

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input checked="" type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name County of Chippewa, Michigan	County Chippewa
Fiscal Year End December 31, 2007	Opinion Date May 6, 2008	Date Audit Report Submitted to State June 12, 2008	

We affirm that:

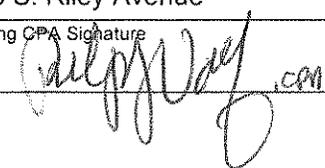
We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

- YES NO **Check each applicable box below.** (See instructions for further detail.)
- All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
 - There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
 - The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
 - The local unit has adopted a budget for all required funds.
 - A public hearing on the budget was held in accordance with State statute.
 - The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
 - The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
 - The local unit only holds deposits/investments that comply with statutory requirements.
 - The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
 - There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
 - The local unit is free of repeated comments from previous years.
 - The audit opinion is UNQUALIFIED.
 - The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
 - The board or council approves all invoices prior to payment as required by charter or statute.
 - To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe) Single Audit	<input checked="" type="checkbox"/>		
Certified Public Accountant (Firm Name) Anderson, Tackman & Company, PLC		Telephone Number 906-495-5952	
Street Address 16978 S. Riley Avenue		City Kincheloe	State Zip MI 49788
Authorizing CPA Signature 		Printed Name Phillip J. Wolf, CPA	License Number 1101017275

County of Chippewa, Michigan

BASIC FINANCIAL STATEMENTS

December 31, 2007

CHIPPEWA COUNTY, MICHIGAN

ORGANIZATION

COUNTY BOARD OF COMMISSIONERS

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

APPOINTED/ELECTED OFFICERS

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

JUDICIARY

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

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR’S REPORT	1
BASIC FINANCIAL STATEMENTS:	
Government-Wide Financial Statements:	
Statement of Net Assets.....	3
Statement of Activities.....	4
Fund Financial Statements:	
Balance Sheet – Governmental Funds	5
Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds.....	6
Reconciliation of Governmental Funds:	
Statement of Revenues, Expenditures, and Changes in in Fund Balances to the Statement of Activities	7
Proprietary Funds:	
Statement of Net Assets.....	8
Statement of Revenues, Expenses, and Changes in Net Assets	9
Statement of Cash Flows	10
Fiduciary Funds:	
Statement of Fiduciary Net Assets	11
COMPONENT UNITS:	
Statement of Net Assets.....	12
Statement of Activities.....	13
NOTES TO FINANCIAL STATEMENTS	14
REQUIRED SUPPLEMENTARY INFORMATION:	
Major Funds:	
Budgetary Comparison Schedule – General	34
Budgetary Comparison Schedule – Revenue Sharing Reserve.....	37
Budgetary Comparison Schedule – Health Department.....	38
Budgetary Comparison Schedule – Ambulance.....	39
Budgetary Comparison Schedule – Chippewa County Recycling	40
Budgetary Comparison Schedule – Office of Emergency Services	41
Budgetary Comparison Schedule – Correctional Facility Management	42

TABLE OF CONTENTS (Continued)

Page

OTHER SUPPLEMENTARY INFORMATION:

Combining Balance Sheet – Nonmajor Governmental Funds.....	43
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds	49
Combining Statement of Net Assets – Combining Major Tax Collection – Enterprise Fund.....	55
Combining Statement of Revenues, Expenses, and Changes in Net Assets – Major Tax Collection – Enterprise Fund.....	56
Combining Statement of Cash Flows – Major Tax Collection – Enterprise Fund.....	57
Statement of Net Assets – Internal Service Funds	58
Statement of Revenues, Expenses, and Changes in Net Assets – Internal Service Funds.....	59
Combining Statement of Cash Flows – Internal Service Funds	60

Reports on Compliance:

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	61
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with <i>OMB Circular A-133</i>	63
Schedule of Expenditures of Federal Awards.....	65
Notes to Schedule of Expenditures of Federal Awards	68
Schedule of Findings and Questioned Costs: Section I – Summary of Auditor’s Results.....	69
Section II – Financial Statement Findings	70
Section III – Federal Award Findings	70
Summary Schedule of Prior Audit Findings: Section III – Federal Award Findings and Questioned Costs.....	71

ADDITIONAL INFORMATION:

Municipal Securities Disclosure Requirements of the Securities Exchange Commission (SEC) Rule 15c2-12.....	72
---	----



ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

KINROSS OFFICE

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

MEMBER AICPA
DIVISION FOR CPA FIRMS

MEMBER MACPA

OFFICES IN
MICHIGAN & WISCONSIN

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and aggregate remaining fund information, of the County of Chippewa, Michigan, as of and for the year ended December 31, 2007, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Chippewa, Michigan as of December 31, 2007, and the respective changes in financial position and cash flows, where applicable, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 6, 2008 on our consideration of the County of Chippewa, Michigan's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

The budgetary comparisons as listed in the table of contents is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

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



Anderson, Tackman & Company, PLC
Certified Public Accountants

May 6, 2008

Basic Financial Statements

County of Chippewa, Michigan

Statement of Net Assets

December 31, 2007

	Primary Government		Totals	Component Units
	Governmental Activities	Business-type Activities		
ASSETS:				
Cash & Investments - Unrestricted	\$ 10,503,572	\$ 8,523,924	\$ 19,027,496	\$ 3,608,530
- Restricted	596,580	-	596,580	20,000
Receivables:				
Accounts	1,463,291	-	1,463,291	2,712,940
Taxes	1,915,359	1,085,568	3,000,927	-
Interest	316,978	240,557	557,535	16,504
Internal Loans	27,475	(16,486)	10,989	-
Due from Governmental Units	933,253	16,494	949,747	102,946
Due from Component Units	10,989	-	10,989	-
Inventories	48,714	-	48,714	921,110
Prepaid Expenses	63,939	-	63,939	103,232
Other Assets	-	-	-	1,313
Capital Assets (Net of Accumulated Depreciation)	9,613,915	-	9,613,915	96,172,285
TOTAL ASSETS	\$ 25,494,065	\$ 9,850,057	\$ 35,344,122	\$ 103,658,860
LIABILITIES:				
Current Liabilities:				
Short Term Notes Payable	\$ -	\$ -	\$ -	\$ 345,880
Accounts Payable	515,904	1,052	516,956	294,458
Accrued Liabilities	715,383	-	715,383	166,522
Advances	-	-	-	1,100,808
Accrued Interest Payable	120,111	-	120,111	-
Due to Governmental Units	228,142	13,504	241,646	19,943
Due to Primary Government	-	-	-	10,989
Deferred Revenue	1,764,357	-	1,764,357	10,989
Other Liabilities	20,821	865	21,686	10,062
Notes Payable - Current	-	-	-	235,069
Bonds Payable - Current	862,500	-	862,500	-
Capital Leases Payable - Current	71,285	-	71,285	-
Compensated Absences	-	-	-	824
Non-current Liabilities:				
Notes Payable	-	-	-	603,900
Bonds Payable	10,784,000	-	10,784,000	-
Capital Leases Payable	180,193	-	180,193	-
Compensated Absences	519,198	-	519,198	522,558
TOTAL LIABILITIES	15,781,894	15,421	15,797,315	3,322,002
NET ASSETS:				
Invested in Capital Assets (net of related debt)	(2,223,981)	-	(2,223,981)	94,987,436
Restricted for County Road	-	-	-	3,788,062
Restricted for Transportation	-	-	-	497,990
Restricted for Debt Service	890,830	-	890,830	-
Restricted for Revenue Sharing	3,100,332	-	3,100,332	-
Unrestricted	7,944,990	9,834,636	17,779,626	1,063,370
TOTAL NET ASSETS	\$ 9,712,171	\$ 9,834,636	\$ 19,546,807	\$ 100,336,858

See accompanying notes to financial statements.

County of Chippewa, Michigan

Statement of Activities For the Year Ended December 31, 2007

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Component Units
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
Primary Government:								
Governmental Activities:								
Legislative	\$ 141,676	\$ -	\$ -	\$ -	\$ (141,676)	\$ -	\$ (141,676)	\$ -
Judicial	2,195,614	379,287	879,852	-	(936,475)	-	(936,475)	-
General Government	2,606,580	485,662	557,233	-	(1,563,685)	-	(1,563,685)	-
Public Safety	3,899,120	1,471,613	419,404	-	(2,008,103)	-	(2,008,103)	-
Public Works	498,067	97,419	-	-	(400,648)	-	(400,648)	-
Health & Welfare	8,042,090	5,180,032	1,504,136	-	(1,357,922)	-	(1,357,922)	-
Community/Economic Development	138,485	-	194,042	-	55,557	-	55,557	-
Recreation & Culture	572	-	-	-	(572)	-	(572)	-
Interest expense - Unallocated	566,423	-	-	-	(566,423)	-	(566,423)	-
Other	848,957	-	24,425	-	(824,532)	-	(824,532)	-
Depreciation - Unallocated	579,091	-	-	-	(579,091)	-	(579,091)	-
Total Governmental Activities	19,516,675	7,614,013	3,579,092	-	(8,323,570)	-	(8,323,570)	-
Business-type activities:								
Tax Collection	29,558	554,396	-	-	-	524,838	524,838	-
Sheriff Commissary	76,678	118,397	-	-	-	41,719	41,719	-
Total Business-type Activities	106,236	672,793	-	-	-	566,557	566,557	-
Total Primary Government	\$ 19,622,911	\$ 8,286,806	\$ 3,579,092	\$ -	(8,323,570)	566,557	(7,757,013)	-
Component Units:								
Road Commission	\$ 7,075,256	\$ 1,983,798	\$ 2,988,848	\$ 4,663,818				2,561,208
Economic Development Corporation	3,168,688	2,045,907	6,038	532,561				(584,182)
E.U.P. Transportation Authority	3,445,081	1,378,883	1,530,208	572,952				36,962
Total Component Units	13,689,025	5,408,588	4,525,094	5,769,331				2,013,988
Total	\$ 33,311,936	\$ 13,695,394	\$ 8,104,186	\$ 5,769,331				
General Revenues and Transfers:								
Taxes					7,741,033	-	7,741,033	689,027
Local Sources and Other					2,050,213	-	2,050,213	46,628
Investment Earnings (Loss)					881,693	120,848	1,002,541	153,130
Transfers					50,000	(50,000)	-	-
Total General Revenues and Transfers					10,722,939	70,848	10,793,787	888,785
Changes in Net Assets					2,399,369	637,405	3,036,774	2,902,773
Net Assets - Beginning					7,312,802	9,197,231	16,510,033	97,434,085
Net Assets - Ending					\$ 9,712,171	\$ 9,834,636	\$ 19,546,807	\$ 100,336,858

See accompanying notes to financial statements.

County of Chippewa, Michigan

Balance Sheet Governmental Funds December 31, 2007

	General	Revenue Sharing Reserve	Health Department	Ambulance	Chippewa County Recycling	Office of Emergency Services	Correctional Facility Maintenance	Non-Major Governmental Funds	Total Governmental Funds
ASSETS:									
Cash & Investments - Unrestricted	\$ 2,974,470	\$ 3,006,594	\$ 927,537	\$ 289,291	\$ 371,340	\$ 460,231	\$ 925,329	\$ 1,284,905	\$ 10,239,697
- Restricted	-	-	596,580	-	-	-	-	-	596,580
Receivables:									
Accounts	-	-	1,426,860	-	-	-	-	36,431	1,463,291
Taxes	492,062	-	-	399,298	465,149	-	558,850	-	1,915,359
Interest	193,123	108,756	-	-	-	-	-	15,099	316,978
Due from Other Funds	466,755	-	-	-	-	-	-	10,989	477,744
Due from Governmental Units	345,717	-	358,231	-	-	130,307	-	109,987	944,242
Prepaid Expenditures	12,958	-	50,603	-	-	-	-	378	63,939
TOTAL ASSETS	<u>\$ 4,485,085</u>	<u>\$ 3,115,350</u>	<u>\$ 3,359,811</u>	<u>\$ 688,589</u>	<u>\$ 836,489</u>	<u>\$ 590,538</u>	<u>\$ 1,484,179</u>	<u>\$ 1,457,789</u>	<u>\$ 16,017,830</u>
LIABILITIES:									
Due to Other Funds	\$ -	\$ 15,018	\$ -	\$ -	\$ -	\$ 345,960	\$ -	\$ 50,205	\$ 411,183
Accounts Payable	123,990	-	211,028	131,703	-	4,696	738	43,749	515,904
Accrued Liabilities	266,395	-	410,946	-	-	3,355	-	34,687	715,383
Other Liabilities	3,055	-	17,766	-	-	-	-	-	20,821
Due to Governmental Units	-	-	72,599	-	-	-	-	-	72,599
Deferred Revenue	-	-	336,123	399,298	465,149	-	558,850	4,937	1,764,357
Compensated Absences	-	-	210,392	-	-	-	-	-	210,392
TOTAL LIABILITIES	<u>393,440</u>	<u>15,018</u>	<u>1,258,854</u>	<u>531,001</u>	<u>465,149</u>	<u>354,011</u>	<u>559,588</u>	<u>133,578</u>	<u>3,710,639</u>
FUND BALANCES:									
Reserved	-	3,100,332	-	-	-	-	-	-	3,100,332
Unreserved:									
Designated	-	-	382,151	157,588	371,340	236,527	924,591	1,324,211	3,396,408
Undesignated	4,091,645	-	1,718,806	-	-	-	-	-	5,810,451
TOTAL FUND BALANCES	<u>4,091,645</u>	<u>3,100,332</u>	<u>2,100,957</u>	<u>157,588</u>	<u>371,340</u>	<u>236,527</u>	<u>924,591</u>	<u>1,324,211</u>	<u>12,307,191</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 4,485,085</u>	<u>\$ 3,115,350</u>	<u>\$ 3,359,811</u>	<u>\$ 688,589</u>	<u>\$ 836,489</u>	<u>\$ 590,538</u>	<u>\$ 1,484,179</u>	<u>\$ 1,457,789</u>	
Reconciliation to amounts reported for governmental activities in the statement of net assets:									
Capital assets used by governmental activities									9,613,915
Long-term notes & leases payable for governmental activities									(11,897,978)
Compensated absences liability									(308,806)
Internal service funds included in governmental activities									117,960
Accrued interest expense									(120,111)
Net assets of governmental activities									<u>\$ 9,712,171</u>

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, 2007

	General	Revenue Sharing Reserve	Health Department	Ambulance	Chippewa County Recycling	Office of Emergency Services	Correctional Facility Maintenance	Non-Major Governmental Funds	Totals Governmental Funds
REVENUES:									
Taxes	\$ 6,366,300	\$ -	\$ -	\$ 385,745	\$ 449,614	\$ -	\$ 539,374	\$ -	\$ 7,741,033
License and Permits	75,740	-	-	-	-	-	-	3,105	78,845
Federal Sources	500,659	-	-	-	-	146,969	-	229,666	877,294
State Sources	1,085,207	-	1,493,459	-	-	-	-	123,132	2,701,798
Local Sources	182,719	-	224,851	-	-	-	-	896,257	1,303,827
Charges for Services	1,606,265	-	5,176,927	-	-	-	-	164,921	6,948,113
Interest & Rentals	712,638	127,184	970	-	-	-	5,035	35,866	881,693
Fees and Collections	-	-	-	-	-	-	-	535,824	535,824
Fines and Forfeitures	72,124	-	-	-	-	-	-	3,500	75,624
Other Revenue	264,824	-	223,844	-	-	7,965	-	174,129	670,762
TOTAL REVENUES	10,866,476	127,184	7,120,051	385,745	449,614	154,934	544,409	2,166,400	21,814,813
EXPENDITURES:									
Legislative	141,676	-	-	-	-	-	-	-	141,676
Judicial	2,190,360	-	-	-	-	-	-	13,153	2,203,513
General Government	2,589,596	-	-	-	-	-	-	37,499	2,627,095
Public Safety	2,924,766	-	-	-	-	172,704	15,121	983,294	4,095,885
Public Works	-	-	-	-	370,000	-	-	128,067	498,067
Health & Welfare	291,660	-	7,057,757	400,278	-	-	-	415,299	8,164,994
Community/Economic Development	-	-	-	-	-	-	-	138,485	138,485
Recreation & Culture	-	-	-	-	-	-	-	572	572
Capital Outlay	127,024	-	-	-	-	-	-	-	127,024
Debt Service	-	-	-	-	-	-	-	1,396,440	1,396,440
Other Expenditures	731,326	-	-	-	-	-	-	-	731,326
TOTAL EXPENDITURES	8,996,408	-	7,057,757	400,278	370,000	172,704	15,121	3,112,809	20,125,077
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,870,068	127,184	62,294	(14,533)	79,614	(17,770)	529,288	(946,409)	1,689,736
OTHER FINANCING SOURCES (USES):									
Note/Lease Proceeds	-	-	97,784	-	-	-	-	-	97,784
Operating Transfers In	786,138	-	-	-	-	-	-	943,124	1,729,262
Operating Transfers Out	(827,760)	(655,440)	-	(64,442)	-	-	-	(131,620)	(1,679,262)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	1,828,446	(528,256)	160,078	(78,975)	79,614	(17,770)	529,288	(134,905)	1,837,520
FUND BALANCES, JANUARY 1	2,263,199	3,628,588	1,940,879	236,563	291,726	254,297	395,303	1,459,116	10,469,671
FUND BALANCES, DECEMBER 31	\$ 4,091,645	\$ 3,100,332	\$ 2,100,957	\$ 157,588	\$ 371,340	\$ 236,527	\$ 924,591	\$ 1,324,211	\$ 12,307,191

See accompanying notes to financial statements.

County of Chippewa, Michigan

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities For the Year Ended December 31, 2007

Net Changes in fund balances - total governmental funds \$ 1,837,520

The change in net assets reported for governmental activities in the statement of activities is different because:

Governmental funds reported capital outlays as expenditures. However, in the statement of activities the cost of those assets is capitalized and the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay (\$357,737) exceeded depreciation (\$662,627) and loss on disposal (\$9,162) in the current period.

(314,052)

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

Principal repayments:

Bond & Notes Payable

817,500

Capital Lease

58,551

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

(97,784)

Under the modified accrual basis of accounting used in governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. This adjustment combines the following net changes:

Compensated Absences

37,985

Accrued Interest Expense

8,418

Internal Service Fund Activity

51,231

Changes in net assets of governmental activities

\$ 2,399,369

**Statement of Net Assets
Proprietary Funds
December 31, 2007**

	Enterprise Funds			Governmental Activities
	Tax Collections	Sheriff Commissary	Totals	Internal Service Funds
ASSETS:				
Cash & Investments	\$ 8,521,336	\$ 2,588	\$ 8,523,924	\$ 263,875
Taxes Receivable	1,085,568	-	1,085,568	-
Inventories	-	-	-	48,714
Due from Other Units	16,494	-	16,494	-
Accrued Interest Receivable	240,557	-	240,557	-
TOTAL ASSETS	\$ 9,863,955	\$ 2,588	\$ 9,866,543	\$ 312,589
LIABILITIES:				
Due to Other Funds	\$ 16,486	\$ -	\$ 16,486	\$ 39,086
Accounts Payable	1,052	-	1,052	-
Other Liabilities	865	-	865	155,543
Due to Other Governmental Units	13,504	-	13,504	-
TOTAL LIABILITIES	31,907	-	31,907	194,629
NET ASSETS:				
Unrestricted	9,832,048	2,588	9,834,636	117,960
TOTAL NET ASSETS	\$ 9,832,048	\$ 2,588	\$ 9,834,636	\$ 117,960

County of Chippewa, Michigan

**Statement of Revenues, Expenses, and
Changes in Net Assets - Proprietary Funds
For the Year Ended December 31, 2007**

	Enterprise Funds			Governmental Activities
	Tax Collections	Sheriff Commissary	Totals	Internal Service Funds
OPERATING REVENUES:				
Charges for Services	\$ 171,434	\$ 118,397	\$ 289,831	\$ 2,388,701
Penalties and Interest Charges	382,962	-	382,962	-
Total Operating Revenues	<u>554,396</u>	<u>118,397</u>	<u>672,793</u>	<u>2,388,701</u>
OPERATING EXPENSES:				
Personal Services	15,429	-	15,429	-
Premium Reimbursements	-	-	-	2,275,258
Fees & Claims	-	-	-	44,184
Other Supplies and Expenses	14,129	76,678	90,807	18,028
Total Operating Expenses	<u>29,558</u>	<u>76,678</u>	<u>106,236</u>	<u>2,337,470</u>
OPERATING INCOME (LOSS)	<u>524,838</u>	<u>41,719</u>	<u>566,557</u>	<u>51,231</u>
NON-OPERATING REVENUES (EXPENSES):				
Interest on Deposits	120,848	-	120,848	-
Total Non-operating Revenues (Expenses)	<u>120,848</u>	<u>-</u>	<u>120,848</u>	<u>-</u>
INCOME (LOSS) BEFORE TRANSFERS	645,686	41,719	687,405	51,231
Operating Transfers In	3,000,000	-	3,000,000	-
Operating Transfers Out	<u>(3,000,000)</u>	<u>(50,000)</u>	<u>(3,050,000)</u>	<u>-</u>
CHANGE IN NET ASSETS	645,686	(8,281)	637,405	51,231
NET ASSETS, JANUARY 1	<u>9,186,362</u>	<u>10,869</u>	<u>9,197,231</u>	<u>66,729</u>
NET ASSETS, DECEMBER 31	<u>\$ 9,832,048</u>	<u>\$ 2,588</u>	<u>\$ 9,834,636</u>	<u>\$ 117,960</u>

**Statement of Cash Flows
Proprietary Fund Types
For the Year Ended December 31, 2007**

	Business-type Activities			Governmental Activities
	Enterprise Fund Tax Collections	Sheriff Commissary	Total	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from Customers	\$ 3,162,766	\$ 88,934	\$ 3,251,700	\$ 2,455,060
Payments to Suppliers	(2,790,669)	(47,215)	(2,837,884)	(2,292,300)
Payments to Employees	(14,564)	-	(14,564)	-
Internal Activity - Receipts (Payments) to Other Funds	1,633	-	1,633	-
Net Cash Provided (Used) by Operating Activities	<u>359,166</u>	<u>41,719</u>	<u>400,885</u>	<u>162,760</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Operating Transfers In	3,000,000	-	3,000,000	-
Operating Transfers Out	(3,000,000)	(50,000)	(3,050,000)	-
Net Cash Provided (Used) by Noncapital Financing Activities	<u>-</u>	<u>(50,000)</u>	<u>(50,000)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest Income	120,848	-	120,848	-
Net Cash Provided (Used) by Investing Activities	<u>120,848</u>	<u>-</u>	<u>120,848</u>	<u>-</u>
Net Increase (Decrease) in Cash and Cash Equivalents	480,014	(8,281)	471,733	162,760
Balances - Beginning of the Year	<u>8,041,322</u>	<u>10,869</u>	<u>8,052,191</u>	<u>101,115</u>
Balances - End of the Year	<u><u>\$ 8,521,336</u></u>	<u><u>\$ 2,588</u></u>	<u><u>\$ 8,523,924</u></u>	<u><u>\$ 263,875</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities				
Operating Income (Loss)	\$ 524,838	\$ 41,719	\$ 566,557	\$ 51,231
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	(84,935)	-	(84,935)	-
Accrued Interest Receivable	(50,614)	-	(50,614)	-
Inventory	-	-	-	986
Due from Other Governmental Units	(1,633)	-	(1,633)	66,358
Increase(Decrease) in Liabilities:				
Due to Other Governmental Units	(32,040)	-	(32,040)	-
Accrued Liabilities	865	-	865	-
Other Liabilities	1,052	-	1,052	44,184
Due to Other Funds	1,633	-	1,633	1
Net Cash Provided (Used) by Operating Activities	<u><u>\$ 359,166</u></u>	<u><u>\$ 41,719</u></u>	<u><u>\$ 400,885</u></u>	<u><u>\$ 162,760</u></u>

	<u>Agency Funds</u>
ASSETS:	
Cash & Investments - Unrestricted	\$ 1,067,065
 TOTAL ASSETS	 <u>\$ 1,067,065</u>
 LIABILITIES:	
Due to Other Governmental Units	\$ 82,254
Other Liabilities	1,438
Undistributed Tax Collections	618,874
Undistributed Receipts	<u>364,499</u>
 TOTAL LIABILITIES	 <u>\$ 1,067,065</u>

Component Units

County of Chippewa, Michigan

Statement of Net Assets Component Units December 31, 2007

	Road Commission	Economic Development Corporation	E.U.P. Transportation Authority	Totals
ASSETS:				
Cash & Investments - Unrestricted	\$ 2,055,618	\$ 943,843	\$ 609,069	\$ 3,608,530
- Restricted	-	-	20,000	20,000
Receivables:				
Interest	-	16,504	-	16,504
Accounts	2,376,971	175,244	160,725	2,712,940
Due from Governmental Units	-	-	102,946	102,946
Inventory	864,882	56,228	-	921,110
Prepaid Expense	95,977	-	7,255	103,232
Other Assets	-	-	1,313	1,313
Capital Assets (net)	66,396,210	20,299,115	9,476,960	96,172,285
TOTAL ASSETS	\$ 71,789,658	\$ 21,490,934	\$ 10,378,268	\$ 103,658,860
LIABILITIES:				
Current Liabilities:				
Short Term Note Payable	\$ -	\$ 345,880	\$ -	\$ 345,880
Accounts Payable	157,084	28,377	108,997	294,458
Due to Governmental Units	3,892	13,143	2,908	19,943
Amounts Due to Primary Government	-	10,989	-	10,989
Deferred Revenue	-	10,989	-	10,989
Accrued Liabilities	73,375	-	93,147	166,522
Advances	1,100,808	-	-	1,100,808
Other Liabilities	5,000	-	5,062	10,062
Notes Payable - Current	179,705	13,604	41,760	235,069
Compensated Absences	-	-	824	824
Non-Current Liabilities:				
Notes Payable	513,804	1,500	88,596	603,900
Compensated Absences	265,227	64,951	192,380	522,558
TOTAL LIABILITIES	2,298,895	489,433	533,674	3,322,002
NET ASSETS:				
Invested in Capital Assets, net of related debt	65,702,701	19,938,131	9,346,604	94,987,436
Restricted for County Road	3,788,062	-	-	3,788,062
Restricted for Transportation	-	-	497,990	497,990
Unrestricted	-	1,063,370	-	1,063,370
TOTAL NET ASSETS	69,490,763	21,001,501	9,844,594	100,336,858
TOTAL LIABILITIES AND NET ASSETS	\$ 71,789,658	\$ 21,490,934	\$ 10,378,268	\$ 103,658,860

County of Chippewa, Michigan

Statement of Activities Component Units For the Year Ended December 31, 2007

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Road Commission	Economic Development Corporation	E.U.P. Transportation Authority	Total
Road Commission:								
Public Works	\$ 7,075,256	\$ 1,983,798	\$ 2,988,848	\$ 4,663,818	\$ 2,561,208	\$ -	\$ -	\$ 2,561,208
Economic Development Corporation:								
Economic Development	3,168,688	2,045,907	6,038	532,561	-	(584,182)	-	(584,182)
E.U.P. Transportation Authority:								
Public Works	3,445,081	1,378,883	1,530,208	572,952	-	-	36,962	36,962
Total Component Units	<u>\$ 13,689,025</u>	<u>\$ 5,408,588</u>	<u>\$ 4,525,094</u>	<u>\$ 5,769,331</u>	<u>2,561,208</u>	<u>(584,182)</u>	<u>36,962</u>	<u>2,013,988</u>
General Revenues:								
Taxes					689,027	-	-	689,027
Investment Earnings					90,916	49,913	12,301	153,130
Other					40,000	-	6,628	46,628
Total General Revenues					<u>819,943</u>	<u>49,913</u>	<u>18,929</u>	<u>888,785</u>
Changes in Net Assets					3,381,151	(534,269)	55,891	2,902,773
Net Assets - Beginning					66,109,612	21,535,770	9,788,703	97,434,085
Net Assets - Ending					<u>\$ 69,490,763</u>	<u>\$ 21,001,501</u>	<u>\$ 9,844,594</u>	<u>\$ 100,336,858</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

Financial Reporting Entity

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

Component Units:

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

Blended Component Units

Chippewa County Health Department – The members of the governing body of the Chippewa County Health Department are appointed by the County Commission. The Health Department provides limited health services to residents of Chippewa County. The Chippewa County Health Department is a Special Revenue fund of the County of Chippewa, Michigan, and is presented on its fiscal year end, September 30, 2007.

Discretely Presented Component Units

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

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

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 is a September 30, 2007 year end.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Discretely Presented Component Units Administrative Offices:

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

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

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

Blended Component Unit Administrative Offices:

Chippewa County Health Department
508 Ashmun, Suite 120
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, 2007.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Jointly Organized Property

The County owns a building jointly with the City of Sault Ste. Marie, Michigan. The operations are governed by a four-member group of individuals. During 2007, the County remitted payments to the City of \$90,476 for their share of the costs of operations.

B – Government-Wide and Fund Financial Statements

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

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

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

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxes Receivable

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

Although the County of Chippewa 2006 ad valorem tax is levied and collectible on December 1, 2006, and 2007 ad valorem tax is levied and collectible on July 1, 2007, it is the County of Chippewa's policy to recognize revenue from the current tax levy in the current year when the proceeds of this levy are budgeted and made "available" for the financing of operations. "Available" means collected within the current period or expected to be paid from the delinquent tax revolving funds within one year.

The December 1, 2006 taxable valuation of the County of Chippewa totaled \$897,212,364, on which ad valorem taxes levied consisted of 1.9772 mills for the County operating, 0.4293 mills for fire/ambulance services, 0.9607 mills for roads, 0.5000 mills for recycling, and 0.6000 mills for debt service. These amounts are recognized in the respective General, Special Revenue Fund, Debt Service Fund, and Component Unit financial statements as revenue.

The July 1, 2007 taxable valuation of the County of Chippewa totaled \$945,255,956, on which ad valorem taxes levied consisted of 6.1426 mills for the General Fund. This amount is recognized in the General Fund as revenue.

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

The County reports the following major governmental funds:

General Fund

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

Revenue Sharing Reserve

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

Health Department

This fund accounts for health services and related grant funds.

Ambulance

This fund accounts for the collection of the tax millage for the local ambulance operations.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Chippewa County Recycling

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

Office of Emergency Services

This fund accounts for emergency services within Chippewa County.

Correctional Maintenance Fund

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

The County reports the following major proprietary funds:

Tax Collection Fund

This fund accounts for property tax administration within the county.

Sheriff Commissary Fund

This fund accounts for the internal activity of jail inmates.

Additionally, the County reports the following fund types:

Internal Service Funds

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

Agency Funds

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

D - Assets, Liabilities, and Net Assets or Equity

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

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

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

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

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

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

Michigan Public Act 621 of 1978 (the Budgeting Act) requires that budgets be adopted for Governmental Funds. U.S. generally accepted accounting principles require that the financial statements present budgetary comparisons for the Governmental Fund Types for which budgets were legally adopted. The original budget adopted for the General fund was modified throughout the year through various budget amendments.

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

Excess of Expenditures Over Appropriations in Budgeted Funds – Public Act 621 of 1978, Section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. In the body of the financial statements, the Health Department’s actual expenditures and budgeted expenditures for the budgetary fund had been shown on a functional basis. The budget is adopted at the functional level. During the year ended September 30, 2007, the Health Department incurred expenditures which were in excess of the amount appropriated.

NOTE 3 - DEPOSITS AND INVESTMENTS

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

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Fiduciary Funds</u>	<u>Total Primary Government</u>	<u>Component Units</u>
Cash and Investments					
-Unrestricted	\$ 10,503,572	\$ 8,523,924	\$ 1,067,065	\$ 20,094,561	\$ 3,608,530
-Restricted	<u>596,580</u>	<u>-</u>	<u>-</u>	<u>596,580</u>	<u>20,000</u>
Total	<u>\$ 11,100,152</u>	<u>\$ 8,523,924</u>	<u>\$ 1,067,065</u>	<u>\$ 20,691,141</u>	<u>\$ 3,628,530</u>

The categories of deposits and investments are as follows:

	<u>Primary Government</u>	<u>Component Units</u>
Bank Deposits (checking and savings accounts, certificates of deposit)	\$ 20,613,249	\$ 3,031,712
Investment:		
Repurchase agreement	74,892	-
Public Money Market Funds	-	594,588
Petty Cash and Cash on Hand	<u>3,000</u>	<u>2,230</u>
Total	<u>\$ 20,691,141</u>	<u>\$ 3,628,530</u>

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

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

Investment and Deposit Risk

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

Credit risk. The County's investment policy does not have specific limits in excess of state law on investment credit risk. The County has no investments for which ratings are required.

Custodial deposit credit risk. Custodial deposit credit risk is the risk that in the event of a bank failure, the County's deposits may not be returned. State law does not require and the County does not have a policy for deposit custodial credit risk. As of year end, \$20,354,069 of the County's bank balance of \$20,891,867 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, 2007, none of the County's investments, excluding the money market accounts which are not subject to custodial credit risk, were exposed to risk since the securities are held in the County's name by the counter party.

Statutory Authority:

Michigan Law (Public Act 20 of 1943 as amended) authorizes the County to deposit and invest in one or more of the following:

- a. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution that is eligible to be a depository of funds belonging to the State under a law or rule of this State or the United States.
- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and matures not more than 270 days after the date of purchase.
- d. Repurchase agreements consisting of instruments listed in a.
- e. Banker's acceptance of United States banks.
- f. Obligations of this State or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
- g. Mutual funds registered under the investment company act of 1940, Title I of Chapter 686, 54 Stat. 789, 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64, with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

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

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2007, was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental Activities:				
<i>Capital assets not being depreciated:</i>				
Land	\$ 231,810	\$ -	\$ -	\$ 231,810
<i>Capital assets being depreciated:</i>				
Land improvements	209,400	-	-	209,400
Buildings & improvements	15,553,616	7,100	-	15,560,716
Furniture & equipment	1,950,959	146,768	-	2,097,727
Vehicles	<u>568,401</u>	<u>203,869</u>	<u>(145,173)</u>	<u>627,097</u>
Subtotal	<u>18,282,376</u>	<u>357,737</u>	<u>(145,173)</u>	<u>18,494,940</u>
<i>Less accumulated depreciation on:</i>				
Land improvements	(96,150)	(4,260)	-	(100,410)
Buildings & improvements	(7,107,719)	(357,720)	-	(7,465,439)
Furniture & equipment	(939,173)	(237,908)	-	(1,177,081)
Vehicles	<u>(443,177)</u>	<u>(62,739)</u>	<u>136,011</u>	<u>(369,905)</u>
Subtotal	<u>(8,586,219)</u>	<u>(662,627)</u>	<u>136,011</u>	<u>(9,112,835)</u>
Net Capital Assets Being Depreciated	<u>9,696,157</u>	<u>(304,890)</u>	<u>(9,162)</u>	<u>9,382,105</u>
Governmental Activity Capital Assets, Net of Depreciation	<u>\$ 9,927,967</u>	<u>\$ (304,890)</u>	<u>\$ (9,162)</u>	<u>\$ 9,613,915</u>

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

Governmental Activities	
Health & Welfare	\$ 83,536
Unallocated	<u>579,091</u>
Total Governmental Activities	<u>\$ 662,627</u>

NOTE 5 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

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

DUE FROM	DUE TO OTHER FUNDS		
	General Fund	All Others	Totals
Revenue Sharing Reserve	\$ 15,018	\$ -	\$ 15,018
Office of Emergency Services	345,960	-	345,960
Tax Collections	16,486	-	16,486
Component Units	10,989	-	10,989
All Others	<u>78,302</u>	<u>10,989</u>	<u>89,291</u>
Total	<u>\$ 466,755</u>	<u>\$ 10,989</u>	<u>\$ 477,744</u>

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

TRANSFERS FROM	TRANSFERS TO			
	General Fund	Nonmajor Governmental	Tax Collections	Total
General Fund	\$ -	\$ 827,760	\$ -	\$ 827,760
Revenue Sharing Reserve	655,440	-	-	655,440
Ambulance	-	64,442	-	64,442
Non-Major Governmental	80,698	50,922	-	131,620
Tax Collections	-	-	3,000,000	3,000,000
Sheriff Commissary	<u>50,000</u>	<u>-</u>	<u>-</u>	<u>50,000</u>
Total	<u>\$ 786,138</u>	<u>\$ 943,124</u>	<u>\$ 3,000,000</u>	<u>\$ 4,729,262</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 - LEASES

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

<u>Year Ended June 30</u>	<u>Health Department</u>
2008	87,940
2009	80,880
2010	66,031
2011	34,800
2012	<u>20,302</u>
Total Minimum Lease Payments	289,953
Less: Amount Representing Interest	<u>(38,475)</u>
Present Value	<u>\$ 251,478</u>

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

NOTE 7 - LONG-TERM DEBT

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

	<u>Interest Rate</u>	<u>Principal Matures</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities							
General Obligation Bonds, 1977							
Superior Twp. Water & Sewer Bonds	5.00%	2016	\$ 55,000	\$ -	\$ 5,000	\$ 50,000	\$ 5,000
2000 Chippewa Co. Water Supply System Bonds (Series A)	4.50%	2040	559,000	-	7,000	552,000	7,000
2000 Chippewa Co. Water Supply System Bonds (Series B)	4.50%	2040	25,000	-	500	24,500	500
1995 City of Sault Ste. Marie							
Water Supply and Sewage Disposal System Bonds	5.04%	2015	2,030,000	-	180,000	1,850,000	190,000
1995 Building Authority Bonds	5.47%	2015	1,165,000	-	100,000	1,065,000	110,000

NOTE 7 - LONG-TERM DEBT (Continued)

	Interest Rate	Principal Matures	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
1998 City of Sault Ste. Marie Water Supply and Sewage Disposal System Bonds	4.29%	2018	2,260,000	-	105,000	2,155,000	100,000
1999 Building Authority Bonds	4.30%	2018	3,480,000	-	180,000	3,300,000	200,000
2000 Building Authority Bonds	4.83%	2009	545,000	-	175,000	370,000	180,000
2001 Chippewa County Water Supply and Sewage Disposal System Bonds	3.50%	2022	<u>2,345,000</u>	-	<u>65,000</u>	<u>2,280,000</u>	<u>70,000</u>
Total Governmental Activities			<u>\$12,464,000</u>	<u>\$ -</u>	<u>\$ 817,500</u>	<u>\$11,646,500</u>	<u>\$ 862,500</u>

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

<u>Year End December 31</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2008	862,500	536,480
2009	918,500	495,884
2010	763,500	452,631
2011	814,500	416,853
2012	854,500	378,617
2013-2017	4,783,500	1,255,955
2018-2022	2,236,500	331,051
2023-2027	84,000	83,882
2028-2032	105,000	62,665
2033-2037	130,000	36,228
2038-2040	<u>94,000</u>	<u>6,458</u>
Total	<u>\$ 11,646,500</u>	<u>\$ 4,056,704</u>

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

Governmental Activities:	
Health & Welfare	\$ 21,870
Unallocated	<u>566,423</u>
Total	<u>\$ 588,293</u>

Compensated Absences – County General Employees

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

NOTE 7 - LONG-TERM DEBT (Continued)

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

A summary of accrued compensated absences at December 31, 2007 is as follows:

Vacation	\$ 220,934
Sick Leave	294,232
Compensation Time	<u>4,032</u>
TOTALS	<u>\$ 519,198</u>

NOTE 8 - RISK MANAGEMENT

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

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

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

The County established the Self Insurance Fund (an internal service fund) to account for and finance its uninsured risks of loss. Health insurance is reinsured for claims exceeding \$50,000 in aggregate. All funds of the County participate in the program and make payments to the Fund based on estimates of the amounts needed to pay prior-and current-year claims and to establish a reserve for catastrophe losses. That reserve was \$63,855 and is reported as an unrestricted net asset. The claims liability of \$155,543 reported in the Fund for 2007 is based on the requirements of Governmental Accounting Standards Board statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Changes in the Fund's claims liability amount in fiscal 2007 and 2006 were:

NOTE 8 - RISK MANAGEMENT (Continued)

	<u>Beginning Balance</u>	<u>Current-Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Ending Balance</u>
2006	\$ 140,888	\$ 97,728	\$ (127,257)	\$ 111,359
2007	111,359	88,368	(44,184)	155,543

NOTE 9 - CONTINGENT LIABILITIES

The County has received significant financial assistance from state and federal agencies in the form of various grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreement and is subject to audit by the grantor agency. Any disallowed claims resulting from such audits could become a liability of the applicable fund of the County. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the County at December 31, 2007.

NOTE 10 - OTHER POST-EMPLOYMENT BENEFITS

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

The County funds between 0% and 100% of the premiums of the policies on a pay-as-you-go basis depending on the contract. During 2007, the County paid hospitalization premiums for 52 qualified individuals. At December 31, 2007, the County contributed \$273,459 towards hospitalization insurance.

NOTE 11 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS

Description of Plan and Plan Assets

The County is in an agent multiple-employer defined benefit pension plan with the Municipal Employees’ Retirement System (MERS). The system provides the following provisions: normal retirement, deferred retirement and service retirement to plan members and their beneficiaries. The service requirement is computed using credited service at the time of termination of membership multiplies by the sum of 2.0 percent times the final compensation (FAC). The most recent period of which actuarial data was available was for the fiscal year ended December 31, 2006.

NOTE 11 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

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

Funding Policy

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

The contribution rate as a percentage of payroll at December 31, 2007 is as follows:

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

Annual Pension Cost

During the fiscal year ended December 31, 2007, the County’s contributions totaling \$653,002 were made in accordance with contribution requirement determined by an actuarial valuation of the plan as of December 31, 2005. The employer contribution rate has been determined based on the entry age normal funding method. Under the entry age normal cost funding method, the total employer contribution is comprised of the normal cost plus the level annual percentage of payroll payment required to normal cost is, for each employee, the level percentage of payroll contribution (from entry age to retirement) required to accumulate sufficient assets at the member’s retirement to pay for his projected benefit. Significant actuarial assumptions used include a long-term investment yield rate of 8 percent and annual salary increases of 4.5 percent based on an age-related scale to reflect merit, longevity, and promotional salary increases. The unfunded actuarial liability is amortized as a level percent of payroll on a closed basis. The remaining amortization period is 30 years.

NOTE 11 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

Three year trend information as of December 31st follows:

	<u>2004</u>	<u>2005</u>	<u>2006</u>
Actuarial Value of Assets	\$ 19,907,076	\$ 21,105,600	\$ 22,719,301
Actuarial Accrued Liability	22,727,407	24,098,670	25,841,406
Unfunded AAL	2,820,331	2,993,070	3,122,105
Funded Ratio	88%	88%	88%
Covered Payroll	6,090,611	6,359,260	7,049,299
UAAL as a Percentage of Covered Payroll	46%	47%	44%

<u>Year Ended Dec 31</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2004	\$ 502,622	100%	0
2005	502,447	100%	0
2006	532,155	100%	0

ROAD COMMISSION

The Road Commission has an agent, single-employer defined benefit pension plan with the Municipal Employees' Retirement System (MERS), administered by the State of Michigan. The system provides the following provisions: normal retirement, deferred retirement and service retirement to plan members and their beneficiaries. The service requirement is computed using credited service at the time of termination of membership multiplied by the sum of 2.25 percent times the final compensation (FAC), with a maximum benefit of 80% FAC. The most recent period of which actuarial data was available was for the fiscal year ended December 31, 2006.

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

NOTE 11 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

Funding Policy

The obligation to contribute to and maintain the system for these employees was established by negotiation with the Road Commission’s competitive bargaining unit and personnel policy, which require employees to contribute 0% to 10% to the plan. The Road Commission is required to contribute at an actuarially determined rate. The contribution rate as a percentage of payroll at December 31, 2005 is as follows:

General 16.07%

Annual Pension Cost (Road Commission)

During the fiscal year ended December 31, 2007, the Commission’s contributions totaling \$306,814 were made in accordance with contribution requirements determined by an actuarial valuation of the plan as of December 31, 2005. The employer contribution rate has been determined based on the entry age normal cost funding method. Under the entry age normal cost funding method, the total employer contribution is comprised of the normal cost plus the level annual percentage of payroll payment required to amortize the unfunded actuarial accrued liability over 30 years. The employer normal cost is, for each employee, the level percentage of payroll contribution (from entry age to retirement) required to accumulate sufficient assets at the member’s retirement to pay for his projected benefit. Significant actuarial assumptions used include a long-term investment yield rate of 8 percent and annual salary increases of 4.5 percent based on an age-related scale to reflect merit, longevity, and promotional salary increases. The unfunded actuarial liability is amortized as level percent of payroll on a closed basis. The remaining amortization period is 30 years.

Three year trend information as of December 31st follows:

	2004	2005	2006
Actuarial Value of Assets	\$ 9,958,825	\$ 10,111,961	\$ 10,481,715
Actuarial Accrued Liability	12,719,846	13,232,285	13,793,265
Unfunded AAL	2,761,021	3,120,324	3,311,550
Funded Ratio	78%	76%	76%
Covered Payroll	2,336,689	2,192,621	2,364,544
UAAL as a Percentage of Covered Payroll	118%	142%	140%

Year Ended Dec 31	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2004	\$ 309,188	100%	0
2005	292,179	100%	0
2006	331,307	100%	0

NOTE 12 - DEFERRED COMPENSATION PLAN

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

NOTE 13 - FUND EQUITY DESIGNATIONS/RESERVATIONS

Fund equity designations can be described as follows:

Debt Service	\$ 279,244	Designated for Debt Service
Special Revenue	3,116,207	Designated for Fund Purpose
Capital Projects	957	Designated for Capital Projects

Fund equity reservations are described as follows:

Revenue Sharing Reserve	\$ 3,100,332	Reserved for Revenue Sharing
-------------------------	--------------	------------------------------

NOTE 14 - SUBSEQUENT EVENTS

In January 2008, the County approved the purchase of the City/County building for \$750,000.

Required Supplementary Information

County of Chippewa, Michigan

Required Supplementary Information Budgetary Comparison Schedule General Fund For the Year Ended December 31, 2007

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final		Final Budget - Positive (Negative)
REVENUES:				
Taxes	\$ 5,473,339	\$ 5,473,339	\$ 6,366,300	\$ 892,961
License & Permits	43,000	49,900	75,740	25,840
Federal Sources	506,574	506,574	500,659	(5,915)
State Sources	1,124,666	1,167,413	1,085,207	(82,206)
Local Sources	190,000	190,000	182,719	(7,281)
Charges for Services	1,424,600	1,459,000	1,606,265	147,265
Interest & Rentals	600,000	600,000	712,638	112,638
Fines & Forfeitures	73,000	73,000	72,124	(876)
Other Revenue	246,800	263,793	264,824	1,031
TOTAL REVENUES	9,681,979	9,783,019	10,866,476	1,083,457
EXPENDITURES:				
Legislative:				
Board of Commissioners	133,647	144,647	141,676	2,971
Judicial:				
Juvenile Court	277,168	277,168	270,267	6,901
Circuit Court	335,430	344,849	344,667	182
District Court	520,922	521,642	485,012	36,630
Friend of the Court	335,142	336,562	331,879	4,683
Jury Board	3,460	4,110	3,873	237
Probate Court	497,252	497,252	478,635	18,617
Public Defender	246,305	246,305	239,114	7,191
Bailiff	41,011	41,011	36,913	4,098
Total Judicial	2,256,690	2,268,899	2,190,360	78,539
General Government:				
Administrator	185,320	185,320	181,648	3,672
Information Systems	230,192	230,192	208,365	21,827
Elections	20,150	30,150	28,490	1,660
County Clerk	233,309	233,309	224,396	8,913
Equalization	193,172	193,172	163,326	29,846
Prosecuting Attorney	389,445	407,625	400,983	6,642
Support Coordinator	97,427	97,427	93,953	3,474
Crime Victim Advocate	54,925	55,435	54,258	1,177
Remonumentation	182,472	197,472	197,472	-
Register of Deeds	238,622	270,622	269,080	1,542
Treasurer	255,082	255,082	238,816	16,266
Cooperative Extension	84,920	94,413	89,593	4,820
Buildings & Grounds	401,590	406,090	351,440	54,650
Drain Commission	1,897	1,897	1,003	894
Soil Conservation District	22,000	22,000	22,000	-
Plat Book	37,000	37,000	36,950	50
Surveyor	27,539	28,039	27,823	216
Total General Government	2,655,062	2,745,245	2,589,596	155,649

**Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended December 31, 2007**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Public Safety:				
Sheriff	957,834	955,759	902,065	53,694
Concealed Weapons Board	12,696	12,696	10,415	2,281
S.A.N.E	72,929	72,929	72,827	102
Marine	25,951	25,951	22,020	3,931
Jail	1,738,593	1,740,893	1,707,921	32,972
Regional Planning Commission	16,000	26,000	26,000	-
Snowmobile Patrol Grant	70,851	70,851	55,432	15,419
O.R.V. Grant	15,500	20,350	18,074	2,276
Animal Control	108,583	110,833	110,012	821
Total Public Safety	3,018,937	3,036,262	2,924,766	111,496
Health & Welfare:				
Contagious Diseases	1,000	1,000	-	1,000
Health Board	7,000	7,750	7,734	16
Substance Abuse	89,000	97,312	97,312	-
Medical Examiner	25,000	50,000	44,896	5,104
Health Department Building & Tax	21,000	21,000	13,130	7,870
Veterans Affairs	73,351	73,351	68,588	4,763
Senior Citizen Nutrition Program	60,000	60,000	60,000	-
Total Health & Welfare	276,351	310,413	291,660	18,753
Other Expenditures:				
Retirees Hospitalization	300,000	300,000	273,459	26,541
Insurance	200,000	200,000	187,139	12,861
Rural Bus Program	20,000	20,000	20,000	-
Legal Services	15,000	15,000	6,387	8,613
Audit	29,900	29,900	27,692	2,208
Telephone	5,000	5,000	3,498	1,502
Postage Meter	5,000	5,000	3,474	1,526
Other Miscellaneous	12,150	12,150	3,893	8,257
Cost Allocation Plan	5,000	5,000	4,450	550
PILT - Townships	30,000	30,000	30,000	-
Contingencies	20,000	-	-	-
Appropriations	171,334	171,334	171,334	-
Total Other Expenditures	813,384	793,384	731,326	62,058

**Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended December 31, 2007**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Capital Outlay:				
Computer	27,500	27,500	23,423	4,077
Vehicle	100,000	104,000	103,601	399
Total Capital Outlay	<u>127,500</u>	<u>131,500</u>	<u>127,024</u>	<u>4,476</u>
TOTAL EXPENDITURES	<u>9,281,571</u>	<u>9,430,350</u>	<u>8,996,408</u>	<u>433,942</u>
EXCESS OF REVENUES OVER EXPENDITURES	400,408	352,669	1,870,068	1,517,399
OTHER FINANCING SOURCES (USES):				
Operating Transfers In	729,912	742,580	786,138	43,558
Operating Transfers Out	<u>(1,027,718)</u>	<u>(1,033,119)</u>	<u>(827,760)</u>	<u>205,359</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	<u>\$ 102,602</u>	<u>\$ 62,130</u>	1,828,446	<u>\$ 1,766,316</u>
FUND BALANCE, JANUARY 1			<u>2,263,199</u>	
FUND BALANCE, DECEMBER 31			<u>\$ 4,091,645</u>	

**Required Supplementary Information
Budgetary Comparison Schedule
Revenue Sharing Reserve Fund
For the Year Ended December 31, 2007**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Interest & Rentals	\$ -	\$ 100,000	\$ 127,184	\$ 27,184
Total Revenues	-	100,000	127,184	27,184
OTHER FINANCING SOURCES (USES):				
Operating Transfers Out	(652,912)	(655,440)	(655,440)	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	<u>\$ (652,912)</u>	<u>\$ (555,440)</u>	(528,256)	<u>\$ 27,184</u>
FUND BALANCE, JANUARY 1			<u>3,628,588</u>	
FUND BALANCE, DECEMBER 31			<u>\$ 3,100,332</u>	

**Required Supplementary Information
Budgetary Comparison Schedule
Health Department
For the Year Ended September 30, 2007**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
State Sources	\$ 958,425	\$ 957,627	\$ 1,493,459	\$ 535,832
Local Sources	175,920	211,481	224,851	13,370
Charges for Services	4,904,553	5,200,369	5,176,927	(23,442)
Interest & Rentals	-	-	970	970
Other Revenue	287,999	215,366	223,844	8,478
TOTAL REVENUES	6,326,897	6,584,843	7,120,051	535,208
EXPENDITURES:				
Health and Welfare	6,326,897	6,584,843	7,057,757	(472,914)
TOTAL EXPENDITURES	6,326,897	6,584,843	7,057,757	(472,914)
EXCESS OF REVENUES OVER EXPENDITURES	-	-	62,294	62,294
OTHER FINANCING SOURCES (USES):				
Lease Proceeds	-	-	97,784	97,784
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	\$ -	\$ -	160,078	\$ 160,078
FUND BALANCE, OCTOBER 1			1,940,879	
FUND BALANCE, SEPTEMBER 30			\$ 2,100,957	

**Required Supplementary Information
Budgetary Comparison Schedule
Ambulance
For the Year Ended December 31, 2007**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 383,158	\$ 383,158	\$ 385,745	\$ 2,587
TOTAL REVENUES	383,158	383,158	385,745	2,587
EXPENDITURES:				
Health and Welfare	296,053	431,053	400,278	30,775
TOTAL EXPENDITURES	296,053	431,053	400,278	30,775
EXCESS OF REVENUES OVER EXPENDITURES	87,105	(47,895)	(14,533)	33,362
OTHER FINANCING SOURCES (USES):				
Operating Transfers Out	(87,105)	(100,000)	(64,442)	35,558
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	\$ -	\$ (147,895)	(78,975)	\$ 68,920
FUND BALANCE, JANUARY 1			236,563	
FUND BALANCE, DECEMBER 31			\$ 157,588	

County of Chippewa, Michigan

Required Supplementary Information Budgetary Comparison Schedule Chippewa County Recycling For the Year Ended December 31, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 446,261	\$ 446,261	\$ 449,614	\$ 3,353
TOTAL REVENUES	446,261	446,261	449,614	3,353
EXPENDITURES:				
Public Works	387,562	387,562	370,000	17,562
TOTAL EXPENDITURES	387,562	387,562	370,000	17,562
EXCESS OF REVENUES OVER EXPENDITURES	<u>\$ 58,699</u>	<u>\$ 58,699</u>	79,614	<u>\$ 20,915</u>
FUND BALANCE, JANUARY 1			291,726	
FUND BALANCE, DECEMBER 31			<u>\$ 371,340</u>	

**Required Supplementary Information
Budgetary Comparison Schedule
Office of Emergency Services
For the Year Ended December 31, 2007**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Federal Sources	\$ 123,982	\$ 123,982	\$ 146,969	\$ 22,987
Other Revenue	-	-	7,965	7,965
TOTAL REVENUES	<u>123,982</u>	<u>123,982</u>	<u>154,934</u>	<u>30,952</u>
EXPENDITURES:				
Public Safety	<u>211,087</u>	<u>211,087</u>	<u>172,704</u>	<u>38,383</u>
TOTAL EXPENDITURES	<u>211,087</u>	<u>211,087</u>	<u>172,704</u>	<u>38,383</u>
EXCESS OF REVENUES OVER EXPENDITURES	(87,105)	(87,105)	(17,770)	(7,431)
OTHER FINANCING SOURCES (USES):				
Operating Transfers In	<u>87,105</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	<u>\$ -</u>	<u>\$ (87,105)</u>	(17,770)	<u>\$ (7,431)</u>
FUND BALANCE, JANUARY 1			<u>254,297</u>	
FUND BALANCE, DECEMBER 31			<u>\$ 218,757</u>	

**Required Supplementary Information
Budgetary Comparison Schedule
Correctional Facility Management
For the Year Ended December 31, 2007**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 535,614	\$ 535,614	\$ 539,374	\$ 3,760
Interest & Rentals	-	-	5,035	5,035
TOTAL REVENUES	<u>535,614</u>	<u>535,614</u>	<u>544,409</u>	<u>8,795</u>
EXPENDITURES:				
Public Safety	<u>91,300</u>	<u>31,300</u>	<u>15,121</u>	<u>16,179</u>
TOTAL EXPENDITURES	<u>91,300</u>	<u>31,300</u>	<u>15,121</u>	<u>16,179</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>\$ 444,314</u>	<u>\$ 504,314</u>	529,288	<u>\$ (7,384)</u>
FUND BALANCE, JANUARY 1			<u>395,303</u>	
FUND BALANCE, DECEMBER 31			<u>\$ 924,591</u>	

Other Supplementary Information

County of Chippewa, Michigan

Combining Balance Sheet Nonmajor Governmental Funds December 31, 2007

	Special Revenue Funds							
	50th Circuit Court	Construction Code	HUD Grant	Victim's Compensation	D.A.R.E.	Family Counseling	Emergency Telephone System	Bench Warrant
ASSETS:								
Cash & Investments - Unrestricted	\$ 7,566	\$ 3,723	\$ 10,207	\$ 1,964	\$ 25	\$ 480	\$ -	\$ 2,122
Accounts Receivable	-	-	-	-	-	-	32,507	-
Interest Receivable	-	-	-	-	-	-	-	-
Due from Other Funds	-	-	-	-	-	-	10,989	-
Due from Governmental Units	-	-	55,557	-	-	-	30,883	-
Prepaid Expenditures	-	130	-	-	-	-	248	-
TOTAL ASSETS	<u>\$ 7,566</u>	<u>\$ 3,853</u>	<u>\$ 65,764</u>	<u>\$ 1,964</u>	<u>\$ 25</u>	<u>\$ 480</u>	<u>\$ 74,627</u>	<u>\$ 2,122</u>
LIABILITIES:								
Due to Other Funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 49,853	\$ -
Accounts Payable	383	110	-	-	-	-	3,847	-
Accrued Liabilities	-	3,743	-	-	-	-	20,927	-
Deferred Revenue	-	-	-	-	-	-	-	-
TOTAL LIABILITIES	<u>383</u>	<u>3,853</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>74,627</u>	<u>-</u>
FUND BALANCES:								
Unreserved:								
Designated	7,183	-	65,764	1,964	25	480	-	2,122
TOTAL FUND BALANCES	<u>7,183</u>	<u>-</u>	<u>65,764</u>	<u>1,964</u>	<u>25</u>	<u>480</u>	<u>-</u>	<u>2,122</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 7,566</u>	<u>\$ 3,853</u>	<u>\$ 65,764</u>	<u>\$ 1,964</u>	<u>\$ 25</u>	<u>\$ 480</u>	<u>\$ 74,627</u>	<u>\$ 2,122</u>

County of Chippewa, Michigan

Combining Balance Sheet Nonmajor Governmental Funds December 31, 2007

	Special Revenue Funds							
	FDC Child Support	Community Service	Superior Twp 2000 Improvements Maint	Office of Community Correction	Homestead Property Tax Exemption Audit	Register of Deeds Automation	CCSD Salvage Vehicle	Secondary Road Patrol
ASSETS:								
Cash & Investments - Unrestricted	\$ 37,143	\$ 5,810	\$ 9,676	\$ 55,017	\$ -	\$ 49,096	\$ 14,967	\$ 8,526
Accounts Receivable	-	-	-	3,924	-	-	-	-
Interest Receivable	-	-	-	-	-	-	-	-
Due from Other Funds	-	-	-	-	-	-	-	-
Due from Governmental Units	-	-	-	-	-	-	-	21,710
Prepaid Expenditures	-	-	-	-	-	-	-	-
TOTAL ASSETS	<u>\$ 37,143</u>	<u>\$ 5,810</u>	<u>\$ 9,676</u>	<u>\$ 58,941</u>	<u>\$ -</u>	<u>\$ 49,096</u>	<u>\$ 14,967</u>	<u>\$ 30,236</u>
LIABILITIES:								
Due to Other Funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts Payable	-	-	-	1,839	-	1,139	-	-
Accrued Liabilities	-	-	-	2,673	-	624	-	5,592
Deferred Revenue	-	-	-	-	-	-	-	-
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,512</u>	<u>-</u>	<u>1,763</u>	<u>-</u>	<u>5,592</u>
FUND BALANCES:								
Unreserved:								
Designated	37,143	5,810	9,676	54,429	-	47,333	14,967	24,644
TOTAL FUND BALANCES	<u>37,143</u>	<u>5,810</u>	<u>9,676</u>	<u>54,429</u>	<u>-</u>	<u>47,333</u>	<u>14,967</u>	<u>24,644</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 37,143</u>	<u>\$ 5,810</u>	<u>\$ 9,676</u>	<u>\$ 58,941</u>	<u>\$ -</u>	<u>\$ 49,096</u>	<u>\$ 14,967</u>	<u>\$ 30,236</u>

County of Chippewa, Michigan

Combining Balance Sheet Nonmajor Governmental Funds December 31, 2007

	Special Revenue Funds							
	Sheriff Law Enforcement Training	Local Corrections Officer's Training	Sheriff Park Patrol	Road Patrol Overtime	Sheriff Special Projects	Law Library	Snowmobile Trail Marker	Animal Shelter Donations
ASSETS:								
Cash & Investments - Unrestricted	\$ 5,017	\$ 10,738	\$ 12,419	\$ 3,691	\$ 11,677	\$ 5,420	\$ 681	\$ 16,360
Accounts Receivable	-	-	-	-	-	-	-	-
Interest Receivable	-	-	-	-	-	-	-	-
Due from Other Funds	-	-	-	-	-	-	-	-
Due from Governmental Units	-	-	-	-	-	-	-	-
Prepaid Expenditures	-	-	-	-	-	-	-	-
TOTAL ASSETS	<u>\$ 5,017</u>	<u>\$ 10,738</u>	<u>\$ 12,419</u>	<u>\$ 3,691</u>	<u>\$ 11,677</u>	<u>\$ 5,420</u>	<u>\$ 681</u>	<u>\$ 16,360</u>
LIABILITIES:								
Due to Other Funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts Payable	24	-	-	-	-	265	-	400
Accrued Liabilities	-	-	-	914	-	-	-	-
Deferred Revenue	-	-	-	-	-	-	-	4,937
TOTAL LIABILITIES	<u>24</u>	<u>-</u>	<u>-</u>	<u>914</u>	<u>-</u>	<u>265</u>	<u>-</u>	<u>5,337</u>
FUND BALANCES:								
Unreserved:								
Designated	4,993	10,738	12,419	2,777	11,677	5,155	681	11,023
TOTAL FUND BALANCES	<u>4,993</u>	<u>10,738</u>	<u>12,419</u>	<u>2,777</u>	<u>11,677</u>	<u>5,155</u>	<u>681</u>	<u>11,023</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 5,017</u>	<u>\$ 10,738</u>	<u>\$ 12,419</u>	<u>\$ 3,691</u>	<u>\$ 11,677</u>	<u>\$ 5,420</u>	<u>\$ 681</u>	<u>\$ 16,360</u>

County of Chippewa, Michigan

Combining Balance Sheet Nonmajor Governmental Funds December 31, 2007

	Special Revenue Funds							
	Highway Safety	Juvenile Accountability Block Grant	Chippewa County DHS Appropriation	DHS Child Care	Probate Child Care	Veteran's Trust	Friends of the Courthouse	Hakola-Ross Drainage
ASSETS:								
Cash & Investments - Unrestricted	\$ 8,715	\$ -	\$ 1,158	\$ 80,082	\$ 35,273	\$ 1,382	\$ 1,779	\$ 7,503
Accounts Receivable	-	-	-	-	-	-	-	-
Interest Receivable	-	-	-	-	-	-	-	-
Due from Other Funds	-	-	-	-	-	-	-	-
Due from Governmental Units	-	1,837	-	-	-	-	-	-
Prepaid Expenditures	-	-	-	-	-	-	-	-
TOTAL ASSETS	<u>\$ 8,715</u>	<u>\$ 1,837</u>	<u>\$ 1,158</u>	<u>\$ 80,082</u>	<u>\$ 35,273</u>	<u>\$ 1,382</u>	<u>\$ 1,779</u>	<u>\$ 7,503</u>
LIABILITIES:								
Due to Other Funds	\$ -	\$ 352	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts Payable	-	469	-	-	35,273	-	-	-
Accrued Liabilities	-	214	-	-	-	-	-	-
Deferred Revenue	-	-	-	-	-	-	-	-
TOTAL LIABILITIES	<u>-</u>	<u>1,035</u>	<u>-</u>	<u>-</u>	<u>35,273</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES:								
Unreserved:								
Designated	8,715	802	1,158	80,082	-	1,382	1,779	7,503
TOTAL FUND BALANCES	<u>8,715</u>	<u>802</u>	<u>1,158</u>	<u>80,082</u>	<u>-</u>	<u>1,382</u>	<u>1,779</u>	<u>7,503</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 8,715</u>	<u>\$ 1,837</u>	<u>\$ 1,158</u>	<u>\$ 80,082</u>	<u>\$ 35,273</u>	<u>\$ 1,382</u>	<u>\$ 1,779</u>	<u>\$ 7,503</u>

County of Chippewa, Michigan

Combining Balance Sheet Nonmajor Governmental Funds December 31, 2007

	Special Revenue	Debt Service Funds						
	Funds		Superior	Superior				
	2005 Access	2001 City of	Township 2000	Township	1998 City of	1995 City of	Avery Square	Jail Expansion
	Visitation	SSM Debt	Improvement	Improvements	SSM Debt	SSM Debt	Bond	Bond
	Grant	Retirement	Bond Reserve	Debt	Retirement	Retirement	Retirement	Retirement
ASSETS:								
Cash & Investments - Unrestricted	\$ -	\$ -	\$ 25,084	\$ -	\$ -	\$ -	\$ 250,132	\$ 600,393
Accounts Receivable	-	-	-	-	-	-	-	-
Interest Receivable	-	-	-	-	-	-	3,906	11,193
Due from Other Funds	-	-	-	-	-	-	-	-
Due from Governmental Units	-	-	-	-	-	-	-	-
Prepaid Expenditures	-	-	-	-	-	-	-	-
TOTAL ASSETS	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,084</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 254,038</u>	<u>\$ 611,586</u>
LIABILITIES:								
Due to Other Funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts Payable	-	-	-	-	-	-	-	-
Accrued Liabilities	-	-	-	-	-	-	-	-
Deferred Revenue	-	-	-	-	-	-	-	-
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES:								
Unreserved:								
Designated	-	-	25,084	-	-	-	254,038	611,586
TOTAL FUND BALANCES	<u>-</u>	<u>-</u>	<u>25,084</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>254,038</u>	<u>611,586</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,084</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 254,038</u>	<u>\$ 611,586</u>

County of Chippewa, Michigan

Combining Balance Sheet Nonmajor Governmental Funds December 31, 2007

	Debt Service Funds			Capital Project Fund	Totals
	1988 Bldg. Authority Bond Retirement	Courthouse Annex Renovation	1977 Superior Twp. Debt Retirement	Courthouse Annex Renovation	
ASSETS:					
Cash & Investments - Unrestricted	\$ 122	\$ -	\$ -	\$ 957	\$ 1,284,905
Accounts Receivable	-	-	-	-	36,431
Interest Receivable	-	-	-	-	15,099
Due from Other Funds	-	-	-	-	10,989
Due from Governmental Units	-	-	-	-	109,987
Prepaid Expenditures	-	-	-	-	378
TOTAL ASSETS	<u>\$ 122</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 957</u>	<u>\$ 1,457,789</u>
LIABILITIES:					
Due to Other Funds	\$ -	\$ -	\$ -	\$ -	\$ 50,205
Accounts Payable	-	-	-	-	43,749
Accrued Liabilities	-	-	-	-	34,687
Deferred Revenue	-	-	-	-	4,937
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>133,578</u>
FUND BALANCES:					
Unreserved:					
Designated	122	-	-	957	1,324,211
TOTAL FUND BALANCES	<u>122</u>	<u>-</u>	<u>-</u>	<u>957</u>	<u>1,324,211</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 122</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 957</u>	<u>\$ 1,457,789</u>

**Combining Statement of Revenues, Expenditures,
and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended December 31, 2007**

	Special Revenue Funds							
	50th Circuit Court	Construction Code	HUD Grant	Victim's Compensation	D.A.R.E.	Family Counseling	Emergency Telephone System	Bench Warrant
REVENUES:								
License & Permits	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,105	\$ -	\$ -
Federal Sources	-	-	194,042	-	-	-	-	-
State Sources	-	-	-	-	-	-	-	3,837
Local Sources	-	-	-	-	-	-	-	-
Charges for Services	11,855	97,419	-	-	-	-	-	-
Interest & Rentals	-	-	-	-	-	-	-	-
Fees & Collections	-	-	-	-	-	-	535,824	-
Fines & Forfeitures	-	-	-	-	-	-	-	-
Other Revenue	-	48	-	-	-	-	8,708	-
TOTAL REVENUES	11,855	97,467	194,042	-	-	3,105	544,532	3,837
EXPENDITURES:								
Judicial	5,791	-	-	-	-	-	-	4,445
General Government	-	-	-	-	-	-	-	-
Public Safety	-	-	-	-	-	-	642,856	-
Public Works	-	128,067	-	-	-	-	-	-
Health & Welfare	-	-	-	-	-	3,165	-	-
Community/Economic Development	-	-	138,485	-	-	-	-	-
Recreation & Culture	-	-	-	-	-	-	-	-
Debt Service	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	5,791	128,067	138,485	-	-	3,165	642,856	4,445
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	6,064	(30,600)	55,557	-	-	(60)	(98,324)	(608)
OTHER FINANCING SOURCES (USES):								
Operating Transfers In	-	30,524	-	-	-	-	91,935	-
Operating Transfers Out	(7,000)	-	-	-	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	(936)	(76)	55,557	-	-	(60)	(6,389)	(608)
FUND BALANCES, JANUARY 1	8,119	76	10,207	1,964	25	540	6,389	2,730
FUND BALANCES, DECEMBER 31	\$ 7,183	# \$ -	\$ 65,764	\$ 1,964	\$ 25	\$ 480	\$ -	\$ 2,122

Combining Statement of Revenues, Expenditures, and Changes in Fund Balance Nonmajor Governmental Funds For the Year Ended December 31, 2007

	Special Revenue Funds							
	FDC Child Support	Community Service	Superior Twp 2000 Improvements Maintenance	Office of Community Correction	Homestead Property Tax Exemption Audit	Register of Deeds Automation	CCSD Salvage Vehicle	Secondary Road Patrol
REVENUES:								
Taxes								
License & Permits	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Federal Sources	-	-	-	-	-	-	-	-
State Sources	-	-	-	-	-	-	-	94,781
Local Sources	-	-	9,195	-	-	-	3,000	-
Charges for Services	-	-	-	-	-	40,577	-	-
Interest & Rentals	-	-	104	-	2,804	-	-	-
Fees & Collections	-	-	-	-	-	-	-	-
Fines & Forfeitures	-	-	-	-	-	-	-	-
Other Revenue	10,380	560	-	128,754	-	-	-	-
TOTAL REVENUES	10,380	560	9,299	128,754	2,804	40,577	3,000	94,781
EXPENDITURES:								
Judicial	-	-	-	-	-	-	-	-
General Government	-	-	-	-	-	37,499	-	-
Public Safety	-	-	-	113,552	-	-	2,152	153,840
Public Works	-	-	-	-	-	-	-	-
Health & Welfare	-	-	-	-	-	-	-	-
Community/Economic Development	-	-	-	-	-	-	-	-
Recreation & Culture	-	-	-	-	-	-	-	-
Debt Service	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	-	-	-	113,552	-	37,499	2,152	153,840
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	10,380	560	9,299	15,202	2,804	3,078	848	(59,059)
OTHER FINANCING SOURCES (USES):								
Operating Transfers In	-	-	-	3,500	-	-	5,304	59,000
Operating Transfers Out	-	-	-	-	(2,846)	-	-	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	10,380	560	9,299	18,702	(42)	3,078	6,152	(59)
FUND BALANCES, JANUARY 1	26,763	5,250	377	35,727	42	44,255	8,815	24,703
FUND BALANCES, DECEMBER 31	\$ 37,143	\$ 5,810	\$ 9,676	\$ 54,429	\$ -	\$ 47,333	\$ 14,967	\$ 24,644

County of Chippewa, Michigan

Combining Statement of Revenues, Expenditures, and Changes in Fund Balance Nonmajor Governmental Funds For the Year Ended December 31, 2007

	Special Revenue Funds							
	Sheriff Law Enforcement Training	Local Corrections Officer's Training	Sheriff Park Patrol	Road Patrol Overtime	Sheriff Special Projects	Law Library	Snowmobile Trail Marker	Animal Shelter Donations
REVENUES:								
License & Permits	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Federal Sources	-	-	4,000	24,051	-	-	-	-
State Sources	4,823	-	-	1,221	-	-	-	-
Local Sources	-	-	-	-	5,000	-	-	5,000
Charges for Services	-	15,070	-	-	-	-	-	-
Interest & Rentals	-	-	-	-	-	-	-	-
Fees & Collections	-	-	-	-	-	-	-	-
Fines & Forfeitures	-	-	-	-	-	3,500	-	-
Other Revenue	-	-	-	8,974	2,270	-	-	5,432
TOTAL REVENUES	4,823	15,070	4,000	34,246	7,270	3,500	-	10,432
EXPENDITURES:								
Judicial	-	-	-	-	-	2,917	-	-
General Government	-	-	-	-	-	-	-	-
Public Safety	3,074	12,757	6,157	31,469	10,786	-	-	-
Public Works	-	-	-	-	-	-	-	-
Health & Welfare	-	-	-	-	-	-	-	6,597
Community/Economic Development	-	-	-	-	-	-	-	-
Recreation & Culture	-	-	-	-	-	-	572	-
Debt Service	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	3,074	12,757	6,157	31,469	10,786	2,917	572	6,597
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,749	2,313	(2,157)	2,777	(3,516)	583	(572)	3,835
OTHER FINANCING SOURCES (USES):								
Operating Transfers In	-	-	-	-	-	-	-	-
Operating Transfers Out	-	-	-	-	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	1,749	2,313	(2,157)	2,777	(3,516)	583	(572)	3,835
FUND BALANCES, JANUARY 1	3,244	8,425	14,576	-	15,193	4,572	1,253	7,188
FUND BALANCES, DECEMBER 31	\$ 4,993	\$ 10,738	\$ 12,419	\$ 2,777	\$ 11,677	\$ 5,155	\$ 681	\$ 11,023

Combining Statement of Revenues, Expenditures, and Changes in Fund Balance Nonmajor Governmental Funds For the Year Ended December 31, 2007

	Special Revenue Funds							
	Highway Safety	Juvenile Accountability Block Grant	Chippewa County DHS Appropriations	DHS Child Care	Probate Child Care	Veteran's Trust	Friends of the Courthouse	
REVENUES:								
License & Permits	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Federal Sources	-	7,573	-	-	-	-	-	-
State Sources	15,366	72	-	-	1,210	1,822	-	-
Local Sources	-	-	-	-	7,500	-	-	-
Charges for Services	-	-	-	-	-	-	-	-
Interest & Rentals	-	-	-	-	-	-	-	-
Fees & Collections	-	-	-	-	-	-	-	-
Fines & Forfeitures	-	-	-	-	-	-	-	-
Other Revenue	-	-	-	-	8,986	-	-	-
TOTAL REVENUES	15,366	7,645	-	-	17,696	1,822	-	-
EXPENDITURES:								
Judicial	-	-	-	-	-	-	-	-
General Government	-	-	-	-	-	-	-	-
Public Safety	6,651	-	-	-	-	-	-	-
Public Works	-	-	-	-	-	-	-	-
Health & Welfare	-	8,795	20,110	11,981	364,027	624	-	-
Community/Economic Development	-	-	-	-	-	-	-	-
Recreation & Culture	-	-	-	-	-	-	-	-
Debt Service	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	6,651	8,795	20,110	11,981	364,027	624	-	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	8,715	(1,150)	(20,110)	(11,981)	(346,331)	1,198	-	-
OTHER FINANCING SOURCES (USES):								
Operating Transfers In	-	-	20,110	62,902	467,249	-	-	-
Operating Transfers Out	-	-	-	-	(120,918)	(856)	-	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	8,715	(1,150)	-	50,921	-	342	-	-
FUND BALANCES, JANUARY 1	-	1,952	1,158	29,161	-	1,040	1,779	7,503
FUND BALANCES, DECEMBER 31	\$ 8,715	\$ 802	\$ 1,158	\$ 80,082	\$ -	\$ 1,382	\$ 1,779	\$ 7,503

**Combining Statement of Revenues, Expenditures,
and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended December 31, 2007**

	Special Revenue Funds		Debt Service Funds					
	2005 Access Visitation Grant	2001 City of SSM Debt Retirement	Superior Twp 2000 Improvement Bond Reserve	Superior Township Improvements Debt	1998 City of SSM Debt Retirement	1995 City of SSM Debt Retirement	Avery Square Bond Retirement	Jail Expansion Bond Retirement
REVENUES:								
License & Permits	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Federal Sources	-	-	-	-	-	-	-	-
State Sources	-	-	-	-	-	-	-	-
Local Sources	-	174,049	3,460	36,611	199,012	282,305	163,375	-
Charges for Services	-	-	-	-	-	-	-	-
Interest & Rentals	-	-	360	-	-	-	8,222	24,376
Fees & Collections	-	-	-	-	-	-	-	-
Fines & Forfeitures	-	-	-	-	-	-	-	-
Other Revenue	-	-	-	-	-	-	-	17
TOTAL REVENUES	-	174,049	3,820	36,611	199,012	282,305	171,597	24,393
EXPENDITURES:								
Judicial	-	-	-	-	-	-	-	-
General Government	-	-	-	-	-	-	-	-
Public Safety	-	-	-	-	-	-	-	-
Public Works	-	-	-	-	-	-	-	-
Health & Welfare	-	-	-	-	-	-	-	-
Community/Economic Development	-	-	-	-	-	-	-	-
Recreation & Culture	-	-	-	-	-	-	-	-
Debt Service	-	174,049	-	36,611	199,012	282,305	163,238	330,875
TOTAL EXPENDITURES	-	174,049	-	36,611	199,012	282,305	163,238	330,875
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	-	3,820	-	-	-	8,359	(306,482)
OTHER FINANCING SOURCES (USES):								
Operating Transfers In	-	-	-	-	-	-	-	-
Operating Transfers Out	-	-	-	-	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	-	-	3,820	-	-	-	8,359	(306,482)
FUND BALANCES, JANUARY 1	-	-	21,264	-	-	-	245,679	918,068
FUND BALANCES, DECEMBER 31	\$ -	\$ -	\$ 25,084	\$ -	\$ -	\$ -	\$ 254,038	\$ 611,586

County of Chippewa, Michigan

Combining Statement of Revenues, Expenditures, and Changes in Fund Balance Nonmajor Governmental Funds For the Year Ended December 31, 2007

	Debt Service Funds			Capital Project Fund	Totals
	1988 Bldg Authority Bond Retirement	Courthouse Annex Renovation	1977 Superior Twp Debt Retirement	Courthouse Annex Renovation	
REVENUES:					
License & Permits	\$ -	\$ -	\$ -	\$ -	\$ 3,105
Federal Sources	-	-	-	-	229,666
State Sources	-	-	-	-	123,132
Local Sources	-	-	7,750	-	896,257
Charges for Services	-	-	-	-	164,921
Interest & Rentals	-	-	-	-	35,866
Fees & Collections	-	-	-	-	535,824
Fines & Forfeitures	-	-	-	-	3,500
Other Revenue	-	-	-	-	174,129
TOTAL REVENUES	-	-	7,750	-	2,166,400
EXPENDITURES:					
Judicial	-	-	-	-	13,153
General Government	-	-	-	-	37,499
Public Safety	-	-	-	-	983,294
Public Works	-	-	-	-	128,067
Health & Welfare	-	-	-	-	415,299
Community/Economic Development	-	-	-	-	138,485
Recreation & Culture	-	-	-	-	572
Debt Service	-	202,600	7,750	-	1,396,440
TOTAL EXPENDITURES	-	202,600	7,750	-	3,112,809
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	(202,600)	-	-	(946,409)
OTHER FINANCING SOURCES (USES):					
Operating Transfers In	-	202,600	-	-	943,124
Operating Transfers Out	-	-	-	-	(131,620)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	-	-	-	-	(134,905)
FUND BALANCES, JANUARY 1	122	-	-	957	1,459,116
FUND BALANCES, DECEMBER 31	\$ 122	\$ -	\$ -	\$ 957	\$ 1,324,211

County of Chippewa, Michigan

Combining Statement of Net Assets Combining Major Tax Collection Enterprise Fund December 31, 2007

	State Education Tax Parcel Fee	2003 Tax Foreclosure	2004 Tax Foreclosure	2005 Tax Revolving	2006 Tax Revolving	Prior Years' Tax Revolving	Tax Revolving Admin	Homestead Tax	Totals
ASSETS:									
Cash & Investments - Unrestricted	\$ 13,528	\$ 115,879	\$ 137,673	\$ 1,691,148	\$ 2,214,111	\$ 4,226,957	\$ 122,040	\$ -	\$ 8,521,336
Taxes Receivable	-	-	-	114,421	971,147	-	-	-	1,085,568
Accrued Interest on Deposits	-	-	-	6,338	-	61,786	-	-	68,124
Accrued Interest on Taxes Receivable	-	-	-	59,825	112,608	-	-	-	172,433
Due from Other Governmental Units	-	-	-	-	-	-	-	16,494	16,494
TOTAL ASSETS	\$ 13,528	\$ 115,879	\$ 137,673	\$ 1,871,732	\$ 3,297,866	\$ 4,288,743	\$ 122,040	\$ 16,494	\$ 9,863,955
LIABILITIES:									
Due to Other Funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 16,486	\$ 16,486
Due to Other Governmental Units	-	-	-	13,504	-	-	-	-	13,504
Accrued Liabilities	399	-	-	-	-	-	466	-	865
Other Liabilities	-	-	592	460	-	-	-	-	1,052
TOTAL LIABILITIES	399	-	592	13,964	-	-	466	16,486	31,907
NET ASSETS:									
Unrestricted	13,129	115,879	137,081	1,857,768	3,297,866	4,288,743	121,574	8	9,832,048
TOTAL NET ASSETS	13,129	115,879	137,081	1,857,768	3,297,866	4,288,743	121,574	8	9,832,048
TOTAL LIABILITIES AND NET ASSETS	\$ 13,528	\$ 115,879	\$ 137,673	\$ 1,871,732	\$ 3,297,866	\$ 4,288,743	\$ 122,040	\$ 16,494	\$ 9,863,955

County of Chippewa, Michigan

Combining Statement of Revenues, Expenses, and Changes in Net Assets - Major Tax Collection Enterprise Fund For the Year Ended December 31, 2007

	State Education Tax Parcel Fee	2003 Tax Foreclosure	2004 Tax Foreclosure	2005 Tax Revolving	2006 Tax Revolving	Prior Years' Tax Revolving	Tax Revolving Admin	Homestead Tax	Totals
OPERATING REVENUES:									
Charges for Services	\$ 12,233	\$ -	\$ 137,081	\$ -	\$ 3,630	\$ 8,022	\$ 10,468	\$ -	\$ 171,434
Penalties and Interest Charges	-	-	-	117,460	244,723	20,779	-	-	382,962
TOTAL OPERATING REVENUES	12,233	-	137,081	117,460	248,353	28,801	10,468	-	554,396
OPERATING EXPENSES:									
Personal Services	6,056	-	-	-	-	-	9,373	-	15,429
Other Supplies and Expenses	1,488	570	-	4,780	3,211	2,697	1,383	-	14,129
Total Operating Expenses	7,544	570	-	4,780	3,211	2,697	10,756	-	29,558
OPERATING INCOME (LOSS)	4,689	(570)	137,081	112,680	245,142	26,104	(288)	-	524,838
NON-OPERATING REVENUES (EXPENSES):									
Interest on Deposits	-	-	-	6,338	52,724	61,786	-	-	120,848
Total Non-operating Revenues (Expenses)	-	-	-	6,338	52,724	61,786	-	-	120,848
INCOME (LOSS) BEFORE TRANSFERS	4,689	(570)	137,081	119,018	297,866	87,890	(288)	-	645,686
Operating Transfers In	-	-	-	-	3,000,000	-	-	-	3,000,000
Operating Transfers Out	-	-	-	(1,500,000)	-	(1,500,000)	-	-	(3,000,000)
CHANGES IN NET ASSETS	4,689	(570)	137,081	(1,380,982)	3,297,866	(1,412,110)	(288)	-	645,686
NET ASSETS, JANUARY 1	8,440	116,449	-	3,238,750	-	5,700,853	121,862	8	9,186,362
NET ASSETS, DECEMBER 31	\$ 13,129	\$ 115,879	\$ 137,081	\$ 1,857,768	\$ 3,297,866	\$ 4,288,743	\$ 121,574	\$ 8	\$ 9,832,048

County of Chippewa, Michigan

Combining Statement of Cash Flows Major Tax Collection Enterprise Fund For the Year Ended December 31, 2007

	State Education Tax Parcel Fee	2003 Tax Foreclosure	2004 Tax Foreclosure	2005 Tax Revolving	2006 Tax Revolving	Prior Years' Tax Revolving	Tax Revolving Admin	Homestead Tax	Totals
CASH FLOWS FROM OPERATING ACTIVITIES:									
Receipts from Customers	\$ 12,233	\$ -	\$ 137,673	\$ 888,120	\$ 1,893,961	\$ 220,311	\$ 10,468	\$ -	\$ 3,162,766
Payments to Suppliers	(1,488)	(570)	-	(4,780)	(2,732,574)	(48,241)	(1,383)	(1,633)	(2,790,669)
Payments to Employees	(5,657)	-	-	-	-	-	(8,907)	-	(14,564)
Internal Activity - Receipts (Payments) to Other Funds	-	-	-	-	-	-	-	1,633	1,633
Net Cash Provided (Used) by Operating Activities	<u>5,088</u>	<u>(570)</u>	<u>137,673</u>	<u>883,340</u>	<u>(838,613)</u>	<u>172,070</u>	<u>178</u>	<u>-</u>	<u>359,166</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:									
Operating Transfers In	-	-	-	-	3,000,000	-	-	-	3,000,000
Operating Transfers Out	-	-	-	(1,500,000)	-	(1,500,000)	-	-	(3,000,000)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,500,000)</u>	<u>3,000,000</u>	<u>(1,500,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES:									
Interest Income	-	-	-	6,338	52,724	61,786	-	-	120,848
Net Cash Provided (Used) by Investing Activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,338</u>	<u>52,724</u>	<u>61,786</u>	<u>-</u>	<u>-</u>	<u>120,848</u>
Net Increase (Decrease) in Cash and Cash Equivalents	5,088	(570)	137,673	(610,322)	2,214,111	(1,266,144)	178	-	480,014
Balances - Beginning of the Year	8,440	116,449	-	2,301,470	-	5,493,101	121,862	-	8,041,322
Balances - End of the Year	<u>\$ 13,528</u>	<u>\$ 115,879</u>	<u>\$ 137,673</u>	<u>\$ 1,691,148</u>	<u>\$ 2,214,111</u>	<u>\$ 4,226,957</u>	<u>\$ 122,040</u>	<u>\$ -</u>	<u>\$ 8,521,336</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:									
Operating Income (Loss)	\$ 4,689	\$ (570)	\$ 137,081	\$ 112,680	\$ 245,142	\$ 26,104	\$ (288)	\$ -	\$ 524,838
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	-	-	-	737,642	(971,147)	148,570	-	-	(84,935)
Accrued Interest Receivable	-	-	-	19,054	(112,608)	42,940	-	-	(50,614)
Due from Other Governmental Units	-	-	-	-	-	-	-	(1,633)	(1,633)
Increase(Decrease) in Liabilities:									
Due to Other Governmental Units	-	-	-	13,504	-	(45,544)	-	-	(32,040)
Accrued Liabilities	399	-	-	-	-	-	466	-	865
Other Liabilities	-	-	592	460	-	-	-	-	1,052
Due to Other Funds	-	-	-	-	-	-	-	1,633	1,633
Net Cash Provided (Used) by Operating Activities	<u>\$ 5,088</u>	<u>\$ (570)</u>	<u>\$ 137,673</u>	<u>\$ 883,340</u>	<u>\$ (838,613)</u>	<u>\$ 172,070</u>	<u>\$ 178</u>	<u>\$ -</u>	<u>\$ 359,166</u>

**Statement of Net Assets
Internal Service Funds
December 31, 2007**

	<u>Self Insurance- Health</u>	<u>Self Insurance- Workers Comp.</u>	<u>Central Stores</u>	<u>Total</u>
ASSETS:				
Cash	\$ 219,398	\$ 43,175	\$ 1,302	\$ 263,875
Inventories	-	-	48,714	48,714
TOTAL ASSETS	<u>\$ 219,398</u>	<u>\$ 43,175</u>	<u>\$ 50,016</u>	<u>\$ 312,589</u>
LIABILITIES:				
Due to Other Funds	\$ -	\$ -	\$ 39,086	\$ 39,086
INBR Payable	<u>155,543</u>	<u>-</u>	<u>-</u>	<u>155,543</u>
TOTAL LIABILITIES	<u>155,543</u>	<u>-</u>	<u>39,086</u>	<u>194,629</u>
NET ASSETS:				
Unrestricted	<u>63,855</u>	<u>43,175</u>	<u>10,930</u>	<u>117,960</u>
TOTAL NET ASSETS	<u>63,855</u>	<u>43,175</u>	<u>10,930</u>	<u>117,960</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 219,398</u>	<u>\$ 43,175</u>	<u>\$ 50,016</u>	<u>\$ 312,589</u>

County of Chippewa, Michigan

**Statement of Revenues, Expenses, and
Changes in Net Assets - Internal Service Funds
For the Year Ended December 31, 2007**

	Self Insurance- Health	Self Insurance- Workers Comp.	Central Stores	Total
OPERATING REVENUES:				
Charges for Services	\$ 2,230,479	\$ 139,879	\$ 18,343	\$ 2,388,701
Total Operating Revenues	<u>2,230,479</u>	<u>139,879</u>	<u>18,343</u>	<u>2,388,701</u>
OPERATING EXPENSES:				
Premium Reimbursements	2,178,554	96,704	-	2,275,258
Fees & Claims	44,184	-	-	44,184
Supplies	-	-	18,028	18,028
Total Operating Expenses	<u>2,222,738</u>	<u>96,704</u>	<u>18,028</u>	<u>2,337,470</u>
OPERATING INCOME (LOSS)	7,741	43,175	315	51,231
NET ASSETS, JANUARY 1	<u>56,114</u>	<u>-</u>	<u>10,615</u>	<u>66,729</u>
NET ASSETS, DECEMBER 31	<u>\$ 63,855</u>	<u>\$ 43,175</u>	<u>\$ 10,930</u>	<u>\$ 117,960</u>

**Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended December 31, 2007**

	Self Insurance- Health	Self Insurance- Workers Comp.	Central Stores	Totals
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from Customers	\$ 2,296,837	\$ 139,879	\$ 18,344	\$ 2,455,060
Payments to Suppliers	(2,178,554)	(96,704)	(17,042)	(2,292,300)
Net Cash Provided (Used) by Operating Activities	118,283	43,175	1,302	162,760
Net Increase (Decrease) in Cash and Cash Equivalents	118,283	43,175	1,302	162,760
Balances - Beginning of the Year	101,115	-	-	101,115
Balances - End of the Year	\$ 219,398	\$ 43,175	\$ 1,302	\$ 263,875
 Reconciliation of Operating Income (Loss) to				
Net Cash Provided (Used) by Operating Activities:				
Operating Income (Loss)	\$ 7,741	\$ 43,175	\$ 315	\$ 51,231
Adjustments to Reconcile Operating Income (Loss) to				
Net Cash Provided (Used) by Operating Activities:				
Change in Assets and Liabilities:				
(Increase)Decrease in Assets:				
Due from Other Units	66,358	-	-	66,358
Inventory	-	-	986	986
Increase(Decrease) in Liabilities:				
INBR Payable	44,184	-	-	44,184
Due to Other Funds	-	-	1	1
Net Cash Provided (Used) by Operating Activities	\$ 118,283	\$ 43,175	\$ 1,302	\$ 162,760

Reports on Compliance



ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

KINROSS OFFICE

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

MEMBER AICPA
DIVISION FOR CPA FIRMS

MEMBER MACPA

OFFICES IN
MICHIGAN & WISCONSIN

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

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and aggregate remaining fund information of the County of Chippewa, Michigan, as of and for the year ended December 31, 2007 which collectively comprise the County's basic financial statements and have issued our report thereon, dated May 6, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County of Chippewa Michigan's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the County's financial statements that is more than inconsequential will not be prevented or detected by the County's internal control over financial reporting. We consider the deficiencies described in 07-1 in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting.

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

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

Compliance and Other Matters

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

We noted certain matters that we reported to management of the County of Chippewa, Michigan in a separate letter dated May 6, 2008.

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



Anderson, Tackman & Company, PLC
Certified Public Accountants

May 6, 2008



ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

KINROSS OFFICE

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

MEMBER AICPA
DIVISION FOR CPA FIRMS

MEMBER MACPA

OFFICES IN
MICHIGAN & WISCONSIN

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO
EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance

We have audited the compliance of the County of Chippewa, Michigan with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2007. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

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

In our opinion, the County of Chippewa, Michigan complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2007.

Internal Control Over Compliance

The management of the County of Chippewa, Michigan is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County of Chippewa, Michigan's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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

A control deficiency in a County's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the County's internal control. We consider the deficiency described in the accompanying schedule of findings and question costs as item 07-1 to be a significant deficiency.

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

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

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



Anderson, Tackman & Company, PLC
Certified Public Accountants

May 6, 2008

Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2007

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Agency or Pass-through Number	Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE:			
<i>Pass-through from the Michigan Department of Community Health:</i>			
Women, Infant and Children	10.557	XX4W1006	169,751
Women, Infant and Children - Special Projects	10.557	2007W1011	<u>3,000</u>
Subtotal			<u>172,751</u>
<i>Pass-through from the Michigan Department of Natural Resources:</i>			
Schools and Roads Grant	10.665	-	<u>257,309</u>
Total U.S. Department of Agriculture			<u>430,060</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:			
<i>Pass-through from the Michigan State Housing Development Authority:</i>			
CDBG Housing Program	14.228	MSC-2006-0731-HOA	39,950
CDBG Housing Program	14.228	MSC-2007-0731-HOA	<u>115,662</u>
Total U.S. Department of Housing and Urban Development			<u>155,612</u>
U.S. DEPARTMENT OF JUSTICE:			
<i>Pass-through from the State of Michigan Department of Human Services (DHS):</i>			
Juvenile Accountability Grant	16.523	JABGN-06-17001	317
Juvenile Accountability Grant	16.523	JABGN-07-17001	<u>7,328</u>
Subtotal			<u>7,645</u>
<i>Pass-through from Diane Peppler Resource Center:</i>			
STOP Grant	16.588	-	<u>20,000</u>
<i>Pass-through from Emmet County:</i>			
S.A.N.E.	16.579	70868-8K04	<u>41,686</u>
<i>Direct Award:</i>			
COPS 2005 Technology	16.xxx	2005CKWX0106	<u>10,679</u>
Total U.S. Department of Justice			<u>80,010</u>
U.S. DEPARTMENT OF TRANSPORTATION:			
<i>Pass-through from the State of Michigan Department of Transportation:</i>			
<i>Airport Improvement Program:</i>			
Snow Removal Equipment/Administrative	20.106	3-26-0139-2107	226,661
Equipment/Sweeper	20.106	3-26-0139-2006	<u>305,900</u>
Subtotal			<u>532,561</u>
<i>Pass-through Programs from the State of Michigan Department of Transportation (MDOT) - MDOT Administered:</i>			
Scenic Drive 15 mile to 13 mile	20.205	STP 0717(011)	158,532
County Wide Paving	20.205	STP 0717(014)	78,565
3 Mile Road Paving	20.205	STP 0717(010)	349,794
3 Mile Road Guardrail	20.205	STP 0717(007)	179,084
East Shore Drive	20.205	STP 0717(016)	139,226
Tilson Road	20.205	HPSL 0717(015)	<u>525,265</u>
Subtotal			<u>1,430,466</u>
<i>Pass-through Programs from the State of Michigan Department of Transportation (MDOT) - Local Force Account:</i>			
Documentation of Historic Shipwrecks	20.205	ENH-2003-00148	<u>34,639</u>
Subtotal			<u>34,639</u>

Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2007

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Agency or Pass-through Number	Federal Expenditures
<i>Pass-through Programs from the State of Michigan Department of Transportation (MDOT):</i>			
Section 5311 Operating Assistance	20.509	2007-0276-Z1/R1	76,290
Capital Grants - Section 5309 (80/20)	20.509	2002-0035 72811	31,325
Capital Grants - Section 5309 (100/0)	20.509	2002-0035 84398	2,041
Capital Grants - Section 5309 (100/0)	20.500	2002-0035 84729	3,752
Capital Grants - Section 5309 (80/20)	20.500	2002-0035 87860	184,814
Capital Grants - Section 5309 (80/20)	20.505	2002-0035 77646	17,320
Job Access and Reverse Commute Program (JARC)	20.516	2007-0204/Z1	8,000
Rural Transit Assistance Program (RTAP)	20.xxx	-	3,500
Subtotal			327,042
<i>Pass-through from the State of Michigan Department of State Police, Emergency Management Division:</i>			
HEMP	20.503	-	1,221
Total U.S. Department of Transportation			2,325,929
U.S. ENVIRONMENTAL PROTECTION AGENCY:			
<i>Pass-through from State of Michigan Department of Environmental Quality:</i>			
Noncommunity (Type II) - Operator Certification	66.471	-	1,400
Beaches Great Lakes	66.472	-	8,778
Subtotal			10,178
Total U.S. Environmental Protection Agency			10,178
U.S. DEPARTMENT OF HOMELAND SECURITY:			
<i>Pass-through from the State of Michigan Department of Natural Resources, Grants Management</i>			
2007 Marine Safety Program	97.012	-	20,756
Subtotal			20,756
<i>Pass-through from the State of Michigan Department of State Police, Emergency Management Division:</i>			
Emergency Management	97.042	-	15,379
2005 Homeland Security Grant Program Grant Agreement	97.067	-	41,174
Subtotal			56,553
Total U.S. Department of Homeland Security			77,309
U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES:			
<i>Pass-through from the State of Michigan Department of Human Services (DHS):</i>			
Friend of the Court - Incentive	93.563	-	32,742
Prosecuting Attorney - Incentive	93.563	-	32,742
Friend of the Court - Medical Incentive	93.563	CS/MED-07-17001	4,157
Friend of the Court - Cooperative Reimbursement	93.563	CS/FOC-07-17001	172,375
Friend of the Court - Cooperative Reimbursement	93.563	CS/FOC-08-17001	48,515
Prosecuting Attorney - Cooperative Reimbursement	93.563	CS/PA-07-17002	48,853
Prosecuting Attorney - Cooperative Reimbursement	93.563	CS/PA-08-17002	11,499
Friend of the Court PRO FC	93.658	PROFC-06-17001	4,387
Subtotal			355,270

Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2007

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Agency or Pass-through Number	Federal Expenditures
<i>Pass-through from Pathways:</i>			
Substance Abuse Treatment Prevention	93.959	00 B1MISAPT05	29,700
<i>Pass-through from the State of Michigan Department of Community Health:</i>			
Family Planning	93.217	05H000173	45,694
Immunizations - IAP	93.268	H23 CCH522556	12,631
Vaccine Provided	93.268	-	522,674
Immunization AFIX	93.268	H23CCH522556	300
VFC Provider Site Visits	93.268	H23CCH522556	1,800
Bioterrorism	93.283	CCU517018	199,758
Cancer-BCCCP Coordination	93.283	U57 CCU506738	24,056
Cancer-Family Planning Coordination	93.283	U57 CCU506738	1,461
Cancer-Colorectal Coordination	93.283	U57 CCU506738	10,000
Medical Assistance Program	93.778	5XX05MI5048	14,088
CSHCS Care Coordination	93.778	50705MI5078	570
SIDS Counseling	93.994	B04MCO7777	510
Maternal and Child Health Block Grant - Local MCH	93.994	B1MIMCHS	25,696
Maternal and Child Health Block Grant - Case Management Services	93.994	B1MIMCHS	6,747
Maternal and Child Health Block Grant - Family Planning Services	93.994	B1MIMCHS	9,225
Subtotal			875,210
Total U.S. Department of Health & Human Services			1,260,180
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 4,339,278

NOTE A - BASIS OF PRESENTATION:

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

NOTE B - SUBRECIPIENT GRANTEE:

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

<u>Program Title</u>	<u>Subrecipient</u>	<u>Federal CFDA Number</u>	<u>Amount Provided To Subrecipients</u>
CDBG-Housing Grant	Community Action Human Resource Authority	14.228	\$ <u>155,612</u>

NOTE C - MDOT ADMINISTRATION:

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

**NOTE D - RECONCILIATION TO 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	\$ 877,294
Federal Grants of Component Units	3,412,547
Federal Grants in Trust & Agency	257,309
State and other revenue classified as federal	<u>(207,872)</u>
Total Federal Revenue Recognized per Schedule of Expenditures of Federal Awards	\$ <u>4,339,278</u>

Section I – Summary of Auditor’s Results

Financial Statements

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

Federal Awards

Internal control over major programs:	
· Material weaknesses identified?	No
· Significant deficiencies identified that are not considered to be material weaknesses?	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>
10.557	WIC
14.228	Community Development Block Grant
93.563	Title IV-D

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

Auditee qualified as low-risk auditee? No

Section II – Financial Statement Findings

SIGNIFICANT DEFICIENCIES

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

Finding 07-1

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

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

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

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

Cause: Change in application of auditing standards.

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

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

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

Section III – Federal Award Findings and Questioned Costs

NONE.

Section III – Federal Award Findings and Questioned Costs

Significant Deficiency – Noncompliance with Federal Regulation

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Subrecipient Monitoring

Finding 06-1

Program: CDBG Housing Program; CFDA No. 14.228; U.S. Department of Housing and Urban Development; Pass-through from the Michigan State Housing Development Authority.

Criteria: The County should monitor the subrecipient during the grant period to ensure compliance with applicable federal requirements and attainment of performance goals.

Condition: The County relied on the monitoring visit performed by MSHDA and did not monitor the subrecipient of the CDBG Housing Program funds according OMB Circular A-133.

Effect: Although MSHDA did not report any findings, the subrecipient could be spending federal funds on unallowable costs in the years that MSHDA does not perform a monitoring visit.

Cause: County personnel were not assigned to monitor.

Recommendation: OMB Circular A-133 requires the monitoring of subrecipients use of federal funds through reporting, site visits, regular contact, or other means to provide reasonable assurance that the subrecipient administers federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved. Because the County remains responsible for compliance with the federal grant, we recommend the County develop subrecipient monitoring procedures and begin monitoring the grants which are passed on to subrecipients.

- Contact Person(s) Responsible for Correction:
Earl Kay, Grant Administrator
- Response/Corrective Action Planned:
The County currently uses a committee to review the grant (although not in accordance with OMB Circular A-133) as well as monitoring visits performed by MSHDA. The Grant Administrator will assign County personnel to monitor the grant in accordance with OMB Circular A-133.
- Anticipated Completion Date:
December 31, 2007

Status: Corrected.

Additional Information

CHIPPEWA COUNTY, MICHIGAN

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT ON ADDITIONAL INFORMATION	72
Note 1 - Debt Issues Applicable to SEC Rule 15c2-12	
Disclosure Requirements	73
Note 2 - Tables:	
A - Population	73
B - Taxable Value by Use and Class	73
C - Taxable Value	74
D - SEV by Use and Class	75
E - Maximum Tax Rates	75
F - Property Tax Rates	76
G - Highest and Lowest Tax Rates	76
H - Property Tax Collections	77
I - Ten Largest Taxpayers	77
J - Legal Debt Margin	78
K - Debt Schedule	78
L - Debt History	79
M - Installment Purchase and Lease Obligations	79
N - Short Term Borrowings	80
O - Future Financing	80
P - Vacation and Sick Leave Liabilities	80
Q - Pension Plan	81
R - Labor Contracts	81
S - Profile of Major Employers	82
T - Employment	82



ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

KINROSS OFFICE

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

MEMBER AICPA
DIVISION FOR CPA FIRMS

MEMBER MACPA

OFFICES IN
MICHIGAN & WISCONSIN

INDEPENDENT AUDITOR'S REPORT ON ADDITIONAL INFORMATION

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

Our report on our audit of the basic financial statements of County of Chippewa, Michigan, as of and for the year ended December 31, 2007, 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

May 6, 2008

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, 2007, the County has the following debt issues which apply to SEC Rule 15c2-12.

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

NOTE 2 - TABLES:

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

A. Population:

1960 U.S. Census.....	32,655	1980 U.S. Census	29,029
1970 U.S. Census.....	32,412	1990 U.S. Census	34,604
		2000 U.S. Census	38,543
		2007 estimate	39,000

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

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

Use	2006		2007	
	Amount	Percent of Total	Amount	Percent of Total
Agricultural	\$ 25,996,883	2.90%	\$ 27,794,086	2.94%
Commercial	160,227,074	17.86%	163,287,404	17.27%
Industrial	22,348,318	2.49%	23,478,795	2.48%
Residential	664,068,989	74.02%	705,519,971	74.64%
Utility	24,571,100	2.73%	25,175,700	2.63%
Total	<u>\$ 897,212,364</u>	<u>100.00%</u>	<u>\$ 945,255,956</u>	<u>100.00%</u>

NOTE 2 – TABLES: (Continued)

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

Class	2006		2007	
	Amount	Percent of Total	Amount	Percent of Total
Real Property	\$ 842,174,730	94%	\$ 887,594,526	93.90%
Personal Property	55,037,634	6%	57,661,430	6.10%
Total	\$ 897,212,364	100.00%	\$ 945,255,956	100.00%

Source: County of Chippewa

C. Taxable Value:

Assessed Value as of December 31	Year of State Equalization and Tax Levy	County's Fiscal Year Ended or Ending December 31	Ad Valorem Taxable Value	Taxable Value of Property Granted Tax Abatement Under Acts 198 and 255	Total Taxable Value	Percent Increase Over Prior Year
2000	2001	2002	690,011,404	3,646,925	693,658,329	5.89%
2001	2002	2003	723,710,277	7,101,150	730,811,427	4.33%
2002	2003	2004	759,489,117	6,721,750	766,210,867	4.84%
2003	2004	2005	802,649,760	6,328,550	808,978,310	5.58%
2004	2005	2006	850,751,607	6,328,550	857,080,157	5.95%
2005	2006	2007	897,212,364	4,264,000	901,476,364	5.18%
2006	2007	2008	945,255,956	4,428,200	949,684,156	5.35%

Per Capita Total taxable value for the fiscal year ending December 31, 2007 \$23,115.

(1) Based on the County's 2007 population estimate of 39,000

Source: County of Chippewa

NOTE 2 - TABLES: (Continued)

D. SEV by Use and Class:

Use	Fiscal Year Ended or Ending December 31				
	2003	2004	2005	2006	2007
Agriculture	\$ 59,296,445	\$ 90,255,236	\$ 103,601,050	\$ 48,141,800	\$ 51,172,100
Commercial	156,657,195	158,447,959	165,701,913	174,780,232	176,609,794
Industrial	23,362,470	22,950,600	23,390,300	23,459,550	24,569,200
Residential	792,633,254	858,373,843	917,115,556	977,061,879	1,032,125,880
Utility	<u>17,637,605</u>	<u>21,201,883</u>	<u>23,227,200</u>	<u>24,571,100</u>	<u>25,175,700</u>
Total	<u>\$ 1,049,586,969</u>	<u>\$ 1,151,229,521</u>	<u>\$ 1,233,036,019</u>	<u>\$ 1,248,014,561</u>	<u>\$ 1,309,652,674</u>
Class					
Real Property	\$ 1,004,349,670	\$ 1,102,410,302	\$ 1,181,367,905	\$ 1,192,976,161	\$ 1,251,991,094
Personal Property	<u>45,237,299</u>	<u>48,819,219</u>	<u>51,668,114</u>	<u>55,038,400</u>	<u>57,661,580</u>
Total	<u>\$ 1,049,586,969</u>	<u>\$ 1,151,229,521</u>	<u>\$ 1,233,036,019</u>	<u>\$ 1,248,014,561</u>	<u>\$ 1,309,652,674</u>

Source: County of Chippewa

E. Maximum Tax Rates:

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

(1) Cumulative.

(2) Voted.

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

Source: County of Chippewa

NOTE 2 - TABLES: (Continued)

F. Property Tax Rates:

Levy December 1	Fiscal Years Ended or Ending December 31	Allocated	Fire/ Ambulance (1)	Road Improvements (1)	Recycling (1)	Jail (1)	Total
2002	2003	6.0453	0.4293	0.9962	0.5000	0.6000	8.5708
2003	2004	6.0897	0.4250	0.9864	0.4951	0.6000	8.5962
2004	2005	6.0373	0.4213	0.9779	0.4908	0.6000	8.5273
2005	2006	5.9805	0.4173	0.9687	0.4861	0.7166	8.5692
2006	2007	5.9314	0.4293	0.9607	0.5000	0.7107	8.5321
2007	2008	6.1426	0.4280	0.9906	0.4994	0.7098	8.7704

(1) Voted.

Source: County of Chippewa

G. Highest and Lowest Tax Rates:

The highest and lowest tax rates for homestead and non-homestead properties within the County for its fiscal year ending December 31, 2007:

Property Classification	Highest Tax Rate		Lowest Tax Rate	
	Municipality	Tax Rate	Municipality	Tax Rate
Homestead*	Sault Ste. Marie	38.7153 mils	Whitefish Township	18.6813 mils
Non-Homestead	Sault Ste. Marie	56.6759 mils	Whitefish Township	36.6813 mils

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

Source: County of Chippewa

NOTE 2 - TABLES: (Continued)

H. Property Tax Collections:

December 1 Levy	Fiscal Years Ended or Ending December 31	County Tax Levy (1)	Collections to March 1 Following Levy	Percent Collected to March 1 Following Levy
2002	2003	\$ 5,827,115	\$ 5,137,251	88.16%
2003	2004	6,433,285	5,748,854	89.36%
2004	2005	6,515,275	5,896,835	90.50%
2005	2006	6,779,257	6,223,099	91.78%
2006	2007	7,192,915	6,648,532	92.43%

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

Source: County of Chippewa

I. Ten Largest Taxpayers:

Taxpayer	Principal Productor Service	December 31, 2007	
		Taxable Value (1)	Percent of of Total (2)
Edison Sault Electric Co.	Utility	\$ 17,811,368	29.10%
Cloverland Electric Co.	Utility	9,186,663	15.00%
DDR Michigan II LLC	Shopping Mall	7,555,700	12.35%
Pointe West I LP	Apartment Complex	7,179,105	11.73%
Precision Edge/12 th Ave Rlty	Manufacturing	4,925,400	8.05%
Continental Teves, Inc.	Auto Testing Service	4,260,440	6.96%
Key Plastics LLC	Manufacturer	3,793,600	6.20%
Drummond Dolomite	Dolomite Quarry	2,592,700	4.24%
Sault Ste. Marie Tribe	Various	2,097,961	3.43%
Hazel Enterprises Inc.	Properties	1,802,100	2.94%
		<u>\$ 61,205,037</u>	<u>\$ 100.00%</u>

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

(2) Based on \$901,476,364 which is the County's Total Taxable Value for the fiscal year ending December 31, 2007. Includes the Equivalent Taxable Value of property granted tax abatement under Act 198.

Source: County of Chippewa

NOTE 2 - TABLES: (Continued)

J. Legal Debt Margin:

Pursuant to the statutory and constitutional debt provisions set forth herein, the following table reflects the amount of additional debt the County may legally incur as of December 31, 2007.

Debt Limit (1)	\$ 130,965,267
Debt Outstanding (2)	<u>(11,646,500)</u>
Legal Debt Margin	<u>\$ 119,318,767</u>

- (1) 10% of \$1,309,652,674 which is the County's Total SEV for its fiscal year ending December 31, 2007. Includes the SEV of property granted tax abatement under Act 198.
- (2) Includes the Bonds described herein.

Source: County of Chippewa and Municipal Advisory Council of Michigan

K. Debt Schedule:

The following table reflects a summary of the County's direct and underlying debt as of December 31, 2007:

County Direct Debt	Gross	Self-Supporting	Net
Building Authority Bonds:			
Dated March 1, 2000 (LT)	\$ 370,000	\$ -	\$ 370,000
Dated February 1, 1999 (LT)	3,300,000	-	3,300,000
Dated June 1, 1995 (LT)	<u>1,065,000</u>	-	<u>1,065,000</u>
Subtotal	<u>4,735,000</u>	-	<u>4,735,000</u>
Water and Sewer Bonds:			
Dated December 11, 2001	2,280,000	2,280,000	-
Dated November 4, 1998	2,155,000	2,155,000	-
Dated November 30, 1995	1,850,000	1,850,000	-
Dated 1977	50,000	50,000	-
Dated June 1, 2000	552,000	552,000	-
Dated June 1, 2000	<u>24,500</u>	<u>24,500</u>	-
Subtotal	<u>6,911,500</u>	<u>6,911,500</u>	-
Notes Payable:			
Dated April 20, 2000	<u>130,356</u>	<u>130,356</u>	-
Installment Obligations			
	<u>693,509</u>	-	<u>693,509</u>
Total	<u>\$ 12,470,365</u>	<u>\$ 7,041,856</u>	<u>\$ 5,428,509</u>
Per Capita Net County Direct Debt			\$ 139.19
Percent of Net Direct Debt to Total SEV			.41%

NOTE 2 - TABLES: (Continued)

K. Debt Schedule: (Continued)

<u>Underlying Debt of County (5)</u>	<u>Total</u>
City	\$ 8,365,000
Townships	1,080,625
Village	170,000
School Districts	<u>30,025,547</u>
 Total Underlying Debt	 <u>\$ 39,641,172</u>
 Per Capita Underlying Debt (3)	 \$ 1,016.44
Percent of Underlying Debt to Total SEV (4)	3.02%
 Total Direct and Underlying Debt	 <u>\$ 45,069,681</u>
 Per Capita Net Direct and Underlying Debt (3)	 \$ 1,155.63
Percent of Net Direct and Underlying Debt to Total SEV (4)	3.44%

- (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 2007 population estimate of 39,000.
- (4) Based on \$1,309,652,674 which is the County's Total SEV for its fiscal year ending December 31, 2007. Includes the SEV of property granted tax abatement under Act 198.
- (5) Underlying Debt is the debt of the municipal entities located in the County.

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

L. Debt History:

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

M. Installment Purchase and Lease Obligations:

See Notes to Financial Statements.

NOTE 2 - TABLES: (Continued)

N. Short Term Borrowings:

The County in the years 1983 through 2000, inclusive, issued Delinquent Tax Notes to fund, in part, its Delinquent Tax Payment Fund. The primary security for the Delinquent Tax Notes was the payment of the Delinquent Real Property Taxes. In addition, the County pledged its full faith and credit and limited taxing power to the payment of principal of and interest on the Delinquent Tax Notes. The County may or may not issue notes to fund the Delinquent Tax Payment Fund in future years. The amounts issued in 1994 through 2000, inclusive, are as follows:

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

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

Source: County of Chippewa

O. Future Financing:

Not Anticipated.

P. Vacation and Sick Leave:

Employees earn varying amounts of annual vacation and sick leave based on number of years of service up to a maximum and on the various labor union contract terms and administration policies of the different County operating units. Vacation is accumulated and taken annually. Sick leave can accumulate up to 168 hours. In addition, each year sheriff employees are given 96 days of sick time for jail employees and 64 days sick time for road patrol employees with 100 percent vesting after three years of service for the Sheriff's department only. At December 31, 2007, the accumulated unpaid compensated absences amount to \$519,198.

NOTE 2 - TABLES: (Continued)

Q. Pension Plan:

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

December 31 Valuation Date	Net Assets Available for Benefits	Actuarial Accrued Liability	Assets as a Percent of Actuarial Accrued Liability
1995	\$ 8,070,864	\$ 9,985,628	81
1996	9,648,031	11,191,688	86
1997	10,177,361	12,187,923	84
1998	11,739,213	12,245,489	96
1999	13,685,739	13,633,684	100
2000	15,206,302	16,022,011	95
2001	16,467,208	18,117,222	91
2002	17,113,545	19,641,138	87
2003	18,576,288	21,329,406	87
2004	19,907,076	22,727,407	88
2005	21,105,600	24,098,670	88
2006	22,719,301	25,841,406	88

Source: County of Chippewa

R. Labor Contracts:

The County courthouse has 145 full and part-time employees. Approximately 45% of the County's permanent employees are represented by labor organizations. The following table illustrates the various labor organizations which represent County employees, the number of members and the expiration date of the present contracts.

Employee Group	Membership	Current Expiration Date
American Federation of State, County and Municipal Employees	33	December 31, 2007
Police Officers Labor Council	27	December 31, 2009
Non-Union Employees	<u>54</u>	Not applicable
Total Permanent County Employees	<u>114</u>	

Source: County of Chippewa

NOTE 2 - TABLES: (Continued)

S. Profile of Major Employers:

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

<u>Company</u>	<u>Principal Product or Service</u>	<u>Approximate Number of Employees</u>
SSM Tribe of Chippewa	Indians Various Tribal Enterprises/ Casino	1,460
State of Michigan	State Prisons / State Government	1,343
Bay Mills Indian Community	Indians Various Tribal Enterprises/ Casino	800
War Memorial Hospital	Hospital	664
Lake Superior State University	Education	320
Sault Area Public Schools	Education	310
Wal-Mart	Department Store	200
U.S. Coast Guard	Federal Government	195
C.L.M. Community Action	Child Daycare Services / Senior Services	190
Rudyard Area Schools	Education	177

Source: County of Chippewa

T. Employment:

Reflected below are the unemployment statistics for the County for the calendar years 2002 through 2007:

<u>County of Chippewa</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Employed	16,175	16,175	16,425	16,500	16,395	16,188
Unemployed	<u>1,325</u>	<u>1,475</u>	<u>1,375</u>	<u>1,509</u>	<u>1,510</u>	<u>1,528</u>
Labor Force	<u>17,500</u>	<u>17,650</u>	<u>17,800</u>	<u>18,009</u>	<u>17,905</u>	<u>17,716</u>
Unemployed as % Of Labor Force (1)	7.6%	8.4%	7.7%	8.4%	8.4%	8.6%

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

Source: Michigan Unemployment Agency



ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

KINROSS OFFICE

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

MEMBER AICPA
DIVISION FOR CPA FIRMS

MEMBER MACPA

OFFICES IN
MICHIGAN & WISCONSIN

COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Chippewa, Michigan for the year ended December 31, 2007, and have issued our report thereon dated May 6, 2008. Professional standards require that we provide you with the following information related to our audit.

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

As stated in our engagement letter dated October 10, 2007, 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 relive you or management of your responsibilities.

In planning and performing our audit, we considered the County of Chippewa, Michigan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on March 31, 2008.

Significant Accounting Policies

Qualitative Aspects of Accounting Practices

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

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

- Management's estimate of the depreciation expense based on estimated lives. We evaluated the key factors and assumptions used to develop the estimate in determine that it is reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreement with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated May 6, 2008.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Comments and Recommendations

Bank Reconciliation – District Court (Prior Comment)

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

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

Self Insurance Fund (Prior Comment)

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

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

Fraud Policy (Prior Comment)

With the implementation of statement of Auditing Standards No. 99, auditors are required to assess policies and procedures regarding fraud risks within a governmental entity. The board does not have a “fraud policy” which would address fraud or suspected fraud and related board actions. We recommend the Board adopt a fraud policy in compliance with SAS No. 99.

Status: Corrected.

Personal Property Taxes (Prior Comment)

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

Status: County maintains a manual ledger of personal property taxes, but currently is not recorded on the general ledger.

Check Copies (Prior Comment)

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

Status: County is in the process of obtaining check images on compact disk.

Subrecipient Monitoring

The County acts as a pass-through entity for federal funds from the School and Roads Grants. This money is passed through to the various schools and townships in the county in which there are national forests. OMB Circular A-133 requires the County to monitor federal funds that are passed through to sub recipients. The County should monitor the townships to ensure that the money is used for road improvements.

Stats: Personnel will develop a monitoring document and request future audit reports.

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

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

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

Status: Management has begun the actuarial assessment process.

Conclusion

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

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



Anderson, Tackman & Company, PLC
Certified Public Accountants

May 6, 2008