

County of Chippewa, Michigan

BASIC FINANCIAL STATEMENTS

December 31, 2013

CHIPPEWA COUNTY, MICHIGAN

ORGANIZATION

COUNTY BOARD OF COMMISSIONERS

CHAIRMAN	SCOTT SHACKLETON
COMMISSIONER	DONALD COOPER
COMMISSIONER	DONALD MCLEAN
COMMISSIONER	TED POSTULA
COMMISSIONER	GEORGE KINSELLA

APPOINTED/ELECTED OFFICERS

COUNTY ADMINISTRATOR	JAMES GERMAN
COUNTY TREASURER	MARJORIE HANK
COUNTY CLERK	CATHY MALEPORT
COUNTY REGISTER OF DEEDS	SHARON KENNEDY
COUNTY SHERIFF	ROBERT SAVOIE
COUNTY SURVEYOR	WILLIAM KARR
COUNTY DRAIN COMMISSIONER	ANTHONY BOSLEY

JUDICIARY

CIRCUIT/JUVENILE COURT	HON. JAMES LAMBROS
DISTRICT COURT	HON. ELIZABETH CHURCH

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ANDERSON, TACKMAN & COMPANY, PLC
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, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of funding progress and budgetary comparison information on pages 4 through 10, pages 52 through 54, and pages 55 through 62 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, and statistical section, are presented for 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 U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 22, 2014 on our consideration of the County of Chippewa, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County of Chippewa, Michigan's internal control over financial reporting and compliance.

Anderson Tackman & Co. PLLC

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

April 22, 2014

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, 2013.

Financial Highlights

- The net position of the County exceeded its liabilities at the close of the most recent fiscal year by \$17,147,393. Of this amount, \$1,496,974 is restricted.
- Net position for the County as a whole increased by \$282,455. Net position of our governmental activities increased by \$1,835,534 and net position of our business-type activities decreased by \$1,553,079.
- During the year, the County had expenses for governmental funds that were \$18,969,827, and expenses for business-type activities that were \$195,996.
- The General Fund reported a net fund balance of \$3,866,421, a decrease of \$1,025,933. At the end of the current fiscal year, unassigned fund balance for the General Fund was \$3,192,216, or 28% 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 and liabilities, 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 11-12 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 13-14 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 16-18 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 19-20 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 23-51 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 52-62 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 63-82 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 \$17,147,393 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	
	2013	2012	2013	2012	2013	2012
Assets						
Current Assets	\$ 20,564,637	\$ 14,641,839	\$ 11,638,757	\$ 13,140,985	\$ 32,203,394	\$ 27,782,824
Capital Assets	14,986,816	15,051,677	-	-	14,986,816	15,051,677
Total Assets	\$ 35,551,453	\$ 29,693,516	\$ 11,638,757	\$ 13,140,985	\$ 47,190,210	\$ 42,834,501
Liabilities						
Current Liabilities	\$ 10,029,723	\$ 5,611,267	\$ 219,253	\$ 168,402	\$ 10,248,976	\$ 5,779,669
Noncurrent Liabilities	17,509,486	20,189,894	-	-	17,509,486	20,189,894
Total Liabilities	27,539,209	25,801,161	219,253	168,402	27,758,462	25,969,563
Deferred Inflow of Resources						
Taxes Levied for a Subsequent Period	2,284,355	-	-	-	2,284,355	-
Net Position						
Net Investment in Capital Assets	745,858	(614,564)	-	-	745,858	(614,564)
Restricted	1,496,974	1,729,592	-	-	1,496,974	1,729,592
Unrestricted	3,485,057	2,777,327	11,419,504	12,972,583	14,904,561	15,749,910
Total Net Position	\$ 5,727,889	\$ 3,892,355	\$ 11,419,504	\$ 12,972,583	\$ 17,147,393	\$ 16,864,938

The current level of unrestricted net position for our governmental activities stands at \$3,485,057, or about 15% of expenses. Net Position of the governmental activities increased approximately 47%. Net Position of the business-type activities decreased approximately 12%.

The following table shows the activities of the County.

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Program Revenues						
Charges for Services	\$ 6,978,822	\$ 7,091,105	\$ 738,991	\$ 1,027,616	\$ 7,717,813	\$ 8,118,721
Operating Grants and Contributions	4,914,467	5,668,174	-	-	4,914,467	5,668,174
Capital Grants and Contributions	192,318	54,991	-	-	192,318	54,991
General Revenues						
Property Taxes	9,005,732	8,757,240	-	-	9,005,732	8,757,240
Interest Income	62,874	86,937	59,295	62,867	122,169	149,804
Other Revenue (Expense)	1,477,549	1,317,644	-	-	1,477,549	1,317,644
Total Revenues	22,631,762	22,976,091	798,286	1,090,483	23,430,048	24,066,574
Expenses						
Legislative	99,048	127,406	-	-	99,048	127,406
Judicial	2,475,212	2,630,522	-	-	2,475,212	2,630,522
General Government	3,578,232	4,656,754	-	-	3,578,232	4,656,754
Public Safety	5,207,551	5,347,858	-	-	5,207,551	5,347,858
Public Works	812,187	732,901	-	-	812,187	732,901
Health and Welfare	8,375,818	8,422,337	-	-	8,375,818	8,422,337
Community and Economic Development	74,063	8,706	-	-	74,063	8,706
Interest Expense - Unallocated	654,373	690,203	-	-	654,373	690,203
Other	877,647	891,001	-	-	877,647	891,001
Tax Collection	-	-	76,650	3,922	76,650	3,922
Depreciation - Unallocated	769,033	795,588	-	-	769,033	795,588
Other Nonmajor	-	-	119,346	171,375	119,346	171,375
Total Expenses	22,923,164	24,303,276	195,996	175,297	23,119,160	24,478,573
Excess (Deficiency) Before Transfers	(291,402)	(1,327,185)	602,290	915,186	310,888	(411,999)
Transfers	2,126,936	1,404	(2,155,369)	(51,404)	(28,433)	(50,000)
Changes in Net Position	1,835,534	(1,325,781)	(1,553,079)	863,782	282,455	(461,999)
Net Position - Beginning	3,892,355	5,218,136	12,972,583	12,108,801	16,864,938	17,326,937
Net Position - Ending	\$ 5,727,889	\$ 3,892,355	\$ 11,419,504	\$ 12,972,583	\$ 17,147,393	\$ 16,864,938

The focus of the County's government funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, 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 13 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 2013 include the General Fund, Health Department, Chippewa County Recycling, Senior Nutrition, Ambulance, Correctional Facility Maintenance Fund, 2013 Refunding, and Delinquent Tax Fund.

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

General Fund Budgetary Highlights

The difference between the original budget and final amended budget for expenditures and transfers out in the General Fund resulted in an increase of \$519,107 in appropriations. The largest increases were within the judicial department.

During the year, general fund revenues were \$349,551 less than budgetary estimates, while general fund expenditures were \$362,263 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, 2013, amounted to \$14,986,816 (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 \$64,861.

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

- Purchase of imaging technology for \$15,578, court technology of \$62,276, sheriff department vehicles and equipment for \$115,348, ROV for \$167,999, and various other equipment for \$18,995.

Additional information on the County's capital assets can be found in note 4 on page 34 of this report.

Debt Administration

At the end of the current fiscal year, the County had total debt outstanding of \$22,217,002. Of this amount, \$14,240,958 comprises debt backed by the full faith and credit of the government. The remainder of the County's debt is comprised of compensated absences, and OPEB obligations.

The County reduced its bond debt by \$1,414,000 in principal payments and issued no new debt.

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

Economic Factors and Next Year's Budgets and Rates

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

- As the economy has slowed, there have been financial impacts to the County. Although property tax revenues remain stable, programs that rely on state and federal grants have suffered financial losses.
- Two Michigan constitutional laws limit property tax growth to the rate of inflation or a maximum allowable increase in assessment of 5.0 percent, whichever is less. Property tax revenue anticipated for the ensuing fiscal year will reflect the restrictions of these laws.

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 the Department's audit reports for further information.

Requests for Information

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

Basic Financial Statements

County of Chippewa, Michigan

Statement of Net Position December 31, 2013

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Totals	
ASSETS:				
Cash and Investments - Unrestricted	\$ 6,243,990	\$ 9,596,417	\$ 15,840,407	\$ 3,201,181
Cash and Investments - Restricted	1,256,622	-	1,256,622	20,000
Assets Held in Escrow	7,200,853	-	7,200,853	-
Receivables:				
Accounts	1,603,258	100	1,603,358	267,002
Notes	-	-	-	112,721
Taxes	2,970,531	1,808,335	4,778,866	785,742
Interest	14,858	263,905	278,763	392
Internal Loans	40,044	(40,044)	-	-
Due from Others	2,591	-	2,591	-
Due from Governmental Units	1,060,141	10,044	1,070,185	1,363,646
Inventories	18,376	-	18,376	647,454
Prepaid Items	153,373	-	153,373	186,269
Capital Assets (nondepreciable)	231,810	-	231,810	51,576,979
Capital Assets (net of accumulated depreciation)	14,755,006	-	14,755,006	58,848,919
TOTAL ASSETS	\$ 35,551,453	\$ 11,638,757	\$ 47,190,210	\$ 117,010,305
LIABILITIES:				
Accounts Payable	\$ 349,160	\$ -	\$ 349,160	\$ 441,746
Accrued Liabilities	393,262	6,510	399,772	239,993
Advances	-	-	-	353,380
Unearned Revenue	370,609	-	370,609	-
Other Liabilities	40,467	-	-	23,336
Accrued Interest Payable	149,265	-	149,265	-
Due to Governmental Units	7,266,960	212,743	7,479,703	154,048
Notes Payable - Due within one year	-	-	-	167,693
Notes Payable - Due in more than one year	-	-	-	631,741
Bonds Payable - Due within one year	1,460,000	-	1,460,000	-
Bonds Payable - Due in more than one year	12,780,958	-	12,780,958	-
Mortgage Payable - Due within one year	-	-	-	27,984
Mortgage Payable - Due in more than one year	-	-	-	85,307
Compensated Absences - Due in more than one year	622,433	-	622,433	414,659
OPEB Obligations - Due in more than one year	4,106,095	-	4,106,095	3,131,497
TOTAL LIABILITIES	27,539,209	219,253	27,758,462	5,671,384
DEFERRED INFLOWS OF RESOURCES:				
Taxes Levied for a Subsequent Period	2,284,355	-	2,284,355	785,742
NET POSITION:				
Net Investment in Capital Assets	745,858	-	745,858	109,513,173
Restricted	1,496,974	-	1,496,974	515,204
Unrestricted	3,485,057	11,419,504	14,904,561	524,802
TOTAL NET POSITION	\$ 5,727,889	\$ 11,419,504	\$ 17,147,393	\$ 110,553,179

County of Chippewa, Michigan

Statement of Activities For the Year Ended December 31, 2013

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	\$ 99,048	\$ -	\$ -	\$ -	\$ (99,048)	\$ -	\$ (99,048)	\$ -
Judicial	2,475,212	318,618	525,259	-	(1,631,335)	-	(1,631,335)	-
General Government	3,578,232	472,245	2,249,076	-	(856,911)	-	(856,911)	-
Public Safety	5,207,551	1,701,715	611,551	192,318	(2,701,967)	-	(2,701,967)	-
Public Works	812,187	68,312	295	-	(743,580)	-	(743,580)	-
Health and Welfare	8,375,818	4,417,932	1,454,223	-	(2,503,663)	-	(2,503,663)	-
Community/Economic Development	74,063	-	74,063	-	-	-	-	-
Interest Expense - Unallocated	654,373	-	-	-	(654,373)	-	(654,373)	-
Other	877,647	-	-	-	(877,647)	-	(877,647)	-
Depreciation - Unallocated	769,033	-	-	-	(769,033)	-	(769,033)	-
Total Governmental Activities	22,923,164	6,978,822	4,914,467	192,318	(10,837,557)	-	(10,837,557)	-
Business-type activities:								
Tax Collection	76,650	569,359	-	-	-	492,709	492,709	-
Other Nonmajor	119,346	169,632	-	-	-	50,286	50,286	-
Total Business-type Activities	195,996	738,991	-	-	-	542,995	542,995	-
Total Primary Government	\$ 23,119,160	\$ 7,717,813	\$ 4,914,467	\$ 192,318	(10,837,557)	542,995	(10,294,562)	-
Component Units:								
Road Commission	\$ 10,292,881	\$ 3,083,927	\$ 3,740,005	\$ 3,067,612				(401,337)
Economic Development Corporation	4,063,615	2,685,469	982,446	-				(395,700)
E.U.P. Transportation Authority	4,197,944	1,435,142	1,701,541	873,461				(187,800)
Total Component Units	18,554,440	7,204,538	6,423,992	3,941,073				(984,837)
Total	\$ 41,673,600	\$ 14,922,351	\$ 11,338,459	\$ 4,133,391				
General Revenues and Transfers:								
Taxes					9,005,732	-	9,005,732	760,721
State Revenue Sharing and Other					1,477,549	-	1,477,549	11,181
Interest Income (Expense)					62,874	59,295	122,169	10,987
Gain/(Loss) on Sale of Capital Assets					-	-	-	17,874
Transfers					2,126,936	(2,155,369)	(28,433)	28,433
Total General Revenues and Transfers					12,673,091	(2,096,074)	10,577,017	829,196
Changes in Net Position					1,835,534	(1,553,079)	282,455	(155,641)
Net Position - Beginning					3,892,355	12,972,583	16,864,938	110,708,820
Net Position - Ending					\$ 5,727,889	\$ 11,419,504	\$ 17,147,393	\$ 110,553,179

See accompanying notes to financial statements.

County of Chippewa, Michigan

Balance Sheet Governmental Funds December 31, 2013

	General	Health Department 9/30/2013	Chippewa County Recycling	Senior Nutrition	Ambulance	Correctional Facility Maintenance	Debt Service 2013 Refunding	Non-Major Governmental Funds	Total Governmental Funds
ASSETS:									
Cash and Investments - Unrestricted	\$ 2,923,016	\$ -	\$ 230,464	\$ 161	\$ 723	\$ 637,180	\$ -	\$ 868,745	\$ 4,660,289
Cash and Investments - Restricted	-	1,256,622	-	-	-	-	-	-	1,256,622
Assets Held in Escrow	-	-	-	-	-	-	7,200,853	-	7,200,853
Receivables:									
Accounts	44,815	1,432,451	-	-	-	-	-	125,992	1,603,258
Taxes	686,176	-	537,015	536,371	459,148	644,418	-	107,403	2,970,531
Interest	14,858	-	-	-	-	-	-	-	14,858
Inventory	-	4,212	-	-	-	-	-	-	4,212
Due from Other Funds	268,526	-	-	-	-	-	-	-	268,526
Due to Others	2,591	-	-	-	-	-	-	-	2,591
Due from Governmental Units	254,579	538,599	-	-	-	-	-	266,963	1,060,141
Prepaid Items	37,703	41,873	39,000	-	-	-	-	34,797	153,373
TOTAL ASSETS	\$ 4,232,264	\$ 3,273,757	\$ 806,479	\$ 536,532	\$ 459,871	\$ 1,281,598	\$ 7,200,853	\$ 1,403,900	\$ 19,195,254
LIABILITIES:									
Due to Other Funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 214,659	\$ 214,659
Accounts Payable	77,939	191,599	-	-	-	500	-	79,122	349,160
Accrued Liabilities	204,785	154,670	-	-	-	-	-	33,807	393,262
Due to Governmental Units	5,623	60,484	-	-	-	-	-	-	66,107
Unearned Revenue	77,496	293,113	-	-	-	-	-	-	370,609
Other Liabilities	-	40,467	-	-	-	-	-	-	40,467
Compensated Absences	-	205,671	-	-	-	-	-	-	205,671
TOTAL LIABILITIES	365,843	946,004	-	-	-	500	-	327,588	1,639,935
DEFERRED INFLOWS OF RESOURCES:									
Taxes Levied for a Subsequent Period	-	-	537,015	536,371	459,148	644,418	-	107,403	2,284,355
FUND BALANCES:									
Nonspendable	37,703	46,085	39,000	-	-	-	-	34,797	157,585
Restricted	-	224,980	230,464	161	723	636,680	7,200,853	403,966	8,697,827
Committed	622,433	-	-	-	-	-	-	7,503	629,936
Assigned	14,069	988,856	-	-	-	-	-	535,315	1,538,240
Unassigned	3,192,216	1,067,832	-	-	-	-	-	(12,672)	4,247,376
TOTAL FUND BALANCES	3,866,421	2,327,753	269,464	161	723	636,680	7,200,853	968,909	15,270,964
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 4,232,264	\$ 3,273,757	\$ 806,479	\$ 536,532	\$ 459,871	\$ 1,281,598	\$ 7,200,853	\$ 1,403,900	

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

Capital assets used by governmental activities	14,986,816
Long-term notes and leases payable for governmental activities	(21,441,811)
Compensated absences and OPEB liabilities	(4,522,857)
Internal service funds included in governmental activities	1,584,042
Accrued interest expense recognized under full accrual accounting	(149,265)
Net position of governmental activities	\$ 5,727,889

See accompanying notes to financial statements.

County of Chippewa, Michigan

Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds For the Year Ended December 31, 2013

	General	Health Department 9/30/2013	Chippewa County Recycling	Senior Nutrition	Ambulance	Correctional Facility Maintenance	Debt Service 2013 Refunding	Non-Major Governmental Funds	Totals Governmental Funds
REVENUES:									
Taxes	\$ 6,861,208	\$ -	\$ 531,038	\$ 522,891	\$ 453,218	\$ 637,377	\$ -	\$ -	\$ 9,005,732
License and Permits	36,818	-	-	-	-	-	-	-	36,818
Federal Sources	479,391	708,813	-	-	-	-	-	434,266	1,622,470
State Sources	1,745,314	203,140	-	-	-	-	-	273,824	2,222,278
Local Sources	224,709	89,528	-	-	-	-	-	1,502,204	1,816,441
Charges for Services	1,601,987	4,402,405	-	-	-	-	-	856,437	6,860,829
Interest and Rentals	56,934	76	-	-	-	4,602	-	1,262	62,874
Fines and Forfeitures	81,175	-	-	-	-	-	-	-	81,175
Other Revenue	212,008	432,660	-	-	-	2,773	-	275,704	923,145
TOTAL REVENUES	11,299,544	5,836,622	531,038	522,891	453,218	644,752	-	3,343,697	22,631,762
EXPENDITURES:									
Legislative	99,048	-	-	-	-	-	-	-	99,048
Judicial	2,462,249	-	-	-	-	-	-	12,963	2,475,212
General Government	6,083,068	-	-	-	-	-	-	20,817	6,103,885
Public Safety	3,709,282	-	-	-	-	21,964	-	1,476,305	5,207,551
Public Works	-	-	674,200	-	-	-	-	137,987	812,187
Health and Welfare	294,627	5,862,500	-	762,351	298,027	-	-	460,718	7,678,223
Community/Economic Development	-	-	-	-	-	-	-	74,063	74,063
Capital Outlay	146,417	59,084	-	-	-	-	-	458,428	663,929
Debt Service	-	-	-	-	-	-	-	2,076,664	2,076,664
Other Expenditures	934,677	-	-	-	-	-	87,220	-	1,021,897
TOTAL EXPENDITURES	13,729,368	5,921,584	674,200	762,351	298,027	21,964	87,220	4,717,945	26,212,659
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(2,429,824)	(84,962)	(143,162)	(239,460)	155,191	622,788	(87,220)	(1,374,248)	(3,580,897)
OTHER FINANCING SOURCES (USES):									
Bond Proceeds	-	-	-	-	-	-	7,288,073	-	7,288,073
Operating Transfers In	2,444,518	95,093	-	-	-	-	-	1,659,986	4,199,597
Operating Transfers Out	(1,040,627)	-	-	-	(159,787)	(597,625)	-	(274,622)	(2,072,661)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	(1,025,933)	10,131	(143,162)	(239,460)	(4,596)	25,163	7,200,853	11,116	5,834,112
FUND BALANCES, JANUARY 1	4,892,354	2,317,622	412,626	239,621	5,319	611,517	-	957,793	9,436,852
FUND BALANCES, DECEMBER 31	\$ 3,866,421	\$ 2,327,753	\$ 269,464	\$ 161	\$ 723	\$ 636,680	\$ 7,200,853	\$ 968,909	\$ 15,270,964

See accompanying notes to financial statements.

**Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended December 31, 2013**

Net changes in fund balances - total governmental funds \$ 5,834,112

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 loss on disposals in the current period. (64,861)

Repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position.

Bond proceeds less costs of issuance (7,200,853)

Principal repayments:

Bond and Notes Payable 1,414,000
Capital Lease Obligation 11,283

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 8,291
Compensated Absences and OPEB Liabilities 1,426,079

Internal Service Fund Activity 407,483

Changes in net position of governmental activities \$ 1,835,534

**Statement of Net Position
Proprietary Funds
December 31, 2013**

	Business-type Activities Enterprise Funds			Governmental Activities
	Tax Collections	Nonmajor Funds	Totals	Internal Service Funds
ASSETS:				
Cash and Investments - Unrestricted	\$ 9,238,668	\$ 357,749	\$ 9,596,417	\$ 1,583,701
Accounts Receivable	-	100	100	-
Taxes Receivable	1,808,335	-	1,808,335	-
Inventories	-	-	-	14,164
Accrued Interest Receivable	263,905	-	263,905	-
Due from Governmental Units	-	10,044	10,044	-
TOTAL ASSETS	<u>\$ 11,310,908</u>	<u>\$ 367,893</u>	<u>\$ 11,678,801</u>	<u>\$ 1,597,865</u>
LIABILITIES:				
Due to Other Funds	\$ -	\$ 40,044	\$ 40,044	\$ 13,823
Due to Governmental Units	212,743	-	212,743	-
Accrued Liabilities	6,510	-	6,510	-
TOTAL LIABILITIES	<u>219,253</u>	<u>40,044</u>	<u>259,297</u>	<u>13,823</u>
NET POSITION:				
Unrestricted	<u>11,091,655</u>	<u>327,849</u>	<u>11,419,504</u>	<u>1,584,042</u>
TOTAL NET POSITION	<u>\$ 11,091,655</u>	<u>\$ 327,849</u>	<u>\$ 11,419,504</u>	<u>\$ 1,584,042</u>

County of Chippewa, Michigan

**Statement of Revenues, Expenses, and
Changes in Net Position - Proprietary Funds
For the Year Ended December 31, 2013**

	Business-type Activities Enterprise Funds			Governmental Activities
	Tax Collections	Nonmajor Funds	Totals	Internal Service Funds
OPERATING REVENUES:				
Charges for Services	\$ 178,819	\$ -	\$ 178,819	\$ 3,666,815
Penalties and Interest Charges	390,540	169,632	560,172	-
Total Operating Revenues	<u>569,359</u>	<u>169,632</u>	<u>738,991</u>	<u>3,666,815</u>
OPERATING EXPENSES:				
Premium Reimbursements	-	-	-	3,246,626
Other Supplies and Expenses	76,650	119,346	195,996	12,706
Total Operating Expenses	<u>76,650</u>	<u>119,346</u>	<u>195,996</u>	<u>3,259,332</u>
OPERATING INCOME (LOSS)	<u>492,709</u>	<u>50,286</u>	<u>542,995</u>	<u>407,483</u>
NON-OPERATING REVENUES (EXPENSES):				
Interest on Deposits	59,295	-	59,295	-
Total Non-Operating Revenues (Expenses)	<u>59,295</u>	<u>-</u>	<u>59,295</u>	<u>-</u>
INCOME (LOSS) BEFORE TRANSFERS	552,004	50,286	602,290	407,483
Operating Transfers In	3,600,000	-	3,600,000	-
Operating Transfers Out	<u>(5,600,000)</u>	<u>(155,369)</u>	<u>(5,755,369)</u>	<u>-</u>
CHANGES IN NET POSITION	(1,447,996)	(105,083)	(1,553,079)	407,483
NET POSITION, JANUARY 1	<u>12,539,651</u>	<u>432,932</u>	<u>12,972,583</u>	<u>1,176,559</u>
NET POSITION, DECEMBER 31	<u>\$ 11,091,655</u>	<u>\$ 327,849</u>	<u>\$ 11,419,504</u>	<u>\$ 1,584,042</u>

**Statement of Cash Flows
Proprietary Fund Types
For the Year Ended December 31, 2013**

	Business-type Activities Enterprise Funds		Governmental Activities	
	Tax Collections	Nonmajor Funds	Total	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from Customers	\$ 593,245	\$ 169,612	\$ 762,857	\$ 3,666,815
Payments to Suppliers	(232,380)	(89,346)	(321,726)	(3,218,573)
Internal Activity - Receipts (Payments) with Other Funds	206,581	-	206,581	420
Net Cash Provided (Used) by Operating Activities	<u>567,446</u>	<u>80,266</u>	<u>647,712</u>	<u>448,662</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Operating Transfers In (Out) - net	<u>(2,000,000)</u>	<u>(155,369)</u>	<u>(2,155,369)</u>	<u>-</u>
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(2,000,000)</u>	<u>(155,369)</u>	<u>(2,155,369)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest on Deposits	<u>59,295</u>	<u>-</u>	<u>59,295</u>	<u>-</u>
Net Cash Provided (Used) by Investing Activities	<u>59,295</u>	<u>-</u>	<u>59,295</u>	<u>-</u>
Net Increase (Decrease) in Cash and Investments	(1,373,259)	(75,103)	(1,448,362)	448,662
Balances - Beginning of the Year	<u>10,611,927</u>	<u>432,852</u>	<u>11,044,779</u>	<u>1,135,039</u>
Balances - End of the Year	<u>\$ 9,238,668</u>	<u>\$ 357,749</u>	<u>\$ 9,596,417</u>	<u>\$ 1,583,701</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities				
Operating Income (Loss)	\$ 492,709	\$ 50,286	\$ 542,995	\$ 407,483
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	26,494	-	26,494	-
Accounts Receivable	-	(20)	(20)	-
Accrued Interest Receivable	(2,608)	-	(2,608)	-
Prepaid Items	-	-	-	210,702
Inventory	-	-	-	1,006
Increase (Decrease) in Liabilities:				
Due to Other Funds	206,581	30,000	236,581	420
Due to Governmental Units	(159,600)	-	(159,600)	-
Accrued Liabilities	3,870	-	3,870	(170,949)
Net Cash Provided (Used) by Operating Activities	<u>\$ 567,446</u>	<u>\$ 80,266</u>	<u>\$ 647,712</u>	<u>\$ 448,662</u>

Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2013

	Other Employee Benefit Trust Funds	Agency Funds
ASSETS:		
Cash and Investments - Unrestricted	\$ -	\$ 1,161,625
Due from Governmental Units	-	1,314
Total Cash and Equivalents	-	1,162,939
Investments, at fair value:		
Equity Securities	3,380,487	-
Total Investments	3,380,487	-
TOTAL ASSETS	\$ 3,380,487	\$ 1,162,939
LIABILITIES:		
Undistributed Tax Collections	\$ -	\$ 748,839
Other Liabilities	-	194,911
Due to Governmental Units	-	219,189
TOTAL LIABILITIES	-	\$ 1,162,939
NET POSITION:		
Held in Trust for Pension Benefits and Other Purposes	\$ 3,380,487	

Statement of Changes in Fiduciary Net Position
 Fiduciary Funds
 For the Year Ended December 31, 2013

	Other Employee Benefit Trust Funds
	<u> </u>
ADDITIONS:	
Contributions:	
Employer and Employee	\$ 3,793,737
Total Contributions	<u>3,793,737</u>
Investment Income:	
Interest, Dividends	<u>137</u>
Total Investment Income	<u>137</u>
Total Additions	<u>3,793,874</u>
DEDUCTIONS:	
Participants Payments	<u>413,387</u>
Total Deductions	<u>413,387</u>
Change in Net Position	3,380,487
Net Position Held in Trust for Benefits, Beginning of Year	<u>-</u>
Net Position Held in Trust for Benefits, End of Year	<u><u>\$ 3,380,487</u></u>

Component Units

County of Chippewa, Michigan

Statement of Net Position Component Units December 31, 2013

	Road Commission	Economic Development Corporation	E.U.P. Transportation Authority 9/30/2013	Totals
ASSETS:				
Cash and Investments - Unrestricted	\$ 1,045,465	\$ 1,061,756	\$ 1,093,960	\$ 3,201,181
Cash and Investments - Restricted	-	-	20,000	20,000
Receivables:				
Interest	-	392	-	392
Accounts	-	116,060	150,942	267,002
Notes	-	112,721	-	112,721
Taxes	785,742	-	-	785,742
Due from Governmental Units	1,351,043	-	12,603	1,363,646
Inventory	578,185	69,269	-	647,454
Prepaid Items	162,801	7,500	15,968	186,269
Capital Assets (Nondepreciable)	49,478,453	2,096,126	2,400	51,576,979
Capital Assets (Net of Accumulated Depreciation)	29,775,172	20,174,736	8,899,011	58,848,919
TOTAL ASSETS	\$ 83,176,861	\$ 23,638,560	\$ 10,194,884	\$ 117,010,305
LIABILITIES:				
Accounts Payable	\$ 234,217	\$ 92,990	\$ 114,539	\$ 441,746
Other Liabilities	-	23,336	-	23,336
Due to Governmental Units	135,771	-	18,277	154,048
Accrued Liabilities	177,192	-	62,801	239,993
Advances	353,380	-	-	353,380
Installment Purchase Agreements Payable - Due within one year	167,693	-	-	167,693
Installment Purchase Agreements Payable - Due in more than one year	631,741	-	-	631,741
Mortgage Payable - Due within one year	-	27,984	-	27,984
Mortgage Payable - Due in more than one year	-	85,307	-	85,307
Compensated Absences Payable - Due in more than one year	129,256	89,143	196,260	414,659
OPEB Obligation - Due in more than one year	2,376,931	40,157	714,409	3,131,497
TOTAL LIABILITIES	4,206,181	358,917	1,106,286	5,671,384
DEFERRED INFLOWS OF RESOURCES:				
Taxes Levied for a Subsequent Period	785,742	-	-	785,742
NET POSITION:				
Net Investment in Capital Assets	78,454,191	22,157,571	8,901,411	109,513,173
Restricted for Transportation	-	-	515,204	515,204
Unrestricted	(269,253)	1,122,072	(328,017)	524,802
TOTAL NET POSITION	78,184,938	23,279,643	9,088,598	110,553,179
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 83,176,861	\$ 23,638,560	\$ 10,194,884	\$ 117,010,305

County of Chippewa, Michigan

Statement of Activities Component Units For the Year Ended December 31, 2013

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 9/30/2013	
Road Commission:								
Public Works	\$ 10,292,881	\$ 3,083,927	\$ 3,740,005	\$ 3,067,612	\$ (401,337)	\$ -	\$ -	\$ (401,337)
Economic Development Corporation:								
Economic Development	4,063,615	2,685,469	982,446	-	-	(395,700)	-	(395,700)
E.U.P. Transportation Authority:								
Public Works	4,197,944	1,435,142	1,701,541	873,461	-	-	(187,800)	(187,800)
Total Component Units	<u>\$ 18,554,440</u>	<u>\$ 7,204,538</u>	<u>\$ 6,423,992</u>	<u>\$ 3,941,073</u>	<u>(401,337)</u>	<u>(395,700)</u>	<u>(187,800)</u>	<u>(984,837)</u>
General Revenues and Transfers:								
Taxes					760,721	-	-	760,721
Interest Income					-	6,056	4,931	10,987
Other					-	-	11,181	11,181
Transfers In					-	28,433	-	28,433
Gain on Sale of Capital Assets					358	-	17,516	17,874
Total General Revenues and Transfers					<u>761,079</u>	<u>34,489</u>	<u>33,628</u>	<u>829,196</u>
Changes in Net Position					359,742	(361,211)	(154,172)	(155,641)
Net Position - Beginning					77,825,196	23,640,854	9,242,770	110,708,820
Net Position - Ending					<u>\$ 78,184,938</u>	<u>\$ 23,279,643</u>	<u>\$ 9,088,598</u>	<u>\$ 110,553,179</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, 2013 year end.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Discretely Presented Component Units Administrative Offices:

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

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

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

Multi-County Agency

Hiawatha Behavioral Health Authority -The County participates jointly in the operation of the Hiawatha Behavioral Health Authority with Mackinac and Schoolcraft Counties. The funding formula requires the County to provide approximately 60% of the budget appropriation requirement, which amounted to \$171,334 for the year ended December 31, 2013.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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 2013 ad valorem tax is levied and collectible on December 1, 2012, and 2013 ad valorem tax is levied and collectible on July 1, 2013, 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The December 1, 2012 taxable valuation of the County of Chippewa totaled \$1,062,724,695, on which ad valorem taxes levied consisted of .4275 mills for fire/ambulance services, .9879 mills for roads, .5000 mills for recycling, .4994 mills for senior programs, and .6000 mills for jail debt service. These amounts are recognized in the respective Special Revenue Funds, Debt Service Funds, and Component Units financial statements as revenue.

The July 1, 2013 taxable valuation of the County of Chippewa totaled \$1,090,343,959, 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.

Health Department Fund

This fund accounts for health services and related grant funds.

Chippewa County Recycling Fund

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

Senior Nutrition Fund

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

Ambulance Fund

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

Correctional Facility Maintenance Fund

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

2013 Refunding Fund

This fund accounts for the refunding of bonds.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The County reports the following major proprietary funds:

Tax Collection Fund

This fund accounts for property tax administration within the county.

Additionally, the County reports the following fund types:

Internal Service Funds

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

Agency Funds

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

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

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.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

Inventories and 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.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 no 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 that qualify for reporting in this category.

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

Vested or accumulated vacation leave of proprietary funds is recorded as an expense and liability of those funds as the benefits accrue to employees. In accordance with 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.

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 or 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the County. These amounts cannot be used for any other purpose unless the County removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The County has committed compensated absences and capital project monies.
- Assigned: This classification includes amounts that are constrained by the County's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the County through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund.
- Unassigned: This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

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

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

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

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

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

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

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

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

h. General Fund budgeted appropriations to other County departments/budgetary units unexpended at the end of the current fiscal operating year revert to the County General Fund and all budgets lapse at year end.

Michigan Public Act 621 of 1978 (the Budgeting Act) requires that budgets be adopted for 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 original budget adopted for the General fund was modified throughout the year through various budget amendments.

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

NOTE 3 - 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	\$ 6,243,990	\$ 9,596,417	\$ 15,840,407	\$ 1,161,625	\$ 3,201,181
-Restricted	<u>1,256,622</u>	<u>-</u>	<u>1,256,622</u>	<u>3,380,487</u>	<u>20,000</u>
Total	<u>\$ 7,500,612</u>	<u>\$ 9,596,417</u>	<u>\$ 17,097,029</u>	<u>\$ 4,542,112</u>	<u>\$ 3,221,181</u>

The categories of cash and investments are as follows:

	<u>Primary Government</u>	<u>Component Units</u>
Bank Deposits (checking and savings accounts, certificates of deposit)	\$ 16,032,268	\$ 2,643,967
Investments:		
Municipal Bonds	970,000	-
Repurchase Agreement	79,588	-
Public Money Market Funds	-	575,434
Petty Cash and Cash on Hand	<u>15,173</u>	<u>1,780</u>
Total	<u>\$ 17,097,029</u>	<u>\$ 3,221,181</u>

Cash and investments are restricted in the amount of \$1,256,622 of the Health Department fund for health department operations and \$3,380,487 for employee benefits.

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

Investments:

<u>Description</u>	<u>Fair Value</u>	<u>Less Than 1</u>	<u>1 – 5</u>	<u>6 – 10</u>	<u>Rating</u>
Municipal Bonds	\$ 970,000	\$ 180,000	\$ 790,000	\$ -	AA-
Repurchase Agreements	79,588	79,588	-	-	Unavailable
Total Investments	<u>\$ 1,049,588</u>	<u>\$ 259,588</u>	<u>\$ 790,000</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, \$8,247,861 of the County’s bank balance of \$17,144,976 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, 2013, none of the County’s investments, excluding the money market accounts which are not subject to custodial credit risk, were exposed to risk since the securities are held in the County’s name by the counter party.

Statutory Authority:

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

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

- a. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, or depository receipts of a financial institution, but only if the financial institution complies with subsection (2); certificates of deposit obtained through a financial institution as provided in subsection (5); or deposit accounts of a financial institution as provided in subsection (6).

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and matures not more than 270 days after the date of purchase.
- d. Repurchase agreements consisting of instruments listed in subdivision (a).
- e. Bankers' acceptances of United States banks.
- f. Obligations of this state or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
- g. Mutual funds registered under the investment company act of 1940, 15 USC 80a-1 to 80a-64, with authority to purchase only investment vehicles that are legal for direct investment by a public corporation. However, a mutual fund is not disqualified as a permissible investment solely by reason of any of the following:
 - (i) The purchase of securities on a when-issued or delayed delivery basis.
 - (ii) The ability to lend portfolio securities as long as the mutual fund receives collateral at all times equal to at least 100% of the value of the securities loaned.
 - (iii) The limited ability to borrow and pledge a like portion of the portfolio's assets for temporary or emergency purposes.
- h. Obligations described in subdivisions (a) through (g) if purchased through an interlocal agreement under the urban cooperation act of 1967, 1967 (Ex Sess) PA 7, MCL 124.501 to 124.512.
- i. Investment pools organized under the surplus funds investment pool act, 1982 PA 367, MCL 129.111 to 129.118.
- j. The investment pools organized under the local government investment pool act, 1985 PA 121, MCL 129.141 to 129.150.

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the General County year ended December 31, 2013, 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>				
Construction in Progress	\$ 2,556,706	\$ 154,144	\$ 2,710,850	\$ -
Land	<u>231,810</u>	<u>-</u>	<u>-</u>	<u>231,810</u>
Subtotal	<u>2,788,516</u>	<u>154,144</u>	<u>2,710,850</u>	<u>231,810</u>
<i>Capital Assets Being Depreciated:</i>				
*Idled Asset	-	2,605,929	-	2,605,929
Land Improvements	209,400	-	-	209,400
Buildings and Improvements	18,485,437	2,741,674	2,605,929	18,621,182
Furniture and Equipment	4,779,496	149,429	-	4,928,925
Vehicles	<u>865,735</u>	<u>283,346</u>	<u>82,976</u>	<u>1,066,105</u>
Subtotal	<u>24,340,068</u>	<u>5,780,378</u>	<u>2,688,905</u>	<u>27,431,541</u>

NOTE 4 - CAPITAL ASSETS (Continued)

	Beginning Balances	Additions	Adjustments/ Deductions	Ending Balances
<i>Less Accumulated Depreciation:</i>				
Land Improvements	121,710	4,260	-	125,970
Buildings and Improvements	8,646,148	461,826	205,833	8,902,141
Furniture and Equipment	2,705,053	333,562	-	3,038,615
Vehicles	603,996	73,392	67,579	609,809
Subtotal	<u>12,076,907</u>	<u>873,040</u>	<u>273,412</u>	<u>12,676,535</u>
Net Capital Assets Being Depreciated	<u>12,263,161</u>	<u>4,907,338</u>	<u>(2,415,493)</u>	<u>14,755,006</u>
Capital Assets - Net	<u>\$ 15,051,677</u>	<u>\$ 5,061,482</u>	<u>\$ (5,126,343)</u>	<u>\$ 14,986,816</u>

*The idled asset category represents the cost of the Courthouse Annex building and improvements of such. This building is no longer used by the County and is held for sale.

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

Health and Welfare	\$ 104,007
Unallocated	<u>769,033</u>
Total	<u>\$ 873,040</u>

Capital asset activity of the Chippewa County Road Commission year ended December 31, 2013, was as follows:

	Beginning Balances	Additions	Adjustments/ Deductions	Ending Balances
<i>Capital Assets Not Being Depreciated:</i>				
Land and Improvements	\$ 269,402	\$ -	\$ -	\$ 269,402
Land Improvements - Infrastructure	48,105,643	1,103,408	-	49,209,051
Subtotal	<u>48,375,045</u>	<u>1,103,408</u>	<u>-</u>	<u>49,478,453</u>
<i>Capital Assets Being Depreciated:</i>				
Buildings	4,258,922	14,269	2,295	4,270,896
Road Equipment	12,506,977	141,105	105,637	12,542,445
Shop Equipment	265,799	7,837	-	273,636
Office Equipment	51,359	6,470	6,336	51,493
Engineers' Equipment	61,758	3,963	-	65,721
Depletable Assets	1,172,540	-	-	1,172,540
Infrastructure – Roads	36,688,083	1,964,204	1,387,095	37,265,192
Infrastructure – Bridges	13,205,142	-	-	13,205,142
Subtotal	<u>68,210,580</u>	<u>2,137,848</u>	<u>1,501,363</u>	<u>68,847,065</u>

NOTE 4 - CAPITAL ASSETS (Continued)

	Beginning Balances	Additions	Adjustments/ Deductions	Ending Balances
<i>Less Accumulated Depreciation:</i>				
Buildings	2,061,446	111,720	1,925	2,171,241
Road Equipment	11,733,982	415,888	105,637	12,044,233
Shop Equipment	187,847	17,103	-	204,950
Office Equipment	49,004	2,956	6,336	45,624
Engineers' Equipment	61,758	1,101	-	62,859
Depletable Assets	292,549	37,100	-	329,649
Infrastructure – Roads	15,738,274	2,003,220	1,387,095	16,354,399
Infrastructure – Bridges	7,586,163	272,775	-	7,858,938
Subtotal	<u>37,711,023</u>	<u>2,861,863</u>	<u>1,500,993</u>	<u>39,071,893</u>
Net Capital Assets Being Depreciated	<u>30,499,557</u>	<u>(724,015)</u>	<u>(370)</u>	<u>29,775,172</u>
Capital Assets – Net	<u>\$ 78,874,602</u>	<u>\$ 379,393</u>	<u>\$ (370)</u>	<u>\$ 79,253,625</u>

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

Total Depreciation Expense – Public Works \$ 2,861,863

Capital asset activity of the Economic Development Corporation year ended December 31, 2013 was as follows:

	Beginning Balances	Additions	Adjustments/ Deductions	Ending Balances
<i>Capital Assets Not Being Depreciated:</i>				
Land	\$ 1,946,675	\$ -	\$ -	\$ 1,946,675
Construction in Progress	-	149,451	-	149,451
Subtotal	<u>1,946,675</u>	<u>149,451</u>	<u>-</u>	<u>2,096,126</u>
<i>Capital Assets Being Depreciated:</i>				
Vehicles	1,421,792	-	-	1,421,792
Improvements	18,248,253	275,650	-	18,523,903
Buildings	12,155,675	-	-	12,155,675
Equipment	4,171,474	609,559	-	4,781,033
Subtotal	<u>35,997,194</u>	<u>885,209</u>	<u>-</u>	<u>36,882,403</u>
<i>Less Accumulated Depreciation:</i>				
Vehicles	1,264,979	39,495	-	1,304,474
Improvements	6,159,825	837,216	-	6,997,041
Buildings	4,393,478	399,848	-	4,793,326
Equipment	3,414,511	198,315	-	3,612,826
Subtotal	<u>15,232,793</u>	<u>1,474,874</u>	<u>-</u>	<u>16,707,667</u>
Net Capital Assets Being Depreciated	<u>20,764,401</u>	<u>(589,665)</u>	<u>-</u>	<u>20,174,736</u>
Capital Assets – Net	<u>\$ 22,711,076</u>	<u>\$ (440,214)</u>	<u>\$ -</u>	<u>\$ 22,270,862</u>

NOTE 4 - CAPITAL ASSETS (Continued)

Depreciation expense was charged to business-type activities for the Economic Development Corporation in the amount of \$1,474,874.

Capital assets activity for the Eastern Upper Peninsula Transportation Authority year ended September 30, 2013, was as follows:

	<u>Beginning Balances</u>	<u>Additions/ Adjustments</u>	<u>Deductions/ Adjustments</u>	<u>Ending Balances</u>
<i>Capital Assets Not Being Depreciated:</i>				
Construction in Progress	\$ 807,254	\$ 536,655	\$ 1,341,509	\$ 2,400
<i>Capital Assets Being Depreciated:</i>				
EUPTA Assets	1,805	-	-	1,805
Busing Assets	1,031,991	82,922	244,020	870,893
Ferry Assets	<u>16,757,337</u>	<u>207,160</u>	<u>1,303,541</u>	<u>18,268,038</u>
Subtotal	<u>17,791,133</u>	<u>290,082</u>	<u>1,059,521</u>	<u>19,140,736</u>
<i>Less Accumulated Depreciation:</i>				
EUPTA Assets	1,805	-	-	1,805
Busing Assets	660,719	80,079	244,020	496,778
Ferry Assets	<u>9,159,040</u>	<u>622,070</u>	<u>37,968</u>	<u>9,743,142</u>
Subtotal	<u>9,821,564</u>	<u>702,149</u>	<u>281,988</u>	<u>10,241,725</u>
Net Capital Assets being Depreciated	<u>7,969,569</u>	<u>(412,067)</u>	<u>1,341,509</u>	<u>8,899,011</u>
Capital assets – Net	<u>\$ 8,776,823</u>	<u>\$ 124,588</u>	<u>\$ -</u>	<u>\$ 8,901,411</u>

Depreciation expense was charged to business-type activities for the Eastern Upper Peninsula Transportation Authority in the amount of \$702,149.

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		DUE TO
		<u>General Fund</u>
	Nonmajor Governmental Funds	\$ 214,659
	Nonmajor Enterprise Funds	40,044
	Internal Service Funds	<u>13,823</u>
	Total	<u>\$ 268,526</u>

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

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)

TRANSFERS IN	General	Ambulance	Correctional Facility Maintenance	Nonmajor Governmental	Tax Collection	Nonmajor Enterprise	Total
	General	\$ 237,527	\$ -	\$ -	\$ 51,622	\$ 2,000,000	\$ 155,369
Health Department	95,093	-	-	-	-	-	95,093
Nonmajor Governmental	679,574	159,787	597,625	223,000	-	-	1,659,986
Tax Collections	-	-	-	-	3,600,000	-	3,600,000
Economic Development Corporation	28,433	-	-	-	-	-	28,433
Total	<u>\$ 1,040,627</u>	<u>\$ 159,787</u>	<u>\$ 597,625</u>	<u>\$ 274,622</u>	<u>\$ 5,600,000</u>	<u>\$ 155,369</u>	<u>\$ 7,828,030</u>

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

NOTE 6 - LONG-TERM DEBT

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

	Interest Rate	Principal Matures	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities							
2000 Chippewa Co. Water Supply System Bonds (Series A)	4.50%	2036	\$ 374,958	\$ -	\$ 9,000	\$ 365,958	\$ 10,000
2010 City of Sault Ste. Marie Water Supply and Sewage Disposal System Bonds	1.40% to 6.35%	2029	7,315,000	-	290,000	7,025,000	295,000
2010 Chippewa County Refunding Bonds	2.0% to 4.0%	2018	2,505,000	-	455,000	2,050,000	475,000

NOTE 6 - LONG-TERM DEBT (Continued)

	<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>
2011 City of Sault Ste. Marie Refunding Bonds	2.0% to 3.63%	2022	4,315,000	-	485,000	3,830,000	500,000
2009 Chippewa County General Obligation Bonds	4.00%	2018	<u>1,145,000</u>	<u>-</u>	<u>175,000</u>	<u>970,000</u>	<u>180,000</u>
Total Governmental Activities			<u>\$15,654,958</u>	<u>\$ -</u>	<u>\$ 1,414,000</u>	<u>\$14,240,958</u>	<u>\$ 1,460,000</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>
2014	\$ 1,460,000	\$ 490,048
2015	1,410,000	452,367
2016	1,316,000	409,873
2017	1,621,000	367,325
2018	1,687,000	314,505
2019-2023	3,127,000	1,045,563
2024-2028	2,804,000	517,828
2029-2033	760,000	49,525
2034-2036	<u>55,958</u>	<u>1,751</u>
Total	<u>\$ 14,240,958</u>	<u>\$ 3,648,785</u>

Interest expense of the primary government was unallocated in the amount of \$654,373.

Compensated Absences

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 Additions</u>	<u>Deductions</u>	<u>Ending Balances</u>
Compensated Absences	<u>\$ 613,976</u>	<u>\$ 8,457</u>	<u>\$ -</u>	<u>\$ 622,433</u>

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

NOTE 6 - LONG-TERM DEBT (Continued)

A summary of accrued compensated absences at December 31, 2013 is as follows:

Vacation	\$ 303,241
Sick Leave	313,800
Other	<u>5,392</u>
TOTALS	<u>\$ 622,433</u>

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Installment payable secured by Trucks, payable in monthly installments of \$10,494 including interest of 3.16%, due 2015.	\$ 270,175	\$ -	\$ 119,070	\$ 151,105	\$ 122,917
Installment payable secured by real estate mortgage, payable in monthly installments of \$5,055 including interest of 3.90%, due 2014.	72,209	-	58,907	13,302	13,302
Installment payable secured by Trucks, payable in monthly installments of \$14,029 including interest of 3.45%, due 2013.	53,922	-	53,922	-	-
Installment payable secured by radios, payable in monthly installments of \$2,721 including interest of 1.69%, due 2016.	115,953	-	30,926	85,027	31,474
State Infrastructure Bank note payable general obligation, 0% interest, due June 2015.	<u>-</u>	<u>550,000</u>	<u>-</u>	<u>550,000</u>	<u>-</u>
Subtotal	512,259	550,000	262,825	799,434	<u>\$ 167,693</u>
Compensated Absences (1)	<u>124,806</u>	<u>4,450</u>	<u>-</u>	<u>129,256</u>	
TOTAL LONG-TERM DEBT	<u>\$ 637,065</u>	<u>\$ 554,450</u>	<u>\$ 262,825</u>	<u>\$ 928,690</u>	

(1) Net increase.

NOTE 6 - LONG-TERM DEBT (Continued)

Annual debt service requirements are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 167,693	\$ 4,280	\$ 171,973
2015	610,198	779	610,977
2016	<u>21,543</u>	<u>133</u>	<u>21,676</u>
Total	<u>\$ 799,434</u>	<u>\$ 5,192</u>	<u>\$ 804,626</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, 2013.

NOTE 9 - OTHER POST EMPLOYMENT BENEFITS

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

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

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

Funding Policy. Contribution requirements also are negotiated between the County and employees at varying levels. The Health Department contributes 100% of the cost of current-year premiums for eligible retired plan members. For fiscal year 2013, the Health Department contributed \$280,640 to the plan. The County contributed \$3,660,903 to the plan.

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

	<u>County</u>	<u>Health Department</u>	<u>EDC</u>	<u>EUPTA</u>
Annual required contribution	\$ 1,394,198	\$ 870,952	\$ 38,163	\$ 283,108
Interest on net OPEB obligation	<u>143,328</u>	<u>101,779</u>	<u>1,994</u>	<u>21,651</u>
Annual OPEB cost (expense)	1,537,526	972,731	40,157	304,759
Contributions made	<u>(3,660,903)</u>	<u>(280,640)</u>	<u>(49,850)</u>	<u>(71,480)</u>
Increase (decrease) in net OPEB obligation	(2,123,377)	692,091	(9,693)	233,279
Net OPEB obligation – beginning of year	<u>3,583,212</u>	<u>1,954,169</u>	<u>49,850</u>	<u>481,130</u>
Net OPEB obligation – end of year	<u>\$ 1,459,835</u>	<u>\$ 2,646,260</u>	<u>\$ 40,157</u>	<u>\$ 714,409</u>

NOTE 9 - OTHER POST EMPLOYMENT BENEFITS (Continued)

The County’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal years 2011, 2012 and 2013 are as follows:

Fiscal Year End	Annual OPEB Cost				Percentage of Annual OPEB Cost Contributed				Net OPEB Obligation			
	County		Health Dept.		County		Health Dept.		County		Health Dept.	
	EUPTA	EDC	EUPTA	EDC	EUPTA	EDC	EUPTA	EDC	EUPTA	EDC		
2011	\$ 1,452,712	\$ 283,108	\$ 912,068	\$ 81,630	26%	66.6%	32%	109%	\$ 2,458,976	\$ 263,092	\$ 1,285,673	\$ 46,451
2012	\$ 1,518,453	\$ 294,947	\$ 954,321	\$ 77,003	26%	27.0%	31%	98%	\$ 3,583,212	\$ 481,130	\$ 1,954,169	\$ 49,850
2013	\$ 1,537,526	\$ 304,759	\$ 972,731	\$ 40,157	238%	25.8%	29%	124%	\$ 1,459,835	\$ 714,409	\$ 2,646,260	\$ 40,157

Funded status and Funding Progress. As of December 31, 2010, the actuarial accrued liability for benefits was \$15,554,524, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$4,447,849, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 350%.

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

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

In the December 31, 2010, actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 4.0% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer’s own investments calculated based on the funded level of the plan at the valuation date, payroll growth rate of 4%, and an annual healthcare cost trend rate of 9.0% initially, reduced by decrements to an ultimate rate of 4% after ten years. Both rates included a percent inflation assumption. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis.

The Health Department board has designated \$938,856 of its fund balance to assist in funding the post employment benefits.

NOTE 9 - OTHER POST EMPLOYMENT BENEFITS (Continued)

Road Commission

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

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

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

Funding Policy. Contribution requirements also are negotiated between the Commission and employees. The Commission contributes 100% of the cost of current-year premiums for eligible retired plan members. For fiscal year 2013, the Commission contributed \$917,639 to the plan. Total member contributions were \$40,532.

As of January 1, 2012, administrative employees began contributing to the health plan in accordance with Public Act 152 of 2011.

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

NOTE 9 - OTHER POST EMPLOYMENT BENEFITS (Continued)

	<u>Road Fund</u>
Annual required contribution	\$ 968,558
Interest on net OPEB obligation (4.5%)	<u>100,163</u>
Annual OPEB cost (expense)	1,068,721
Contributions made	<u>(917,639)</u>
Increase in net OPEB obligation	151,082
Net OPEB obligation – beginning of year	<u>2,225,849</u>
Net OPEB obligation – end of year	<u>\$ 2,376,931</u>

The Commission’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal years 2011, 2012 and 2013 are as follows:

<u>Fiscal Year End</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2011	\$ 1,098,685	76.70%	\$ 2,363,082
2012	1,132,451	112.12%	2,225,849
2013	1,068,721	85.86%	2,376,931

Funded Status and Funding Progress. As of December 31, 2010, the actuarial accrued liability for benefits was \$20,182,222, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$2,432,164, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 830%.

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

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

NOTE 9 - OTHER POST EMPLOYMENT BENEFITS (Continued)

In the December 31, 2010 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 4.5% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 9.0% initially, reduced by decrements to an ultimate rate of 4.5% after ten years. Both rates included a percent inflation assumption. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis.

NOTE 10 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS

Primary Government

Description of Plan and Plan Assets

The County is in an agent multiple-employer defined benefit pension plan with the Municipal Employees' Retirement System (MERS). The system provides the following provisions: normal retirement, deferred retirement and service retirement to plan members and their beneficiaries. The service requirement is computed using credited service at the time of termination of membership multiplies by the sum of 2.0 percent times the final compensation (FAC). The most recent period of which actuarial data was available was for the fiscal year ended December 31, 2012.

MERS was organized pursuant to Section 12A of Act #156, Public Acts of 1851 (MSA 5.333 (a); MCLA 46.12 (a), as amended, State of Michigan. MERS is regulated under Act No. 427 of Public Acts of 1984, sections of which have been approved by the State Pension Commission. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the MERS at 1134 Municipal Way, Lansing, Michigan 48917-9755.

Funding Policy

The obligation to contribute to and maintain the system for these employees was established by negotiation with the County's competitive bargaining unit and personnel policy, which 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, 2013 are as follows:

General – Other	21.10%
Sheriff	\$ 10,902
Health Department	15.96%
Employment Training	10.30%
Economic – General	8.52%
Economic Officials	8.55%
Non-Union	12.85%
General – Non-Union	\$ 22,017
Sheriff – Road	17.88%
Sheriff – Road new hire	.43%
Sheriff – Hired after 5/1/10	3.48%
General – Non-Union hired after 5/1/10	4.59%
Teamsters – Hired after 4/1/11	4.74%
Non-Union – Hired after 4/1/11	2.79%
General Other – Hired after 4/1/12	3.51%

Annual Pension Cost

During the fiscal year ended December 31, 2013, the County’s contributions totaling \$907,104 were made in accordance with the contribution requirement determined by an actuarial valuation of the plan as of December 31, 2011. 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 26 years.

<u>Year Ended Dec 31</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2010	\$ 823,911	100%	0
2011	802,181	100%	0
2012	912,505	100%	0

NOTE 10 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

Road Commission

Plan Description

The Chippewa County Road Commission participates in the Michigan Municipal Employees' Retirement System (MERS), an agent multiple-employer defined benefit pension plan that covers all employees of the Road Commission. The system provides retirement, disability and death benefits to plan members and their beneficiaries. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the System at: 1134 Municipal Way, Lansing, Michigan.

Funding Policy

The obligation to contribute and maintain the system for these employees was established by negotiation with the Chippewa County Road Commission's competitive bargaining units and requires an employer contribution of 0% to 10% of wages. The Commission contributed an additional monthly fixed amount of \$44,542 and 6.67% of payroll cost for employees after February 2004.

Annual Pension Costs

For year ended 2013, the Chippewa County Road Commission's annual pension cost of \$431,898 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, 2011, using the age normal cost method. Significant actuarial assumptions used include: (i) a 8% investment rate of return; (ii) projected salary increases of 4.5 percent per year. Both determined using techniques that smooth the effects of short-term volatility over a ten year period. The unfunded actuarial liability is being amortized as a level percent of payroll on a closed basis. The remaining amortization period is 26 years.

<u>Year Ended Dec 31</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2010	\$ 486,171	100%	0
2011	484,397	100%	0
2012	498,196	100	0

NOTE 10 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

Eastern Upper Peninsula Transportation Authority

Description of Plan and Plan Assets

The Authority is in an agent single-employer defined benefit pension plan with the Municipal Employees' Retirement System (MERS). The system provides the following provisions; normal retirement, deferred retirement and service retirement to plan members and their beneficiaries. The service requirement is computed using credited service at the time of termination of membership multiplied by the sum of 2.5 percent times the final compensation (FAC), with a maximum benefit of 80% of FAC. The most recent period of which actuarial data was available was for the fiscal year ended December 31, 2012.

MERS was organized pursuant to Section 12a of Act #156, Public Acts of 1851 (MSA) 5.333(a); MCLA 46.12(a), as amended, State of Michigan. MERS is regulated under Act No. 427 of Public Acts of 1984, sections of which have been approved by the State Pension Commission. MERS issued a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the MERS at 1134 Municipal Way, Lansing, Michigan 48917-9755.

Funding Policy

The obligation to contribute to and maintain the system for these employees was established by negotiation with the Authority's competitive bargaining unit and personnel policy. The Authority is required to contribute at an actuarially determined rate. The contribution rate as a percentage of payroll at September 30, 2013 is as follows:

General Division	28.78%
Bus Union Division	58.99%

Annual Pension Cost

During the fiscal year ended September 30, 2013, the Authority's contributions totaling \$278,246 were made in accordance with the contribution requirement determined by an actuarial valuation of the plan as of December 31, 2012. The employer contribution rate has been determined based on the entry age normal funding method. Under the entry age normal cost funding method, the total employer contribution is comprised of the normal cost plus the level annual percentage of payroll payment required amortizing the unfunded actuarial accrued liability over .30 years. The employer normal cost is, for each employee, the level percentage of payroll contribution (from entry age to retirement) required to accumulate sufficient assets at the member's retirement to pay for this projected benefit. Significant actuarial assumptions used include a long-term investment yield rate of 8 percent and annual salary increases of 4.5 percent based on an age-related scale to reflect merit, longevity, and promotional salary increases. Employees of the Authority are not required to contribute to the plan.

NOTE 10 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

Year Ended <u>Dec 31</u>	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2011	\$ 264,677	100%	0
2012	254,761	100%	0
2013	278,246	100%	0

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, 2013</u>	
	<u>Required Balance</u>	<u>Actual Balance</u>
Bond Reserves		
Water Supply System Revenue Bond Series 2000	\$ 34,600	\$ 34,600
Repair, Replacement and Improvements		
Water Supply System Revenue Bond Series 2000	\$ 15,788	\$ 15,788*

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

NOTE 14 - SUBSEQUENT EVENT

The County refunded the Water Supply and Sewage Disposal System Limited Tax General Obligation Bonds (City of Sault Ste. Marie), Series 2010 on January 24, 2014 for \$7 million.

NOTE 15 - FUND BALANCES

	<u>General</u>	<u>Health Department</u>	<u>Chippewa County Recycle</u>	<u>Senior Nutrition</u>	<u>Ambulance</u>	<u>Correctional Facility Maintenance</u>	<u>2013 Refunding</u>	<u>Nonmjo Governmental</u>	<u>Total</u>
Nonspendable:									
Prepaid Items and Inventory	\$ 37,703	\$ 46,085	\$ 39,000	\$ -	\$ -	\$ -	\$ -	\$ 34,797	\$ 157,585
Restricted for:									
Public Safety	-	-	-	-	-	636,680	-	131,838	768,518
Public Works	-	-	230,464	-	-	-	-	-	230,464
Health and Welfare	-	224,980	-	161	723	-	-	-	225,864
Bond Retirement	-	-	-	-	-	-	7,200,853	272,128	7,472,981
Committed:									
General Government	622,433	-	-	-	-	-	-	-	622,433
Public Works	-	-	-	-	-	-	-	7,503	7,503
Assigned:									
Judicial	-	-	-	-	-	-	-	8,851	8,851
General Government	14,069	-	-	-	-	-	-	102,255	116,324
Public Safety	-	-	-	-	-	-	-	192,461	192,461
Health and Welfare	-	988,856	-	-	-	-	-	219,541	1,208,397
Economic Development	-	-	-	-	-	-	-	10,207	10,207
Public Works	-	-	-	-	-	-	-	2,000	2,000

Required Supplementary Information

Pension:

Primary Government

Three year trend information as of December 31st follows:

	<u>2010</u>	<u>2011</u>	<u>2012</u>
Actuarial Value of Assets	\$ 27,576,324	\$ 28,641,084	\$ 29,452,202
Actuarial Accrued Liability	34,793,371	36,543,151	38,144,006
Unfunded AAL	7,217,047	7,902,067	8,691,804
Funded Ratio	79%	78%	77%
Covered Payroll	8,304,324	7,838,437	7,451,601
UAAL as a Percentage of Covered Payroll	87%	101%	117%

Road Commission

Three year trend information as of December 31st follows:

	<u>2010</u>	<u>2011</u>	<u>2012</u>
Actuarial Value of Assets	\$ 10,499,225	\$ 10,422,470	\$ 10,218,858
Actuarial Accrued Liability	15,490,324	16,078,481	16,682,191
Unfunded AAL	4,991,099	5,656,011	6,463,333
Funded Ratio	68%	65%	61%
Covered Payroll	2,483,706	2,530,798	2,402,117
UAAL as a Percentage of Covered Payroll	201%	223%	269%

Eastern Upper Peninsula Transportation Authority

Three year trend information as of December 31st follows:

	<u>2010</u>	<u>2011</u>	<u>2012</u>
Actuarial Value of Assets	\$ 5,197,307	\$ 5,309,068	\$ 5,254,592
Actuarial Accrued Liability	8,229,199	8,442,399	9,216,969
Unfunded AAL	3,031,892	3,133,331	3,962,377
Funded Ratio	63%	62%	57%
Covered Payroll	974,853	942,143	855,094
UAAL as a Percentage of Covered Payroll	311%	333%	463%

Pension: (Continued)

Chippewa County Health Department

Three year trend information as of December 31st follows:

	UNION		
	<u>2010</u>	<u>2011</u>	<u>2012</u>
Actuarial Value of Assets	\$ 2,814,055	\$ 2,774,613	\$ 2,702,270
Actuarial Accrued Liability	3,094,896	3,214,236	3,345,281
Unfunded (Over Funded) AAL	280,841	439,623	643,011
Funded Ratio	91%	86%	81%
Covered Payroll	646,841	644,266	616,562
UAAL as a Percentage of Covered Payroll	43%	68%	104%
	NON - UNION		
	<u>2010</u>	<u>2011</u>	<u>2012</u>
Actuarial Value of Assets	\$ 5,642,002	\$ 5,906,137	% 6,080,510
Actuarial Accrued Liability	6,620,926	6,928,130	7,188,945
Unfunded (Over Funded) AAL	978,924	1,021,993	1,108,435
Funded Ratio	85%	85%	85%
Covered Payroll	1,970,017	1,975,001	1,748,841
UAAL as a Percentage of Covered Payroll	50%	52%	63%

Chippewa County EDC

Three year trend information as of December 31st follows:

	GENERAL		
	<u>2010</u>	<u>2011</u>	<u>2012</u>
Actuarial Value of Assets	\$ 709,871	\$ 765,948	\$ 827,550
Actuarial Accrued Liability	683,525	752,498	820,315
Unfunded (Over Funded) AAL	(26,346)	(13,450)	(7,235)
Funded Ratio	104%	102%	101%
Covered Payroll	222,807	230,467	236,737
UAAL as a Percentage of Covered Payroll	0%	0%	0%

Pension: (Continued)

	OFFICIALS		
	2010	2011	2012
Actuarial Value of Assets	\$ 389,476	\$ 418,529	\$ 451,786
Actuarial Accrued Liability	440,734	462,630	478,501
Unfunded AAL	51,258	44,101	26,715
Funded Ratio	88%	91%	94%
Covered Payroll	62,341	64,813	66,450
UAAL as a Percentage of Covered Payroll	82%	68%	40%

Health Plan:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percent of Covered Payroll ((b - a) / c)
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Primary Government

2007	\$ -	\$ 10,569,337	\$ 10,569,337	0.0%	Not Available	-
2010	\$ -	\$ 15,554,524	\$ 15,554,524	0.0%	\$ 4,447,849	350%

Road Commission

2008	\$ -	\$ 16,347,444	\$ 16,347,444	0.0%	Not Available	-
2010	\$ -	\$ 20,182,222	\$ 20,182,222	0.0%	\$ 2,432,164	830%

Eastern Upper Peninsula Transportation Authority

2011-2013	\$ 1,145,285	\$ 5,079,258	\$ 3,933,973	22.6%	Not Available	-
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Chippewa County Health Department

2007	\$ -	\$ 3,589,013	\$ 3,589,013	0.0%	Not Available	-
2010	\$ -	\$ 10,325,553	\$ 10,325,553	0.0%	Not Available	-

Chippewa County EDC

2008	\$ -	\$ 384,355	\$ 384,355	0.0%	Not Available	-
2011	\$ 89,000	\$ 872,253	\$ 783,253	10.2%	\$ 144,976	540%

Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended December 31, 2013

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final		Final Budget - Positive (Negative)
REVENUES:				
Taxes	\$ 6,685,084	\$ 6,685,084	\$ 6,861,208	\$ 176,124
License and Permits	40,700	40,700	36,818	(3,882)
Federal Sources	513,103	513,103	479,391	(33,712)
State Sources	1,628,057	1,707,557	1,745,314	37,757
Local Sources	236,000	236,000	224,709	(11,291)
Charges for Services	2,100,950	2,115,950	1,601,987	(513,963)
Interest and Rentals	75,525	75,525	56,934	(18,591)
Fines and Forfeitures	70,000	70,000	81,175	11,175
Other Revenue	121,600	205,176	212,008	6,832
TOTAL REVENUES	11,471,019	11,649,095	11,299,544	(349,551)
EXPENDITURES:				
Legislative:				
Board of Commissioners	105,893	105,893	99,048	6,845
Judicial:				
Juvenile Court	301,108	371,197	368,367	2,830
Circuit Court	474,049	537,269	439,479	97,790
District Court	536,549	539,699	532,260	7,439
Friend of the Court	380,406	405,406	390,443	14,963
Jury Board	4,422	4,422	3,413	1,009
Probate Court	473,699	432,849	414,955	17,894
Public Defender	260,951	281,451	272,112	9,339
Bailiff	40,689	42,689	41,220	1,469
Total Judicial	2,471,873	2,614,982	2,462,249	152,733
General Government:				
Administrator	297,236	297,236	248,122	49,114
Information Systems	306,322	309,322	284,409	24,913
Elections	11,015	47,515	46,161	1,354
County Clerk	300,251	300,251	245,463	54,788
Equalization	211,754	213,054	203,225	9,829
Prosecuting Attorney	456,833	459,833	445,416	14,417
Support Coordinator	83,999	87,999	87,950	49
Crime Victim Advocate	71,012	71,012	63,833	7,179
Remonumentation	116,375	116,375	116,375	-
Register of Deeds	281,172	291,172	284,770	6,402
Treasurer	279,385	284,385	280,058	4,327
Cooperative Extension	108,549	108,549	102,917	5,632
Buildings and Grounds	331,368	336,368	321,295	15,073
Plat Book	-	42,100	42,100	-
Health Set Aside	3,247,516	3,247,516	3,247,516	-
Drain Commission	1,131	8,631	8,594	37
Soil Conservation District	26,000	26,000	26,000	-
Surveyor	28,600	29,100	28,864	236
Total General Government	6,158,518	6,276,418	6,083,068	193,350

Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended December 31, 2013

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final		Final Budget - Positive (Negative)
Public Safety:				
Sheriff	1,135,156	1,138,956	1,129,781	9,175
Concealed Weapons Board	16,574	17,574	17,281	293
S.A.N.E	77,772	77,772	59,853	17,919
Marine	20,000	20,000	14,221	5,779
Correctional Facility	2,372,187	2,372,187	2,235,780	136,407
Regional Planning Commission	48,200	48,200	48,200	-
Snowmobile Trail Marker	500	500	6	494
Snowmobile Patrol Grant	48,250	48,250	23,533	24,717
O.R.V. Grant	16,000	16,000	10,236	5,764
Animal Control	175,878	175,878	170,391	5,487
Total Public Safety	3,910,517	3,915,317	3,709,282	206,035
Health and Welfare:				
Substance Abuse	115,000	147,500	147,461	39
Medical Examiner	75,000	75,000	63,052	11,948
Health Department Tax	1,000	1,100	1,082	18
Veterans Affairs	75,654	85,354	83,032	2,322
Total Health and Welfare	266,654	308,954	294,627	14,327
Other Expenditures:				
Retirees Hospitalization	484,844	484,844	413,387	71,457
Insurance	215,000	215,000	200,445	14,555
Rural Bus Program	30,000	30,000	30,000	-
Legal Services	7,500	50,000	41,985	8,015
Audit	27,775	27,975	27,975	-
Telephone	15,500	15,500	7,223	8,277
Postage Meter	3,600	3,600	2,514	1,086
Record Copier	8,500	8,500	6,814	1,686
Cost Allocation Plan	4,000	4,000	3,000	1,000
Appropriations	201,334	201,334	201,334	-
Total Other Expenditures	998,053	1,040,753	934,677	106,076
Capital Outlay:				
Computer and Building	83,965	83,965	62,098	21,867
Sheriff Special Projects	8,900	8,900	7,627	1,273
Vehicle	70,000	86,000	76,692	9,308
Total Capital Outlay	162,865	178,865	146,417	32,448
TOTAL EXPENDITURES	14,074,373	14,441,182	13,729,368	711,814

**Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended December 31, 2013**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
EXCESS OF REVENUES OVER EXPENDITURES	(2,603,354)	(2,792,087)	(2,429,824)	362,263
OTHER FINANCING SOURCES (USES):				
Operating Transfers In	2,351,509	2,474,827	2,444,518	(30,309)
Operating Transfers Out	(919,973)	(1,072,271)	(1,040,627)	31,644
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	<u>\$ (1,171,818)</u>	<u>\$ (1,389,531)</u>	(1,025,933)	<u>\$ 363,598</u>
FUND BALANCE, JANUARY 1			<u>4,892,354</u>	
FUND BALANCE, DECEMBER 31			<u>\$ 3,866,421</u>	

**Required Supplementary Information
Budgetary Comparison Schedule
Health Department
For the Year Ended September 30, 2013**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Federal Sources	\$ 1,168,384	\$ 1,085,466	\$ 708,813	\$ (376,653)
State Sources	257,327	257,327	203,140	(54,187)
Local Sources	270,501	92,325	89,528	(2,797)
Charges for Services	4,317,056	4,453,095	4,402,405	(50,690)
Interest and Rentals	-	-	76	76
Other Revenue	328,094	452,021	432,660	(19,361)
TOTAL REVENUES	6,341,362	6,340,234	5,836,622	(503,612)
EXPENDITURES:				
Health and Welfare	6,721,361	6,443,235	5,921,584	521,651
TOTAL EXPENDITURES	6,721,361	6,443,235	5,921,584	521,651
EXCESS OF REVENUES OVER EXPENDITURES	(379,999)	(103,001)	(84,962)	18,039
OTHER FINANCING SOURCES (USES):				
Operating Transfers In	80,000	95,093	95,093	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	\$ (299,999)	\$ (7,908)	10,131	\$ 18,039
FUND BALANCE, OCTOBER 1			2,317,622	
FUND BALANCE, SEPTEMBER 30			\$ 2,327,753	

**Required Supplementary Information
Budgetary Comparison Schedule
Chippewa County Recycling
For the Year Ended December 31, 2013**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 530,007	\$ 530,007	\$ 531,038	\$ 1,031
TOTAL REVENUES	530,007	530,007	531,038	1,031
EXPENDITURES:				
Public Works	718,824	718,824	674,200	44,624
TOTAL EXPENDITURES	718,824	718,824	674,200	44,624
EXCESS OF REVENUES OVER EXPENDITURES	\$ (188,817)	\$ (188,817)	(143,162)	\$ 45,655
FUND BALANCE, JANUARY 1			412,626	
FUND BALANCE, DECEMBER 31			\$ 269,464	

**Required Supplementary Information
Budgetary Comparison Schedule
Ambulance
For the Year Ended December 31, 2013**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 453,178	\$ 459,178	\$ 453,218	\$ (5,960)
TOTAL REVENUES	453,178	459,178	453,218	(5,960)
EXPENDITURES:				
Health and Welfare	292,566	298,566	298,027	539
TOTAL EXPENDITURES	292,566	298,566	298,027	539
EXCESS OF REVENUES OVER EXPENDITURES	160,612	160,612	155,191	(5,421)
OTHER FINANCING SOURCES (USES):				
Operating Transfers Out	(160,612)	(160,612)	(159,787)	825
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	<u>\$ -</u>	<u>\$ -</u>	(4,596)	<u>\$ (4,596)</u>
FUND BALANCE, JANUARY 1			5,319	
FUND BALANCE, DECEMBER 31			<u>\$ 723</u>	

Required Supplementary Information
Budgetary Comparison Schedule
Senior Nutrition Program
For the Year Ended December 31, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 522,730	\$ 522,730	\$ 522,891	\$ 161
TOTAL REVENUES	522,730	522,730	522,891	161
EXPENDITURES:				
Health and Welfare	522,730	762,351	762,351	-
TOTAL EXPENDITURES	522,730	762,351	762,351	-
EXCESS OF REVENUES OVER EXPENDITURES	\$ -	\$ (239,621)	(239,460)	\$ 161
FUND BALANCE, JANUARY 1			239,621	
FUND BALANCE, DECEMBER 31			\$ 161	

**Required Supplementary Information
Budgetary Comparison Schedule
Correctional Facility Maintenance
For the Year Ended December 31, 2013**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 642,158	\$ 636,158	\$ 637,377	\$ 1,219
Interest and Rentals	-	6,000	4,602	(1,398)
Other Revenue	-	-	2,773	2,773
TOTAL REVENUES	<u>642,158</u>	<u>642,158</u>	<u>644,752</u>	<u>2,594</u>
EXPENDITURES:				
Public Safety	<u>30,000</u>	<u>30,000</u>	<u>21,964</u>	<u>8,036</u>
TOTAL EXPENDITURES	<u>30,000</u>	<u>30,000</u>	<u>21,964</u>	<u>8,036</u>
EXCESS OF REVENUES OVER EXPENDITURES	612,158	612,158	622,788	10,630
OTHER FINANCING SOURCES (USES):				
Operating Transfers Out	<u>(597,625)</u>	<u>(597,625)</u>	<u>(597,625)</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	<u>\$ 14,533</u>	<u>\$ 14,533</u>	25,163	<u>\$ 10,630</u>
FUND BALANCE, JANUARY 1			<u>611,517</u>	
FUND BALANCE, DECEMBER 31			<u>\$ 636,680</u>	

Other Information

County of Chippewa, Michigan

**Combining Balance Sheet
General Funds
December 31, 2013**

	General	Tax Exemption	Sheriff Special Projects	Snowmobile Trail Marker	Livery Inspections	Image Software	Health Set Aside	Totals
ASSETS:								
Cash and Investments - Unrestricted	\$ 2,903,324	\$ 7,645	\$ 11,010	\$ -	\$ 1,037	\$ -	\$ -	\$ 2,923,016
Receivables:								
Accounts	44,815	-	-	-	-	-	-	44,815
Taxes	686,176	-	-	-	-	-	-	686,176
Interest	14,858	-	-	-	-	-	-	14,858
Due from Other Funds	268,526	-	-	-	-	-	-	268,526
Due to Others	2,591	-	-	-	-	-	-	2,591
Due from Governmental Units	254,579	-	-	-	-	-	-	254,579
Prepaid Items	37,703	-	-	-	-	-	-	37,703
TOTAL ASSETS	\$ 4,212,572	\$ 7,645	\$ 11,010	\$ -	\$ 1,037	\$ -	\$ -	\$ 4,232,264
LIABILITIES:								
Accounts Payable	\$ 77,939	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 77,939
Due to Governmental Units	-	5,623	-	-	-	-	-	5,623
Accrued Liabilities	204,785	-	-	-	-	-	-	204,785
Unearned Revenue	77,496	-	-	-	-	-	-	77,496
TOTAL LIABILITIES	360,220	5,623	-	-	-	-	-	365,843
FUND BALANCES:								
Nonspendable	37,703	-	-	-	-	-	-	37,703
Committed	622,433	-	-	-	-	-	-	622,433
Assigned	-	2,022	11,010	-	1,037	-	-	14,069
Unassigned	3,192,216	-	-	-	-	-	-	3,192,216
TOTAL FUND BALANCES	3,852,352	2,022	11,010	-	1,037	-	-	3,866,421
TOTAL LIABILITIES AND FUND BALANCES	\$ 4,212,572	\$ 7,645	\$ 11,010	\$ -	\$ 1,037	\$ -	\$ -	\$ 4,232,264

County of Chippewa, Michigan

Combining Statement of Revenues, Expenditures, and Changes in Fund Balance - General Funds For the Year Ended December 31, 2013

	General	Tax Exemption	Sheriff Special Projects	Snowmobile Trail Marker	Livery Inspections	Image Software	Health Set Aside	Totals
REVENUES:								
Taxes	\$ 6,861,208	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,861,208
Licenses and Permits	36,818	-	-	-	-	-	-	36,818
Federal Sources	479,391	-	-	-	-	-	-	479,391
State Sources	1,745,314	-	-	-	-	-	-	1,745,314
Local Sources	224,709	-	-	-	-	-	-	224,709
Charges for Services	1,601,871	-	-	-	116	-	-	1,601,987
Interest and Rentals	48,129	1,280	-	-	-	-	7,525	56,934
Fines and Forfeitures	81,175	-	-	-	-	-	-	81,175
Other Revenue	211,266	742	-	-	-	-	-	212,008
TOTAL REVENUES	11,289,881	2,022	-	-	116	-	7,525	11,299,544
EXPENDITURES:								
Legislative	99,048	-	-	-	-	-	-	99,048
Judicial	2,462,249	-	-	-	-	-	-	2,462,249
General Government	2,835,552	-	-	-	-	-	3,247,516	6,083,068
Public Safety	3,709,276	-	-	6	-	-	-	3,709,282
Health and Welfare	294,627	-	-	-	-	-	-	294,627
Capital Outlay	138,790	-	7,627	-	-	-	-	146,417
Other Expenditures	934,677	-	-	-	-	-	-	934,677
TOTAL EXPENDITURES	10,474,219	-	7,627	6	-	-	3,247,516	13,729,368
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	815,662	2,022	(7,627)	(6)	116	-	(3,239,991)	(2,429,824)
OTHER FINANCING SOURCES (USES):								
Operating Transfers In	319,518	-	-	-	-	-	2,125,000	2,444,518
Operating Transfers Out	(928,100)	(5,909)	-	-	-	(106,618)	-	(1,040,627)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	207,080	(3,887)	(7,627)	(6)	116	(106,618)	(1,114,991)	(1,025,933)
FUND BALANCES, JANUARY 1	3,645,272	5,909	18,637	6	921	106,618	1,114,991	4,892,354
FUND BALANCES, DECEMBER 31	\$ 3,852,352	\$ 2,022	\$ 11,010	\$ -	\$ 1,037	\$ -	\$ -	\$ 3,866,421

County of Chippewa, Michigan

Combining Balance Sheet Nonmajor Governmental Funds December 31, 2013

	Special Revenue Funds							
	50th Circuit Court	Construction Code	HUD Grant	Family Counseling	Operation Stonegarden	ROV Grant	Animal Control Millage	Bench Warrant
ASSETS:								
Cash and Investments - Unrestricted	\$ 5,605	\$ 3,883	\$ 10,207	\$ 135	\$ 1,073	\$ -	\$ -	\$ 7,096
Taxes Receivable	-	-	-	-	-	-	107,403	-
Accounts Receivable	-	-	-	-	-	-	-	-
Due from Governmental Units	-	-	-	-	-	-	-	-
Prepaid Items	-	-	-	-	-	-	-	-
TOTAL ASSETS	\$ 5,605	\$ 3,883	\$ 10,207	\$ 135	\$ 1,073	\$ -	\$ 107,403	\$ 7,096
LIABILITIES:								
Due to Other Funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts Payable	970	484	-	-	-	-	-	-
Accrued Liabilities	-	3,399	-	-	1,073	-	-	-
TOTAL LIABILITIES	970	3,883	-	-	1,073	-	-	-
DEFERRED INFLOWS OF RESOURCES:								
Taxes Levied for a Subsequent Period	-	-	-	-	-	-	107,403	-
FUND BALANCES:								
Nonspendable	-	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	-	-	-
Committed	-	-	-	-	-	-	-	-
Assigned	4,635	-	10,207	135	-	-	-	7,096
Unassigned	-	-	-	-	-	-	-	-
TOTAL FUND BALANCES	4,635	-	10,207	135	-	-	-	7,096
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 5,605	\$ 3,883	\$ 10,207	\$ 135	\$ 1,073	\$ -	\$ 107,403	\$ 7,096

County of Chippewa, Michigan

Combining Balance Sheet Nonmajor Governmental Funds December 31, 2013

	Special Revenue Funds							
	FOC Child Support	Community Service	Superior Twp 2000 Improvements Maintenance	Office of Community Correction	Register of Deeds Automation	Drug Forfeiture	CCSD Salvage Vehicle	
ASSETS:								
Cash and Investments - Unrestricted	\$ 63,031	\$ 2,870	\$ 15,788	\$ 78,403	\$ 73,326	\$ 13,996	\$ 7,243	\$ -
Taxes Receivable	-	-	-	-	-	-	-	-
Accounts Receivable	-	-	-	-	-	-	-	-
Due from Governmental Units	-	-	-	42,763	-	-	-	45,783
Prepaid Items	-	-	-	-	-	-	-	-
TOTAL ASSETS	\$ 63,031	\$ 2,870	\$ 15,788	\$ 121,166	\$ 73,326	\$ 13,996	\$ 7,243	\$ 45,783
LIABILITIES:								
Due to Other Funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 41,712
Accounts Payable	-	152	-	6,861	1,198	-	-	-
Accrued Liabilities	-	718	-	1,618	-	-	-	4,071
TOTAL LIABILITIES	-	870	-	8,479	1,198	-	-	45,783
DEFERRED INFLOWS OF RESOURCES:								
Taxes Levied for a Subsequent Period	-	-	-	-	-	-	-	-
FUND BALANCES:								
Nonspendable	-	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	-	-	-
Committed	-	-	-	-	-	-	-	-
Assigned	63,031	2,000	15,788	112,687	72,128	13,996	7,243	-
Unassigned	-	-	-	-	-	-	-	-
TOTAL FUND BALANCES	63,031	2,000	15,788	112,687	72,128	13,996	7,243	-
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 63,031	\$ 2,870	\$ 15,788	\$ 121,166	\$ 73,326	\$ 13,996	\$ 7,243	\$ 45,783

County of Chippewa, Michigan

Combining Balance Sheet Nonmajor Governmental Funds December 31, 2013

	Special Revenue Funds							
	Sheriff Law Enforcement Training	Local Corrections Officer's Training	Sheriff Park Patrol	War Memorial Agreement	Road Patrol Overtime	Law Library	Animal Shelter Donations	Highway Safety
ASSETS:								
Cash and Investments - Unrestricted	\$ 3,529	\$ 18,139	\$ 12,652	\$ -	\$ 55,858	\$ 4,577	\$ 32,199	\$ 4,740
Taxes Receivable	-	-	-	-	-	-	-	-
Accounts Receivable	-	-	-	10,488	-	-	-	-
Due from Governmental Units	-	-	-	-	3,803	-	8,007	-
Prepaid Items	-	-	-	-	-	-	-	-
TOTAL ASSETS	\$ 3,529	\$ 18,139	\$ 12,652	\$ 10,488	\$ 59,661	\$ 4,577	\$ 40,206	\$ 4,740
LIABILITIES:								
Due to Other Funds	\$ -	\$ -	\$ -	\$ 2,176	\$ -	\$ -	\$ -	\$ -
Accounts Payable	-	680	-	-	188	361	1,113	4,740
Accrued Liabilities	-	-	-	911	255	-	-	-
TOTAL LIABILITIES	-	680	-	3,087	443	361	1,113	4,740
DEFERRED INFLOWS OF RESOURCES:								
Taxes Levied for a Subsequent Period	-	-	-	-	-	-	-	-
FUND BALANCES:								
Nonspendable	-	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	-	-	-
Committed	-	-	-	-	-	-	-	-
Assigned	3,529	17,459	12,652	7,401	59,218	4,216	39,093	-
Unassigned	-	-	-	-	-	-	-	-
TOTAL FUND BALANCES	3,529	17,459	12,652	7,401	59,218	4,216	39,093	-
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 3,529	\$ 18,139	\$ 12,652	\$ 10,488	\$ 59,661	\$ 4,577	\$ 40,206	\$ 4,740

County of Chippewa, Michigan

Combining Balance Sheet Nonmajor Governmental Funds December 31, 2013

	Special Revenue Funds					Debt Service Funds		
	Chippewa County DHS Appropriation	DHS Child Care	Probate Child Care	Veteran's Trust	Emergency Telephone Service	Office of Emergency Service	2011 Refunding Debt	2010 Bond Debt
ASSETS:								
Cash and Investments - Unrestricted	\$ 1,158	\$ 97,055	\$ 36,689	\$ 1,562	\$ -	\$ 38,240	\$ -	\$ -
Taxes Receivable	-	-	-	-	-	-	-	-
Accounts Receivable	-	-	-	-	115,499	5	-	-
Due from Governmental Units	-	-	-	-	69,760	96,847	-	-
Prepaid Items	-	-	-	-	12,672	22,125	-	-
TOTAL ASSETS	\$ 1,158	\$ 97,055	\$ 36,689	\$ 1,562	\$ 197,931	\$ 157,217	\$ -	\$ -
LIABILITIES:								
Due to Other Funds	\$ -	\$ -	\$ -	\$ -	\$ 170,771	\$ -	\$ -	\$ -
Accounts Payable	-	16,974	36,689	-	7,127	1,525	-	-
Accrued Liabilities	-	-	-	-	20,033	1,729	-	-
TOTAL LIABILITIES	-	16,974	36,689	-	197,931	3,254	-	-
DEFERRED INFLOWS OF RESOURCES:								
Taxes Levied for a Subsequent Period	-	-	-	-	-	-	-	-
FUND BALANCES:								
Nonspendable	-	-	-	-	12,672	22,125	-	-
Restricted	-	-	-	-	-	131,838	-	-
Committed	-	-	-	-	-	-	-	-
Assigned	1,158	80,081	-	1,562	-	-	-	-
Unassigned	-	-	-	-	(12,672)	-	-	-
TOTAL FUND BALANCES	1,158	80,081	-	1,562	-	153,963	-	-
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 1,158	\$ 97,055	\$ 36,689	\$ 1,562	\$ 197,931	\$ 157,217	\$ -	\$ -

County of Chippewa, Michigan

Combining Balance Sheet Nonmajor Governmental Funds December 31, 2013

	Debt Service Funds					Capital Project Funds		Totals
	2010 City Water and Sewer	Superior Township 2000 Improvement Bond Reserve	Superior Township Improvements Debt	New Jail Debt	Avery Square Bond Retirement	County Building	Hakola-Ross Drainage	
ASSETS:								
Cash and Investments - Unrestricted	\$ -	\$ 34,600	\$ -	\$ -	\$ 237,528	\$ 60	\$ 7,503	\$ 868,745
Taxes Receivable	-	-	-	-	-	-	-	107,403
Accounts Receivable	-	-	-	-	-	-	-	125,992
Due from Governmental Units	-	-	-	-	-	-	-	266,963
Prepaid Items	-	-	-	-	-	-	-	34,797
TOTAL ASSETS	\$ -	\$ 34,600	\$ -	\$ -	\$ 237,528	\$ 60	\$ 7,503	\$ 1,403,900
LIABILITIES:								
Due to Other Funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 214,659
Accounts Payable	-	-	-	-	-	60	-	79,122
Accrued Liabilities	-	-	-	-	-	-	-	33,807
TOTAL LIABILITIES	-	-	-	-	-	60	-	327,588
DEFERRED INFLOWS OF RESOURCES:								
Taxes Levied for a Subsequent Period	-	-	-	-	-	-	-	107,403
FUND BALANCES:								
Nonspendable	-	-	-	-	-	-	-	34,797
Restricted	-	34,600	-	-	237,528	-	-	403,966
Committed	-	-	-	-	-	-	7,503	7,503
Assigned	-	-	-	-	-	-	-	535,315
Unassigned	-	-	-	-	-	-	-	(12,672)
TOTAL FUND BALANCES	-	34,600	-	-	237,528	-	7,503	968,909
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ -	\$ 34,600	\$ -	\$ -	\$ 237,528	\$ 60	\$ 7,503	\$ 1,403,900

County of Chippewa, Michigan

Combining Statement of Revenues, Expenditures, and Changes in Fund Balance - Nonmajor Governmental Funds For the Year Ended December 31, 2013

	Special Revenue Funds							
	50th Circuit Court	Construction Code	HUD Grant	Family Counseling	Operation Stonegarden	ROV Grant	Animal Control Millage	Bench Warrant
REVENUES:								
Federal Sources	\$ -	\$ -	\$ -	\$ -	\$ 119,976	\$ 167,999	\$ -	\$ -
State Sources	-	-	-	-	-	-	-	-
Local Sources	-	-	74,063	-	-	-	-	-
Charges for Services	9,921	68,312	-	3,325	-	-	-	-
Interest and Rentals	-	-	-	-	-	-	-	-
Other Revenue	-	-	-	-	-	-	-	-
TOTAL REVENUES	9,921	68,312	74,063	3,325	119,976	167,999	-	-
EXPENDITURES:								
Judicial	8,204	-	-	-	-	-	-	-
General Government	-	-	-	-	-	-	-	-
Public Safety	-	-	-	-	61,071	-	-	-
Public Works	-	106,198	-	-	-	-	-	-
Health and Welfare	-	-	-	3,220	-	-	-	-
Community/Economic Development	-	-	74,063	-	-	-	-	-
Capital Outlay	-	-	-	-	58,905	167,999	-	-
Debt Service	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	8,204	106,198	74,063	3,220	119,976	167,999	-	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,717	(37,886)	-	105	-	-	-	-
OTHER FINANCING SOURCES (USES):								
Operating Transfers In	-	37,886	-	-	-	-	-	-
Operating Transfers Out	-	-	-	-	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	1,717	-	-	105	-	-	-	-
FUND BALANCES, JANUARY 1	2,918	-	10,207	30	-	-	-	7,096
FUND BALANCES, DECEMBER 31	\$ 4,635	\$ -	\$ 10,207	\$ 135	\$ -	\$ -	\$ -	\$ 7,096

County of Chippewa, Michigan

Combining Statement of Revenues, Expenditures, and Changes in Fund Balance - Nonmajor Governmental Funds For the Year Ended December 31, 2013

	Special Revenue Funds							
	FOC Child Support	Community Service	Superior Twp 2000 Improvements Maintenance	Office of Community Correction	Register of Deeds Automation	Drug Forfeiture	CCSD Salvage Vehicle	
REVENUES:								
Federal Sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State Sources	9,990	-	-	-	-	-	-	62,559
Local Sources	840	295	-	-	-	-	-	-
Charges for Services	-	-	-	237,009	36,671	-	900	-
Interest and Rentals	-	-	103	-	-	-	-	-
Other Revenue	-	30,652	-	-	-	11,477	-	-
TOTAL REVENUES	10,830	30,947	103	237,009	36,671	11,477	900	62,559
EXPENDITURES:								
Judicial	-	-	-	-	-	-	-	-
General Government	-	-	-	-	20,817	-	-	-
Public Safety	-	-	-	198,473	-	700	-	155,119
Public Works	-	31,789	-	-	-	-	-	-
Health and Welfare	1,640	-	-	-	-	-	-	-
Community/Economic Development	-	-	-	-	-	-	-	-
Capital Outlay	14,564	-	-	1,549	4,834	3,006	1,656	-
Debt Service	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	16,204	31,789	-	200,022	25,651	3,706	1,656	155,119
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(5,374)	(842)	103	36,987	11,020	7,771	(756)	(92,560)
OTHER FINANCING SOURCES (USES):								
Operating Transfers In	-	-	-	3,500	-	-	-	92,560
Operating Transfers Out	-	-	-	-	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	(5,374)	(842)	103	40,487	11,020	7,771	(756)	-
FUND BALANCES, JANUARY 1	68,405	2,842	15,685	72,200	61,108	6,225	7,999	-
FUND BALANCES, DECEMBER 31	\$ 63,031	\$ 2,000	\$ 15,788	\$ 112,687	\$ 72,128	\$ 13,996	\$ 7,243	\$ -

County of Chippewa, Michigan

Combining Statement of Revenues, Expenditures, and Changes in Fund Balance - Nonmajor Governmental Funds For the Year Ended December 31, 2013

	Special Revenue Funds							
	Sheriff Law Enforcement Training	Local Corrections Officer's Training	Sheriff Park Patrol	War Memorial Agreement	Road Patrol Overtime	Law Library	Animal Shelter Donations	Highway Safety
REVENUES:								
Federal Sources	\$ -	\$ -	\$ -	\$ -	\$ 39,789	\$ -	\$ -	\$ -
State Sources	3,735	-	892	-	-	-	-	11,716
Local Sources	-	-	-	-	-	-	8,008	-
Charges for Services	-	11,992	-	43,852	-	3,500	-	-
Interest and Rentals	-	-	-	-	-	-	-	-
Other Revenue	-	-	-	-	-	-	19,247	-
TOTAL REVENUES	3,735	11,992	892	43,852	39,789	3,500	27,255	11,716
EXPENDITURES:								
Judicial	-	-	-	-	-	4,759	-	-
General Government	-	-	-	-	-	-	-	-
Public Safety	3,411	7,600	2,155	39,620	32,578	-	-	11,716
Public Works	-	-	-	-	-	-	-	-
Health and Welfare	-	-	-	-	-	-	29,490	-
Community/Economic Development	-	-	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-	-	-
Debt Service	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	3,411	7,600	2,155	39,620	32,578	4,759	29,490	11,716
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	324	4,392	(1,263)	4,232	7,211	(1,259)	(2,235)	-
OTHER FINANCING SOURCES (USES):								
Operating Transfers In	-	-	-	-	-	-	-	-
Operating Transfers Out	-	-	-	-	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	324	4,392	(1,263)	4,232	7,211	(1,259)	(2,235)	-
FUND BALANCES, JANUARY 1	3,205	13,067	13,915	3,169	52,007	5,475	41,328	-
FUND BALANCES, DECEMBER 31	\$ 3,529	\$ 17,459	\$ 12,652	\$ 7,401	\$ 59,218	\$ 4,216	\$ 39,093	\$ -

County of Chippewa, Michigan

Combining Statement of Revenues, Expenditures, and Changes in Fund Balance - Nonmajor Governmental Funds For the Year Ended December 31, 2013

	Special Revenue Funds					Debt Service Funds		
	Chippewa County DHS Appropriation	DHS Child Care	Probate Child Care	Veteran's Trust	Emergency Telephone System	Office of Emergency Services	2011 Refunding Debt	2010 Bond Debt
REVENUES:								
Federal Sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 106,502	\$ -	\$ -
State Sources	-	-	-	7,832	177,100	-	-	-
Local Sources	-	-	7,500	-	-	-	611,750	-
Charges for Services	-	-	12,202	-	428,753	-	-	-
Interest and Rentals	-	-	-	-	-	-	-	-
Other Revenue	-	-	-	-	183,621	30,707	-	-
TOTAL REVENUES	-	-	19,702	7,832	789,474	137,209	611,750	-
EXPENDITURES:								
Judicial	-	-	-	-	-	-	-	-
General Government	-	-	-	-	-	-	-	-
Public Safety	-	-	-	-	812,532	151,330	-	-
Public Works	-	-	-	-	-	-	-	-
Health and Welfare	20,110	77,452	322,927	5,879	-	-	-	-
Community/Economic Development	-	-	-	-	-	-	-	-
Capital Outlay	-	-	-	-	2,257	49,514	-	-
Debt Service	-	-	-	-	-	-	611,750	538,125
TOTAL EXPENDITURES	20,110	77,452	322,927	5,879	814,789	200,844	611,750	538,125
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(20,110)	(77,452)	(303,225)	1,953	(25,315)	(63,635)	-	(538,125)
OTHER FINANCING SOURCES (USES):								
Operating Transfers In	20,110	77,452	404,766	-	25,315	134,472	-	538,125
Operating Transfers Out	-	-	(101,541)	(1,140)	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	-	-	-	813	-	70,837	-	-
FUND BALANCES, JANUARY 1	1,158	80,081	-	749	-	83,126	-	-
FUND BALANCES, DECEMBER 31	\$ 1,158	\$ 80,081	\$ -	\$ 1,562	\$ -	\$ 153,963	\$ -	\$ -

County of Chippewa, Michigan

Combining Statement of Revenues, Expenditures, and Changes in Fund Balance - Nonmajor Governmental Funds For the Year Ended December 31, 2013

						Capital Project Funds		Totals
	2010 City Water and Sewer	Superior Twp 2000 Improvement Bond Reserve	Superior Township Improvements Debt	New Jail Debt	Avery Square Bond Retirement	County Drainage	Hakola-Ross Drainage	
REVENUES:								
Federal Sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 434,266
State Sources	-	-	-	-	-	-	-	273,824
Local Sources	680,318	-	25,671	-	93,759	-	-	1,502,204
Charges for Services	-	-	-	-	-	-	-	856,437
Interest and Rentals	-	-	-	-	1,159	-	-	1,262
Other Revenue	-	-	-	-	-	-	-	275,704
TOTAL REVENUES	680,318	-	25,671	-	94,918	-	-	3,343,697
EXPENDITURES:								
Judicial	-	-	-	-	-	-	-	12,963
General Government	-	-	-	-	-	-	-	20,817
Public Safety	-	-	-	-	-	-	-	1,476,305
Public Works	-	-	-	-	-	-	-	137,987
Health and Welfare	-	-	-	-	-	-	-	460,718
Community/Economic Development	-	-	-	-	-	-	-	74,063
Capital Outlay	-	-	-	-	-	154,144	-	458,428
Debt Service	680,318	-	25,671	220,800	-	-	-	2,076,664
TOTAL EXPENDITURES	680,318	-	25,671	220,800	-	154,144	-	4,717,945
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	-	-	(220,800)	94,918	(154,144)	-	(1,374,248)
OTHER FINANCING SOURCES (USES):								
Operating Transfers In	-	-	-	220,800	105,000	-	-	1,659,986
Operating Transfers Out	-	-	-	-	(161,300)	(10,641)	-	(274,622)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	-	-	-	-	38,618	(164,785)	-	11,116
FUND BALANCES, JANUARY 1	-	34,600	-	-	198,910	164,785	7,503	957,793
FUND BALANCES, DECEMBER 31	\$ -	\$ 34,600	\$ -	\$ -	\$ 237,528	\$ -	\$ 7,503	\$ 968,909

**Combining Statement of Net Position
Major Tax Collection Enterprise Fund
December 31, 2013**

	2012 Tax Revolving	2011 Tax Revolving	2010 Tax Revolving	Prior Years' Tax Revolving	Tax Revolving Admin	Totals
ASSETS:						
Cash and Investments - Unrestricted	\$ 519,761	\$ 2,020,181	\$ 2,229,779	\$ 4,406,943	\$ 62,004	\$ 9,238,668
Taxes Receivable	1,509,961	278,050	20,324	-	-	1,808,335
Accrued Interest Receivable	150,995	94,339	3,740	14,831	-	263,905
TOTAL ASSETS	<u>\$ 2,180,717</u>	<u>\$ 2,392,570</u>	<u>\$ 2,253,843</u>	<u>\$ 4,421,774</u>	<u>\$ 62,004</u>	<u>\$ 11,310,908</u>
LIABILITIES:						
Due to Governmental Units	\$ -	\$ 11,845	\$ 48,344	\$ 152,554	\$ -	\$ 212,743
Accrued Liabilities	-	1,820	360	4,330	-	6,510
TOTAL LIABILITIES	<u>-</u>	<u>13,665</u>	<u>48,704</u>	<u>156,884</u>	<u>-</u>	<u>219,253</u>
NET POSITION:						
Unrestricted	<u>2,180,717</u>	<u>2,378,905</u>	<u>2,205,139</u>	<u>4,264,890</u>	<u>62,004</u>	<u>11,091,655</u>
TOTAL NET POSITION	<u>2,180,717</u>	<u>2,378,905</u>	<u>2,205,139</u>	<u>4,264,890</u>	<u>62,004</u>	<u>11,091,655</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 2,180,717</u>	<u>\$ 2,392,570</u>	<u>\$ 2,253,843</u>	<u>\$ 4,421,774</u>	<u>\$ 62,004</u>	<u>\$ 11,310,908</u>

**Combining Statement of Revenues, Expenses, and
Changes in Net Position - Major Tax Collection Enterprise Fund
For the Year Ended December 31, 2013**

	2012 Tax Revolving	2011 Tax Revolving	2010 Tax Revolving	Prior Years' Tax Revolving	Tax Revolving Admin	Totals
OPERATING REVENUES:						
Charges for Services	\$ 88,385	\$ 66,303	\$ 14,319	\$ 9,812	\$ -	\$ 178,819
Penalties and Interest Charges	241,847	143,469	4,727	497	-	390,540
TOTAL OPERATING REVENUES	<u>330,232</u>	<u>209,772</u>	<u>19,046</u>	<u>10,309</u>	<u>-</u>	<u>569,359</u>
OPERATING EXPENSES:						
Other Supplies and Expenses	-	-	5,613	69,813	1,224	76,650
Total Operating Expenses	<u>-</u>	<u>-</u>	<u>5,613</u>	<u>69,813</u>	<u>1,224</u>	<u>76,650</u>
OPERATING INCOME (LOSS)	<u>330,232</u>	<u>209,772</u>	<u>13,433</u>	<u>(59,504)</u>	<u>(1,224)</u>	<u>492,709</u>
NON-OPERATING REVENUES (EXPENSES):						
Interest on Deposits	485	3,381	3,720	51,709	-	59,295
Total Non-operating Revenues (Expenses)	<u>485</u>	<u>3,381</u>	<u>3,720</u>	<u>51,709</u>	<u>-</u>	<u>59,295</u>
INCOME (LOSS) BEFORE TRANSFERS	<u>330,717</u>	<u>213,153</u>	<u>17,153</u>	<u>(7,795)</u>	<u>(1,224)</u>	<u>552,004</u>
Operating Transfers In	3,000,000	-	-	600,000	-	3,600,000
Operating Transfers Out	(1,150,000)	(1,550,000)	(1,900,000)	(1,000,000)	-	(5,600,000)
CHANGES IN NET POSITION	<u>2,180,717</u>	<u>(1,336,847)</u>	<u>(1,882,847)</u>	<u>(407,795)</u>	<u>(1,224)</u>	<u>(1,447,996)</u>
NET POSITION, JANUARY 1	<u>-</u>	<u>3,715,752</u>	<u>4,087,986</u>	<u>4,672,685</u>	<u>63,228</u>	<u>12,539,651</u>
NET POSITION, DECEMBER 31	<u><u>\$ 2,180,717</u></u>	<u><u>\$ 2,378,905</u></u>	<u><u>\$ 2,205,139</u></u>	<u><u>\$ 4,264,890</u></u>	<u><u>\$ 62,004</u></u>	<u><u>\$ 11,091,655</u></u>

County of Chippewa, Michigan

**Combining Statement of Net Position
Nonmajor Enterprise Funds
December 31, 2013**

	State Education Tax Parcel Fee	2008 Tax Foreclosure	2009 Tax Foreclosure	2010 Tax Foreclosure	Sheriff Commissary	Homestead Tax	Totals
ASSETS:							
Cash and Investments - Unrestricted	\$ 6,863	\$ -	\$ 208,818	\$ 1,602	\$ 140,466	\$ -	\$ 357,749
Accounts Receivable	-	-	100	-	-	-	100
Due from Other Governmental Units	-	-	-	-	-	10,044	10,044
TOTAL ASSETS	\$ 6,863	\$ -	\$ 208,918	\$ 1,602	\$ 140,466	\$ 10,044	\$ 367,893
LIABILITIES:							
Due to Other Funds	\$ -	\$ -	\$ -	\$ -	\$ 30,000	\$ 10,044	\$ 40,044
TOTAL LIABILITIES	-	-	-	-	30,000	10,044	40,044
NET POSITION :							
Unrestricted	6,863	-	208,918	1,602	110,466	-	327,849
TOTAL NET POSITION	6,863	-	208,918	1,602	110,466	-	327,849
TOTAL LIABILITIES AND NET POSITION	\$ 6,863	\$ -	\$ 208,918	\$ 1,602	\$ 140,466	\$ 10,044	\$ 367,893

County of Chippewa, Michigan

**Combining Statement of Revenues, Expenses, and
Changes in Net Position - Nonmajor Enterprise Funds
For the Year Ended December 31, 2013**

	State Education Tax Parcel Fee	2008 Tax Foreclosure	2009 Tax Foreclosure	2010 Tax Foreclosure	Sheriff Commissary	Homestead Tax	Totals
OPERATING REVENUES:							
Penalties and Interest Charges	\$ 3,992	\$ -	\$ 100	\$ 1,602	\$ 163,938	\$ -	\$ 169,632
TOTAL OPERATING REVENUES	<u>3,992</u>	<u>-</u>	<u>100</u>	<u>1,602</u>	<u>163,938</u>	<u>-</u>	<u>169,632</u>
OPERATING EXPENSES:							
Other Supplies and Expenses	559	-	20	-	118,767	-	119,346
Total Operating Expenses	<u>559</u>	<u>-</u>	<u>20</u>	<u>-</u>	<u>118,767</u>	<u>-</u>	<u>119,346</u>
OPERATING INCOME (LOSS)	<u>3,433</u>	<u>-</u>	<u>80</u>	<u>1,602</u>	<u>45,171</u>	<u>-</u>	<u>50,286</u>
INCOME (LOSS) BEFORE TRANSFERS	3,433	-	80	1,602	45,171	-	50,286
Operating Transfers Out	-	(120,369)	-	-	(35,000)	-	(155,369)
CHANGES IN NET POSITION	3,433	(120,369)	80	1,602	10,171	-	(105,083)
NET POSITION, JANUARY 1	<u>3,430</u>	<u>120,369</u>	<u>208,838</u>	<u>-</u>	<u>100,295</u>	<u>-</u>	<u>432,932</u>
NET POSITION, DECEMBER 31	<u><u>\$ 6,863</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 208,918</u></u>	<u><u>\$ 1,602</u></u>	<u><u>\$ 110,466</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 327,849</u></u>

County of Chippewa, Michigan

Combining Statement of Cash Flows Nonmajor Enterprise Funds For the Year Ended December 31, 2013

	State Education Tax Parcel Fee	2008 Tax Foreclosure	2009 Tax Foreclosure	2010 Tax Foreclosure	Sheriff Commissary	Homestead Tax	Totals
CASH FLOWS FROM OPERATING ACTIVITIES:							
Receipts from Customers	\$ 3,992	\$ -	\$ 80	\$ 1,602	\$ 163,938	\$ -	\$ 169,612
Payments to Suppliers	(559)	-	(20)	-	(88,767)	-	(89,346)
Net Cash Provided (Used) by Operating Activities	<u>3,433</u>	<u>-</u>	<u>60</u>	<u>1,602</u>	<u>75,171</u>	<u>-</u>	<u>80,266</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:							
Operating Transfers Out	-	(120,369)	-	-	(35,000)	-	(155,369)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>-</u>	<u>(120,369)</u>	<u>-</u>	<u>-</u>	<u>(35,000)</u>	<u>-</u>	<u>(155,369)</u>
Net Increase (Decrease) in Cash and Investments	3,433	(120,369)	60	1,602	40,171	-	(75,103)
Balances - Beginning of the Year	<u>3,430</u>	<u>120,369</u>	<u>208,758</u>	<u>-</u>	<u>100,295</u>	<u>-</u>	<u>432,852</u>
Balances - End of the Year	<u>\$ 6,863</u>	<u>\$ -</u>	<u>\$ 208,818</u>	<u>\$ 1,602</u>	<u>\$ 140,466</u>	<u>\$ -</u>	<u>\$ 357,749</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:							
Operating Income (Loss)	\$ 3,433	\$ -	\$ 80	\$ 1,602	\$ 45,171	\$ -	\$ 50,286
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	-	-	(20)	-	-	-	(20)
Increase(Decrease) in Liabilities:							
Due to Other Funds	-	-	-	-	30,000	-	30,000
Net Cash Provided (Used) by Operating Activities	<u>\$ 3,433</u>	<u>\$ -</u>	<u>\$ 60</u>	<u>\$ 1,602</u>	<u>\$ 75,171</u>	<u>\$ -</u>	<u>\$ 80,266</u>

**Combining Statement of Net Position
Internal Service Funds
December 31, 2013**

	Self Insurance- Health	Self Insurance- Workers Comp.	Central Stores	Total
ASSETS:				
Cash and Investments - Unrestricted	\$ 1,261,329	\$ 322,372	\$ -	\$ 1,583,701
Inventories	-	-	14,164	14,164
TOTAL ASSETS	\$ 1,261,329	\$ 322,372	\$ 14,164	\$ 1,597,865
LIABILITIES:				
Due to Other Funds	\$ -	\$ -	\$ 13,823	\$ 13,823
TOTAL LIABILITIES	-	-	13,823	13,823
NET POSITION:				
Unrestricted	1,261,329	322,372	341	1,584,042
TOTAL NET POSITION	1,261,329	322,372	341	1,584,042
TOTAL LIABILITIES AND NET POSITION	\$ 1,261,329	\$ 322,372	\$ 14,164	\$ 1,597,865

County of Chippewa, Michigan**Combining Statement of Revenues, Expenses, and
Changes in Net Position - Internal Service Funds
For the Year Ended December 31, 2013**

	Self Insurance- Health	Self Insurance- Workers Comp.	Central Stores	Total
OPERATING REVENUES:				
Charges for Services	\$ 3,500,468	\$ 155,067	\$ 11,280	\$ 3,666,815
Total Operating Revenues	<u>3,500,468</u>	<u>155,067</u>	<u>11,280</u>	<u>3,666,815</u>
OPERATING EXPENSES:				
Premium Payments	3,144,945	101,681	-	3,246,626
Supplies	<u>-</u>	<u>-</u>	<u>12,706</u>	<u>12,706</u>
Total Operating Expenses	<u>3,144,945</u>	<u>101,681</u>	<u>12,706</u>	<u>3,259,332</u>
OPERATING INCOME (LOSS)	355,523	53,386	(1,426)	407,483
NET POSITION, JANUARY 1	<u>905,806</u>	<u>268,986</u>	<u>1,767</u>	<u>1,176,559</u>
NET POSITION, DECEMBER 31	<u>\$ 1,261,329</u>	<u>\$ 322,372</u>	<u>\$ 341</u>	<u>\$ 1,584,042</u>

**Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended December 31, 2013**

	Self Insurance- Health	Self Insurance- Workers Comp.	Central Stores	Totals
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from Customers	\$ 3,500,468	\$ 155,067	\$ 11,280	\$ 3,666,815
Payments to Suppliers	(3,105,192)	(101,681)	(11,700)	(3,218,573)
Internal Activity - Receipts(Payments) with Other Funds	-	-	420	420
	<u>395,276</u>	<u>53,386</u>	<u>-</u>	<u>448,662</u>
Net Cash Provided (Used) by Operating Activities				
Net Increase (Decrease) in Cash and Investments	395,276	53,386	-	448,662
Balances - Beginning of the Year	<u>866,053</u>	<u>268,986</u>	<u>-</u>	<u>1,135,039</u>
Balances - End of the Year	<u>\$ 1,261,329</u>	<u>\$ 322,372</u>	<u>\$ -</u>	<u>\$ 1,583,701</u>
 Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating Income (Loss)	\$ 355,523	\$ 53,386	\$ (1,426)	\$ 407,483
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Change in Assets and Liabilities:				
(Increase) Decrease in Assets:				
Inventories	-	-	1,006	1,006
Prepaid Items	210,702	-	-	210,702
Increase (Decrease) in Liabilities:				
Due to Other Funds	-	-	420	420
Accrued Liabilities	(170,949)	-	-	(170,949)
	<u>(170,949)</u>	<u>-</u>	<u>-</u>	<u>(170,949)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 395,276</u>	<u>\$ 53,386</u>	<u>\$ -</u>	<u>\$ 448,662</u>

Reports on Compliance



ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

KINROSS OFFICE

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**MEMBER AICPA
DIVISION FOR CPA FIRMS**

MEMBER MACPA

**OFFICES IN
MICHIGAN & WISCONSIN**

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the County of Chippewa, Michigan as of and for the year ended December 31, 2013, 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 April 22, 2014.

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.

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 one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2013-001.

County of Chippewa, Michigan's Response to Findings

The County of Chippewa, Michigan's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The County of Chippewa, Michigan's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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

April 22, 2014



ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY OMB CIRCULAR A-133**

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 Circular A-133 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, 2013. 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 the requirements of laws, regulations, contracts, and grants 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County 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, 2013.

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 OMB Circular A-133, 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

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

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

April 22, 2014

County of Chippewa, Michigan

Schedule of Expenditures of Federal Awards For the Year Ended December 31, 2013

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Agency or Pass-through Number	Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE:			
<i>Pass-through from the Michigan Department of Community Health:</i>			
Women, Infant and Children - Resident Services	10.557	IW100342	\$ 204,209
Women, Infant and Children - Breastfeeding	10.557	W500342	15,270
Women, Infant and Children - Breastfeeding	10.557	IW100343	5,925
Subtotal			<u>225,404</u>
<i>Pass-through from the Michigan Department of Natural Resources:</i>			
Schools and Roads Grant	10.665	N/A	378,063
Schools and Roads Grant	10.665	N/A	33,081
Subtotal			<u>411,144</u>
Total U.S. Department of Agriculture			<u>636,548</u>
U.S. DEPARTMENT OF JUSTICE:			
<i>Pass-through from Diane Pepler Resource Center:</i>			
STOP Grant	16.588	STOP 11-17001-1	17,000
<i>Pass-through from Emmet County:</i>			
S.A.N.E.	16.579	70868-5-13-13	34,828
Total U.S. Department of Justice			<u>51,828</u>
U.S. DEPARTMENT OF TRANSPORTATION:			
<i>Pass-through from the State of Michigan Department of Transportation:</i>			
<i>Airport Improvement Program - MDOT Administered:</i>			
Taxiway B, Crack Sealing, Marking, Repairs	20.106	3-26-0139-3212	213,730
Rehabilitate Runway, Security Equipment	20.106	3-26-0139-3313	174,706
Subtotal			<u>388,436</u>
<i>Pass-through Programs from the State of Michigan Department of Transportation (MDOT) - Administered by the Chippewa County Road Commission (CCRC):</i>			
County Wide Sign and Post Upgrade	20.205	STP 1217(016)	31,304
<i>Pass-through Programs from the State of Michigan Department of Transportation (MDOT) - MDOT Administered:</i>			
Homestead Road	20.205	EBSL 1217(020)	418,958
Riverside Drive 3 Mile Road to 4 Mile Road	20.205	STP 1317(015)	112,350
Riverside Drive 9 Mile Road to 15 Mile Road	20.205	STP 1317(013)	480,384
Subtotal			<u>1,011,692</u>
Section 5311 Operating Assistance	20.509	2007-0204 109905	78,836
Capital Grants - Section 5311 (80/20)	20.509	2007-0204 113886	1,460
Capital Grants - Section 5311 (80/20)	20.509	2012-0077 113004	47,930
Rural Transit Assistance Program	20.509	N/A	4,288
Docks Project Grant (100/0) - ARRA	20.205	2009-0722 107822	480,848
Capital Grants - Section 5309 (58/15/27)	20.500	2012-0077 118562	12,187
Capital Grants - Marine (90/10)	20.205	2012-0077 114944B	1,920
Job Access and Reverse Commute Program (JARC)	20.516	2007-0204 107394	8,463
Subtotal			<u>635,932</u>
<i>Pass-through from the State of Michigan Department of State Police, Emergency Management Division:</i>			
HEMP	20.503	N/A	39,789
Total U.S. Department of Transportation			<u>2,107,153</u>

See accompanying notes to schedule of expenditures of federal awards.

Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2013

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Agency or Pass-through Number	Federal Expenditures
U.S. ENVIRONMENTAL PROTECTION AGENCY:			
<i>Pass-through from State of Michigan Department of Environmental Quality:</i>			
Great Lakes Restoration Initiative	66.469	GL00E00685-0	22,536
Great Lakes Restoration Initiative	66.469	GL00E00123	43,403
Operator Certification Expense Reimbursement	66.471	CT975861	469
Monitoring and Notification Program	66.472	CU00E259-01	12,608
Total U.S. Environmental Protection Agency			79,016
U.S. DEPARTMENT OF HOMELAND SECURITY:			
<i>Direct Award:</i>			
<i>Federal Emergency Management Agency:</i>			
ROV Grant	97.056	2010-PU-T0-0067	167,999
<i>Pass-through from the State of Michigan Department of Natural Resources, Grants Management</i>			
2013 Marine Safety Program	97.012	N/A	8,991
<i>Pass-through from the State of Michigan Department of State Police, Emergency Management Division:</i>			
Operation Stonegarden Grant	97.067	2010-SS-T0-0009	119,976
<i>Pass-through from the County of Houghton:</i>			
Emergency Management Performance Grant	97.042	EMW-2013-EP-00026-S01	18,844
Homeland Security Grant	97.067	N/A	54,577
Subtotal			73,421
Total U.S. Department of Homeland Security			370,387
U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES:			
<i>Pass-through from the State of Michigan</i>			
<i>Department of Human Services:</i>			
Friend of the Court/PA - Incentive	93.563	N/A	40,316
Friend of the Court - Cooperative Reimbursement	93.563	CSFOC13-17001	301,757
Prosecuting Attorney - Cooperative Reimbursement	93.563	CSPA13-17002	76,499
Subtotal			418,572
<i>Pass-through from Pathways:</i>			
Substance Abuse Treatment Prevention	93.959	00 B1MISAPT05	40,000
<i>Pass-through from the State of Michigan Department of Community Health:</i>			
Bioterrorism 10/1/12 to 6/30/13	93.069	U90TP000528	91,948
Bioterrorism 7/1//13 to 9/30/13	93.069	U90TP000528	28,211
Family Planning	93.217	GFPHPA05017341	46,146
Immunizations - IAP	93.268	H23 CCH522556	20,655
Immunizations - Fixed Fees	93.268	H23 CCH522556	2,900
Family Planning/BCCCP	93.283	IU58DP003921	1,175
BCCCP Coordination	93.919	IU58DP003921	15,855
SHACC Dental Building	93.501	N/A	90,504
Medicaid Outreach	93.778	05 U05M15ADM	28,000
Medicaid Administration	93.778	05 U05M15ADM	14,000
Medicaid Administration	93.778	05 U05M15ADM	12
Other - MCH	93.994	B1MIMCHS	24,987
Subtotal			364,393
Total U.S. Department of Health & Human Services			822,965
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 4,067,897</u>

See accompanying notes to schedule of expenditures of federal awards.

NOTE A - BASIS OF PRESENTATION:

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

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

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

Total Federal per Financial Statements	
Revenues – Primary Government	\$ 1,622,470
Federal Grants of Component Units	2,067,364
Federal Grants in Trust & Agency	<u>378,063</u>
Total Federal Revenue Recognized per Schedule of Expenditures of Federal Awards	<u>\$ 4,067,897</u>

Section I – Summary of Auditor’s Results

Financial Statements

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

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:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	No

Identification of Major Programs

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
10.665	Schools and Roads
20.205	Docks Project Grant
93.563	Child Support Enforcement
Dollar threshold used to distinguish between types A and type B programs:	\$300,000
Auditee qualified as low-risk auditee?	Yes

Section II – Financial Statement Findings

Significant Deficiencies - Noncompliance

Tax Foreclosure Reporting

Finding 2013-001

Condition/Criteria: MCL 211.78m(8)(h) requires that a written report is presented to the Board of Commissioners no later than June 30, the second calendar year after the foreclosure identifying any remaining balance and contingent costs of title or other legal claims against the foreclosure.

Effect: The County is not in compliance with MCL 211m(8)(h).

Cause of Condition: Failure to comply with state requirements of foreclosure reporting.

Recommendation: The County should comply with the above requirements.

Planned Corrective Action: The County will comply with the above requirements going forward.

- Contact Person(s) Responsible for Correction:
Marjorie Hank, Treasurer

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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ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

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DIVISION FOR CPA FIRMS**

MEMBER MACPA

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MICHIGAN & WISCONSIN**

INDEPENDENT AUDITOR'S REPORT ON ADDITIONAL INFORMATION

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

Our report on our audit of the basic financial statements of County of Chippewa, Michigan, as of and for the year ended December 31, 2013, appears on page 1. That audit was conducted for the purpose of forming opinions on the basic financial statements taken as a whole. The additional information listed on the following pages regarding the municipal securities disclosure requirements of the Securities Exchange Commission (SEC) Rule 15c2-12 is presented for purposes of additional analysis and is not a required part of the basic financial statements, and accordingly, we express no opinion on it.

Anderson Tackman & Co. PLC

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

April 22, 2014

**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, 2013, the County has the following debt issues which apply to SEC Rule 15c2-12.

1. \$7,870,000 City of Sault Ste. Marie Water Supply and Sewage Disposal System Limited Tax General Obligation Bonds, Series 2010.
2. \$1,635,000 Chippewa County General Obligation Bonds, Series 2010.
3. \$3,645,000 Chippewa County Refunding Bonds, Series 2010.
4. \$1,790,000 Chippewa County Refunding Bonds, (City 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		
		2013 estimate	38,696

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

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

Use	2013		2012	
	Amount	Percent of Total	Amount	Percent of Total
Agricultural	\$ 35,265,026	3.23%	\$ 34,065,582	3.20%
Commercial (R&P)	168,907,379	15.49%	166,340,575	15.65%
Industrial (R&P)	30,478,250	2.80%	28,254,463	2.66%
Residential	817,423,704	74.97%	801,679,472	75.45%
Utility	38,269,600	3.51%	32,227,900	3.04%
Total	<u>\$ 1,090,343,959</u>	<u>100.00%</u>	<u>\$ 1,062,567,992</u>	<u>100.00%</u>

NOTE 2 – TABLES: (Continued)

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

Class	2013		2012	
	Amount	Percent of Total	Amount	Percent of Total
Real Property	\$ 1,020,730,009	93.62%	\$ 998,995,392	94.02%
Personal Property	69,613,950	6.38%	63,572,600	5.98%
Total	<u>\$ 1,090,343,959</u>	<u>100.00%</u>	<u>\$ 1,062,567,992</u>	<u>100.00%</u>

Source: County of Chippewa

C. Taxable Value:

Assessed Value as of December 31	Year of State Equalization and Tax Levy	County's Fiscal Year Ended or Ending December 31	Ad Valorem Taxable Value	Taxable Value of Property Granted Tax Abatement Under Acts 198 and 255	Total Taxable Value	Percent Increase Over Prior Year
2005	2006	2007	\$ 897,212,364	\$ 4,264,000	\$ 901,476,364	5.18%
2006	2007	2008	945,255,956	4,428,200	949,684,156	5.35%
2007	2008	2009	976,118,163	4,428,200	980,546,363	3.35%
2008	2009	2010	1,020,314,976	3,777,300	1,024,092,276	4.44%
2009	2010	2011	1,054,021,915	2,302,600	1,056,324,515	3.15%
2010	2011	2012	1,062,567,992	2,294,400	1,064,862,392	.81%
2011	2012	2013	1,090,343,959	430,500	1,090,774,459	.24%
2012	2013	2014	Unavailable			

Per Capita Total taxable value for the fiscal year ending December 31, 2013 \$28,188.

(1) Based on the County's 2013 population estimate of 38,696.

Source: County of Chippewa

NOTE 2 - TABLES: (Continued)

D. SEV by Use and Class:

Use	Fiscal Year Ended or Ending December 31							
	2010	%	2011	%	2012	%	2013	%
Agriculture	\$ 56,099,300	5%	\$ 56,136,700	5%	\$ 54,664,500	5%	\$ 53,934,800	4%
Commercial	183,177,750	13%	183,237,057	13%	175,155,351	13%	177,378,650	13%
Industrial	28,789,300	2%	27,450,800	2%	29,629,500	2%	31,914,200	2%
Residential	1,076,445,849	78%	1,066,857,987	78%	1,035,487,270	78%	1,024,956,720	77%
Utility	29,744,800	2%	31,605,200	2%	32,227,900	2%	38,269,600	4%
Total	\$ 1,374,256,999	101%	\$ 1,365,287,744	100%	\$ 1,327,164,521	100%	\$ 1,326,453,970	100%
Class								
Real Property	\$ 1,310,896,399	95%	\$ 1,303,314,619	95%	\$ 1,263,591,921	95%	\$ 1,256,839,920	95%
Personal Property	63,360,600	5%	61,973,125	5%	63,572,600	5%	69,614,050	5%
Total	\$ 1,374,256,999	100%	\$ 1,365,287,744	100%	\$ 1,327,164,521	100%	\$ 1,326,453,970	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)	0.4280	1.0000	0.4275
Roads (3)	1.0000	1.0000	0.9879
Recycling (2)	0.5000	1.0000	0.5000
Jail Renovation (5)	0.7500	1.0000	0.7078
Senior Programs (4)	0.5000	1.0000	0.4994
Animal Shelter (6)	0.1000	1.0000	0.1000

- (1) Cumulative.
- (2) Voted.
- (3) Voted. Final levy will be December 31, 2013.
- (4) Voted and levied first time in 2009.
- (5) Voted. Expires with December 31, 2017 levy.
- (6) Voted. Expires with December 31, 2018 levy.

Source: County of Chippewa

NOTE 2 - TABLES: (Continued)

F. Revenues from the State of Michigan

<u>Fiscal Year Ended/Ending</u>	<u>Revenue Sharing Payments</u>
December 31, 2010	-
December 31, 2011	-
December 31, 2012	\$491,178
December 31, 2013	\$554,403

Source: County of Chippewa

G. Property Tax Rates:

Levy December 1	Fiscal Years Ended or Ending December 31	Allocated	Fire/ Ambulance	Road Improvements	Recycling	Jail	Senior Program	Total
			(1)	(1)	(1)	(1)	(1)	
2007	2008	6.1426	0.4280	0.9906	0.4994	0.7098	-	8.7704
2008	2009	6.1327	0.4280	0.9890	0.4986	0.7086	-	8.7569
2009	2010	6.1327	0.4284	0.9890	0.4986	0.7086	0.5000	9.2573
2010	2011	6.1259	0.4275	0.9879	0.5000	0.7078	0.4994	9.2485
2011	2012	6.1500	0.4275	0.9879	0.5000	0.7078	0.4994	9.2726
2012	2013	6.1500	0.4275	0.9879	0.5000	0.7078	0.4994	9.2726
2013	2014	6.1500	0.4275	0.9879	0.5000	0.7078	0.4994	9.2726

(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, 2013:

Property Classification	Highest Tax Rate		Lowest Tax Rate	
	Municipality	Tax Rate	Municipality	Tax Rate
Special Exemption*	Sault Ste. Marie	41.6474 mills	Soo Township	20.3731 mills
Other	Sault Ste. Marie	59.6474 mills	Soo Township	38.3731 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
2008	2009	\$ 7,473,870	\$ 6,869,311	91.91%
2009	2010	8,420,585	7,170,416	85.15%
2010	2011	8,511,609	7,910,310	92.93%
2011	2012	8,573,674	7,525,927	87.77%
2012	2013	9,212,618	8,555,370	92.86%
2013	2014	9,658,175	8,897,874	92.13%

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

Source: County of Chippewa

J. Ten Largest Taxpayers:

Taxpayer	Principal Productor Service	December 31, 2013	
		Taxable Value (1)	Percent of of Total (2)
Cloverland Electric Co.	Utility	\$ 29,721,436	38.46%
American Transmission	Utility	10,512,681	13.60%
Wal-Mart Real Estate	Shopping Center	7,875,300	10.19%
DDR Michigan II LLC	Shopping Mall	6,724,100	8.70%
Continental Teves, Inc.	Auto Testing Service	4,402,100	5.70%
USA-In Trust for SSM Tribe	Properties	4,392,065	5.68%
Pointe West I LP	Apartment Complex	4,084,200	5.28%
Sault Ste. Marie Tribe	Properties	3,359,114	4.35%
Precision Edge	Manufacturing	3,303,900	4.28%
Drummond Dolomite Inc.	Dolomite Quarry	2,903,433	3.76%
		<u>\$ 77,278,329</u>	<u>\$ 100%</u>

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

(2) Based on \$1,090,774,459 which is the County's Total Taxable Value for the fiscal year ending December 31, 2013. 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)	\$ 132,645,397
Debt Outstanding (2)	<u>(15,040,392)</u>
Legal Debt Margin	<u>\$ 117,605,005</u>

- (1) 10% of \$1,326,453,970 which is the County's Total SEV for its fiscal year ending December 31, 2013. 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, 2013:

<u>County Direct Debt</u>	<u>Gross</u>	<u>Self-Supporting</u>	<u>Net</u>
Building Authority Bonds:			
Dated July 12, 2011 (LT)	\$ 3,830,000	\$ -	\$ 3,830,000
Dated April 1, 2010 (LT)	<u>2,050,000</u>	<u>-</u>	<u>2,050,000</u>
Subtotal	<u>5,880,000</u>	<u>-</u>	<u>5,880,000</u>
Water and Sewer Bonds:			
Dated February 3, 2010	7,025,000	7,025,000	-
Dated June 26, 2000	<u>365,958</u>	<u>365,958</u>	<u>-</u>
Subtotal	<u>7,390,958</u>	<u>7,390,958</u>	<u>-</u>
General Obligation Bonds:			
Dated December 10, 2009	<u>970,000</u>	<u>-</u>	<u>970,000</u>
Installment Obligations	<u>799,434</u>	<u>-</u>	<u>799,434</u>
Total	<u>\$ 15,040,392</u>	<u>\$ 7,390,958</u>	<u>\$ 7,649,434</u>
Per Capita Net County Direct Debt			\$ 197.68
Percent of Net Direct Debt to Total SEV			0.58%

NOTE 2 - TABLES: (Continued)

L. Debt Schedule: (Continued)

<u>Underlying Debt of County (5)</u>	<u>Total</u>
City	\$ 20,425,000
Townships	757,000
School Districts	<u>22,067,417</u>
 Total Underlying Debt	 <u>\$ 43,249,417</u>
 Per Capita Underlying Debt (3)	 \$ 1,117.67
Percent of Underlying Debt to Total SEV (4)	3.26%
 Total Direct and Underlying Debt	 <u>\$ 58,289,809</u>
 Per Capita Net Direct and Underlying Debt (3)	 \$ 1,506.35
Percent of Net Direct and Underlying Debt to Total SEV (4)	4.39%

- (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 2013 population estimate of 38,696.
- (4) Based on \$1,326,453,970 which is the County’s Total SEV for its fiscal year ending December 31, 2013. 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, 2013, the accumulated unpaid compensated absences amount to \$622,433.

NOTE 2 - TABLES: (Continued)

R. Pension and OPEB Plan:

All full-time employees of the County are participants in a defined benefit plan administered by the Michigan Municipal Employees Retirement System. The County's contribution to the plan, expressed as a percentage of active member payroll, covers current service costs, unrealized investment income on unfunded accrued liabilities (prior service costs) and the amortization of unfunded accrued liabilities over a 30 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
2003	\$ 18,576,288	\$ 21,329,406	87%
2004	19,907,076	22,727,407	88%
2005	21,105,600	24,098,670	88%
2006	22,719,301	25,841,406	88%
2007	24,411,785	27,878,398	88%
2008	25,304,999	30,749,995	82%
2009	26,418,432	32,521,364	81%
2010	27,576,324	34,793,371	79%
2011	28,641,084	36,543,151	78%
2012	29,452,202	38,144,006	77%

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

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

	County	Health Department	EDC	EUPTA
Annual required contribution	\$ 1,394,198	\$ 870,952	\$ 38,163	\$ 283,108
Interest on net OPEB obligation	143,328	101,779	1,994	21,651
Annual OPEB cost (expense)	1,537,526	972,731	40,157	304,759
Contributions made	(3,660,903)	(280,640)	(49,850)	(71,480)
Increase (decrease) in net OPEB obligation	(2,123,377)	692,091	(9,693)	233,279
Net OPEB obligation – beginning of year	3,583,212	1,954,169	49,850	481,130
Net OPEB obligation – end of year	<u>\$ 1,459,835</u>	<u>\$ 2,646,260</u>	<u>\$ 40,157</u>	<u>\$ 714,409</u>

Complete OPEB information can be found in Note 9.

Source: County of Chippewa

NOTE 2 - TABLES: (Continued)

S. Labor Contracts:

The County courthouse has 148 full and part-time employees. Approximately 46% of the County's permanent employees are represented by labor organizations. The following table illustrates the various labor organizations which represent County employees, the number of members and the expiration date of the present contracts.

<u>Employee Group</u>	<u>Membership</u>	<u>Current Expiration Date</u>
American Federation of State, County and Municipal Employees	32	December 31, 2014
Police Officers Labor Council	16	Tentative December 31, 2017
Non-Union Employees	80	Not applicable
Fraternal Order of Police Labor Council:		
Senior Dispatchers	2	December 31, 2014
Dispatchers	6	December 31, 2017
Road Patrol	<u>12</u>	December 31, 2017
Total Permanent County Employees	<u>148</u>	

Source: County of Chippewa

T. Profile of Major Employers:

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

<u>Company</u>	<u>Principal Product or Service</u>	<u>Approximate Number of Employees</u>
Michigan Department of Corrections	Correctional Institution	975
War Memorial Hospital	Hospital	848
Wal-Mart	Department Store	410
Lake Superior State University	Education	362
Hiawatha Behavioral Health	Mental Health	267
Sault Area Public Schools	Education	261
C.L.M. Community Action	Child Daycare Services / Senior Services	190
Precision Edge Surgical Products	Surgical Tools and Instruments	190
Rudyard Area Schools	Education	166
Chippewa County	Government	148

Source: Eastern Upper Peninsula Regional Planning

NOTE 2 - TABLES: (Continued)

U. Employment:

Reflected below are the unemployment statistics for the County for the calendar years 2008 through 2013:

County of Chippewa	2008	2009	2010	2011	2012	2013
Employed	15,811	14,314	14,807	14,982	14,565	14,366
Unemployed	<u>1,718</u>	<u>2,661</u>	<u>2,209</u>	<u>1,908</u>	<u>1,717</u>	<u>1,911</u>
Labor Force	<u>17,529</u>	<u>16,975</u>	<u>17,016</u>	<u>16,890</u>	<u>16,282</u>	<u>16,277</u>
Unemployed as % Of Labor Force (1)	9.8%	15.7%	13.0%	11.3%	10.5%	11.7%

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

Source: Michigan Unemployment Agency



ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

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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, 2013, and have issued our report thereon dated April 22, 2014. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards* and OMB Circular A-133, 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 OMB Circular A-133

As stated in our engagement letter dated August 8, 2013, 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.

Our responsibility for the supplementary information accompanying the financial statements, as describe by professional standards, is to evaluate the presentation of the supplementary information in relation to the financial statements as a whole and to report on whether supplementary information is fairly stated, in all material respects, in relation to the financial statements as whole.

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 OMB Circular A-133.

As part of obtaining reasonable assurance about whether the County of Chippewa, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also, in accordance with OMB Circular A-133, we 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) Circular A-133 Compliance Supplement" applicable to each of its major federal programs for the purpose of expressing an opinion on the County of Chippewa, Michigan's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it will not provide a legal determination on the County of Chippewa, Michigan's compliance with those requirements.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our correspondence about planning matters dated November 4, 2013.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

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

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

- Management's estimate of the depreciation expense is based on estimated lives. We evaluated the key factors and assumptions used to develop the estimate in determining that it is reasonable in relation to the financial statements taken as a whole.
- Management's estimate of the accrued compensated absences 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 April 22, 2014.

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.

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed for the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Comments and Recommendations

Self Insurance Fund (Prior Comment)

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

Status: No change.

Credit Cards (Prior Comment)

During our review of credit card practices, we noted that a permanent listing of cards and authorized users is not maintained.

Status: Continuing to make progress.

Pension Reporting

In June 2012, the Governmental Accounting Standards Board (GASB) approved a pair of related Statements that implement substantial changes to the accounting and financial reporting of pensions by state and local governments and pension plans. Statement No. 67, *Financial Reporting for Pension Plans* and Statement No. 68, *Accounting and Financial Reporting for Pensions*, establishes new accounting and financial reporting requirements. These requirements include a provision for reporting net pension liabilities on the accrual based statement of net position and measuring investments at fair value as well as additional footnote and required supplementary information disclosures.

The Board and Management should review the procedures for implementation of these new standards effective in fiscal 2014 and assess the impact on the local unit of government's financial reporting.

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

April 22, 2014