive employees entitled to but not yet receiving benefits	3
Active employees	<u>21</u>
	55

Contributions. The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by the MERS Retirement Board. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer may establish contribution rates to be paid by its covered employees. Employer contributions for General (closed) is \$46,811, Bussing (closed) \$5,229 and General & Busing (open) is 7.36%.

Net Pension Asset. The employer’s Net Pension Liability was measured as of December 31, 2018, and the total pension liability used to calculate the Net Pension Asset was determined by an annual actuarial valuation as of that date.

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

- Inflation: 2.5%
- Salary Increases: 3.75% in the long-term, plus percentage based on age related scale.
- Investment rate of return: 7.75%, net of investment expense, including inflation.

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

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

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

NOTE 10 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	55.5%	3.41%
Global Fixed Income	18.5%	0.23%
Real Assets	13.5%	0.97%
Diversifying Strategies	12.5%	0.63%

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

Changes in Net Pension Liability

	Increases (Decreases)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balances at December 31, 2017	\$ 11,703,669	\$ 5,378,130	\$ 6,325,539
Service cost	126,505	-	126,505
Interest on total pension liability	910,960	-	910,960
Difference between expected and actual experience	85,460	-	85,460
Changes in assumptions	-	-	-
Employer contributions	-	565,979	(565,979)
Net investment income	-	(204,573)	204,573
Benefit payments, including employee refunds	(759,847)	(759,847)	-
Administrative expense	-	(10,254)	10,254
Other changes	-	(1)	1
Net changes	363,078	(408,696)	771,774
Balances as of December 31, 2018	\$ 12,066,747	\$ 4,969,434	\$ 7,097,313

NOTE 10 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

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

	1% Decrease (7.0%)	Current Discount Rate (8.0%)	1% Increase (9.0%)
Net Pension Liability at 12/31/18	-	\$7,097,313	-
Change in Net Pension Liability	\$1,323,460	-	(\$1,122,304)
Calculated Net Pension Liability	\$8,420,773	\$7,097,313	\$5,975,009

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

For the year ended September 30, 2019, the employer recognized pension expense of \$840,678. The employer reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences in experience	\$ 129,944	\$ -
Differences in assumptions	-	-
Excess (Deficit) Investment Returns	380,695	-
Contributions subsequent to the measurement date	430,713	-
Total	<u>\$ 941,352</u>	<u>\$ -</u>

The amount reports as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the Net Pension Liability for the year ending September 30, 2019.

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

Year Ended September 30:	
2020	219,085
2021	70,719
2022	95,504
2023	125,331

NOTE 11 - DEFERRED COMPENSATION PLAN

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

NOTE 12 - WATER FUND – RESTRICTED CASH

	<u>December 31, 2019</u>	
	<u>Required Balance</u>	<u>Actual Balance</u>
Bond Reserves		
Water Supply System Revenue Bond Series 2000	\$ 34,600	\$ 34,600

NOTE 13 - RESTATEMENT

	<u>Governmental Net Position</u>	<u>Health Department 9/30/2019</u>
Beginning net position as previously stated at January 1, 2019	\$ (10,549,130)	988,422
Restatement of Net Position – for measurement date change in OPEB Actuarial and posting of deferred inflow related to prior actuarial	(9,658,300)	-
Restatement of Fund Balance – change in accounting deferred revenue associated with prior year revenues	<u>42,096</u>	<u>42,096</u>
Beginning net position as restated at January 1, 2019	<u>\$ (20,165,334)</u>	<u>\$ 1,030,518</u>

NOTE 14 - SUBSEQUENT EVENT

The County has evaluated its December 31, 2019, financial statements for subsequent events through the date the financial statements were issued. As a result of the spread of the COVID19 coronavirus, economic uncertainties have arisen which are likely to negatively impact on charges for service as many of the services have been reduced or halted as a result of the pandemic. This factor may result in a reduction in fund balance and net position in the future periods. Other financial impacts could occur though such potential impacts are unknown at this time.

NOTE 15 - FUND BALANCES

	<u>General</u>	<u>Health Department</u>	<u>Senior Nutrition</u>	<u>Ambulance</u>	<u>Correctional Facility Maintenance</u>	<u>Nonmjr Governmental</u>	<u>Total</u>
Nonspendable:							
Prepaid Items and Inventory	\$ 71,412	\$ 34,668	\$ -	\$ -	\$ -	\$ 7,344	\$ 113,424
Restricted for:							
Public Safety	-	-	-	-	526,864	296,148	823,012
Health and Welfare	-	109,614	7,149	-	-	1	116,764
Bond Retirement	-	-	-	-	-	34,600	34,600
Committed:							
Public Works	-	-	-	-	-	7,503	7,503
Assigned:							
Judicial	-	-	-	-	-	231,145	231,145
General Government	13,209	-	-	-	-	95,017	108,226
Public Safety	-	-	-	-	-	602,787	602,787
Health and Welfare	-	1,469,831	-	-	-	22,016	1,491,847
Public Works	-	-	-	-	-	266,132	266,132

Required Supplementary Information

**Employee Retirement and Benefit Systems
Required Supplementary Information
Schedule of Changes in the Net Pension Liability and Related Ratios
For the Year Ended December 31, 2019**

	2019	2018	2017	2016	2015
Total pension liability					
Service cost	\$ 639,114	\$ 634,541	\$ 658,712	\$ 684,077	\$ 688,332
Interest	3,461,811	3,385,669	3,265,125	3,009,234	2,979,321
Difference between expected and actual experience	(154,500)	(333,125)	96,527	166,122	-
Change in assumptions	-	-	-	1,584,621	-
Benefit payments, including refund of member contributions	(2,767,443)	(2,556,950)	(2,287,670)	(2,184,386)	(2,035,612)
Net transfers	-	-	-	(27,518)	-
Other changes	(36,367)	(75,393)	(79,187)	26,654	(48,905)
Net change in total pension liability	1,142,615	1,054,742	1,653,507	3,258,804	1,583,136
Total pension liability - beginning	44,336,806	43,282,064	41,628,557	38,369,753	36,786,617
Total pension liability - ending	<u>\$ 45,479,421</u>	<u>\$ 44,336,806</u>	<u>\$ 43,282,064</u>	<u>\$ 41,628,557</u>	<u>\$ 38,369,753</u>
Plan fiduciary net position					
Contributions - employer	\$ 1,775,846	\$ 1,608,967	\$ 1,477,710	\$ 1,149,992	\$ 1,169,588
Contributions - employee	101,006	101,742	111,720	158,580	127,301
Net investment income	2,310,083	335,193	3,383,628	1,825,377	264,835
Benefit payments, including refunds of member contributions	(2,767,443)	(2,556,950)	(2,287,670)	(2,184,386)	(2,035,612)
Net transfers	-	-	42,151	(27,518)	-
Administrative expense	(63,684)	(58,248)	(57,209)	(57,545)	(58,964)
Net change in plan fiduciary net position	1,355,808	(569,296)	2,670,330	864,500	(532,852)
Plan fiduciary net position - beginning	29,039,489	29,608,775	26,938,445	26,073,945	26,606,797
Plan fiduciary net position - ending	<u>\$ 30,395,297</u>	<u>\$ 29,039,479</u>	<u>\$ 29,608,775</u>	<u>\$ 26,938,445</u>	<u>\$ 26,073,945</u>
County's net pension liability - ending	<u>\$ 15,084,124</u>	<u>\$ 15,297,327</u>	<u>\$ 13,673,289</u>	<u>\$ 14,690,112</u>	<u>\$ 12,295,808</u>
Plan fiduciary net position as a percentage of the total pension liability	67%	65%	68%	65%	68%
Covered - employee payroll	\$ 7,579,553	\$ 7,360,404	\$ 7,575,339	\$ 7,319,582	\$ 7,240,587
County's net pension liability as a percentage of covered-employee payroll	199%	208%	180%	201%	170%

County of Chippewa, Michigan

Employee Retirement and Benefit Systems Required Supplementary Information Schedule of Contributions For the Year Ended December 31, 2019

	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 1,492,356	\$ 1,454,196	\$ 1,477,710	\$ 1,149,992	\$ 1,181,603
Contributions in relation to the actuarially determined contribution	(1,775,846)	(1,608,967)	(1,477,710)	(1,149,992)	(1,169,588)
Contribution deficiency (excess)	<u>\$ (283,490)</u>	<u>\$ (154,771)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,015</u>
Covered - employee payroll	\$ 7,579,553	\$ 7,360,404	\$ 7,575,339	\$ 7,319,582	\$ 4,907,159
Contributions as a percentage of covered-employee payroll	20%	20%	20%	16%	24%

Notes to Schedule:

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

Methods and assumptions used to determine contribution rates:

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

**Employee Retirement and Benefit Systems
Required Supplementary Information
Schedule of Changes in the OPEB Liability and Related Ratios
Year Ended December 31, 2019**

	2019	2018
Total OPEB Liability - Beginning of Year	\$ 18,327,589	\$ 17,987,754
Service cost	114,754	153,104
Interest	1,272,839	1,463,014
Assumption changes and differences between actual and expected experience	1,370,953	335,885
Difference between actual and expected investment income	(73,939)	(505,929)
Benefit payments	(1,088,054)	(1,049,927)
OPEB Liability - End of Year	\$ 19,924,142	\$ 18,383,901
Plan fiduciary net position		
Contributions - employer	\$ 1,855,878	\$ 1,684,225
Net investment income	1,710,877	1,081,405
Benefit payments	(1,049,412)	(1,017,435)
Administrative expense	(17,714)	(18,227)
Other Changes	94,555	-
Net change in plan fiduciary net position	2,594,184	1,729,968
Plan fiduciary net position - Beginning of Year	8,195,475	6,869,164
Plan fiduciary net position - End of Year	\$ 10,789,659	\$ 8,599,132
Net OPEB liability - End of Year	\$ 9,134,483	\$ 9,784,769
Plan fiduciary net position as a percentage of the total OPEB liability	54%	47%
Covered Payroll	\$ 3,646,510	\$ 3,646,510
Net OPEB liability as a percentage of covered payroll	250.50%	268.33%
Schedule of Employer Contributions		
Service cost	\$ 114,754	\$ 153,104
30 year amortization of NOL at 8.0%	1,630,679	1,671,807
Actuarially determined contribution	1,745,433	1,824,911
Actual Contribution	1,855,878	1,066,331
Contribution deficiency/(excess)	\$ (110,445)	\$ 758,580
Covered Payroll	\$ 2,891,706	\$ 3,646,510
ADC as a percentage of payroll	60.36%	50.05%

Note: the above schedule represents the Net OPEB Liability on the basic financial statements as of the respective year ends. These numbers include all of the primary government funds which includes the Health Department which has OPEB information that is presented as of one year behind the date of the statements.

Key Assumptions:

Census Collection Date January 1, 2019
Discount Rate 6.00%
Healthcare Cost Trend Rates
- 2019 (Pre 65 / Post 65 / Rx) (0.32%) / (0.56%) / (21.35%)
- 2020 Trend 9.50%
- Decrement 0.50%
- Ultimate Trend 5.00%
- Year Ultimate Trend is Reached 2029
Return on Plan Assets 6.00%
Salary Increases 2.00%
Actuarial Cost Method Entry Age Normal
Mortality rates were based on the SOA RP-2014 Total Dataset Mortality with Scale MP-2019 (Base Rate 2006).

**Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended December 31, 2019**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 7,711,790	\$ 7,711,790	\$ 7,752,731	\$ 40,941
Licenses and Permits	39,000	39,000	34,040	(4,960)
Federal Sources	527,081	527,082	496,596	(30,486)
State Sources	1,666,412	1,685,368	1,606,337	(79,031)
Local Sources	155,000	155,000	138,496	(16,504)
Charges for Services	2,212,962	2,212,946	1,905,960	(306,986)
Interest and Rentals	149,000	149,000	185,245	36,245
Fines and Forfeitures	75,600	75,600	84,575	8,975
Other Revenue	154,920	171,200	244,216	73,016
TOTAL REVENUES	12,691,765	12,726,986	12,448,196	(278,790)
EXPENDITURES:				
Legislative:				
Board of Commissioners	55,357	55,357	50,975	4,382
Judicial:				
Juvenile Court	304,213	329,363	318,529	10,834
Circuit Court	499,291	516,991	471,702	45,289
District Court	562,422	586,122	550,533	35,589
Friend of the Court	507,268	531,418	475,736	55,682
Jury Board	6,481	6,481	5,479	1,002
Prosecuting Attorney	596,208	579,658	551,891	27,767
Probate Court	491,915	504,715	458,593	46,122
Public Defender	227,564	10,000	-	10,000
Bailiff	167,024	167,024	144,252	22,772
Total Judicial	3,362,386	3,231,772	2,976,715	255,057
General Government:				
Administrator	328,946	351,346	348,748	2,598
Information Systems	394,478	403,978	397,578	6,400
Elections	39,328	39,328	7,773	31,555
County Clerk	301,653	313,253	304,638	8,615
Equalization	233,197	239,997	237,911	2,086
Support Coordinator	86,356	119,536	118,559	977
Crime Victim Advocate	105,135	116,294	114,820	1,474
Remonumentation	125,755	125,755	120,905	4,850
Register of Deeds	328,771	346,121	344,874	1,247
Treasurer	339,727	371,977	361,549	10,428
Cooperative Extension	121,351	128,551	128,311	240
Buildings and Grounds	295,455	326,001	288,231	37,770
Health Set Aside	625,000	625,000	557,481	67,519
Drain Commission	1,049	1,199	1,197	2
Soil Conservation District	26,000	26,000	26,000	-
GIS Mapping	25,000	27,135	27,135	-
Surveyor	36,726	42,176	41,116	1,060
Total General Government	3,413,927	3,603,647	3,426,826	176,821

**Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended December 31, 2019**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Public Safety:				
Sheriff	1,249,331	1,394,631	1,359,813	34,818
Marine	24,000	24,000	12,230	11,770
Correctional Facility	2,751,911	2,815,061	2,771,039	44,022
Regional Planning Commission	23,200	26,000	26,000	-
Trident Task Force	91,499	91,499	88,508	2,991
Snowmobile Patrol Grant	32,941	32,941	20,541	12,400
O.R.V. Grant	32,000	32,000	22,306	9,694
Animal Control	260,079	268,979	251,778	17,201
Total Public Safety	4,464,961	4,685,111	4,552,215	132,896
Health and Welfare:				
Substance Abuse	85,947	85,947	62,934	23,013
Medical Examiner	85,000	85,000	78,884	6,116
Veterans Affairs	75,583	77,033	70,813	6,220
Total Health and Welfare	246,530	247,980	212,631	35,349
Other Expenditures:				
Retirees Hospitalization	480,000	496,000	495,363	637
Insurance	275,000	275,000	258,432	16,568
Legal Services	15,000	90,000	83,736	6,264
Audit	28,000	28,000	25,872	2,128
Postage Meter	3,200	3,200	2,951	249
Record Copier	14,000	14,000	11,732	2,268
Cost Allocation Plan	5,000	5,000	5,000	-
Miscellaneous	178,985	205,213	192,096	13,117
Appropriations	397,820	397,820	397,820	-
Total Other Expenditures	1,397,005	1,514,233	1,473,002	41,231
Capital Outlay:				
Equipment	145,272	145,272	145,272	-
Vehicle	81,499	81,499	81,499	-
Total Capital Outlay	226,771	226,771	226,771	-
TOTAL EXPENDITURES	13,166,937	13,564,871	12,919,135	645,736
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	(475,172)	(837,885)	(470,939)	366,946
OTHER FINANCING SOURCES (USES):				
Transfers In	-	-	1,007,998	1,007,998
Transfers Out	(569,312)	(854,792)	(622,247)	232,545
TOTAL OTHER FINANCING SOURCES (USES)	(569,312)	(854,792)	385,751	1,240,543
NET CHANGE IN FUND BALANCE	\$ (1,044,484)	\$ (1,692,677)	(85,188)	\$ 1,607,489
FUND BALANCE BEGINNING OF YEAR			5,566,863	
FUND BALANCE END OF YEAR			\$ 5,481,675	

**Required Supplementary Information
Budgetary Comparison Schedule
Health Department
For the Year Ended September 30, 2019**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Federal Sources	\$ 696,724	\$ 696,724	\$ 696,724	\$ -
State Sources	380,650	380,650	286,130	(94,520)
Local Sources	296,636	296,636	320,036	23,400
Charges for Services	4,202,059	4,202,059	4,475,432	273,373
Other Revenue	488,264	488,264	448,492	(39,772)
TOTAL REVENUES	<u>6,064,333</u>	<u>6,064,333</u>	<u>6,226,814</u>	<u>162,481</u>
EXPENDITURES:				
Health and Welfare	<u>6,064,247</u>	<u>6,064,247</u>	<u>5,643,219</u>	<u>421,028</u>
TOTAL EXPENDITURES	<u>6,064,247</u>	<u>6,064,247</u>	<u>5,643,219</u>	<u>421,028</u>
NET CHANGE IN FUND BALANCES	<u>\$ 86</u>	<u>\$ 86</u>	583,595	<u>\$ 583,509</u>
FUND BALANCE, OCTOBER 1 (As Restated See Note 13)			<u>1,030,518</u>	
FUND BALANCE, SEPTEMBER 30			<u>\$ 1,614,113</u>	

**Required Supplementary Information
Budgetary Comparison Schedule
Ambulance
For the Year Ended December 31, 2019**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
REVENUES:				
Taxes	\$ 467,903	\$ 495,000	\$ 492,693	\$ (2,307)
TOTAL REVENUES	467,903	495,000	492,693	(2,307)
EXPENDITURES:				
Health and Welfare	304,137	321,750	320,250	1,500
TOTAL EXPENDITURES	304,137	321,750	320,250	1,500
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	163,766	173,250	172,443	(807)
OTHER FINANCING SOURCES (USES):				
Transfers Out	(163,766)	(173,250)	(172,443)	807
NET CHANGE IN FUND BALANCES	\$ -	\$ -	-	\$ -
FUND BALANCES BEGINNING OF YEAR			-	
FUND BALANCES END OF YEAR			\$ -	

**Required Supplementary Information
 Budgetary Comparison Schedule
 Senior Nutrition Program
 For the Year Ended December 31, 2019**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 568,105	\$ 570,000	\$ 575,668	\$ 5,668
TOTAL REVENUES	<u>568,105</u>	<u>570,000</u>	<u>575,668</u>	<u>5,668</u>
EXPENDITURES:				
Health and Welfare	568,105	570,000	570,000	-
TOTAL EXPENDITURES	<u>568,105</u>	<u>570,000</u>	<u>570,000</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	<u>\$ -</u>	<u>\$ -</u>	5,668	<u>\$ 5,668</u>
FUND BALANCES BEGINNING OF YEAR			<u>1,481</u>	
FUND BALANCES END OF YEAR			<u>\$ 7,149</u>	

**Required Supplementary Information
Budgetary Comparison Schedule
Correctional Facility Maintenance
For the Year Ended December 31, 2019**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ -	\$ -	\$ 9,235	\$ 9,235
Interest and Rentals	4,000	4,000	703	(3,297)
TOTAL REVENUES	<u>4,000</u>	<u>4,000</u>	<u>9,938</u>	<u>5,938</u>
EXPENDITURES:				
Public Safety	55,640	70,640	68,613	2,027
Capital Outlay	-	28,540	28,540	-
TOTAL EXPENDITURES	<u>55,640</u>	<u>99,180</u>	<u>97,153</u>	<u>2,027</u>
NET CHANGE IN FUND BALANCES	<u>\$ (51,640)</u>	<u>\$ (95,180)</u>	(87,215)	<u>\$ 7,965</u>
FUND BALANCES BEGINNING OF YEAR			<u>614,079</u>	
FUND BALANCES END OF YEAR			<u>\$ 526,864</u>	

Other Information

	General	Tax Exemption	Sheriff Special Projects	Trident Task Force	Livery Inspections	Building Maintenance	Health Set Aside	Totals
ASSETS:								
Cash and Investments - Unrestricted	\$ 4,585,476	\$ 22,355	\$ 4,540	\$ 3,477	\$ 1,727	\$ -	\$ -	\$ 4,617,575
Receivables:								
Accounts	85,191	-	-	-	-	-	-	85,191
Taxes	504,406	-	-	-	-	-	-	504,406
Interest	9,556	-	-	-	-	-	-	9,556
Due from Other Funds	449,011	-	-	-	-	-	-	449,011
Due from Governmental Units	273,892	-	-	-	-	-	-	273,892
Prepaid Items	71,412	-	-	-	-	-	-	71,412
TOTAL ASSETS	\$ 5,978,944	\$ 22,355	\$ 4,540	\$ 3,477	\$ 1,727	\$ -	\$ -	\$ 6,011,043
LIABILITIES:								
Due to Other Funds	\$ 92,996	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 92,996
Accounts Payable	117,805	-	1,791	-	-	-	-	119,596
Due to Governmental Units	-	13,622	-	-	-	-	-	13,622
Accrued Liabilities	299,677	-	-	3,477	-	-	-	303,154
TOTAL LIABILITIES	510,478	13,622	1,791	3,477	-	-	-	529,368
FUND BALANCES:								
Nonspendable	71,412	-	-	-	-	-	-	71,412
Assigned	-	8,733	2,749	-	1,727	-	-	13,209
Unassigned	5,397,054	-	-	-	-	-	-	5,397,054
TOTAL FUND BALANCES	5,468,466	8,733	2,749	-	1,727	-	-	5,481,675
TOTAL LIABILITIES AND FUND BALANCES	\$ 5,978,944	\$ 22,355	\$ 4,540	\$ 3,477	\$ 1,727	\$ -	\$ -	\$ 6,011,043

**Combining Statement of Revenues, Expenditures, and
Changes in Fund Balance - General Funds
For the Year Ended December 31, 2019**

	General	Tax Exemption	Sheriff Special Projects	Trident Task Force	Livery Inspections	Building Maintenance	Health Set Aside	Totals
REVENUES:								
Taxes	\$ 7,749,744	\$ 2,987	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,752,731
Licenses and Permits	34,040	-	-	-	-	-	-	34,040
Federal Sources	496,596	-	-	-	-	-	-	496,596
State Sources	1,606,337	-	-	-	-	-	-	1,606,337
Local Sources	138,496	-	-	-	-	-	-	138,496
Charges for Services	1,905,850	-	-	-	110	-	-	1,905,960
Interest and Rentals	185,245	-	-	-	-	-	-	185,245
Fines and Forfeitures	84,575	-	-	-	-	-	-	84,575
Other Revenue	242,716	-	1,500	-	-	-	-	244,216
TOTAL REVENUES	12,443,599	2,987	1,500	-	110	-	-	12,448,196
EXPENDITURES:								
Legislative	50,975	-	-	-	-	-	-	50,975
Judicial	2,976,715	-	-	-	-	-	-	2,976,715
General Government	2,853,124	-	-	-	-	16,221	557,481	3,426,826
Public Safety	4,460,065	-	3,642	88,508	-	-	-	4,552,215
Health and Welfare	212,631	-	-	-	-	-	-	212,631
Capital Outlay	226,771	-	-	-	-	-	-	226,771
Other Expenditures	1,473,002	-	-	-	-	-	-	1,473,002
TOTAL EXPENDITURES	12,253,283	-	3,642	88,508	-	16,221	557,481	12,919,135
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	190,316	2,987	(2,142)	(88,508)	110	(16,221)	(557,481)	(470,939)
OTHER FINANCING SOURCES (USES):								
Operating Transfers In	362,009	-	-	88,508	-	-	557,481	1,007,998
Operating Transfers Out	(622,247)	-	-	-	-	-	-	(622,247)
TOTAL OTHER FINANCING SOURCES (USES)	(260,238)	-	-	88,508	-	-	557,481	385,751
NET CHANGE IN FUND BALANCES	(69,922)	2,987	(2,142)	-	110	(16,221)	-	(85,188)
FUND BALANCES BEGINNING OF YEAR	5,538,388	5,746	4,891	-	1,617	16,221	-	5,566,863
FUND BALANCES END OF YEAR	\$ 5,468,466	\$ 8,733	\$ 2,749	\$ -	\$ 1,727	\$ -	\$ -	\$ 5,481,675

	Special Revenue Funds							
	50th Circuit Court	Drug Court	Construction Code	District Drug Court	HUD Grant	Family Counseling	Emergency Preparedness Grant	Mental Health Court
ASSETS:								
Cash and Investments - Unrestricted	\$ 63,724	\$ -	\$ 3,691	\$ -	\$ 21,600	\$ 105	\$ 21,141	\$ -
Cash and Investments - Restricted	-	-	-	-	-	-	-	-
Taxes Receivable	-	-	-	-	-	-	-	-
Accounts Receivable	50	10,779	-	290	-	-	-	100
Due from Other Funds	-	-	-	-	-	-	-	-
Due from Governmental Units	-	12,322	-	5,575	-	-	-	-
Prepaid Items	-	-	-	-	-	-	-	-
TOTAL ASSETS	\$ 63,774	\$ 23,101	\$ 3,691	\$ 5,865	\$ 21,600	\$ 105	\$ 21,141	\$ 100
LIABILITIES:								
Due to Other Funds	\$ -	\$ 21,881	\$ -	\$ 5,865	\$ -	\$ -	\$ -	\$ -
Accounts Payable	485	934	331	-	-	-	-	100
Accrued Liabilities	-	286	3,360	-	-	-	-	-
Unearned Revenues	-	-	-	-	-	-	-	-
TOTAL LIABILITIES	485	23,101	3,691	5,865	-	-	-	100
DEFERRED INFLOWS OF RESOURCES:								
Taxes Levied for a Subsequent Period	-	-	-	-	-	-	-	-
FUND BALANCES:								
Nonspendable	-	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	-	21,141	-
Committed	-	-	-	-	-	-	-	-
Assigned	63,289	-	-	-	21,600	105	-	-
TOTAL FUND BALANCES	63,289	-	-	-	21,600	105	21,141	-
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 63,774	\$ 23,101	\$ 3,691	\$ 5,865	\$ 21,600	\$ 105	\$ 21,141	\$ 100

	Special Revenue Funds							
	Operation Stonegarden	Animal Control Millage	FOC Child Support	Community Service	Superior Twp 2000 Improvements Maintenance	Office of Community Correction	Register of Deeds Automation	Drug Forfeiture
ASSETS:								
Cash and Investments - Unrestricted	\$ -	\$ 223,647	\$ 167,638	\$ 14,294	\$ 103,513	\$ 168,161	\$ 96,078	\$ 28,387
Cash and Investments - Restricted	-	-	-	-	-	-	-	-
Taxes Receivable	-	113,216	-	-	-	-	-	-
Accounts Receivable	-	-	-	2,169	-	-	230	-
Due from Other Funds	-	-	-	-	-	-	-	-
Due from Governmental Units	58,647	-	-	-	-	17,605	-	-
Prepaid Items	-	-	-	-	-	-	496	-
TOTAL ASSETS	<u>\$ 58,647</u>	<u>\$ 336,863</u>	<u>\$ 167,638</u>	<u>\$ 16,463</u>	<u>\$ 103,513</u>	<u>\$ 185,766</u>	<u>\$ 96,804</u>	<u>\$ 28,387</u>
LIABILITIES:								
Due to Other Funds	\$ 44,895	\$ -	\$ -	\$ -	\$ 54,800	\$ -	\$ -	\$ -
Accounts Payable	13,752	4,974	-	101	-	4,166	1,192	-
Accrued Liabilities	-	-	-	1,249	-	3,361	-	-
Unearned Revenues	-	-	-	-	-	-	-	-
TOTAL LIABILITIES	<u>58,647</u>	<u>4,974</u>	<u>-</u>	<u>1,350</u>	<u>54,800</u>	<u>7,527</u>	<u>1,192</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES:								
Taxes Levied for a Subsequent Period	-	113,216	-	-	-	-	-	-
FUND BALANCES:								
Nonspendable	-	-	-	-	-	-	595	-
Restricted	-	-	-	-	-	-	-	-
Committed	-	-	-	-	-	-	-	-
Assigned	-	218,673	167,638	15,113	48,713	178,239	95,017	28,387
TOTAL FUND BALANCES	<u>-</u>	<u>218,673</u>	<u>167,638</u>	<u>15,113</u>	<u>48,713</u>	<u>178,239</u>	<u>95,612</u>	<u>28,387</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 58,647</u>	<u>\$ 336,863</u>	<u>\$ 167,638</u>	<u>\$ 16,463</u>	<u>\$ 103,513</u>	<u>\$ 185,766</u>	<u>\$ 96,804</u>	<u>\$ 28,387</u>

	Special Revenue Funds							
	CCSD		Sheriff	Local		Road	Secondary	Law
	Salvage Vehicle	Concealed Weapons	Law Enforcement Training	Corrections Officer's Training	Sheriff Park Patrol	Patrol Overtime	Road Patrol	Law Library
ASSETS:								
Cash and Investments - Unrestricted	\$ 5,475	\$ 41,977	\$ 323	\$ 24,163	\$ 9,036	\$ 64,310	\$ -	\$ 596
Cash and Investments - Restricted	-	-	-	-	-	-	-	-
Taxes Receivable	-	-	-	-	-	-	-	-
Accounts Receivable	-	52	-	-	-	3,176	-	-
Due from Other Funds	-	-	-	-	-	-	-	-
Due from Governmental Units	-	-	-	3,464	-	4,250	33,685	-
Prepaid Items	-	-	-	-	-	-	-	-
TOTAL ASSETS	<u>\$ 5,475</u>	<u>\$ 42,029</u>	<u>\$ 323</u>	<u>\$ 27,627</u>	<u>\$ 9,036</u>	<u>\$ 71,736</u>	<u>\$ 33,685</u>	<u>\$ 596</u>
LIABILITIES:								
Due to Other Funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 28,569	\$ -
Accounts Payable	-	703	-	-	-	89	-	378
Accrued Liabilities	-	256	-	-	-	1,688	5,116	-
Unearned Revenues	-	-	-	-	-	-	-	-
TOTAL LIABILITIES	<u>-</u>	<u>959</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,777</u>	<u>33,685</u>	<u>378</u>
DEFERRED INFLOWS OF RESOURCES:								
Taxes Levied for a Subsequent Period	-	-	-	-	-	-	-	-
FUND BALANCES:								
Nonspendable	-	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	-	-	-
Committed	-	-	-	-	-	-	-	-
Assigned	5,475	41,070	323	27,627	9,036	69,959	-	218
TOTAL FUND BALANCES	<u>5,475</u>	<u>41,070</u>	<u>323</u>	<u>27,627</u>	<u>9,036</u>	<u>69,959</u>	<u>-</u>	<u>218</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 5,475</u>	<u>\$ 42,029</u>	<u>\$ 323</u>	<u>\$ 27,627</u>	<u>\$ 9,036</u>	<u>\$ 71,736</u>	<u>\$ 33,685</u>	<u>\$ 596</u>

	Special Revenue Funds							
	Animal Shelter Donations	Highway Safety	Chippewa County DHS Appropriation	MIDC Indigent Defense	DHS Child Care	Probate Child Care	Emergency Telephone System	Office of Emergency Services
ASSETS:								
Cash and Investments - Unrestricted	\$ 257,016	\$ 7,289	\$ 311	\$ 95,471	\$ -	\$ 11,506	\$ -	\$ 28,429
Cash and Investments - Restricted	-	-	-	-	-	-	-	-
Taxes Receivable	-	-	-	-	-	-	-	-
Accounts Receivable	55	-	-	-	-	-	116,281	331
Due from Other Funds	-	-	-	-	-	-	4,896	-
Due from Governmental Units	-	-	-	-	-	22,708	50,079	194
Prepaid Items	-	-	847	472	-	-	-	5,902
TOTAL ASSETS	\$ 257,071	\$ 7,289	\$ 1,158	\$ 95,943	\$ -	\$ 34,214	\$ 171,256	\$ 34,856
LIABILITIES:								
Due to Other Funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13,605	\$ 123,667	\$ 4,896
Accounts Payable	-	7,289	-	512	-	19,290	5,231	1,493
Accrued Liabilities	-	-	-	1,728	-	1,318	42,358	4,629
Unearned Revenues	-	-	-	93,703	-	-	-	-
TOTAL LIABILITIES	-	7,289	-	95,943	-	34,213	171,256	11,018
DEFERRED INFLOWS OF RESOURCES:								
Taxes Levied for a Subsequent Period	-	-	-	-	-	-	-	-
FUND BALANCES:								
Nonspendable	-	-	847	-	-	-	-	5,902
Restricted	257,071	-	-	-	-	1	-	17,936
Committed	-	-	-	-	-	-	-	-
Assigned	-	-	311	-	-	-	-	-
TOTAL FUND BALANCES	257,071	-	1,158	-	-	1	-	23,838
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 257,071	\$ 7,289	\$ 1,158	\$ 95,943	\$ -	\$ 34,214	\$ 171,256	\$ 34,856

**Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2019**

	Special Revenue Funds			Debt Service Funds			Capital Project Fund	Totals
	911 State Training	Chippewa County Recycling	Seat Belt	2013 Refunding Debt	Superior Township 2000 Improvement Bond Reserve	Superior Township Improvements Debt	2011 Refunding Debt	
ASSETS:								
Cash and Investments - Unrestricted	\$ 16,306	\$ 202,306	\$ -	\$ -	\$ -	\$ -	\$ 7,503	\$ 1,683,996
Cash and Investments - Restricted	-	-	-	-	34,600	-	-	34,600
Taxes Receivable	-	565,813	-	-	-	-	-	679,029
Accounts Receivable	-	-	-	-	-	-	-	133,513
Due from Other Funds	-	-	-	-	-	-	-	4,896
Due from Governmental Units	7,692	-	2,826	-	-	-	-	219,047
Prepaid Items	-	-	-	-	-	-	-	7,717
TOTAL ASSETS	<u>\$ 23,998</u>	<u>\$ 768,119</u>	<u>\$ 2,826</u>	<u>\$ -</u>	<u>\$ 34,600</u>	<u>\$ -</u>	<u>\$ 7,503</u>	<u>\$ 2,762,798</u>
LIABILITIES:								
Due to Other Funds	\$ -	\$ -	\$ 833	\$ -	\$ -	\$ -	\$ -	\$ 299,011
Accounts Payable	-	-	1,993	-	-	-	-	63,013
Accrued Liabilities	-	-	-	-	-	-	-	65,349
Unearned Revenues	-	-	-	-	-	-	-	93,703
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>2,826</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>521,076</u>
DEFERRED INFLOWS OF RESOURCES:								
Taxes Levied for a Subsequent Period	-	565,813	-	-	-	-	-	679,029
FUND BALANCES:								
Nonspendable	-	-	-	-	-	-	-	7,344
Restricted	-	-	-	-	34,600	-	-	330,749
Committed	-	-	-	-	-	-	7,503	7,503
Assigned	23,998	202,306	-	-	-	-	-	1,217,097
TOTAL FUND BALANCES	<u>23,998</u>	<u>202,306</u>	<u>-</u>	<u>-</u>	<u>34,600</u>	<u>-</u>	<u>7,503</u>	<u>1,562,693</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 23,998</u>	<u>\$ 768,119</u>	<u>\$ 2,826</u>	<u>\$ -</u>	<u>\$ 34,600</u>	<u>\$ -</u>	<u>\$ 7,503</u>	<u>\$ 2,762,798</u>

**Combining Statement of Revenues, Expenditures, and
Changes in Fund Balance - Nonmajor Governmental Funds
For the Year Ended December 31, 2019**

	Special Revenue Funds							
	50th Circuit Court	Drug Court	Construction Code	District Drug Court	HUD Grant	Family Counseling	Emergency Preparedness Grant	Mental Health Court
REVENUES:								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Federal Sources	-	25,884	-	5,525	-	-	27,236	-
State Sources	-	50,899	-	13,551	-	-	-	-
Local Sources	-	3,217	-	-	-	-	-	-
Charges for Services	15,521	2,030	105,760	-	-	2,385	-	1,472
Interest and Rentals	-	-	-	-	-	-	-	-
Other Revenue	-	-	349	290	35,096	-	-	-
TOTAL REVENUES	15,521	82,030	106,109	19,366	35,096	2,385	27,236	1,472
EXPENDITURES:								
Judicial	5,278	82,186	-	19,366	-	-	-	-
General Government	-	-	-	-	-	-	-	-
Public Safety	-	-	90,036	-	-	-	26,483	-
Public Works	-	-	-	-	-	-	-	-
Health and Welfare	-	-	-	-	43,130	2,535	-	1,472
Capital Outlay	-	-	-	-	-	-	5,388	-
Debt Service	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	5,278	82,186	90,036	19,366	43,130	2,535	31,871	1,472
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	10,243	(156)	16,073	-	(8,034)	(150)	(4,635)	-
OTHER FINANCING SOURCES (USES):								
Transfers In	-	156	-	-	-	-	-	-
Transfers Out	-	-	(16,073)	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	156	(16,073)	-	-	-	-	-
NET CHANGE IN FUND BALANCES	10,243	-	-	-	(8,034)	(150)	(4,635)	-
FUND BALANCES BEGINNING OF YEAR	53,046	-	-	-	29,634	255	25,776	-
FUND BALANCES END OF YEAR	\$ 63,289	\$ -	\$ -	\$ -	\$ 21,600	\$ 105	\$ 21,141	\$ -

**Combining Statement of Revenues, Expenditures, and
Changes in Fund Balance - Nonmajor Governmental Funds
For the Year Ended December 31, 2019**

	Special Revenue Funds							
	Operation Stonegarden	Animal Control Millage	FOC Child Support	Community Service	Superior Twp 2000 Improvements Maintenance	Office of Community Correction	Register of Deeds Automation	Drug Forfeiture
REVENUES:								
Taxes	\$ -	\$ 115,185	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Federal Sources	69,253	-	-	-	-	-	-	-
State Sources	-	-	17,972	-	-	-	-	-
Local Sources	-	-	-	-	12,655	-	-	-
Charges for Services	-	-	-	-	-	213,389	44,971	-
Interest and Rentals	-	-	-	-	338	-	-	-
Other Revenue	-	42	-	33,337	-	-	-	1,618
TOTAL REVENUES	69,253	115,227	17,972	33,337	12,993	213,389	44,971	1,618
EXPENDITURES:								
Judicial	-	-	324	-	-	-	-	-
General Government	-	-	-	-	-	-	20,930	-
Public Safety	51,599	106,259	-	-	-	146,618	-	3,368
Public Works	-	-	-	30,587	54,800	-	-	-
Health and Welfare	-	-	-	-	-	-	-	-
Capital Outlay	17,654	-	-	-	-	24,000	11,464	-
Debt Service	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	69,253	106,259	324	30,587	54,800	170,618	32,394	3,368
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	-	8,968	17,648	2,750	(41,807)	42,771	12,577	(1,750)
OTHER FINANCING SOURCES (USES):								
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-	-	-	-	-
NET CHANGE IN FUND BALANCES	-	8,968	17,648	2,750	(41,807)	42,771	12,577	(1,750)
FUND BALANCES BEGINNING OF YEAR	-	209,705	149,990	12,363	90,520	135,468	83,035	30,137
FUND BALANCES END OF YEAR	\$ -	\$ 218,673	\$ 167,638	\$ 15,113	\$ 48,713	\$ 178,239	\$ 95,612	\$ 28,387

**Combining Statement of Revenues, Expenditures, and
Changes in Fund Balance - Nonmajor Governmental Funds
For the Year Ended December 31, 2019**

	Special Revenue Funds							
	CCSD Salvage Vehicle	Concealed Weapons	Sheriff Law Enforcement Training	Local Corrections Officer's Training	Sheriff Park Patrol	Road Patrol Overtime	Secondary Road Patrol	Law Library
REVENUES:								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Federal Sources	-	-	-	-	-	-	-	-
State Sources	-	-	2,698	-	-	51,214	63,394	-
Local Sources	-	-	-	-	-	-	-	-
Charges for Services	2,200	16,709	-	15,634	627	-	-	3,500
Interest and Rentals	-	-	-	-	-	-	-	-
Other Revenue	-	-	-	-	-	371	-	-
TOTAL REVENUES	2,200	16,709	2,698	15,634	627	51,585	63,394	3,500
EXPENDITURES:								
Judicial	-	-	-	-	-	-	-	4,458
General Government	-	-	-	-	-	-	-	-
Public Safety	-	9,150	3,682	2,114	1,061	41,931	142,928	-
Public Works	-	-	-	-	-	-	-	-
Health and Welfare	-	-	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-	-	-
Debt Service	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	-	9,150	3,682	2,114	1,061	41,931	142,928	4,458
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	2,200	7,559	(984)	13,520	(434)	9,654	(79,534)	(958)
OTHER FINANCING SOURCES (USES):								
Transfers In	-	-	-	-	-	-	79,534	-
Transfers Out	-	-	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-	-	-	79,534	-
NET CHANGE IN FUND BALANCES	2,200	7,559	(984)	13,520	(434)	9,654	-	(958)
FUND BALANCES BEGINNING OF YEAR	3,275	33,511	1,307	14,107	9,470	60,305	-	1,176
FUND BALANCES END OF YEAR	\$ 5,475	\$ 41,070	\$ 323	\$ 27,627	\$ 9,036	\$ 69,959	\$ -	\$ 218

**Combining Statement of Revenues, Expenditures, and
Changes in Fund Balance - Nonmajor Governmental Funds
For the Year Ended December 31, 2019**

	Special Revenue Funds							
	Animal Shelter Donations	Highway Safety	Chippewa County DHS Appropriation	MIDC Indigent Defense	DHS Child Care	Probate Child Care	Emergency Telephone System	Office of Emergency Services
REVENUES:								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Federal Sources	-	-	-	-	-	-	-	58,483
State Sources	-	11,756	-	209,947	-	169,441	173,047	-
Local Sources	-	-	-	-	-	7,500	-	-
Charges for Services	-	-	-	-	-	-	492,666	-
Interest and Rentals	-	-	-	1,052	-	-	-	-
Other Revenue	50,710	-	-	-	-	702	206,955	8,971
TOTAL REVENUES	50,710	11,756	-	210,999	-	177,643	872,668	67,454
EXPENDITURES:								
Judicial	-	-	-	409,621	-	-	-	-
General Government	-	-	-	-	-	-	-	-
Public Safety	20,388	11,756	-	-	-	-	1,013,761	188,546
Public Works	-	-	-	-	-	-	-	-
Health and Welfare	-	-	19,440	-	-	395,666	-	-
Capital Outlay	-	-	-	-	-	-	-	-
Debt Service	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	20,388	11,756	19,440	409,621	-	395,666	1,013,761	188,546
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	30,322	-	(19,440)	(198,622)	-	(218,023)	(141,093)	(121,092)
OTHER FINANCING SOURCES (USES):								
Transfers In	-	-	19,440	198,622	-	218,024	141,093	98,217
Transfers Out	-	-	-	-	(48,904)	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	19,440	198,622	(48,904)	218,024	141,093	98,217
NET CHANGE IN FUND BALANCES	30,322	-	-	-	(48,904)	1	-	(22,875)
FUND BALANCES BEGINNING OF YEAR	226,749	-	1,158	-	48,904	-	-	46,713
FUND BALANCES END OF YEAR	\$ 257,071	\$ -	\$ 1,158	\$ -	\$ -	\$ 1	\$ -	\$ 23,838

**Combining Statement of Revenues, Expenditures, and
Changes in Fund Balance - Nonmajor Governmental Funds
For the Year Ended December 31, 2019**

	Special Revenue Funds			Debt Service Funds			Capital Fund	Totals	
	911 State Training	Chippewa County Recycling	Seat Belt	2013 Refunding Debt	Superior Twp 2000 Improvement Bond Reserve	Superior Township Improvements Debt	2011 Refunding Debt		Hakola-Ross Drainage
REVENUES:									
Taxes	\$ -	\$ 567,677	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 682,862
Federal Sources	-	-	-	-	-	-	-	-	186,381
State Sources	15,390	-	4,400	-	-	-	-	-	783,709
Local Sources	-	-	-	567,419	-	25,768	295,838	-	912,397
Charges for Services	-	-	-	-	-	-	-	-	916,864
Interest and Rentals	-	-	-	-	-	-	-	-	1,390
Other Revenue	-	-	-	-	-	-	-	-	338,441
TOTAL REVENUES	15,390	567,677	4,400	567,419	-	25,768	295,838	-	3,822,044
EXPENDITURES:									
Judicial	-	-	-	-	-	-	-	-	521,233
General Government	-	-	-	-	-	-	-	-	20,930
Public Safety	10,987	-	4,400	-	-	-	-	-	1,875,067
Public Works	-	568,000	-	-	-	-	-	-	653,387
Health and Welfare	-	-	-	-	-	-	-	-	462,243
Capital Outlay	-	-	-	-	-	-	-	-	58,506
Debt Service	-	-	-	567,419	-	25,768	295,838	-	889,025
TOTAL EXPENDITURES	10,987	568,000	4,400	567,419	-	25,768	295,838	-	4,480,391
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	4,403	(323)	-	-	-	-	-	-	(658,347)
OTHER FINANCING SOURCES (USES):									
Transfers In	-	-	-	-	-	-	-	-	755,086
Transfers Out	-	-	-	-	-	-	-	-	(64,977)
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-	-	-	-	-	690,109
NET CHANGE IN FUND BALANCES	4,403	(323)	-	-	-	-	-	-	31,762
FUND BALANCES BEGINNING OF YEAR	19,595	202,629	-	-	34,600	-	-	7,503	1,530,931
FUND BALANCES END OF YEAR	\$ 23,998	\$ 202,306	\$ -	\$ -	\$ 34,600	\$ -	\$ -	\$ 7,503	\$ 1,562,693

**Combining Statement of Net Position
Major Tax Collection Enterprise Fund
December 31, 2019**

	2016 Tax Revolving	2017 Tax Revolving	2018 Tax Revolving	Prior Years' Tax Revolving	Tax Revolving Admin	Totals
ASSETS:						
Cash and Investments - Unrestricted	\$ 94,291	\$ 1,738,838	\$ 2,435,169	\$ 5,646,738	\$ 44,467	\$ 9,959,503
Taxes Receivable	1,896	291,162	1,347,826	2,753	-	1,643,637
Due from Other Funds	-	92,996	-	-	-	92,996
Accrued Interest Receivable	-	101,661	134,783	6,930	-	243,374
TOTAL ASSETS	\$ 96,187	\$ 2,224,657	\$ 3,917,778	\$ 5,656,421	\$ 44,467	\$ 11,939,510
LIABILITIES:						
Due to Governmental Units	\$ 737	\$ 22,186	\$ 1,869	\$ 60,767	\$ -	\$ 85,559
TOTAL LIABILITIES	737	22,186	1,869	60,767	-	85,559
NET POSITION:						
Unrestricted	95,450	2,202,471	3,915,909	5,595,654	44,467	11,853,951
TOTAL NET POSITION	95,450	2,202,471	3,915,909	5,595,654	44,467	11,853,951
TOTAL LIABILITIES AND NET POSITION	\$ 96,187	\$ 2,224,657	\$ 3,917,778	\$ 5,656,421	\$ 44,467	\$ 11,939,510

County of Chippewa, Michigan

**Combining Statement of Revenues, Expenses, and
Changes in Net Position - Major Tax Collection Enterprise Fund
For the Year Ended December 31, 2019**

	2016 Tax Revolving	2017 Tax Revolving	2018 Tax Revolving	Prior Years' Tax Revolving	Tax Revolving Admin	Totals
OPERATING REVENUES:						
Charges for Services	\$ 6,704	\$ 44,086	\$ 88,739	\$ 655	\$ -	\$ 140,184
Penalties and Interest Charges	76,349	148,059	240,683	6,224	-	471,315
TOTAL OPERATING REVENUES	83,053	192,145	329,422	6,879	-	611,499
OPERATING EXPENSES:						
Other Supplies and Expenses	1,238	-	-	-	5,610	6,848
Total Operating Expenses	1,238	-	-	-	5,610	6,848
OPERATING INCOME (LOSS)	81,815	192,145	329,422	6,879	(5,610)	604,651
NON-OPERATING REVENUES (EXPENSES):						
Interest on Deposits	-	27,016	-	96,783	-	123,799
Total Non-operating Revenues (Expenses)	-	27,016	-	96,783	-	123,799
INCOME (LOSS) BEFORE TRANSFERS	81,815	219,161	329,422	103,662	(5,610)	728,450
Transfers In	-	-	3,586,487	-	-	3,586,487
Transfers Out	(1,000,000)	(1,693,968)	-	(1,450,000)	-	(4,143,968)
CHANGES IN NET POSITION	(918,185)	(1,474,807)	3,915,909	(1,346,338)	(5,610)	170,969
NET POSITION BEGINNING OF YEAR	1,013,635	3,677,278	-	6,941,992	50,077	11,682,982
NET POSITION END OF YEAR	\$ 95,450	\$ 2,202,471	\$ 3,915,909	\$ 5,595,654	\$ 44,467	\$ 11,853,951

Note: In the December 31, 2018 "Combining Statement of Revenues, Expenses, and Changes in Net Position - Major Tax Collection Enterprise Fund" the ending fund balance for the "Prior Year Tax Revolving Fund", and the "2015 Tax Revolving Fund" were \$6,550,624, \$391,368 respectively. These are shown combined as the beginning fund balance for the "Prior Year Tax Revolving Fund" as it is the County's practice to only break out the three most current years in their combining statement.

**Combining Statement of Net Position
Nonmajor Enterprise Funds
December 31, 2019**

	State Education Tax Parcel Fee	2014 Tax Foreclosure	2015 Tax Foreclosure	2016 Tax Foreclosure	Sheriff Commissary	Totals
ASSETS:						
Cash and Investments - Unrestricted	\$ 3,786	\$ -	\$ 137,772	\$ 143,971	\$ 31,122	\$ 316,651
TOTAL ASSETS	<u>\$ 3,786</u>	<u>\$ -</u>	<u>\$ 137,772</u>	<u>\$ 143,971</u>	<u>\$ 31,122</u>	<u>\$ 316,651</u>
NET POSITION:						
Unrestricted	\$ 3,786	\$ -	\$ 137,772	\$ 143,971	\$ 31,122	\$ 316,651
TOTAL NET POSITION	<u>\$ 3,786</u>	<u>\$ -</u>	<u>\$ 137,772</u>	<u>\$ 143,971</u>	<u>\$ 31,122</u>	<u>\$ 316,651</u>

**Combining Statement of Revenues, Expenses, and
Changes in Net Position - Nonmajor Enterprise Funds
For the Year Ended December 31, 2019**

	State Education Tax Parcel Fee	2014 Tax Foreclosure	2015 Tax Foreclosure	2016 Tax Foreclosure	Sheriff Commissary	Totals
OPERATING REVENUES:						
Charges for Service	\$ -	\$ 1,230	\$ 40,221	\$ 153,681	\$ 245,225	\$ 440,357
Penalties and Interest Charges	4,095	-	-	-	-	4,095
TOTAL OPERATING REVENUES	4,095	1,230	40,221	153,681	245,225	4,095
OPERATING EXPENSES:						
Other Supplies and Expenses	309	-	4,376	9,710	213,909	228,304
TOTAL OPERATING EXPENSES	309	-	4,376	9,710	213,909	228,304
OPERATING INCOME (LOSS)	3,786	1,230	35,845	143,971	31,316	216,148
INCOME (LOSS) BEFORE TRANSFERS	3,786	1,230	35,845	143,971	31,316	216,148
Transfers Out	(24,521)	(286,415)	-	-	(35,000)	(345,936)
CHANGES IN NET POSITION	(20,735)	(285,185)	35,845	143,971	(3,684)	(129,788)
NET POSITION BEGINNING OF YEAR	24,521	285,185	101,927	-	34,806	446,439
NET POSITION END OF YEAR	\$ 3,786	\$ -	\$ 137,772	\$ 143,971	\$ 31,122	\$ 316,651

**Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Year Ended December 31, 2019**

	State Education Tax Parcel Fee	2014 Tax Foreclosure	2015 Tax Foreclosure	2016 Tax Foreclosure	Sheriff Commissary	Totals
CASH FLOWS FROM OPERATING ACTIVITIES:						
Receipts from Customers	\$ 4,095	\$ 1,230	\$ 40,221	\$ 153,681	\$ 245,225	\$ 444,452
Payments to Suppliers	(309)	-	(4,376)	(9,710)	(213,909)	(228,304)
Net Cash Provided (Used) by Operating Activities	<u>3,786</u>	<u>1,230</u>	<u>35,845</u>	<u>143,971</u>	<u>31,316</u>	<u>216,148</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:						
Operating Transfers Out	(24,521)	(286,415)	-	-	(35,000)	(345,936)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(24,521)</u>	<u>(286,415)</u>	<u>-</u>	<u>-</u>	<u>(35,000)</u>	<u>(345,936)</u>
Net Increase (Decrease) in Cash and Investments	(20,735)	(285,185)	35,845	143,971	(3,684)	(129,788)
Balances - Beginning of the Year	24,521	285,185	101,927	-	34,806	446,439
Balances - End of the Year	<u>\$ 3,786</u>	<u>\$ -</u>	<u>\$ 137,772</u>	<u>\$ 143,971</u>	<u>\$ 31,122</u>	<u>\$ 316,651</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:						
Operating Income (Loss)	\$ 3,786	\$ 1,230	\$ 35,845	\$ 143,971	\$ 31,316	\$ 216,148
Net Cash Provided (Used) by Operating Activities	<u>\$ 3,786</u>	<u>\$ 1,230</u>	<u>\$ 35,845</u>	<u>\$ 143,971</u>	<u>\$ 31,316</u>	<u>\$ 216,148</u>

**Combining Statement of Net Position
Internal Service Funds
December 31, 2019**

	Self Insurance- Health	Self Insurance- Workers Comp.	Central Stores	Total
ASSETS:				
Accounts Receivable	\$ -	\$ 28,775	\$ -	\$ 28,775
Inventory	-	-	6,842	6,842
Prepaid Expense	185,967	-	-	185,967
TOTAL ASSETS	\$ 185,967	\$ 28,775	\$ 6,842	\$ 221,584
LIABILITIES:				
Accounts Payable	\$ -	\$ 4,240	\$ -	\$ 4,240
Due to Other Funds	148,178	486	6,232	154,896
TOTAL LIABILITIES	148,178	4,726	6,232	159,136
NET POSITION:				
Unrestricted	37,789	24,049	610	62,448
TOTAL NET POSITION	37,789	24,049	610	62,448
TOTAL LIABILITIES AND NET POSITION	\$ 185,967	\$ 28,775	\$ 6,842	\$ 221,584

**Combining Statement of Revenues, Expenses, and
Changes in Net Position - Internal Service Funds
For the Year Ended December 31, 2019**

	Self Insurance- Health	Self Insurance- Workers Comp.	Central Stores	Total
OPERATING REVENUES:				
Charges for Services	\$ 2,875,927	\$ 124,730	\$ 10,976	\$ 3,011,633
Total Operating Revenues	<u>2,875,927</u>	<u>124,730</u>	<u>10,976</u>	<u>3,011,633</u>
OPERATING EXPENSES:				
Premium Payments	3,045,456	125,974	-	3,171,430
Supplies	-	-	10,366	10,366
Total Operating Expenses	<u>3,045,456</u>	<u>125,974</u>	<u>10,366</u>	<u>3,181,796</u>
OPERATING INCOME (LOSS)	(169,529)	(1,244)	610	(170,163)
NET POSITION BEGINNING OF YEAR	<u>207,318</u>	<u>25,293</u>	-	<u>232,611</u>
NET POSITION END OF YEAR	<u>\$ 37,789</u>	<u>\$ 24,049</u>	<u>\$ 610</u>	<u>\$ 62,448</u>

**Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended December 31, 2019**

	<u>Self Insurance- Health</u>	<u>Self Insurance- Workers Comp.</u>	<u>Central Stores</u>	<u>Totals</u>
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from Customers	\$ 2,875,927	\$ 95,955	\$ 10,976	\$ 2,982,858
Payments to Suppliers	(3,231,423)	(121,734)	(9,889)	(3,363,046)
Internal Activity - Receipts(Payments) with Other Funds	<u>220,381</u>	<u>486</u>	<u>(1,087)</u>	<u>219,780</u>
Net Cash Provided (Used) by Operating Activities	<u>(135,115)</u>	<u>(25,293)</u>	<u>-</u>	<u>(160,408)</u>
Net Increase (Decrease) in Cash and Investments	(135,115)	(25,293)	-	(160,408)
Balances - Beginning of the Year	<u>135,115</u>	<u>25,293</u>	<u>-</u>	<u>160,408</u>
Balances - End of the Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating Income (Loss)	\$ (169,529)	\$ (1,244)	\$ 610	\$ (170,163)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Change in Assets and Liabilities:				
(Increase) Decrease in Assets:				
Accounts Receivable	-	(28,775)	-	(28,775)
Due from Other Funds	72,203	-	-	72,203
Inventory	-	-	477	477
Prepaid Expenses	(185,967)	-	-	(185,967)
Increase (Decrease) in Liabilities:				
Accounts Payable	-	4,240	-	4,240
Due to Other Funds	148,178	486	(1,087)	147,577
Net Cash Provided (Used) by Operating Activities	<u>\$ (135,115)</u>	<u>\$ (25,293)</u>	<u>\$ -</u>	<u>\$ (160,408)</u>

Reports on Compliance



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Chippewa, Michigan as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the County of Chippewa's basic financial statements and have issued our report thereon dated July 9, 2020.

Internal Control Over Financial Reporting

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

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

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

Members of the Board
County of Chippewa, Michigan

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County of Chippewa, Michigan's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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



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

July 9, 2020



ANDERSON, TACKMAN & COMPANY, PLC
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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

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

Report on Compliance for Each Major Federal Program

We have audited the County of Chippewa, Michigan's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the County of Chippewa, Michigan's major federal programs for the year ended December 31, 2019. The County of Chippewa, Michigan's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on the compliance for each of the County of Chippewa, Michigan's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County of Chippewa, Michigan's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the County of Chippewa, Michigan complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2019.

Report on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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



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

July 9, 2020

County of Chippewa, Michigan

Schedule of Expenditures of Federal Awards For the Year Ended December 31, 2019

Federal Agency / Cluster / Program Title	CFDA Number	Passed Through	Pass-through / Grantor Number	Total Subawards	Federal Expenditures
U.S. Department of Agriculture					
Women, Infant and Children - Resident Services	10.557	MDHHS	192MI003W1003	\$ -	\$ 196,484
Women, Infant and Children - Breastfeeding	10.557	MDHHS	172MI013W5003	-	19,579
Subtotal				-	216,063
Forest Service Schools and Roads Cluster					
Schools and Roads Grants to States - Title III	10.665	MDNR	N/A	27,236	27,236
Schools and Roads Grants to States - Title I	10.665	MDNR	N/A	311,267	311,267
Total U.S. Department of Agriculture				338,503	554,566
U.S. Department of Justice					
STOP Grant	16.588	DPRC	STOP 16-17001-1	-	17,000
U.S. Department of Transportation					
Michigan Department of Transportation					
Federal Transit Capital Grants					
Capital Grant - Section 5311	20.509	MDOT	2012-077 130381	-	1,914
Capital Grant - Marine Capital	20.205	MDOT	2017-0047 200384	-	1,669
Capital Grant - Section 5311	20.509	MDOT	2017-0047 204416	-	87,942
Capital Grant - Section 5311	20.509	MDOT	2017-0047 130386	-	29,876
Operating Assistance - Section 5311	20.509	MDOT	2017-0047P6	-	89,996
Rural Transit Assistance Program (RTAP)	20.509	MDOT	N/A	-	5,500
Subtotal State and Federal, Capital and Operating Assistance				-	216,897
Michigan Department of Transportation					
Job Access and Reverse Commute Program (JARC)	20.516	MDOT	2017-0047 203344	-	15,258
Airport Project - State Administered	20.106	MDOT	3-26-0139-4019	-	93,508
Airport Project - State Administered	20.106	MDOT	3-26-0139-3918	-	637,856
MDOT Projects - State Administered	20.205	MDOT	STP	-	960,139
Subtotal				-	1,706,761
Passed Through from the State Court Administrators Office					
Highway Safety Cluster					
Office of Highway Safety Planning	20.601	MDC	18056-2019	-	5,525
Office of Highway Safety Planning	20.601	MDC	14212-2018	-	25,884
Subtotal				-	31,409
Total U.S. Department of Transportation				-	1,955,067
U.S. Environmental Protection Agency					
Drinking Water State Revolving Fund Cluster					
Type II Operator Assisted	66.468	MDEQ	FS97548714	-	24,957
Great Lakes Beach Monitoring	66.472	MDEQ	CU00E99305	-	5,310
Total U.S. Environmental Protection Agency				-	30,267
U.S. Department of Health and Human Services					
Public Health Emergency Preparedness					
Public Health Emergency Preparedness	93.069	MDHHS	NU90TP921906	-	64,177
Public Health Emergency Preparedness	93.069	MDHHS	NU90TP922062	-	21,449
Subtotal				-	85,626
Family Planning/BCCCP	93.217	MDHHS	FPHPA006340	-	30,053
Immunization - Vaccines (noncash)	93.268	MDHHS	N/A	-	90,640
Immunization - Fixed Fees	93.268	MDHHS	NH23IP000752	-	4,200
Immunization - IAP	93.268	MDHHS	NH23IP000752	-	20,590
Subtotal				-	115,430

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

County of Chippewa, Michigan

Schedule of Expenditures of Federal Awards For the Year Ended December 31, 2019

Federal Agency / Cluster / Program Title	CFDA Number	Passed Through	Pass-through / Grantor Number	Total Subawards	Federal Expenditures
U.S. Department of Health and Human Services (Continued)					
Tobacco	93.305	MDHHS	NU58DP006000	-	23,871
Epidemiology & Lab Capacity	93.323	MDHHS	NU50CK000369	-	12,190
Child Support Enforcement:					
Title IV-D - CRP Friend of the Court	93.563	MDHHS	CSFOC-17-17001	-	319,270
Title IV-D - CRP Prosecuting Attorney	93.563	MDHHS	CSPA-17-17002	-	91,841
Performance Incentive Payment	93.563	MDHHS	N/A	-	57,885
Subtotal				-	468,996
Medicaid Cluster:					
Medicaid Outreach	93.778	MDHHS	1950MI5ADM	-	23,008
Medicaid Elevated Blood Level	93.778	MDHHS	2005M1MAP	-	2,419
Subtotal				-	25,427
BCCCP Coordination	93.898	MDHHS	NU58DP006334	-	4,386
Harm Reduction	93.959	MDHHS	B08TI010026	-	50,000
Pass through from Pathways:					
Substance Abuse Treatment Prevention	93.959	Pathways	00 B1MISAPT05	-	53,938
Family Planning	93.991	MDHHS	NB10T009214	-	5,000
Pass through from U.P. District Health Dept.					
Preventive Health Services	93.991	U.P.D.H.	N/A	-	12,125
Maternal & Child Health Services Block Grants to the States:					
Enabling Family Services to Women	93.994	MDHHS	B0432550	-	18,933
Family Planning Services	93.994	MDHHS	B0432550	-	5,948
Maternal & Child Health Services Block Grant	93.994	MDHHS	B0432550	-	2,403
Maternal & Child Health Services Block Grant	93.994	MDHHS	B04MC31495	-	5,064
Subtotal				-	32,348
Total U.S. Department of Health and Human Services				-	919,390
U.S. Department of Homeland Security					
2019 Marine Safety Program	97.012	MDNR	N/A	-	10,600
Emergency Management Performance Grant	97.042	MSP	00001	-	17,847
Subtotal				-	28,447
Homeland Security Program Grant:					
Operation Stonegarden Grant	97.067	MSP	2010-SS-T0-0009	-	69,253
Homeland Security Grant - 2016	97.067	HC	N/A	-	17,249
Homeland Security Grant - 2017	97.067	HC	N/A	-	20,943
Homeland Security Grant - 2018	97.067	HC	N/A	-	2,444
Subtotal				-	109,889
Total U.S. Department of Homeland Security				-	138,336
Total Expenditures of Federal Awards				\$ 338,503	\$ 3,614,626

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

NOTE A - BASIS OF PRESENTATION:

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the County of Chippewa, Michigan under programs of the federal government for the year ended December 31, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the County of Chippewa, Michigan, it is not intended to and does not present the financial position, changes in net position, or cash flows of the County of Chippewa, Michigan.

NOTE B - COGNIZANT AGENCY:

The County has not been assigned a cognizant agency. Therefore, the County is under the general oversight of the U.S. Department of Transportation which provided the greatest amount of indirect federal funding to the County during 2019.

NOTE C - INDIRECT COST:

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

NOTE D - MDOT ADMINISTRATION:

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

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

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

Total Federal Sources per Financial Statements	
Primary Government	\$ 1,379,701
Federal Grants of Component Units	1,923,658
Federal Grants in Trust & Agency	<u>311,267</u>
Total Federal Revenue Recognized per Schedule of Expenditures of Federal Awards	<u>\$ 3,614,626</u>

Section I – Summary of Auditor’s Results

Financial Statements

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

Federal Awards

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

Identification of Major Programs

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

Section II – Financial Statement Findings

NONE.

Section III – Federal Award Findings and Questioned Costs

NONE.

Section III – Federal Award Findings and Questioned Costs

NONE.

Additional Information

CHIPPEWA COUNTY, MICHIGAN

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INDEPENDENT AUDITOR'S REPORT ON ADDITIONAL INFORMATION

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

Our report on our audit of the basic financial statements of County of Chippewa, Michigan, as of and for the year ended December 31, 2019, 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
Kincheloe, Michigan

July 9, 2020

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, 2019, the County has the following debt issues which apply to SEC Rule 15c2-12.

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

NOTE 2 - TABLES:

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

A. Population:

1970 U.S. Census.....	32,412	2000 U.S. Census	38,543
1980 U.S. Census.....	29,029	2010 U.S. Census	38,520
1990 U.S. Census.....	34,604		
2018 estimate		37,349	

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

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

Use	2019		2018	
	Amount	Percent of Total	Amount	Percent of Total
Agricultural	\$ 34,597,601	3.00%	\$ 35,118,204	3.08%
Commercial (R&P)	162,787,012	14.13%	164,274,521	14.40%
Industrial (R&P)	25,758,982	2.24%	25,921,711	2.27%
Residential	880,519,570	76.43%	866,880,741	76.00%
Utility	48,394,500	4.20%	48,465,800	4.25%
Total	\$ 1,152,057,665	100.00%	\$ 1,140,660,977	100.00%

NOTE 2 – TABLES: (Continued)

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

Class	2019		2018	
	Amount	Percent of Total	Amount	Percent of Total
Real Property	\$ 1,076,737,190	93.46%	\$ 1,065,152,377	93.38%
Personal Property	75,320,475	6.54%	75,508,600	6.62%
Total	<u>\$ 1,152,057,665</u>	<u>100.00%</u>	<u>\$ 1,140,660,977</u>	<u>100.00%</u>

Source: County of Chippewa

C. Taxable Value:

Assessed Value as of December 31	Year of State Equalization and Tax Levy	County's Fiscal Year Ended or Ending December 31	Ad Valorem Taxable Value	Taxable Value of Property Granted Tax Abatement Under Acts 198 and 255	Total Taxable Value	Percent Increase/ (Decrease) Over Prior Year
2009	2010	2011	1,054,021,915	2,302,600	1,056,324,515	3.15%
2010	2011	2012	1,062,567,992	2,294,400	1,064,862,392	.81%
2011	2012	2013	1,090,343,959	430,500	1,090,774,459	.24%
2012	2013	2014	1,086,611,568	1,249,100	1,087,860,668	(.27)%
2013	2014	2015	1,094,634,260	1,287,800	1,095,922,060	.74%
2014	2015	2016	1,102,156,530	1,116,800	1,103,273,360	.67%
2015	2016	2017	1,114,409,296	1,095,900	1,115,505,196	1.11%
2016	2017	2018	1,140,660,977	880,700	1,141,541,677	2.33%
2017	2018	2019	1,152,057,665	527,900	1,152,585,565	.96%

Per Capita Total taxable value for the fiscal year ending December 31, 2019 \$29,922.

Source: County of Chippewa

NOTE 2 - TABLES: (Continued)

D. SEV by Use and Class:

Use	Fiscal Year Ended or Ending December 31							
	2016	%	2017	%	2018	%	2019	%
Agriculture	\$ 54,264,400	4%	\$ 54,038,200	4%	\$ 50,829,900	4%	\$ 49,023,800	4%
Commercial	173,528,900	13%	172,900,619	13%	181,939,800	14%	192,783,375	14%
Industrial	32,417,400	3%	31,340,000	2%	31,482,400	2%	30,230,600	2%
Residential	1,029,117,076	77%	1,030,810,300	77%	1,034,520,200	77%	1,046,296,300	77%
Utility	43,686,700	3%	46,472,100	4%	48,465,800	3%	48,394,500	3%
Total	\$ 1,333,014,476	100%	\$ 1,335,561,219	100%	\$ 1,347,238,100	100%	\$ 1,366,728,575	100%
Class								
Real Property	\$ 1,263,635,676	95%	\$ 1,266,376,619	95%	\$ 1,271,729,500	94%	\$ 1,291,408,100	94%
Personal Property	69,378,800	5%	69,561,219	5%	75,508,600	6%	75,320,475	6%
Total	\$ 1,333,014,476	100%	\$ 1,335,937,838	100%	\$ 1,347,238,100	100%	\$ 1,366,728,575	100%

Source: County of Chippewa

E. Maximum Tax Rates:

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

- (1) Cumulative.
- (2) Voted. Final levy December 31, 2021.
- (3) Voted and levied first time in 2009. Expires December 31, 2020.
- (4) Voted. Expires with December 31, 2025 levy.

Source: County of Chippewa

NOTE 2 - TABLES: (Continued)

F. Revenues from the State of Michigan

<u>Fiscal Year Ended/Ending</u>	<u>Revenue Sharing Payments</u>
December 31, 2015	\$716,250
December 31, 2016	\$719,883
December 31, 2017	\$724,783
December 31, 2018	\$733,169
December 31, 2019	\$735,454

Source: County of Chippewa

G. Property Tax Rates:

Levy 1-Dec	Fiscal Years		Fire/ Ambulance (1)	Road Improvements (1)	Recycling (1)	Jail (1)	Senior Program (1)	Animal Shelter (1)	Total
	Ended or Ending 31-Dec	Allocated							
2013	2014	6.1500	0.4275	0.9879	0.5000	0.7078	0.4994	0.0000	9.2726
2014	2015	6.1500	0.4275	0.9879	0.5000	0.7078	0.4994	0.0000	9.2726
2015	2016	6.1500	0.4275	0.9879	0.5000	0.7078	0.4994	0.1000	9.3726
2016	2017	6.1500	0.4275	0.9879	0.5000	0.7078	0.4994	0.1000	9.3726
2017	2018	6.1500	0.4275	0.9879	0.5000	0.7078	0.4994	0.1000	9.3726
2018	2019	6.1500	0.4275	0.9879	0.5000	0.0000	0.4994	0.1000	8.6648
2019	2020	6.1500	0.4275	0.9879	0.5000	0.0000	0.4994	0.1000	8.6648

(1) Voted.

Source: County of Chippewa

H. Highest and Lowest Tax Rates:

The highest and lowest tax rates for properties allowed special exemption status and all other taxable properties within the County for its fiscal year ending December 31, 2019:

Property Classification	Highest Tax Rate		Lowest Tax Rate	
	Municipality	Tax Rate	Municipality	Tax Rate
Special Exemption*	Sault Ste. Marie	43.4497 mills	Detour Township	20.7948 mills
Other	Sault Ste. Marie	61.4497 mills	Detour Township	38.7948 mills

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

Source: County of Chippewa

NOTE 2 - TABLES: (Continued)

I. Property Tax Collections:

July/Dec. 1 Levy	Fiscal Years Ended or Ending December 31	County Tax Levy (1)	Collections to March 1 Following Levy	Percent Collected to March 1 Following Levy
2012	2013	\$ 9,212,618	\$ 8,555,370	92.86%
2013	2014	9,658,175	8,897,874	92.13%
2014	2015	9,613,427	8,863,578	92.19%
2015	2016	9,732,114	9,025,722	92.74%
2016	2017	9,814,287	9,110,481	92.82%
2017	2018	9,958,351	9,295,768	93.34%
2018	2019	9,513,458	8,881,752	93.36%

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

Source: County of Chippewa

J. Top Largest Taxpayers:

Taxpayer	Principal Product or Service	December 31, 2019	
		Taxable Value (1)	Percent of of Total (2)
Cloverland Electric Co.	Utility	\$ 35,302,053	30.63%
American Transmission	Utility	19,125,437	16.59%
State of Michigan	Properties	18,643,595	16.10%
Good Will Company Inc.	Shopping Center	6,040,253	5.24%
Wal-Mart Real Estate	Shopping Center	5,572,608	4.83%
Continental Teves Inc.	Auto Testing Service	4,759,625	4.13%
DTE Gas Company	Utility	4,215,055	3.66%
Meijer Stores	Shopping Center	4,063,200	3.53%
Pointe West I LP	Apartment Complex	3,770,456	3.27%
Cascade X LLC	Shopping Center	3,549,009	3.08%
Hoover Precision Products	Manufacturer	2,014,979	1.75%
Blarney Castle Oil Co.	Gas Station	1,899,406	1.65%
Spectrum Mid America LLC	Cable/Internet Provider	1,835,300	1.59%
Hardwood Properties Inc.	Apartments	1,818,490	1.58%
Ashmun Creek Apartments LLC	Apartments	1,696,137	1.47%

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

(2) Based on \$1,152,585,565 which is the County's Total Taxable Value for the fiscal year ending December 31, 2019. Includes the Equivalent Taxable Value of property granted tax abatement under Act 198.

Source: County of Chippewa

NOTE 2 - TABLES: (Continued)

K. Legal Debt Margin:

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

Debt Limit (1)	\$ 136,672,856
Debt Outstanding (2)	<u>(6,049,958)</u>
Legal Debt Margin	<u>\$ 130,622,898</u>

- (1) 10% of \$1,366,728,575 which is the County's Total SEV for its fiscal year ending December 31, 2019. Includes the SEV of property granted tax abatement under Act 198.
- (2) Includes the Bonds described herein.

Source: County of Chippewa and Municipal Advisory Council of Michigan

L. Debt Schedule:

The following table reflects a summary of the County's direct and underlying debt as of December 31, 2019:

<u>County Direct Debt</u>	<u>Gross</u>	<u>Self-Supporting</u>	<u>Net</u>
Building Authority Bonds:			
Dated July 12, 2011 (LT)	<u>\$ 755,000</u>	<u>\$ -</u>	<u>\$ 755,000</u>
Water and Sewer Bonds:			
Dated December 13, 2013	4,995,000	4,995,000	-
Dated June 26, 2000	<u>299,958</u>	<u>299,958</u>	<u>-</u>
Subtotal	<u>5,294,958</u>	<u>5,294,958</u>	<u>-</u>
General Obligation Bonds:			
Dated December 10, 2009	<u>-</u>	<u>-</u>	<u>-</u>
Installment Obligations	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 6,049,958</u>	<u>\$ 5,294,958</u>	<u>\$ 755,000</u>
Per Capita Net County Direct Debt			\$ 19.60
Percent of Net Direct Debt to Total SEV			.055%

NOTE 2 - TABLES: (Continued)

L. Debt Schedule: (Continued)

<u>Underlying Debt of County (5)</u>	<u>Total</u>
City	\$ 15,025,000
Townships	1,104,104
School Districts	18,995,135
ISD	<u>-</u>
 Total Underlying Debt	 <u>\$ 35,124,239</u>
 Per Capita Underlying Debt (3)	 \$ 911.84
Percent of Underlying Debt to Total SEV (4)	2.57%
 Total Direct and Underlying Debt	 <u>\$ 41,174,197</u>
Per Capita Net Direct and Underlying Debt (3)	\$ 1,068.90
Percent of Net Direct and Underlying Debt to Total SEV (4)	3.01%

- (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 2010 census of 38,520.
- (4) Based on \$1,366,728,575 which is the County’s Total SEV for its fiscal year ending December 31, 2019. Includes the SEV of property granted tax abatement under Act 198.
- (5) Underlying Debt is the debt of the municipal entities located in the County.

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

M. Debt History:

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

N. Installment Purchase Obligations:

See Notes to Financial Statements.

NOTE 2 - TABLES: (Continued)

O. Short Term Borrowings:

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

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

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

Source: County of Chippewa

P. Future Financing:

Not Anticipated.

Q. Vacation and Sick Leave:

Employees earn varying amounts of annual vacation and sick leave based on number of years of service up to a maximum and on the various labor union contract terms and administration policies of the different County operating units. Vacation is accumulated and taken annually. Sick leave can accumulate up to 168 hours. In addition, each year sheriff employees are given 96 days of sick time for jail employees and 64 days sick time for road patrol employees with 100 percent vesting after three years of service for the Sheriff's department only. At December 31, 2019, the accumulated unpaid compensated absences amount to \$460,349.

NOTE 2 - TABLES: (Continued)

R. Pension:

All full-time employees of the County are participants in a defined benefit plan administered by the Michigan Municipal Employees Retirement System. The County's contribution to the plan, expressed as a percentage of active member payroll, covers current service costs, unrealized investment income on unfunded accrued liabilities (prior service costs) and the amortization of unfunded accrued liabilities over a 22 year period. Employees of the County contribute 2% of their gross wages. Actuarial assumption is subject to periodic change.

December 31 Valuation Date	Net Position Available for Benefits	Actuarial Accrued Liability	Assets as a Percent of Actuarial Accrued Liability
2009	\$ 26,418,432	\$ 32,521,364	81%
2010	27,576,324	34,793,371	79%
2011	28,641,084	36,543,151	78%
2012	29,452,202	38,144,006	77%
2013	30,490,775	39,646,045	77%
2014	31,376,994	41,555,130	76%
2015	31,967,265	45,128,410	71%
2016	32,491,180	46,797,040	69%
2017	32,623,560	46,270,543	69%
2018	32,186,798	47,466,307	68%

Source: County of Chippewa

S. Other Post-Employment Benefits:

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

Source: Chippewa County

T. Labor Contracts:

The County has 148 full and part-time employees. Approximately 48% 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>
Technical, Professional and Office workers		
Association of Michigan	31	December 31, 2022
Michigan Fraternal Order of Police Labor Council	18	December 31, 2021
Non-Union Employees	77	Not applicable
Police Officers Association of Michigan	12	December 31, 2021
Michigan Fraternal Order of Police Labor Council:		
Dispatchers	<u>10</u>	December 31, 2021
Total Permanent County Employees	<u>148</u>	

Source: County of Chippewa

U. Profile of Major Employers:

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

<u>Company</u>	<u>Principal Product or Service</u>	<u>Approximate Number of Employees</u>
Sault Ste. Marie Tribe of Chippewa Indians	Tribal Enterprises and Governmental Operations	1,109
War Memorial Hospital	Hospital	923
Kinross Correctional Complex	Correctional Institution	800
Lake Superior State University	Education	661
Bay Mills Community	Tribal Enterprises and Governmental Operations	658
C.L.M. Community Action	Child Daycare Services / Senior Services	232
Meijer	General Retail	200
Precision Edge Surgical Products	Manufacturing	182
EUP Intermediate School District	Education	130
Bay Mills Community College	Education	119

Source: Eastern Upper Peninsula Regional Planning

NOTE 2 - TABLES: (Continued)

V. Employment:

Reflected below are the unemployment statistics for the County for the calendar years 2012 through 2018:

County of Chippewa	2014	2015	2016	2017	2018	2019
Employed	15,346	15,632	15,272	16,543	15,231	15,022
Unemployed	<u>1,609</u>	<u>1,257</u>	<u>1,219</u>	<u>1,283</u>	<u>1,081</u>	<u>1,009</u>
Labor Force	<u><u>16,955</u></u>	<u><u>16,880</u></u>	<u><u>16,491</u></u>	<u><u>17,826</u></u>	<u><u>16,312</u></u>	<u><u>16,031</u></u>
Unemployed as % Of Labor Force (1)	9.5%	7.4%	7.4%	7.8%	6.6%	6.3%

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

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

COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Chippewa, Michigan for the year ended December 31, 2019, and have issued our report thereon dated July 9, 2020. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards* and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

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

As stated in our engagement letter dated April 27, 2020 our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

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

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

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

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

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

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our correspondence about planning matters dated April 27, 2020.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

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

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

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

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

The financial statement disclosures are neutral, consistent and clear.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

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

Disagreement with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated July 9, 2020

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Comments and Recommendations

Intrusion Testing (Prior Year)

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

Status: Corrected

Backup Testing (Prior Year)

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

Status: Corrected

Single Approach for Reporting Leases (Prior Year)

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

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

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

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

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

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

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

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

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

GASB 83 – Certain Asset Retirement Obligations

Effective 06/15/2020 (your FY 2020)

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

GASB 84 – Fiduciary Activities

Effective 12/15/2020 (your FY 2020)

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

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

State Chart of Accounts

Effective 9/30/2021 (your FY 2021)

The Uniform Chart of Accounts for Local Units of Government (Counties, Cities, Villages and Townships; and Authorities and Commissions established by counties, cities, villages and townships) has been developed by the Local Government Fiscal Accountability Division of the Michigan Department of Treasury with the assistance of the Michigan Committee on Governmental Accounting and Auditing. All local units of government in Michigan must use the Uniform Chart of Accounts. The new Chart of Accounts must be implemented for fiscal years ending Sept. 30, 2021, and thereafter. Early implementation, after the reviewed Chart of Accounts is issued on Dec. 31, 2019, will be allowed and encouraged.

Other Matters

We applied certain limited procedures to the management's discussion and analysis and budgetary comparison schedules, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquires of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and our knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

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

Conclusion

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

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

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

July 9, 2020