

**COUNTY OF CHEBOYGAN, MICHIGAN
ANNUAL FINANCIAL REPORT
YEAR ENDED DECEMBER 31, 2016**



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INDEPENDENT AUDITORS' REPORT

Members of the Board of Commissioners
County of Cheboygan, Michigan
Cheboygan, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of Cheboygan, Michigan (the "County") as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Independent Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Cheboygan County Road Commission, which represents 100 percent of the assets, net position, and revenues of the discretely presented component unit. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Cheboygan County Road Commission, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the report of other auditors, 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 discretely presented component unit, each major fund, and the aggregate remaining fund information of the County as of December 31, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The combining and individual 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 nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 9, 2017, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Gabridge & Company". The signature is written in dark ink and is positioned above the printed name of the firm.

Gabridge & Company, PLC
Grand Rapids, MI
June 9, 2017

Management's Discussion and Analysis

Management's Discussion and Analysis

As management of the County of Cheboygan (the "County" or "government"), we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended December 31, 2016. We encourage readers to consider the information presented here in conjunction with additional information that is furnished in the financial statements and notes to the financial statements.

Financial Highlights

- The assets and deferred outflows of the County exceeded its liabilities and deferred inflows at December 31, 2016 by \$25,187,373. Of this amount, \$15,602,417 is unrestricted and may be used to meet the County's ongoing obligations to citizens and creditors.
- The County's total net position increased \$292,467 compared to \$474,000 in 2015. Revenues showed a decrease across all County funds during the year of \$295,077 and expenses for the County increased by \$476,610 from the prior year.
- At the close of the current fiscal year, the County's governmental funds reported combined fund balances of \$9,675,828, an increase of \$459,621 in comparison with the prior year. Approximately 73% of this amount (\$7,061,762) is available for spending at the government's discretion (unassigned fund balance).
- At December 31, 2016, unassigned fund balance for the General Fund was \$7,061,762, or 63% of the General Fund's annualized expenditures and transfers out.

Overview of the Financial Statements

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

Government-wide Financial Statements

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

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

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., accrued interest expense and long-term debt).

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the County include; general government services (administration, clerk, and treasurer); judicial activities (courts); public safety (sheriff); health and welfare (health and mental health), and a variety of other services. The business-type activities of the County include marina operations, delinquent tax collections, Straits Regional Ride, tax foreclosures, and jail commissary activities.

The County includes one other legally separate entity in its financial statements, the Cheboygan County Road Commission. Although legally separate, this "component unit" is important because the County is financially accountable for it. The Cheboygan County Road Commission issued separate audited financial statements and those statements can be obtained at their respective administrative offices.

The government-wide financial statements can be found on pages 19-20 of this report.

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

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

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

The County maintains numerous individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of

revenues, expenditures, and changes in fund balance for the General, Senior Citizen's Millage, Inverness Township Sewer Debt, and Housing Commission Funds, each of which is considered to be a major fund. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining schedules elsewhere in this report.

The County adopts an annual appropriated budget for its General and special revenue funds. Budgetary comparison statements or schedules have been provided herein to demonstrate compliance with the General Fund and each major special revenue fund.

The basic governmental fund financial statements can be found on pages 21-24 of this report.

Proprietary funds. The County maintains one type of proprietary fund, an enterprise fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The County uses enterprise funds to account for marina operations, delinquent tax collections, Straits Regional Ride, tax foreclosures, and jail commissary activities.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Marina, Straits Regional Ride and Delinquent Tax funds, which are considered to be major funds of the County. Individual fund data for the nonmajor enterprise funds is provided in the form of combining schedules elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 25-28 of this report.

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

The basic fiduciary fund statement can be found on page 29 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The notes to the financial statements can be found on pages 31-56 of this report.

Other information. In addition to the basic financial statement and accompanying notes, this report also presents certain information concerning the County's progress in funding its obligation to provide pension benefits to its employees. This information can be found immediately following the notes to the financial statements.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented following the required supplemental information.

The other information can be found on pages 65-78 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the County, assets and deferred outflows exceeded liabilities and deferred inflows by \$25,187,373 at the close of the most recent fiscal year. A large portion of the County's net position (36.65%, or \$9,230,533) represents its investment in capital assets (e.g., land, buildings and improvements, machinery and equipment, and vehicles) less any related debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the County's net position (1.41%, or \$354,423) represents resources that are subject to external restrictions on how they may be used. Restricted net position refers to amounts that have constraints placed on them by either: a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or b) imposed by law through constitutional provisions or enabling legislation. The remaining portion of the County's net position (61.94%, or \$15,602,417) is comprised of unrestricted net position. These amounts may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the County is able to report positive balances in all reported categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

County of Cheboygan
Statement of Net Position for Fiscal Years Ended December 31, 2016 and December 31, 2015

	Governmental Activities		Business-type Activities		Total Primary Government	
	2016	2015	2016	2015	2016	2015
ASSETS						
<i>Current Assets</i>						
Cash & Equivalents	\$ 9,718,523	\$ 9,199,003	\$ 8,492,920	\$ 7,797,312	\$ 18,211,443	\$ 16,996,315
Receivables	5,919,517	6,024,112	1,639,740	1,743,039	7,559,257	7,767,151
Prepaid Items	-	-	372	324	372	324
Inventories	-	-	21,910	17,704	21,910	17,704
Total Current Assets	15,638,040	15,223,115	10,154,942	9,558,379	25,792,982	24,781,494
<i>Noncurrent Assets</i>						
Capital Assets not Being Depreciated	1,896,578	2,052,035	-	-	1,896,578	2,052,035
Capital Assets being Depreciated	5,704,702	5,646,223	1,643,855	1,724,135	7,348,557	7,370,358
Total Assets	23,239,320	22,921,373	11,798,797	11,282,514	35,038,117	34,203,887
DEFERRED OUTFLOWS OF RESOURCES						
Pension	3,479,064	1,019,116	237,037	73,321	3,716,101	1,092,437
Total Deferred Outflows of Resources	3,479,064	1,019,116	237,037	73,321	3,716,101	1,092,437
LIABILITIES						
<i>Current Liabilities</i>						
Accounts Payable	129,029	146,041	23,659	14,811	152,688	160,852
Accrued Liabilities	154,831	118,552	9,738	8,781	164,569	127,333
Due to Governmental Units	32,363	163	11,311	20,299	43,674	20,462
Unearned Revenue	2,790,986	2,872,440	102	3,860	2,791,088	2,876,300
Current Portion of Long-term Debt	5,840	5,840	-	-	5,840	5,840
Total Current Liabilities	3,113,049	3,143,036	44,810	47,751	3,157,859	3,190,787
<i>Noncurrent Liabilities</i>						
Long-term Debt	8,762	14,602	-	-	8,762	14,602
Compensated Absences	292,965	297,734	10,965	8,938	303,930	306,672
Net Pension Liability	8,209,595	5,221,100	591,879	392,986	8,801,474	5,614,086
Total Liabilities	11,624,371	8,676,472	647,654	449,675	12,272,025	9,126,147
DEFERRED INFLOWS OF RESOURCES						
Revenues Intended to Finance a Subsequent Year	1,294,820	1,275,271	-	-	1,294,820	1,275,271
Total Deferred Inflows of Resources	1,294,820	1,275,271	-	-	1,294,820	1,275,271
NET POSITION						
Net Investment in Capital Assets	7,586,678	7,677,816	1,643,855	1,724,135	9,230,533	9,401,951
Restricted	354,423	281,529	-	-	354,423	281,529
Unrestricted	5,858,092	6,029,401	9,744,325	9,182,025	15,602,417	15,211,426
Total Net Position	\$ 13,799,193	\$ 13,988,746	\$ 11,388,180	\$ 10,906,160	\$ 25,187,373	\$ 24,894,906

The County's total net position increased \$292,467 during the year, from \$24,894,906 to \$25,187,373 for the year ended December 31, 2016.

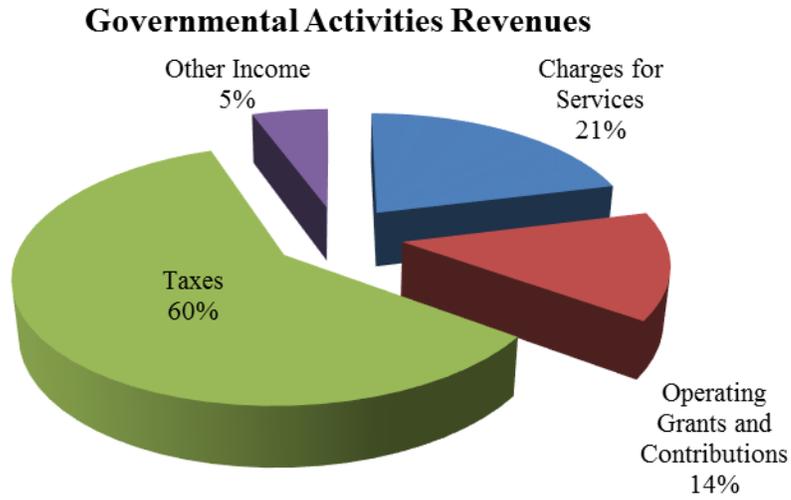
County of Cheboygan
Change in Net Position for Fiscal Years Ended December 31, 2016 and December 31, 2015

	Governmental		Business-type		Total	
	Activities		Activities		Government	
	2016	2015	2016	2015	2016	2015
Revenue						
Program Revenues						
Charges for Services	\$ 3,229,492	\$ 3,392,586	\$ 1,770,950	\$ 1,523,609	\$ 5,000,442	\$ 4,916,195
Operating Grants and Contributions	2,121,727	2,352,505	496,589	427,554	2,618,316	2,780,059
Capital Grants and Contributions	-	-	61,589	-	61,589	-
Total Program Revenues	5,351,219	5,745,091	2,329,128	1,951,163	7,680,347	7,696,254
General Revenues						
Taxes	9,104,409	9,067,870	-	-	9,104,409	9,067,870
State Sources	564,104	304,457	-	-	564,104	304,457
Investment Income	119,019	116,257	41,856	29,820	160,875	146,077
Other	-	-	-	-	-	-
Total General Revenues	9,787,532	9,488,584	41,856	29,820	9,829,388	9,518,404
Total Revenues	15,138,751	15,233,675	2,370,984	1,980,983	17,509,735	17,214,658
Expenses						
Legislative	135,856	137,070	-	-	135,856	137,070
Judicial	2,346,795	2,109,729	-	-	2,346,795	2,109,729
General Government	4,333,752	4,064,274	-	-	4,333,752	4,064,274
Public Safety	5,066,598	4,760,141	-	-	5,066,598	4,760,141
Health and Welfare	2,497,249	2,781,332	-	-	2,497,249	2,781,332
Recreation and Culture	327,834	303,141	-	-	327,834	303,141
Public Works	32,931	32,189	-	-	32,931	32,189
Community and Economic Development	369,816	381,826	-	-	369,816	381,826
Other Expenses	170,325	164,359	-	-	170,325	164,359
Interest on Long-term Debt	216,175	215,338	-	-	216,175	215,338
Marina	-	-	420,297	525,606	420,297	525,606
Tax Foreclosure	-	-	114,985	113,874	114,985	113,874
Straits Regional Ride	-	-	989,942	989,480	989,942	989,480
Jail Commissary	-	-	134,020	111,861	134,020	111,861
Delinquent Tax	-	-	60,693	50,438	60,693	50,438
Total Expenses	15,497,331	14,949,399	1,719,937	1,791,259	17,217,268	16,740,658
Changes in Net Position Before Transfers	(358,580)	284,276	651,047	189,724	292,467	474,000
Transfers - Net	169,027	257,473	(169,027)	(257,473)	-	-
Change in Net Position	(189,553)	541,749	482,020	(67,749)	292,467	474,000
<i>Net Position at the Beginning of Period</i>	<i>13,988,746</i>	<i>13,446,997</i>	<i>10,906,160</i>	<i>10,973,909</i>	<i>24,894,906</i>	<i>24,420,906</i>
Net Position at the End of Period	\$ 13,799,193	\$ 13,988,746	\$ 11,388,180	\$ 10,906,160	\$ 25,187,373	\$ 24,894,906

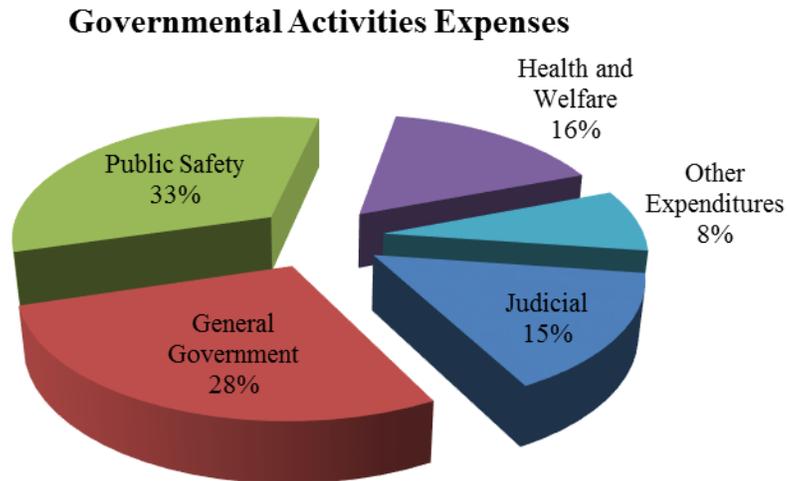
Governmental activities.

Governmental activities decreased the County's net position by \$189,553 in 2016, compared to an increase of \$541,749 in 2015. This was primarily the result of an increase in expenditures; significant increases were seen in Judicial, General Government, and Public Safety expenditures.

The following chart summarizes the revenue sources for the governmental activities of the County for the most recent fiscal year end:



The following chart summarizes the expenses for the governmental activities of the County for the most recent fiscal year end:



Business-type activities.

The business-type activities of the County increased the County's net position by \$482,020 in 2016 compared to a decrease of \$67,749 in 2015. This large change was primarily due to an increase in charges for services in both the marina and tax foreclosure activities in 2016.

Financial Analysis of the Government's Funds

As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Governmental funds. The focus of the County *governmental fund statements* is to provide information on near term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the County financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. Unassigned fund balance of the General Fund represented 63% of total General Fund expenditures and transfers out.

General Fund Highlights

The County collapses certain funds into the General Fund for external financial reporting purposes. A combining schedule is provided on page 65-66 as supplementary information to show the various components.

General Fund fund balance increased by \$304,740 from \$8,179,362 to \$8,484,102 during 2016; compared to \$950,530 during 2015. Total revenues for the General Fund decreased \$210,269 compared to the previous year. Total expenditures increased by \$435,521 compared to the previous year. The details of the significant changes in the General Fund revenues and expenditures are as follows:

General Fund Revenues

- Licenses and permits decreased by \$13,458 due to moving permit revenue into the newly established Concealed Pistol Fund.
- State sources increased by \$292,648 primarily due to the County's return to the state revenue sharing program.
- Refunds and reimbursements decreased by \$25,213 primarily due to a reduced return of net assets from the Michigan Municipal Risk Management insurance pool.
- Transfers in decreased \$504,106 primarily due to the final transfer from the Revenue Sharing Reserve Fund occurring in 2015.

General Fund Expenditures

- District Court increased by \$60,096 due to staff costs including expenses related to paying down the unfunded accrued liability related to the County pension plan.
- Victim's Rights increased by \$12,631 primarily due to fringe benefit cost increases based on a change in staff.
- Prosecuting Attorney increased by \$66,919 due to staff costs including expenses related to paying down the unfunded accrued liability related to the County pension plan and trial and witness fees.
- Termination Liability increased by \$81,999 due to the departure of only four employees in 2015 versus 16 employees in 2016.

- Marine Safety decreased by \$10,330 primarily due to boat repairs.
- Stonegarden decreased by \$17,365 due to staff costs and equipment purchases.
- Veteran's Services increased by \$12,477 due to veteran burial and staff travel expenses.
- Capital Outlay decreased by \$76,487. 2016 capital project / asset additions required a significantly lower investment than the 2015 capital project / asset additions.

Senior Citizen's Millage Fund Highlights

Senior Citizen's Millage Fund fund balance increased by \$55,986 from \$92,194 to \$148,180 during 2016; compared to a decrease of \$35,101 during 2015. Total revenues increased \$8,963 compared to the previous year. Total expenditures decreased \$82,124 compared to the previous year. The details of significant Senior Citizen's Millage Fund revenues and expenditures are as follows:

Senior Citizen's Millage Fund Expenditures

- Capital Outlay decreased by \$20,489. 2016 roof replacement costs were not as significant as 2015 septic system costs.
- Health and Welfare decreased by \$61,635; the county retained \$60,000 to replace the Wolverine Senior Center roof.

Inverness Township Sewer Debt Fund Highlights

Inverness Township Sewer Debt Fund fund balance increased by \$6 from \$5,349 to \$5,355 during 2016; compared to \$5 during 2015. Total revenues increased \$838 compared to the previous year. Total expenditures increased \$837 compared to the previous year. There were no significant changes to revenues or expenditures in the Inverness Township Sewer Debt Fund.

Housing Commission Fund Highlights

Housing Commission Fund fund balance increased by \$16,902 from \$183,986 to \$200,888 during 2016; compared to \$12,082 during 2015. Total revenues decreased \$161,297 compared to the previous year. Total expenditures decreased \$166,117 compared to the previous year. The details of significant Housing Commission Fund revenues and expenditures are as follows:

Housing Commission Fund Revenues

- State Sources decreased \$114,834 due to reduced funding from the Community Development Block Grant for home rehabilitation projects.
- Other Revenue sources decreased \$46,549 due to reduced program income from mortgage payoffs.

Housing Commission Fund Expenditures

- Health and Welfare decreased by \$166,117 due to lack of completion of home rehabilitation projects due to contractor availability issues.

Proprietary Funds. The County's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net position of the Marina, Straits Regional Ride, and Delinquent Tax funds as of year-end was \$41,858, \$(227,236), and \$9,310,712, respectively. The change in net position, respectively, for the proprietary funds was \$(35,182), (\$18,350), and \$251,113. In the Marina and Straits Regional Ride funds, the reason for this change was expense (primarily depreciation) in excess of revenue. In the Delinquent Tax fund, the reason for this change was revenue (primarily interest) in excess of expense.

General Fund Budgetary Highlights

Original budget compared to final budget. During the year there was no need for any significant amendments to increase either the original estimated revenues or original budgeted appropriations. However, there was a need to make an amendments to reallocate appropriations among departments when it became clearer which departments would actually be charged for certain expenditures. Generally, the movement of the appropriations between departments was *not* significant. The exception to this was the transfer from Major Equipment and Building to Capital Outlay (\$59,000) for the purchase of three sheriff patrol vehicles.

Final budget compared to actual results. During the current fiscal year, the County had significant revenue in excess of final budget in the following departments:

- Refunds & Reimbursements (\$96,000) primarily due to the net asset distribution received from the Michigan Municipal Risk Management insurance pool and return of insurance premiums

The County had significant budget remaining in Transfers In (\$121,000) due to uncompleted budgeted projects including elevator upgrades and window replacement.

During the current fiscal year the County had no significant expenditures in excess of the appropriated amounts in the General Fund. The County had significant budget in excess of actual expenditures in following departments:

- Elections (\$11,000) due to an overestimation of presidential election costs (net of refunds received from local units).
- Information Systems (\$58,000) due to staff vacancies and equipment purchases.
- Major Equipment and Building (\$70,000) due to building, equipment and vehicle maintenance costs and car pool purchases.
- Disaster Contingency (\$10,000) due to no "contingent" disaster expenditures being incurred during 2016.

- Marine Safety (\$14,000) due to equipment maintenance costs, equipment purchases and fuel costs.
- Enforcement Grants (\$10,000) due to staffing costs.
- Emergency Management (\$28,000) primarily due to staff vacancies.
- Planning and Zoning (\$38,000) due to staffing costs.
- Medical Examiner (\$10,000) primarily due to autopsy costs.
- Veteran’s Services (\$29,000) due to staff vacancies and veteran burial expenses.
- Fairground and Events (\$16,000) due to maintenance costs and fuel costs.
- Other Miscellaneous (\$229,000) primarily due to no “contingent” expenditures being incurred during the year.
- Capital Outlay (\$46,000) primarily due to unused funds for elevator upgrades, window replacement and jail kitchen study costs.
- Transfers Out (\$233,000) due to unnecessary transfers primarily budgeted to Childcare, Building Department, Straits Regional Ride, and SAYPA.

Senior Citizen’s Millage Fund Budgetary Highlights

Original budget compared to final budget. During the year there was no need for any amendments to either the original estimated revenues or original budgeted appropriations.

Housing Commission Fund Budgetary Highlights

Final budget compared to actual results. During the current fiscal year, the County had significant available budgets in State Sources and Health & Welfare expenditures as we budgeted for a new Community Development Block Grant award to be spent during 2016; however, a lack of contractor bidding limited the number of projects we could complete.

Capital Asset and Debt Administration

Capital assets

As of December 31, 2016, the County’s investment in capital assets for its governmental and business-type activities amounted to \$9,245,135 (net of accumulated depreciation). The investment in capital assets includes land and land improvements, buildings and improvements, machinery and equipment and vehicles. The total net decrease in the County’s net capital assets for 2016 was \$177,258.

Significant capital asset additions during 2016 included:

Governmental Activities

- Humane Society (animal control) remodel project – phase II
- Doris Reid Building remodel project – phase I
- 2 Ford Explorers and 1 Chevy Tahoe for the County Sheriff’s Department
- Wolverine Senior Center roof
- DHHS Building carpet

Business-type Activities

- Straits Regional Ride bus engine replacement
- Straits Regional Ride F-550 Super Duty 29-foot bus

Capital assets, net of depreciation, are summarized as follows as of year-end:

	Governmental Activities	Business-type Activities	Total
Land	\$ 1,892,102	\$ -	\$ 1,892,102
Construction in Progress	4,476	-	4,476
Land Improvement	414,169	927,013	1,341,182
Building and Improvements	4,687,044	136,681	4,823,725
Machinery and Equipment	381,604	13,242	394,846
Vehicles	221,885	-	221,885
Transportation Equipment	-	285,346	285,346
Docks	-	281,573	281,573
Total	\$ 7,601,280	\$ 1,643,855	\$ 9,245,135

Additional information on the County’s capital assets can be found in Note 6 to the financial statements.

Long-term Debt

The County entered into an agreement with Inverness Township for the Inverness Township Sewer Project. The Township pledged its full faith and credit for the repayment of the loan; therefore, this debt is not included in the County’s financial statements.

As of December 31, 2016, the primary government of the County had long-term debt outstanding of \$14,602 for a new capital lease of a postage machine. Additional information on the County’s long-term debt can be found in Note 8 to the financial statements.

Economic Factors and Next Year's Budgets and Rates

Management estimates that \$11,265,000 of revenues will be available for appropriation in the General Fund in the upcoming budget. Expenditures are expected to exceed revenues by \$822,000; compared to \$845,000 in the 2016 originally adopted budget. The budget will be balanced by appropriating the use of fund balance. The County continues to review all budget line items for opportunities to reduce expenditures when possible. The budget will be monitored during the year to identify any necessary amendments. The ongoing costs of providing essential services for the citizens of the County will again need to be monitored in order to maintain the financial condition of the County.

Requests for Information

This financial report is designed to provide a general overview of the County finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Cheboygan County Administrative Office
870 S. Main Street
PO Box 70
Cheboygan, MI 49721

Basic Financial Statements

**County of Cheboygan
Statement of Net Position
December 31, 2016**

	Primary Government			Component Unit - Road Commission
	Governmental Activities	Business-type Activities	Total	
ASSETS				
<i>Current Assets</i>				
Cash and Equivalents	\$ 9,718,523	\$ 8,492,920	\$ 18,211,443	\$ 1,684,172
Receivables	4,334,828	65,454	4,400,282	1,213,588
Taxes Receivable	1,577,324	1,525,280	3,102,604	--
Due from Governmental Units	7,365	49,006	56,371	1,272,946
Prepaid Items	--	372	372	192,904
Inventories	--	21,910	21,910	971,517
Total Current Assets	<u>15,638,040</u>	<u>10,154,942</u>	<u>25,792,982</u>	<u>5,335,127</u>
<i>Noncurrent Assets</i>				
Capital Assets not Being Depreciated	1,896,578	--	1,896,578	6,782,867
Capital Assets Being Depreciated	5,704,702	1,643,855	7,348,557	23,309,070
Restricted Deposits	--	--	--	22,025
Total Assets	<u>23,239,320</u>	<u>11,798,797</u>	<u>35,038,117</u>	<u>35,449,089</u>
DEFERRED OUTFLOWS OF RESOURCES				
Pension	3,479,064	237,037	3,716,101	1,059,072
Total Deferred Outflows of Resources	<u>3,479,064</u>	<u>237,037</u>	<u>3,716,101</u>	<u>1,059,072</u>
LIABILITIES				
<i>Current Liabilities</i>				
Accounts Payable	129,029	23,659	152,688	104,148
Accrued Liabilities	154,831	9,738	164,569	125,215
Accrued Interest Payable	--	--	--	23,425
Due to Governmental Units	32,363	11,311	43,674	733
Advances and Deposits	--	--	--	115,678
Unearned Revenue	2,790,986	102	2,791,088	--
Current Portion of Long-term Debt	5,840	--	5,840	135,000
Total Current Liabilities	<u>3,113,049</u>	<u>44,810</u>	<u>3,157,859</u>	<u>504,199</u>
<i>Noncurrent Liabilities</i>				
Long-term Debt	8,762	--	8,762	1,850,000
Compensated Absences	292,965	10,965	303,930	222,518
Other Post-Employment Benefits	--	--	--	2,805,227
Net Pension Liability	8,209,595	591,879	8,801,474	11,328,733
Total Liabilities	<u>11,624,371</u>	<u>647,654</u>	<u>12,272,025</u>	<u>16,710,677</u>
DEFERRED INFLOWS OF RESOURCES				
Revenues Intended to Finance a Subsequent Year	1,294,820	--	1,294,820	1,183,387
Total Deferred Inflows of Resources	<u>1,294,820</u>	<u>--</u>	<u>1,294,820</u>	<u>1,183,387</u>
NET POSITION				
Net Investment in Capital Assets	7,586,678	1,643,855	9,230,533	28,146,327
<i>Restricted for:</i>				
Debt Service	5,355	--	5,355	--
Health and Welfare	349,068	--	349,068	--
<i>Unrestricted</i>	5,858,092	9,744,325	15,602,417	(9,532,230)
Total Net Position	<u>\$ 13,799,193</u>	<u>\$ 11,388,180</u>	<u>\$ 25,187,373</u>	<u>\$ 18,614,097</u>

The Notes to the Financial Statements are an integral part of these Financial Statements

**County of Cheboygan
Statement of Activities
For the Year Ended December 31, 2016**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue			Component Unit - Road Commission
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-type Activities	Total	
Primary Government								
Governmental Activities:								
Legislative	\$ 135,856	\$ --	\$ --	\$ --	\$ (135,856)	\$ --	\$ (135,856)	\$ --
Judicial	2,346,795	715,401	937,582	--	(693,812)	--	(693,812)	--
General Government	4,333,752	1,417,222	230,365	--	(2,686,165)	--	(2,686,165)	--
Public Safety	5,066,598	880,748	287,095	--	(3,898,755)	--	(3,898,755)	--
Health and Welfare	2,497,249	32,356	647,661	--	(1,817,232)	--	(1,817,232)	--
Recreation and Culture	327,834	157,164	5,162	--	(165,508)	--	(165,508)	--
Other Expenses	170,325	--	--	--	(170,325)	--	(170,325)	--
Public Works	32,931	--	--	--	(32,931)	--	(32,931)	--
Community and Economic Development	369,816	26,601	13,862	--	(329,353)	--	(329,353)	--
Interest on Long-term Debt	216,175	--	--	--	(216,175)	--	(216,175)	--
<i>Total Governmental Activities</i>	<u>15,497,331</u>	<u>3,229,492</u>	<u>2,121,727</u>	<u>--</u>	<u>(10,146,112)</u>	<u>--</u>	<u>(10,146,112)</u>	<u>--</u>
Business-type Activities:								
Marina	420,297	385,089	--	--	--	(35,208)	(35,208)	--
Tax Foreclosure	114,985	498,711	--	--	--	383,726	383,726	--
Straits Regional Ride	989,942	343,399	496,589	61,589	--	(88,365)	(88,365)	--
Jail Commissary	134,020	143,497	--	--	--	9,477	9,477	--
Delinquent Tax	60,693	400,254	--	--	--	339,561	339,561	--
<i>Total Business-type Activities</i>	<u>1,719,937</u>	<u>1,770,950</u>	<u>496,589</u>	<u>61,589</u>	<u>--</u>	<u>609,191</u>	<u>609,191</u>	<u>--</u>
<i>Total Primary Government</i>	<u>\$ 17,217,268</u>	<u>\$ 5,000,442</u>	<u>\$ 2,618,316</u>	<u>\$ 61,589</u>	<u>\$ (10,146,112)</u>	<u>\$ 609,191</u>	<u>\$ (9,536,921)</u>	<u>--</u>
Component Unit								
Road Commission	\$ 9,171,565	\$ 2,335,135	\$ 5,859,006	\$ --	--	--	--	(977,424)
<i>Total Component Unit</i>	<u>\$ 9,171,565</u>	<u>\$ 2,335,135</u>	<u>\$ 5,859,006</u>	<u>\$ --</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>(977,424)</u>
General Purpose Revenues and Transfers:								
Revenues								
Taxes					9,104,409	--	9,104,409	1,175,861
State Sources					564,104	--	564,104	--
Other Revenues					--	--	--	63,839
Interest and Rentals					119,019	41,856	160,875	2,517
Transfers					169,027	(169,027)	--	--
<i>Total General Revenues and Transfers</i>					<u>9,956,559</u>	<u>(127,171)</u>	<u>9,829,388</u>	<u>1,242,217</u>
<i>Change in Net Position</i>					<u>(189,553)</u>	<u>482,020</u>	<u>292,467</u>	<u>264,793</u>
<i>Net Position at Beginning of Period</i>					13,988,746	10,906,160	24,894,906	18,349,304
<i>Net Position at End of Period</i>					<u>\$ 13,799,193</u>	<u>\$ 11,388,180</u>	<u>\$ 25,187,373</u>	<u>\$ 18,614,097</u>

The Notes to the Financial Statements are an integral part of these Financial Statements

**County of Cheboygan
Balance Sheet
Governmental Funds
December 31, 2016**

	Special Revenue					Other Governmental Funds	Total Governmental Funds
	General	Senior Citizen's Millage	Inverness Township Sewer Debt	Housing Commission			
ASSETS							
Cash and Equivalents	\$ 8,488,141	\$ 148,180	\$ 5,355	\$ 202,239	\$ 874,608	\$ 9,718,523	
Receivables	148,472	--	2,525,000	1,210,802	450,554	4,334,828	
Taxes Receivable	572,304	670,057	--	--	334,963	1,577,324	
Due from Governmental Units	7,365	--	--	--	--	7,365	
Due from Other Funds	85,721	--	--	--	--	85,721	
Total Assets	\$ 9,302,003	\$ 818,237	\$ 2,530,355	\$ 1,413,041	\$ 1,660,125	\$ 15,723,761	
LIABILITIES							
Accounts Payable	\$ 67,958	\$ --	\$ --	\$ --	\$ 61,071	\$ 129,029	
Accrued Liabilities	135,043	--	--	--	19,788	154,831	
Due to Governmental Units	--	--	--	163	32,200	32,363	
Unearned Revenue	265,519	--	2,525,000	--	467	2,790,986	
Due to Other Funds	--	--	--	1,188	84,533	85,721	
Total Liabilities	468,520	--	2,525,000	1,351	198,059	3,192,930	
DEFERRED INFLOWS OF RESOURCES							
Revenues Intended to Finance a Subsequent Year	--	670,057	--	--	624,763	1,294,820	
Unavailable Revenues	349,381	--	--	1,210,802	--	1,560,183	
Total Liabilities and Deferred Inflows of Resources	817,901	670,057	2,525,000	1,212,153	822,822	6,047,933	
FUND BALANCE							
Restricted	--	148,180	5,355	200,888	--	354,423	
Committed	240,517	--	--	--	100	240,617	
Assigned	1,181,823	--	--	--	837,203	2,019,026	
Unassigned	7,061,762	--	--	--	--	7,061,762	
Total Fund Balance	8,484,102	148,180	5,355	200,888	837,303	9,675,828	
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 9,302,003	\$ 818,237	\$ 2,530,355	\$ 1,413,041	\$ 1,660,125	\$ 15,723,761	

The Notes to the Financial Statements are an integral part of these Financial Statements

County of Cheboygan
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position
December 31, 2016

Total Fund Balance - Governmental Funds	\$	9,675,828
General government capital assets of \$14,932,115, net of accumulated depreciation of \$7,330,835, are not financial resources and, accordingly, are not reported in the funds.		7,601,280
Compensated absences are not due and payable in the current period and, therefore, are not reported in the funds.		(292,965)
Long-term liabilities are not due any payable in the current period and, therefore, are not reported in the funds.		(14,602)
Unavailable revenues are not available to pay current period expenditures and, therefore, are deferred inflows of resources in the funds.		1,560,183
Net pension liability is not due and payable in the current period and is not reported in the funds.		(8,209,595)
Certain pension contributions and changes in pension plan net position are reported as deferred outflows of resources in the statement of net position, but are reported as expenses in the governmental funds.		3,479,064
Total Net Position - Governmental Funds	\$	<u>13,799,193</u>

The Notes to the Financial Statements are an integral part of these Financial Statements

County of Cheboygan
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended December 31, 2016

	Special Revenue					Other Governmental Funds	Total Governmental Funds
	General	Senior Citizen's Millage	Inverness Township Sewer Debt	Housing Commission			
Revenues							
Taxes	\$ 8,118,475	\$ 667,322	\$ --	\$ --	\$ 333,592	\$ 9,119,389	
Licenses and Permits	41,824	--	--	--	15,226	57,050	
Federal Sources	97,681	--	--	--	456,198	553,879	
State Sources	1,176,451	--	--	--	740,365	1,916,816	
Local Sources	57,266	--	216,175	--	63,284	336,725	
Contributions	--	--	--	--	117,927	117,927	
Charges for Services	1,308,600	--	--	--	954,226	2,262,826	
Fines and Penalties	24,453	--	--	--	2,201	26,654	
Refunds and Reimbursement	220,040	--	--	--	--	220,040	
Other Revenues	29,833	790	--	28,266	333,079	391,968	
Interest and Rentals	79,409	--	6	195	101,651	181,261	
Total Revenues	11,154,032	668,112	216,181	28,461	3,117,749	15,184,535	
Expenditures							
Legislative	130,253	--	--	--	--	130,253	
Judicial	1,599,829	--	--	--	608,607	2,208,436	
General Government	3,473,911	--	--	--	456,110	3,930,021	
Public Safety	3,989,570	--	--	--	759,939	4,749,509	
Health and Welfare	454,675	576,950	--	11,559	1,386,324	2,429,508	
Community and Economic Development	350,770	--	--	--	--	350,770	
Recreation and Culture	106,935	--	--	--	204,724	311,659	
Other Expenditures	170,325	--	--	--	--	170,325	
Capital Outlay	172,222	35,176	--	--	206,386	413,784	
Debt Service - Principal	5,840	--	95,000	--	--	100,840	
Debt Service - Interest	--	--	121,175	--	--	121,175	
Total Expenditures	10,454,330	612,126	216,175	11,559	3,622,090	14,916,280	
Excess of Revenues Over (Under) Expenditures	699,702	55,986	6	16,902	(504,341)	268,255	
Other Financing Sources (Uses)							
Insurance Recoveries	22,339	--	--	--	--	22,339	
Transfers In	390,663	--	--	--	751,581	1,142,244	
Transfer Out	(807,964)	--	--	--	(165,253)	(973,217)	
Net Other Financing Sources (Uses)	(394,962)	--	--	--	586,328	191,366	
Net Change in Fund Balance	304,740	55,986	6	16,902	81,987	459,621	
<i>Fund Balance at Beginning of Period</i>	<i>8,179,362</i>	<i>92,194</i>	<i>5,349</i>	<i>183,986</i>	<i>755,316</i>	<i>9,216,207</i>	
Fund Balance at End of Period	\$ 8,484,102	\$ 148,180	\$ 5,355	\$ 200,888	\$ 837,303	\$ 9,675,828	

The Notes to the Financial Statements are an integral part of these Financial Statements

County of Cheboygan
Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and
Changes in Fund Balance with Statement of Activities
For the Year Ended December 31, 2016

Total Net Change in Fund Balances - Governmental Funds	\$	459,621
<p>Governmental funds report capital outlay as expenditures; however, in the statement of activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense. This is the amount by which capital outlay expenditures of \$413,784 are exceeded by depreciation expense of \$474,749 plus the insurance recoveries related to asset disposal of \$22,339, \$10,700 of trade-in value received, \$826 in sales proceeds, and loss on disposal of capital assets of \$2,148.</p>		
		(96,978)
<p>Change to compensated absences are not shown in the fund financial statements. The net effect of the current year decrease in compensated absences is to increase net position.</p>		
		4,769
<p>The repayment of principal of long-term capital leases consumes the current financial resources of governmental funds and is recorded as an expenditure; however, the repayment of long-term capital leases payable reduces long-term liabilities on the statement of net position.</p>		
		5,840
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds; they are deferred into the following year.</p>		
		(34,258)
<p>Changes to the net pension liability are not shown in the fund financial statements. The net effect of the current year increase is to decrease net position.</p>		
		(528,547)
Changes in Net Position - Governmental Funds	\$	<u>(189,553)</u>

The Notes to the Financial Statements are an integral part of these Financial Statements

**County of Cheboygan
Statement of Net Position
Proprietary Funds
December 31, 2016**

Business-type Activities - Enterprise Funds

	Marina	Straits Regional Ride	Delinquent Tax	Other Enterprise Funds	Total Enterprise Funds
ASSETS					
<i>Current Assets</i>					
Cash and Equivalents	\$ 65,951	\$ 64,370	\$ 7,785,850	\$ 576,749	\$ 8,492,920
Receivables	--	14,198	--	51,256	65,454
Taxes Receivable	--	--	1,525,280	--	1,525,280
Due from Governmental Units	--	49,006	--	--	49,006
Prepaid Items	372	--	--	--	372
Inventories	21,910	--	--	--	21,910
Total Current Assets	88,233	127,574	9,311,130	628,005	10,154,942
<i>Noncurrent Assets</i>					
Capital Assets Being Depreciated	1,345,268	298,587	--	--	1,643,855
Total Assets	1,433,501	426,161	9,311,130	628,005	11,798,797
DEFERRED OUTFLOWS OF RESOURCES					
Pension	10,737	226,300	--	--	237,037
Total Deferred Outflows of Resources	10,737	226,300	--	--	237,037
LIABILITIES					
<i>Current Liabilities</i>					
Accounts Payable	550	14,717	--	8,392	23,659
Accrued Liabilities	--	8,698	418	622	9,738
Due to Governmental Units	--	11,311	--	--	11,311
Unearned Revenue	102	--	--	--	102
Total Current Liabilities	652	34,726	418	9,014	44,810
<i>Noncurrent Liabilities</i>					
Compensated Absences	--	10,965	--	--	10,965
Net Pension Liability	56,460	535,419	--	--	591,879
Total Liabilities	57,112	581,110	418	9,014	647,654
NET POSITION					
Net Investment in Capital Assets	1,345,268	298,587	--	--	1,643,855
Unrestricted	41,858	(227,236)	9,310,712	618,991	9,744,325
Total Net Position	\$ 1,387,126	\$ 71,351	\$ 9,310,712	\$ 618,991	\$ 11,388,180

The Notes to the Financial Statements are an integral part of these Financial Statements

County of Cheboygan
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended December 31, 2016

Business-type Activities - Enterprise Funds

	Marina	Straits Regional Ride	Delinquent Tax	Other Enterprise Funds	Total Enterprise Funds
Operating Revenues					
Federal Sources	\$ --	\$ 155,108	\$ --	\$ --	\$ 155,108
State Sources	--	341,481	--	--	341,481
Local Sources	--	14,312	--	--	14,312
Charges for Services	383,095	294,897	110,534	642,208	1,430,734
Interest and Rentals	--	--	289,685	--	289,685
Other Revenues	1,994	--	35	--	2,029
Total Operating Revenues	385,089	805,798	400,254	642,208	2,233,349
Operating Expenses					
Personal Services	51,283	596,253	43,449	49,246	740,231
Contractual Services	--	5,860	--	55,899	61,759
Utilities	14,753	4,059	--	--	18,812
Repair and Maintenance	13,527	95,823	--	--	109,350
Other Supplies and Expenses	263,420	163,901	17,244	143,860	588,425
Depreciation	77,314	124,046	--	--	201,360
Total Operating Expenses	420,297	989,942	60,693	249,005	1,719,937
Operating Income (Loss)	(35,208)	(184,144)	339,561	393,203	513,412
Non-Operating Revenues (Expenses)					
Gain on Sale of Assets	--	440	--	--	440
Insurance Recoveries	--	33,750	--	--	33,750
Interest and Rentals	26	--	39,318	2,512	41,856
Net Non-Operating Revenues (Expenses)	26	34,190	39,318	2,512	76,046
Income Before Contributions and Transfers	(35,182)	(149,954)	378,879	395,715	589,458
Federal Capital Assistance	--	49,271	--	--	49,271
State Capital Assistance	--	12,318	--	--	12,318
Transfers In	--	70,015	35,725	--	105,740
Transfer Out	--	--	(163,491)	(111,276)	(274,767)
Change In Net Position	(35,182)	(18,350)	251,113	284,439	482,020
<i>Net Position at Beginning of Period</i>	1,422,308	89,701	9,059,599	334,552	10,906,160
Net Position at End of Period	\$ 1,387,126	\$ 71,351	\$ 9,310,712	\$ 618,991	\$ 11,388,180

The Notes to the Financial Statements are an integral part of these Financial Statements

County of Cheboygan, Michigan
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2016

	Business-type Activities - Enterprise Funds				
	Marina	Straits Regional Ride	Delinquent Tax	Other Enterprise Funds	Total Enterprise Funds
Cash Flows from Operating Activities					
Cash Received from Customers or Users	\$ 381,331	\$ 281,456	\$ 228,307	\$ 644,531	\$ 1,535,625
Cash Received from Interest and Rentals	-	-	289,685	-	289,685
Cash Received from Governmental Units	-	498,556	-	-	498,556
Cash Received from Other Sources	-	-	35	-	35
Cash Payments to Suppliers	(295,918)	(262,709)	(17,344)	(197,781)	(773,752)
Cash Payments to Employees	(52,077)	(557,161)	(43,681)	(49,151)	(702,070)
Net Cash Provided (Used) by Operating Activities	33,336	(39,858)	457,002	397,599	848,079
Cash Flows from Noncapital Financing Activities					
Transfers In	-	70,015	35,725	-	105,740
Transfers Out	-	-	(163,491)	(111,276)	(274,767)
Net Cash Provided (Used) by Noncapital Financing Activities	-	70,015	(127,766)	(111,276)	(169,027)
Cash Flows from Capital and Related Financing Activities					
Federal Capital Assistance	-	49,271	-	-	49,271
State Capital Assistance	-	12,318	-	-	12,318
Insurance Recoveries	-	33,750	-	-	33,750
Purchase of Capital Assets	-	(121,079)	-	-	(121,079)
Gain on Sale of Assets	-	440	-	-	440
Net Cash (Used) by Capital and Related Financing Activities	-	(25,300)	-	-	(25,300)
Cash Flows from Investing Activities					
Interest Received	26	-	39,318	2,512	41,856
Net Cash Provided by Investing Activities	26	-	39,318	2,512	41,856
Net Increase in Cash and Equivalents	33,362	4,857	368,554	288,835	695,608
<i>Cash and Equivalents - Beginning of Year</i>	<i>32,589</i>	<i>59,513</i>	<i>7,417,296</i>	<i>287,914</i>	<i>7,797,312</i>
Cash and Equivalents - End of Year	\$ 65,951	\$ 64,370	\$ 7,785,850	\$ 576,749	\$ 8,492,920

The Notes to the Financial Statements are an integral part of these Financial Statements

County of Cheboygan, Michigan
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2016

	<u>Business-type Activities - Enterprise Funds</u>				<u>Total Enterprise Funds</u>
	<u>Marina</u>	<u>Straits Regional Ride</u>	<u>Delinquent Tax</u>	<u>Other Enterprise Funds</u>	
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities					
Operating income (loss)	\$ (35,208)	\$ (184,144)	\$ 339,561	\$ 393,203	\$ 513,412
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities					
Depreciation	77,314	124,046	-	-	201,360
(Increase) decrease in:					
Receivables	-	(16,797)	117,773	2,323	103,299
Prepays	(48)	-	-	-	(48)
Inventories	(4,206)	-	-	-	(4,206)
Accounts Payable	36	6,934	(100)	1,978	8,848
Compensated Absences	-	2,027	-	-	2,027
Accrued Liabilities	(851)	1,945	(232)	95	957
Unearned Revenue	(3,758)	-	-	-	(3,758)
Due to Governmental Units	-	(8,989)	-	-	(8,989)
Pension (Net)	57	35,120	-	-	35,177
Net Cash Provided (Used) by Operating Activities	<u>\$ 33,336</u>	<u>\$ (39,858)</u>	<u>\$ 457,002</u>	<u>\$ 397,599</u>	<u>\$ 848,079</u>

The Notes to the Financial Statements are an integral part of these Financial Statements

County of Cheboygan
Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2016

	Agency Funds
ASSETS	
Cash and Equivalents	\$ 1,221,647
<i>Total Assets</i>	1,221,647
LIABILITIES	
Assets Held on Behalf of Others	1,221,647
<i>Total Liabilities</i>	1,221,647
NET POSITION	
Held in Trust	\$ --

The Notes to the Financial Statements are an integral part of these Financial Statements

Notes to the Financial Statements

County of Cheboygan

Notes to the Financial Statements

Note 1 – Summary of Significant Accounting Policies

The County of Cheboygan, Michigan (the “County” or “government”) is a public corporation created under the Constitution and Statutes of the State of Michigan with the County Seat located in the City of Cheboygan. The County operates under an elected Board of Commissioners (seven members) and provides services to its 25,401 residents (per 2016 estimated census) in many areas, including; law enforcement, administration of justice, community enrichment and development, public works, health and welfare, and recreation and cultural activities.

The financial statements of the County have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the County’s accounting policies are described below.

Reporting Entity

The accompanying financial statements present the County (the primary government) and its component unit, an entity for which the government is considered to be financially accountable. The discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize they are legally separate from the County.

Discretely-presented Component Unit

County of Cheboygan Road Commission (the “Road Commission”)

The Road Commission is considered part of the County reporting entity for financial reporting purposes. The Road Commission is governed by a board elected by the electorate of the County. The Road Commission may not issue debt or levy taxes without the approval of the County Board of Commissioners. However, this component unit of the County has been audited and reported separately. Accordingly, the County has elected to omit substantially all note disclosures related to the Road Commission in these financial statements. Complete financial statements of the individual component unit can be obtained from the following:

County of Cheboygan Road Commission
5302 South Straits Highway
Indian River, MI 49747

Multi-County Agencies

The County participates jointly in the operation of the ***District Health Department Office #4*** with Alpena, Presque Isle, and Montmorency Counties. All financial operations of the District Health Department Office #4 are recorded in the financial statements of Alpena County. The funding formula requires the County to provide approximately 30% of the budget appropriation

County of Cheboygan

Notes to the Financial Statements

requirement, which amounted to \$219,983 for the year ended December 31, 2016. This expenditure was made from the General Fund.

The County participated in the *North County Community Mental Health Authority* (the "Authority") with Charlevoix, Otsego, Emmet, Kalkaska, and Antrim Counties. Financial statements for the Authority can be obtained from the Authority. The County contributed \$111,995 for the year ended December 31, 2016. This expenditure was made from the General Fund.

Regional Joint Operations

The County contributes annually to the *Cheboygan Airport Authority*. The County's contribution for the year ended December 31, 2016 was \$86,125. Financial statements for the Cheboygan Airport Authority may be obtained through the Cheboygan County Airport, 1520 Levering Road, Cheboygan, Michigan, 49721.

The County, together with Charlevoix and Emmet Counties, has jointly established the *C.C.E. Central Dispatch Authority* (the "C.C.E."), which is a Michigan municipal body formed by, and on behalf of, participating municipalities located within the counties of Charlevoix, Cheboygan, and Emmet, through the auspices of the Inter-governmental Contracts between Municipalities Act, Urban Cooperation Act, and Emergency Telephone Service Enabling Act. The County is required to contribute annually to the operations of the C.C.E. The funding formula, which is reviewed every five years, calls for each County to provide 20% of the required funding (total 60% for the three counties), plus their prorata share of the remainder, based on telephone lines. The County's share for the year ended December 31, 2016 was \$430,762. The purpose of the C.C.E. is to centralize the dispatch of emergency service responders in the three county areas. Financial statements for the C.C.E. may be obtained through C.C.E. Central Dispatch Authority, P.O. Box 866, Petoskey, Michigan, 49770.

Government-wide and Fund Financial Statements

The government-wide financial statements (e.g., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are 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.

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

County of Cheboygan

Notes to the Financial Statements

other items not properly included among program revenues are reported instead as *general revenues*.

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.

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, except for agency funds which do not have a measurement focus. Revenues are 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 revenues 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*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible 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 or within one year for expenditure-driven grants. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service and compensated absences expenditures are recorded only when payment is due.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the County.

The County reports the following major governmental funds:

The ***General Fund*** is the County's primary operating fund. It accounts for all financial resources of the general government except for those that are required to be accounted for in another fund.

The ***Inverness Township Sewer Debt Fund*** is used to account for expenditures incurred related to water and sewer system debt the County issued on behalf of the Township that are financed primarily through township payments to cover these expenditures.

County of Cheboygan

Notes to the Financial Statements

The *Senior Citizen's Millage Fund* is used to account for expenditures incurred related to the senior population of the County. The primary source of revenue is property taxes.

The *Housing Commission Fund* is used to account for expenditures incurred related to housing. The primary source of revenue are grants and principal repayments on notes the County issues.

The County reports the following major enterprise funds:

The *Delinquent Tax Fund* accounts for money advanced by the County to other local taxing units and various County funds to pay for their delinquent real property taxes. Revenues are generated by the collection of the delinquent real property taxes, penalties, and interest.

The *Straits Regional Ride Fund* accounts for the expenditures and revenues related to the transportation authority. The primary sources of revenue are charges for services and state and federal grants.

The *Marina Fund* accounts for the operation of the County marina. The primary revenue source is charges for services.

Additionally, the County reports the following fund types:

The *special revenue funds* are used to account for the proceeds of specific revenue sources (other than permanent trusts or major capital projects) that are legally restricted to expenditures for specified purposes.

The *capital projects funds* account for the accumulation and disbursement of resources for the construction of governmental fund capital projects.

The *enterprise funds* are used to account for resources that business-type in nature that provide services to residents for a user charge or fee.

The *agency funds* are used to account for the collection and disbursement of funds that are collected on behalf of outside governments or other parties.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges for services. Operating expenses for the enterprise funds include depreciation on capital assets, labor, supplies and contracted

County of Cheboygan

Notes to the Financial Statements

services. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Cash and Cash Equivalents

The County pools cash resources of various funds in order to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balances in the pooled cash accounts are available to meet current operating requirements. Cash in excess of current requirements is invested in various interest bearing certificates of deposit and disclosed as part of the County's cash equivalents or investments depending on the original maturity date. Cash and cash equivalents consist of petty cash, checking accounts, temporary investments in certificates of deposit, and money market savings accounts all with original maturities of 90 days or less. Earnings from deposits are allocated to numerous funds as required by federal regulations, state statutes, and local ordinances.

Receivables

Receivables consist of amounts due from governmental units for various financial assistance programs and accounts receivable related to charges for services, special assessments, and notes and leases receivable made in connection with various programs.

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

Inventories and Prepaid Items

Inventories are valued at the lower of cost or market using the first-in first-out (FIFO) method for proprietary fund types. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Inventories consist primarily of fuel costs.

Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both governmental-wide and fund financials statements.

Capital Assets

Capital assets are recorded (net of accumulated depreciation, if applicable) in the government-wide financial statements under the governmental activities and component unit columns. Capital assets are those with an individual initial cost of \$5,000 or more and an estimated useful life of more than one year. Capital assets are not recorded in the governmental funds. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical

County of Cheboygan

Notes to the Financial Statements

records exist. Donated capital assets are valued at their estimated fair market value on the date received.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Years</u>
Land improvements	15
Buildings and improvements	15 - 40
Machinery and equipment	3 - 5
Vehicles	4 - 7

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of fund balance/net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenditure/expense) until then. The County has one item that qualifies for reporting in this category, pension related deferred outflows. The government-wide statements report deferred outflows from the difference between projected and actual investment earnings of the pension plan, differences between plan expected and actual experience, changes in actuarial assumptions, as well as County contributions made after the measurement date of the net pension liability.

In addition to liabilities, the fund level balance sheet and the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of fund balance/net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until then. The County reports deferred inflows of resources in its fund level balance sheet and its statement of net position for taxes levied for subsequent periods. Additionally, the County recognized unavailable revenues in its fund level balance sheets for special assessments collectible in subsequent periods and for amounts due from other governmental units for future year's debt service obligations.

Long-term Obligations

Long-term debt and other long-term obligations are recognized as a liability in the government-wide financial statements and proprietary fund types when incurred. The portion of those liabilities expected to be paid within the next year is a current liability with the remaining amounts shown as long-term.

County of Cheboygan

Notes to the Financial Statements

Long-term debt is recognized as a liability of a governmental fund when due or when resources have been accumulated in a debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund.

Compensated Absences

It is the County's policy to permit employees to accumulate earned but unused sick and vacation time benefits, subject to certain limitations. All sick and vacation time pay is accrued when incurred in the governmental-wide statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations or retirements.

Unearned Revenues

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

Interfund Transactions

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 transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

Property Taxes

The County property tax is levied each December 1 and July 1 on the taxable valuation of property located in the County as of the preceding December 31.

The assessed and taxable value of real and personal property for the December 1, 2015 levy, was recognized as revenue in the fiscal year 2016. The general operating tax rate for this levy was at the maximum rate of 5.6592. The County also has a voter approved tax of .5000 mills for senior services, .2500 mills for ambulance services, and 1.000 mills for road repair and maintenance.

By resolution of the Board of Commissioners and agreement with various taxing authorities, the County purchased, at face value, the real property taxes receivable returned as delinquent on March 1, 2016. Subsequent collections of delinquent taxes receivable, plus interest thereon and investment earnings, are used to repay the funds distributed by the Delinquent Tax Fund. This activity is accounted for in the Delinquent Tax (enterprise) Fund.

County of Cheboygan

Notes to the Financial Statements

Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

It is the government's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Fund Balance Flow Assumptions

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. Governmental funds report *nonspendable fund balance* for amounts that cannot be spent because they are either; a) not in spendable form, or b) legally or contractually required to be maintained intact. Nonspendable fund balance would be equal to inventory, prepaid items, interfund advances, and the nonspendable portion of endowments. *Restricted fund balance* is reported when externally imposed constraints are placed on the use of resources by grantors, contributors, or laws or regulations of other governments. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The *committed fund balance* classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision making authority. The Board of Commissioners is the highest level of decision-making authority for the government that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (e.g. the adoption of another resolution) to remove or revise the limitation.

County of Cheboygan

Notes to the Financial Statements

Amounts in the *assigned fund balance* classification are constrained by the County's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the County through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund.

Unassigned fund balance is the residual classification for the County's General Fund and includes all spendable amounts not contained in the other classifications and is therefore available to be spent as determined by the County Board of Commissioners.

Budgets and Budgetary Accounting

Budgets are adopted on a basis consistent with the modified accrual basis used to reflect actual results in the fund financial statements. This basis is consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for all required governmental fund types.

The County employs the following procedures in establishing budgets:

- a. Each December, after receiving input from the individual departments, the Board of Commissioners prepares a proposed operating budget for the fiscal period commencing January 1st and lapses on December 31st. The operating budget includes proposed expenditures and the means of financing them.
- b. A public hearing is conducted to obtain taxpayers' comments.
- c. Prior to January 1st, the budgets are legally enacted through passage of a budget resolution.
- d. Budgetary control is exercised at the departmental level of the General Fund. Any revisions that alter the total expenditures of any department or fund (e.g., budget amendments) require approval by the Board of Commissioners. Such amendments are made in accordance with the procedures prescribed under public Act 621 of 1978.
- e. The County does not employ encumbrance accounting as an extension of formal budgetary integration in the governmental funds. All unexpended appropriations lapse at year-end.

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.

County of Cheboygan

Notes to the Financial Statements

Note 2 - Budgetary Compliance

P.A. 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amount budgeted. The approved budgets of the County were adopted on the activity level basis for the General Fund and the functional basis for special revenue funds.

The County did not incur any significant expenditures in excess of appropriations during the year ended December 31, 2016.

Note 3 - Cash, Cash Equivalents, and Investments

The County utilizes various pooled cash accounts and investments for approximately fifty (50) funds. The County's pooled cash and investments consist of a common checking and savings account.

The County's pooled cash and investments are utilized by the General Fund, special revenue funds, capital project funds, permanent funds, enterprise funds, trust and agency funds, and component unit funds. Each fund's portion of these pooled accounts is included in the cash, cash equivalents, and investments captions on the combined balance sheet and statement of net position.

The other funds of the County utilize separate savings and interest bearing checking accounts. In addition, certificates of deposit are separately held by several of the County's funds.

In accordance with Michigan Compiled Laws, the County is authorized to invest in the following investment vehicles:

- 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 State or nationally chartered bank or a state or federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or local office located in this State under the laws of this State or the United States, but only if the bank, savings and loan association, savings bank or credit union is eligible to be a depository of surplus funds belonging to the State under Section 6 of 1855 PA 105, MCL 21.146.
- c. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
- d. The United States government or federal agency obligations repurchase agreements.
- e. Bankers' acceptances of United States banks.

County of Cheboygan

Notes to the Financial Statements

- f. Obligations of this State or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
- g. Mutual funds registered under the Investment Company Act of 1940, 15 USC 80a-1 to 80a-64, with authority to purchase only investment vehicles that are legal for direct investment by a public corporation. However, a mutual fund is not disqualified as a permissible investment solely by reason of any of the following:
 - (i) The purchase of securities on a when-issued or delivery basis.
 - (ii) The ability to lend portfolio securities as long as the mutual fund receives collateral at all time equal to at least 100% of the value of the securities loaned.
 - (iii) The limited ability to borrow and pledge a like portion of the portfolio's assets for temporary or emergency purposes.
- h. Obligations described in subdivisions (a) through (g) if purchased through an interlocal agreement under the Urban Cooperation Act of 1967, 1967 (Ex Sess) PA 7, MCL 124.501 to 124.512.
- i. Investment pools organized under the Surplus Funds Investment pool act, 1982 PA 367, MCL 129.111 to 129.118.
- j. The investment pools organized under the Local Government Investment Pool act, 1985 PA 121, MCL 129.141 to 129.150.

The County's deposits and investment policy are in accordance with statutory authority.

Following is a reconciliation of deposit and investment balances as of December 31, 2016:

	Governmental Activities	Business-Type Activities	Total Primary Government	Fiduciary Funds
Cash and Equivalents	\$ 9,718,523	\$ 8,492,920	\$ 18,211,443	\$ 1,221,647

County of Cheboygan

Notes to the Financial Statements

Deposits consist of the following as of December 31, 2016:

	Primary Government	Fiduciary Funds	Total Cash
Bank Deposits (checking and savings accounts, certificates of deposit)	\$ 18,403,860	\$ 1,718,820	
Petty Cash and Cash on Hand	1,445	-	
Total	<u>\$ 18,405,305</u>	<u>\$ 1,718,820</u>	<u>\$ 20,124,125</u>

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the County's deposits might 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, \$18,122,680 of the County's bank balance of \$20,122,680 was exposed to custodial credit risk because it was uninsured and uncollateralized. Due to the dollar amounts of cash deposits and the limits of FDIC insurance, the County believes it is impractical to insure all bank deposits. As a result, the County evaluates each financial institution with which it deposits County funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Credit Risk

State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRO's). As of December 31, 2016, the County held no investments that were subject to rating by a NRSRO. The County has no investment policy that would further limit its investment choices.

Interest Rate Risk

The County will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by designing its portfolio with the objective of obtaining a rate of return throughout the budgetary and economic cycles, taking into account the investment risk constraints and the cash flow characteristics of the portfolio. The County does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

All maturities for the County's certificates of deposit are less than one year as of December 31, 2016.

Concentration of Credit Risk

The County will minimize concentration of credit risk, which is the risk of loss attributed to the

County of Cheboygan

Notes to the Financial Statements

magnitude of the County's investment in a single issuer, by diversifying its investments by security type and institution to ensure that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.

Note 4 - Receivables and Deferred Inflows of Resources

Governmental funds report deferred inflows of resources in connection with receivables for revenues that are; 1) not considered to be available to liquidate liabilities of the current period, or 2) intended to finance operations of a subsequent period. Amounts deferred based on availability are recognized in the government-wide statements.

At the end of the current fiscal year, the various components of deferred inflows of resources reported in governmental activities were as follows:

	Revenues Intended to Finance Subsequent Year	Unavailable Revenues	Total
Governmental funds			
Property taxes receivable	\$ 1,005,020	\$ 349,381	\$ 1,354,401
Special assessments	289,800	-	289,800
Note receivable	-	1,210,802	1,210,802
Total	\$ 1,294,820	\$ 1,560,183	\$ 2,855,003

Note 5 - Interfund Transfers

Permanent reallocation of resources between funds of the reporting entity is classified as interfund transfers. For the purpose of the statement of activities, all interfund transfers between individual governmental funds, business-type funds, and the component unit have been eliminated.

County of Cheboygan

Notes to the Financial Statements

The composition of interfund transfers for the year is as follows:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
Nonmajor Governmental Funds	General Fund	\$ 615,859
General - Termination Liability	General Fund	25,162
General - Social Services	General Fund	1,473
General - Soldier's Relief	General Fund	3,997
General - Courthouse Preservation	General Fund	40,725
General - CCE 911	General Fund	50,733
Straits Regional Ride	General Fund	70,015
General Fund	Nonmajor Governmental Funds	129,528
General Fund	Delinquent Tax	27,769
General Fund	Nonmajor Enterprise Funds	111,276
Delinquent Tax	Nonmajor Governmental Funds	35,725
Nonmajor Governmental Funds	Delinquent Tax	135,722

Transfers are used to: 1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; 2) move receipts restricted to or allowed for 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.

Inter-fund receivables and payables as reported in the financial statements are comprised of the following:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 85,721	\$ -
Housing Commission	-	1,188
Nonmajor Governmental Funds	-	84,533
Total	<u>\$ 85,721</u>	<u>\$ 85,721</u>

The outstanding balances between the funds result mainly from the time lag between the dates that: 1) inter-fund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system, and 3) payments between the funds are made.

County of Cheboygan
Notes to the Financial Statements

Note 6 - Capital Assets

Capital asset activity for the year ended December 31, 2016 was as follows:

	Beginning Balances	Increases	Decreases	Transfers	Ending Balances
Governmental Activities:					
<i>Capital assets not being depreciated:</i>					
Land	\$ 1,892,102	\$ -	\$ -	\$ -	\$ 1,892,102
Construction in process	159,933	4,476	-	(159,933)	4,476
Subtotal	<u>2,052,035</u>	<u>4,476</u>	<u>-</u>	<u>(159,933)</u>	<u>1,896,578</u>
<i>Capital assets being depreciated:</i>					
Land improvements	498,250	42,630	-	-	540,880
Buildings and improvements	9,577,083	221,119	-	159,933	9,958,135
Machinery and equipment	1,616,702	47,156	-	-	1,663,858
Vehicles	870,539	98,403	(96,278)	-	872,664
Subtotal	<u>12,562,574</u>	<u>409,308</u>	<u>(96,278)</u>	<u>159,933</u>	<u>13,035,537</u>
<i>Less accumulated depreciation for:</i>					
Land improvements	(94,104)	(32,607)	-	-	(126,711)
Buildings and improvements	(5,007,937)	(263,154)	-	-	(5,271,091)
Machinery and equipment	(1,175,541)	(106,713)	-	-	(1,282,254)
Vehicles	(638,769)	(72,275)	60,265	-	(650,779)
Subtotal	<u>(6,916,351)</u>	<u>(474,749)</u>	<u>60,265</u>	<u>-</u>	<u>(7,330,835)</u>
Net Capital Assets Being Depreciated	<u>5,646,223</u>	<u>(65,441)</u>	<u>(36,013)</u>	<u>159,933</u>	<u>5,704,702</u>
Governmental Activities Capital Assets, Net of Depreciation	<u>\$ 7,698,258</u>	<u>\$ (60,965)</u>	<u>\$ (36,013)</u>	<u>\$ -</u>	<u>\$ 7,601,280</u>

County of Cheboygan

Notes to the Financial Statements

Depreciation expense was charged to the following governmental activities:

Governmental Activities:

Judicial	\$ 24,905
General Government	236,174
Public Safety	123,078
Public Works	29,595
Health and Welfare	44,822
Recreation and Cultural	16,175
Total Governmental Activities	<u>\$ 474,749</u>

Capital asset activity for the business-type activities for the year ended December 31, 2016 was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Business-type Activities:				
<i>Capital assets being depreciated:</i>				
Buildings and improvements	\$ 560,959	\$ -	\$ -	\$ 560,959
Land improvements	1,519,258	-	-	1,519,258
Machinery and equipment	96,971	-	-	96,971
Transportation equipment	1,231,903	121,079	(104,374)	1,248,608
Docks	691,940	-	-	691,940
Subtotal	<u>4,101,031</u>	<u>121,079</u>	<u>(104,374)</u>	<u>4,117,736</u>
<i>Less accumulated depreciation for:</i>				
Buildings and improvements	(407,308)	(16,970)	-	(424,278)
Land improvements	(554,351)	(37,894)	-	(592,245)
Machinery and equipment	(81,578)	(2,151)	-	(83,729)
Transportation equipment	(945,576)	(122,060)	104,374	(963,262)
Docks	(388,083)	(22,284)	-	(410,367)
Subtotal	<u>(2,376,896)</u>	<u>(201,359)</u>	<u>104,374</u>	<u>(2,473,881)</u>
Net Capital Assets Being Depreciated	<u>1,724,135</u>	<u>(80,280)</u>	-	<u>1,643,855</u>
Business-type Activities Capital Assets, Net of Depreciation	<u>\$ 1,724,135</u>	<u>\$ (80,280)</u>	<u>\$ -</u>	<u>\$ 1,643,855</u>

County of Cheboygan

Notes to the Financial Statements

Depreciation expense was allocated to the following business-type activities:

Business-type Activities:	
Marina	\$ 77,313
Straits Regional Ride	124,046
Total Business-type Activities	<u>\$ 201,359</u>

Note 7 - Capital Lease

The County leases a Pitney Bowes postage machine under a capital lease with monthly payments of \$487 with no interest. The lease qualifies as a capital lease for accounting purposes and therefore has been recorded at the present value of future minimum lease payments as of the inception date.

The future minimum lease obligations and the net present values are as follows:

Year Ended	
December 31	Amount
2017	\$ 5,841
2018	5,841
2018	2,920
Total	<u>\$ 14,602</u>

Note 8 - Long-term Debt

Compensated Absences

Vacation is earned in carrying amounts depending on the number of years of services of the employee and is made available to the employee at their anniversary date, not to exceed a total accumulation of 25 days for union employees, administrative, and nonunion supervisory employees. Vacation is payable at 100% to employees when they terminate employment.

Sick leave is accumulated at the rate of one day for each month of service, not to exceed a total accumulation of 45 – 100 days for court employees, 90 days for sheriff’s department employees, and 30 days for all other employees.

Sick leave is payable at 50% at termination, retirement, or death for the sheriff’s department employees only.

County of Cheboygan

Notes to the Financial Statements

A summary of vested employee benefits payable for the primary government as of December 31, 2016, is as follows:

Primary Government	Beginning Balances	Change (net)	Ending Balances
Vacation	\$ 175,271	\$ 3,177	\$ 178,448
Sick	131,401	(5,919)	125,482
Total	\$ 306,672	\$ (2,742)	\$ 303,930

Note 9 - Retirement System

Defined Benefit Pension Plan

Plan Description

The County participates in the Michigan Municipal Employees Retirement System (MERS), an agent multiple - employer defined benefit pension plan. MERS is authorized and operated under State law, Act 135 of the Public Acts of 1945, as amended. The Michigan Municipal Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the System at 1134 Municipal Way, Lansing, Michigan 48917.

The Plan provides certain retirement, disability, and death benefits to plan members and beneficiaries. PA 427 of 1984, as amended, established and amends the benefit provisions of the participants in MERS. The MERS plan covers full-time employees at the County including the following divisions; 1) general, 2) sheriff (GELC), 3) elected / appointed, and 4) sheriff (POLC). Retirement benefits for employees are calculated as 2.50% of the employee's three to five year final average compensation times the employee's years of service with a maximum of 80 percent of final average compensation. Normal retirement age is 60 with early retirement at an unreduced benefit at age 55 with 20 years of service or a reduced benefit at age 50 with 25 years of service or age 55 with 15 years of service. Deferred retirement benefits vest after 10 years of credited service, but are not paid until the date retirement would have occurred had the member remained an employee. Employees are eligible for non-duty disability benefits after 10 years of service and for duty-related disability benefits upon hire. Disability retirement benefits are determined in the same manner as retirement benefits but are payable immediately and if duty-related without an actuarial reduction for retirement before age 60 is not applied. An employee who leaves service may withdraw his or her contributions, plus any accumulated interest.

County of Cheboygan

Notes to the Financial Statements

Employees Covered by Benefit Terms

At the December 31, 2015 measurement date, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	87
Inactive plan members entitled to but not yet receiving benefits	14
Active plan members	<u>141</u>
Total employees covered by MERS	<u>242</u>

Contributions

Article 9, Section 24 of the State of Michigan constitution requires that financial benefits arising on account of employee service rendered in each year be funded during that year. Accordingly, MERS retains an independent actuary to determine the annual contribution. The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by the MERS retirement board. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. The employer may establish contribution rates to be paid by its covered employees.

For the year ended December 31, 2016, the average active employee contribution rate ranged from 3.0 to 3.5 percent of annual pay and the County's average contribution rate ranged from 14.32 to 18.92 percent of annual payroll, depending on division.

Net Pension Liability

The net pension liability reported at December 31, 2016 was determined using a measure of the total pension liability and the pension net position as of December 31, 2015. The December 31, 2015 total pension liability was determined by an actuarial valuation performed as of that date.

County of Cheboygan

Notes to the Financial Statements

Changes in the net pension liability during the measurement year were as follows:

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability
Balance at December 31, 2014	\$ 23,497,580	\$ 17,883,494	\$ 5,614,086
Service cost	641,356	-	641,356
Interest	1,860,889	-	1,860,889
Difference between expected and actual experience	163,725	-	163,725
Changes in assumptions	1,253,128	-	1,253,128
Contributions - Employer	-	793,069	(793,069)
Contributions - Employee	-	309,950	(309,950)
Net investment income	-	(273,612)	273,612
Benefit payments, including refunds	(1,114,294)	(1,114,294)	-
Administrative expenses	-	(39,544)	39,544
Other changes	58,153	-	58,153
Net changes	<u>2,862,957</u>	<u>(324,431)</u>	<u>3,187,388</u>
Balance at December 31, 2015	<u>\$ 26,360,537</u>	<u>\$ 17,559,063</u>	<u>\$ 8,801,474</u>

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

Source	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ 1,361,807	\$ -
Differences in experience	321,756	-
Changes in assumptions	1,002,501	-
Employer contributions to the plan subsequent to the measurement date	<u>1,030,037</u>	<u>-</u>
Total	<u>\$ 3,716,101</u>	<u>\$ -</u>

County of Cheboygan

Notes to the Financial Statements

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

Years Ending December 31	Amount
2017	\$ 687,415
2018	687,415
2019	687,414
2020	623,820

Actuarial Assumptions

The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%	
Salary increases	3.75%	3.75% in the long-term
Investment rate of return	7.75%	Net of investment expense, including inflation

Mortality rates were based on the RP-2014 Group Annuity Mortality Table of a 50 percent male and 50 percent female blend.

The actuarial assumptions used in the December 31, 2015 valuation were based on the results of the most recent actuarial experience study of 2009-2013.

Discount Rate

The discount rate used to measure the total pension liability was 8.00 percent. The projection of cash flows used to determine the discount rate assumes that employee contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate.

Projected Cash Flows

Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term expected rate of return on pension plan investments was determined using a model in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are

County of Cheboygan

Notes to the Financial Statements

combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return as of December 31, 2015, the measurement date, for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Global equity	57.5%	5.02%
Global fixed income	20%	2.18%
Real assets	12.5%	4.23%
Diversifying strategies	10%	6.56%

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the County, calculated using the discount rate of 8 percent, as well as what the County's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (7 percent) or one percentage point higher (9 percent) than the current rate:

	1% Decrease (7%)	Current Discount Rate (8%)	1% Increase (9%)
Net pension liability of the County	\$ 11,888,974	\$ 8,801,474	\$ 6,184,546

Pension Plan Fiduciary Net Position

Detailed information about the plan's fiduciary net position is available in the separately issued financial report found at www.mersofmich.com. The plan's fiduciary net position has been determined on the same basis used by the plan. The plan uses the economic resources measurement focus and the full accrual basis of accounting. Investments are stated at fair value. Contribution revenue is recorded as contributions are due, pursuant to legal requirements. Benefit payments and refunds of employee contributions are recognized as expense when due and payable in accordance with the benefit terms.

Note 10 - Contingent Liabilities

Primary Government

The County participates in a number of federal and state assisted grant programs that are subject to compliance audits. The single audit of the federal programs and the periodic program compliance audits of many of the state programs have not yet been completed or final resolution has not been received. Accordingly, the County's compliance with applicable grant requirements will be

County of Cheboygan

Notes to the Financial Statements

established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the County expects such amounts, if any, to be immaterial.

Note 11 - Risk Management

Primary Government

The County participates as a member in the Michigan Municipal Risk Management Authority (the "Authority"). The Authority is a municipal self-insurance entity operating pursuant to the State of Michigan Public Act 138 of 1982. The purpose of the Authority is to administer a risk management fund, which provides members with loss protection for general and auto liability, motor vehicle physical damage and property.

The Authority has entered into reinsurance agreements providing for loss coverage in excess of the amounts to be retained by the Authority and individual members.

In the event a reinsurance company does not meet its obligation to the Authority, responsibility for payment of any unreimbursed claims will be that of the Authority Reinsurance Fund.

The Authority has retained certain levels of risk rather than obtaining coverage through reinsurance agreements. The Authority established the Authority Reinsurance Fund in order to participate in the reinsurance agreements. Individual members are provided the same level of coverage previously afforded through a combination of the reinsurance agreements and the Reinsurance Fund. In addition, the Authority purchases insurance for certain risks not covered by the reinsurance agreements.

The reinsurance agreements discussed above include provisions for minimum annual premiums. As of December 31, 2016, the Authority had met the minimum requirements.

The County is a "state pool member" for the self-insured retention portion of liabilities and as such pays deductibles of only \$250 per vehicle and \$150 per occurrence for property and crime coverage. The County's annual MMRMA premium includes a fee to participate as a "state pool member" for self-insured retention.

The County has transferred the risk of loss for workers' compensation and health insurance via the purchase of commercial insurance policies. Settled claims have not exceeded coverage in any of the past three fiscal years.

Note 12 - Restricted Net Position / Fund Balances - Governmental Funds

The County reports fund balance in governmental funds based on the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. GASB 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to

County of Cheboygan
Notes to the Financial Statements

which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

Restricted net position is composed of the same components of restricted fund balance, as shown in the following table:

	General Fund	Senior Citizen's Millage	Inverness Township Sewer Debt	Housing Commission	Other Governmental Funds	Total Governmental Funds
Restricted						
Senior Citizens	\$ -	\$ 148,180	\$ -	\$ -	\$ -	\$ 148,180
Housing	-	-	-	200,888	-	200,888
Debt Service	-	-	5,355	-	-	5,355
	<u>-</u>	<u>148,180</u>	<u>5,355</u>	<u>200,888</u>	<u>-</u>	<u>354,423</u>
Committed						
Caseflow Assistance	91,726	-	-	-	-	91,726
Local Grants	13,139	-	-	-	-	13,139
LEPC	6,260	-	-	-	-	6,260
Capital Improvements	129,392	-	-	-	-	129,392
Drain Fund	-	-	-	-	100	100
	<u>240,517</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>100</u>	<u>240,617</u>
Assigned						
Family Counseling	-	-	-	-	26,563	26,563
Termination Liability	1	-	-	-	-	1
Public Act 302 Training	-	-	-	-	9,612	9,612
Courthouse Preservation	19,532	-	-	-	-	19,532
Probation Enhancement	-	-	-	-	14,315	14,315
Victim's Restitution	-	-	-	-	182	182
Remonumentation Grant	-	-	-	-	23,309	23,309
Community Projects	-	-	-	-	5,399	5,399
Doris Reid Building	-	-	-	-	70,356	70,356
Recycling	-	-	-	-	133,661	133,661
Public Improvement	-	-	-	-	6,041	6,041
Building Department	-	-	-	-	1	1
Register of Deeds Automation	-	-	-	-	369,592	369,592
Disaster Contingency	10,000	-	-	-	-	10,000
Sheriff Special Projects	-	-	-	-	1,920	1,920
Concealed Pistol Licensing	-	-	-	-	15,236	15,236
Local Officer Training	-	-	-	-	22,792	22,792
D.A.R.E.	-	-	-	-	2,930	2,930
Drug Court	-	-	-	-	23,820	23,820
Sobriety Court	-	-	-	-	12,563	12,563
Veterans Assistance	-	-	-	-	22,790	22,790
ORV	-	-	-	-	1,763	1,763
SAYPA	-	-	-	-	7,866	7,866
Child Care	-	-	-	-	60,208	60,208
Veterans Trust	-	-	-	-	451	451
DAV Van	-	-	-	-	600	600
DHHS Building Fund	-	-	-	-	5,230	5,230
County Fair	-	-	-	-	3	3
CCE 911 Development	330,178	-	-	-	-	330,178
Subsequent Year's Expenditures	822,112	-	-	-	-	822,112
	<u>1,181,823</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>837,203</u>	<u>2,019,026</u>
Unassigned	<u>7,061,762</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,061,762</u>
Total fund balances - governmental funds	<u>\$ 8,484,102</u>	<u>\$ 148,180</u>	<u>\$ 5,355</u>	<u>\$ 200,888</u>	<u>\$ 837,303</u>	<u>\$ 9,675,828</u>

County of Cheboygan

Notes to the Financial Statements

Note 13 - Tax Abatement Disclosure

Municipalities within the County have entered into tax abatement agreements with local businesses under the Plant Rehabilitation and Industrial Development Districts Act, (known as the Industrial Facilities Tax Exemption, or “IFT”) PA 198 of 1974, as amended. The IFT on a new plant and non-industrial property, such as some high-tech personal property, is computed at half the local property tax millage rate. This amounts to a reduction in property taxes of approximately 50% for those businesses.

City of Cheboygan Tax Abatements

For the year ended December 31, 2016, the County’s property taxes were reduced by \$112 under this program.

Township of Inverness Tax Abatements

For the year ended December 31, 2016, the County’s property taxes were reduced by \$841 under this program.

Required Supplementary Information

County of Cheboygan
Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
Consolidated General Fund
For the Year Ended December 31, 2016

	Budgeted Amounts		Actual	Variance
	Original	Final		Positive (Negative) Final to Actual
Revenues				
Taxes	\$ 7,973,739	\$ 7,973,739	\$ 8,118,475	\$ 144,736
Licenses and Permits	51,680	51,680	41,824	(9,856)
Federal Sources	89,959	102,852	97,681	(5,171)
State Sources	1,168,004	1,170,640	1,176,451	5,811
Local Sources	50,931	52,631	57,266	4,635
Charges for Services	1,173,184	1,201,624	1,308,600	106,976
Fines and Penalties	21,000	21,000	24,453	3,453
Interest and Rentals	71,742	71,742	79,409	7,667
Refunds and Reimbursements	145,268	145,268	220,040	74,772
Other Revenue	10,000	22,000	29,833	7,833
Total Revenues	10,755,507	10,813,176	11,154,032	340,856
Other Financing Sources				
Insurance Recoveries	--	19,300	22,339	3,039
Transfers In	445,223	511,563	390,663	(120,900)
Total Revenues and Other Financing Sources	11,200,730	11,344,039	11,567,034	222,995
Expenditures				
Legislative				
Board of Commissioners	140,105	141,568	130,253	11,315
Judicial				
Circuit Court	295,165	309,307	296,117	13,190
District Court	602,809	643,855	625,199	18,656
Victim's Rights	78,795	86,788	82,228	4,560
Jury Board	10,810	10,810	6,580	4,230
Probate Court	584,236	607,989	589,705	18,284
Total Judicial	1,571,815	1,658,749	1,599,829	58,920
General Government				
Elections	35,141	35,141	24,092	11,049
Finance	292,530	303,085	299,647	3,438
Administrative Office	213,530	220,710	210,041	10,669
County Clerk/Register of Deeds	402,243	430,935	415,811	15,124
Equalization	266,097	265,570	244,477	21,093
Information Systems	262,652	269,653	211,306	58,347
Prosecuting Attorney	591,854	650,302	613,812	36,490
GIS	64,841	67,828	67,093	735
Treasurer	215,511	228,877	226,074	2,803
Tax Allocation Board	940	946	749	197
Maintenance	437,221	466,357	441,324	25,033
Major Equipment and Building	167,000	108,212	38,095	70,117
Human Resources	5,325	5,325	5,073	252
Drain Commission	5,890	5,890	2,824	3,066
County Surveyor	1,750	1,750	1,745	5
MSU Extension	127,261	129,281	127,745	1,536
Soil Conservation	13,750	13,750	13,469	281
Termination Liability	74,180	90,193	90,754	(561)
Disaster Contingency	10,000	10,000	--	10,000
General	480,913	480,980	439,780	41,200
Total General Government	3,668,629	3,784,785	3,473,911	310,874

County of Cheboygan
Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
Consolidated General Fund
For the Year Ended December 31, 2016

	Budgeted Amounts		Actual	Variance
	Original	Final		Positive (Negative) Final to Actual
Expenditures				
Public Safety				
Sheriff	\$ 1,502,905	\$ 1,767,495	\$ 1,601,066	\$ 166,429
ORV Enforcement	25,283	27,941	26,629	1,312
CCE 911	482,095	482,095	450,735	31,360
Marine Safety	98,067	118,449	85,759	32,690
Snowmobile Safety	25,787	9,412	9,019	393
Secondary Road Patrol	72,357	75,729	74,396	1,333
Stonegarden	14,300	14,300	13,861	439
Enforcement Grants	13,000	25,893	15,725	10,168
Local Grants	9,806	9,885	7,932	1,953
Canine Unit	10,000	10,000	7,608	2,392
Corrections/Communications	1,464,379	1,527,824	1,497,025	30,799
Emergency Management Services	79,907	79,907	51,522	28,385
Animal Control	150,950	150,950	148,293	2,657
Total Public Safety	3,472,731	4,299,880	3,989,570	310,310
Community & Economic Development				
Planning and Zoning	378,962	389,121	350,770	38,351
Health & Welfare				
Health Department	220,483	220,483	219,983	500
Mental Health	111,995	111,995	111,995	--
Medical Examiner	21,088	21,618	11,161	10,457
Soldier's Relief	5,140	5,140	3,997	1,143
Social Services Medical	7,400	7,400	1,473	5,927
Veteran's Services	131,022	135,094	106,066	29,028
Total Health & Welfare	497,128	501,730	454,675	47,055
Recreation & Culture				
Airport Operations	88,575	88,575	86,125	2,450
Fairgrounds and Events	36,716	36,806	20,810	15,996
Veteran's Park	3,500	3,500	--	3,500
Total Recreation & Culture	128,791	128,881	106,935	21,946
Other Expenditures				
Insurance	188,000	188,000	170,072	17,928
Other Miscellaneous	388,297	229,681	253	229,428
Total Other Expenditures	576,297	417,681	170,325	247,356
Debt Service				
	--	5,840	5,840	--
Capital Outlay				
	200,000	199,933	172,222	27,711
Total Expenditures	11,110,563	11,528,168	10,454,330	1,073,838
Other Financing Uses				
Transfers Out	1,014,106	1,041,101	807,964	233,137
Total Expenditures and Other Financing Uses	12,124,669	12,569,269	11,262,294	1,306,975
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses				
	(923,939)	(1,225,230)	304,740	1,529,970
Net Change in Fund Balance	(923,939)	(1,225,230)	304,740	1,529,970
<i>Fund Balance at Beginning of Period</i>	8,179,362	8,179,362	8,179,362	--
Fund Balance at End of Period	\$ 7,255,423	\$ 6,954,132	\$ 8,484,102	\$ 1,529,970

County of Cheboygan
Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
Senior Citizen's Millage
For the Year Ended December 31, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Positive (Negative)
				<u>Final to Actual</u>
Revenues				
Taxes	\$ 681,057	\$ 681,057	\$ 667,322	\$ (13,735)
Other Revenue	--	--	790	790
<i>Total Revenues</i>	<u>681,057</u>	<u>681,057</u>	<u>668,112</u>	<u>(12,945)</u>
Expenditures				
Capital Outlay	60,000	59,190	36,600	22,590
Health and Welfare	575,057	575,867	575,526	341
<i>Total Expenditures</i>	<u>635,057</u>	<u>635,057</u>	<u>612,126</u>	<u>22,931</u>
<i>Excess (Deficiency) of Revenues</i>				
<i>Over Expenditures</i>	<u>46,000</u>	<u>46,000</u>	<u>55,986</u>	<u>9,986</u>
<i>Net Change in Fund Balance</i>	46,000	46,000	55,986	9,986
<i>Fund Balance at Beginning of Period</i>	92,194	92,194	92,194	--
<i>Fund Balance at End of Period</i>	\$ 138,194	\$ 138,194	\$ 148,180	\$ 9,986

County of Cheboygan
Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
Inverness Township Sewer Debt
For the Year Ended December 31, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Positive (Negative)
				<u>Final to Actual</u>
Revenues				
Local Sources	\$ 218,488	\$ 218,488	\$ 216,175	\$ (2,313)
Interest and Rentals	--	--	6	6
Total Revenues	<u>218,488</u>	<u>218,488</u>	<u>216,181</u>	<u>(2,307)</u>
Expenditures				
Principal	95,000	95,000	95,000	--
Interest	123,488	123,488	121,175	2,313
Total Expenditures	<u>218,488</u>	<u>218,488</u>	<u>216,175</u>	<u>2,313</u>
Excess (Deficiency) of Revenues				
Over Expenditures	<u>--</u>	<u>--</u>	<u>6</u>	<u>6</u>
Net Change in Fund Balance	<u>--</u>	<u>--</u>	<u>6</u>	<u>6</u>
Fund Balance at Beginning of Period	5,349	5,349	5,349	--
Fund Balance at End of Period	<u>\$ 5,349</u>	<u>\$ 5,349</u>	<u>\$ 5,355</u>	<u>\$ 6</u>

County of Cheboygan
Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
Housing Commission
For the Year Ended December 31, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Positive (Negative)
				<u>Final to Actual</u>
Revenues				
State Sources	\$ --	\$ 186,440	\$ --	\$ (186,440)
Other Revenue	12,400	12,400	28,266	15,866
Interest and Rentals	--	--	195	195
Total Revenues	<u>12,400</u>	<u>198,840</u>	<u>28,461</u>	<u>(170,379)</u>
Expenditures				
Health and Welfare	125,792	312,232	11,559	300,673
Total Expenditures	<u>125,792</u>	<u>312,232</u>	<u>11,559</u>	<u>300,673</u>
Excess (Deficiency) of Revenues				
Over Expenditures	<u>(113,392)</u>	<u>(113,392)</u>	<u>16,902</u>	<u>130,294</u>
Net Change in Fund Balance	<u>(113,392)</u>	<u>(113,392)</u>	<u>16,902</u>	<u>130,294</u>
<i>Fund Balance at Beginning of Period</i>	183,986	183,986	183,986	--
Fund Balance at End of Period	<u>\$ 70,594</u>	<u>\$ 70,594</u>	<u>\$ 200,888</u>	<u>\$ 130,294</u>

County of Cheboygan
Required Supplementary Information
Schedule of Changes in Net Pension Liability and Related Ratios
Last Two Years (Schedule is built prospectively upon implementation of GASB 68)

	2015	2014
Total Pension Liability		
Service Cost	\$ 641,356	\$ 593,125
Interest	1,860,889	1,808,149
Differences Between Expected & Actual Experience	163,725	-
Changes in Assumptions	1,253,128	-
Benefit Payments, Including Refunds	(1,114,294)	(1,048,189)
Net Change in Pension Liability	2,804,804	1,353,085
<i>Total Pension Liability - Beginning</i>	23,497,580	22,144,495
Total Pension Liability - Ending (a)	\$ 26,302,384	\$ 23,497,580
 Plan Fiduciary Net Position		
Contributions - Employer	\$ 793,069	\$ 723,370
Contributions - Member	309,950	178,124
Net Investment Income	(273,612)	1,078,034
Benefit Payments, Including Refunds	(1,114,294)	(1,048,189)
Administrative Expenses	(39,544)	(39,659)
Net Change in Plan Fiduciary Net Position	(324,431)	891,680
<i>Plan Fiduciary Net Position - Beginning</i>	17,883,494	16,991,814
Plan Fiduciary Net Position - Ending (b)	\$ 17,559,063	\$ 17,883,494
 Net Pension Liability - Ending (a) - (b)	\$ 8,743,321	\$ 5,614,086
 Plan Fiduciary Net Position as a Percentage of Total Pension Liability	66.76%	76.11%
 Covered Employee Payroll	\$ 5,595,966	\$ 5,171,109
 Net Pension Liability as a Percentage of Covered Employee Payroll	156.24%	108.57%

* Built prospectively upon implementation on GASB 68

**County of Cheboygan
Required Supplementary Information
Schedule of Contributions
Last Two Fiscal Years**

	2015	2014
Actuarially Determined Contribution	\$ 748,069	\$ 723,370
Contributions in Relation to the Actuarially Determined Contribution	793,069	723,370
Contribution Excess (Deficiency)	\$ 45,000	\$ -
 Covered Employee Payroll	 5,595,966	 5,171,109
 Contributions as a Percentage of Covered Employee Payroll	 14%	 14%

Notes

Valuation Date

Actuarially determined contribution amounts are calculated as of December 31 each year, which is 12 months prior to the beginning of the fiscal year in which the contributions are required.

Methods and assumptions used to determine contribution rates

Actuarial cost method	Entry-age Normal
Amortization method	Level percentage of pay, open
Remaining amortization period	21-24 years
Asset valuation method	5-year smoothed
Inflation	2.50%
Salary increases	3.75% in the long-term
Investment rate of return	7.75%, net of investment expense, including inflation
Retirement Age	Experience-based tables of rates that are specific to the type of eligibility condition
Mortality	Rates used were based on the RP-2014 Group Annuity Mortality Table of a 50% Male and 50% Female blend.

Combining and Individual Fund Statements and Schedules

**County of Cheboygan
General Funds Combining Balance Sheet
All Funds Treated as General
December 31, 2016**

	General Fund	Termination Liability	Disaster Contingency	Courthouse Preservation	CCE 911 Capital	Social Services	Soldier's Relief	Total General Funds
ASSETS								
Cash and Equivalents	\$ 8,127,807	\$ 624	\$ 10,000	\$ 19,532	\$ 330,178	\$ --	\$ --	\$ 8,488,141
Receivables	148,472	--	--	--	--	--	--	148,472
Taxes Receivable	572,304	--	--	--	--	--	--	572,304
Due from Governmental Units	7,365	--	--	--	--	--	--	7,365
Due from Other Funds	85,721	--	--	--	--	--	--	85,721
Total Assets	\$ 8,941,669	\$ 624	\$ 10,000	\$ 19,532	\$ 330,178	\$ --	\$ --	\$ 9,302,003
LIABILITIES								
Accounts Payable	\$ 67,958	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 67,958
Accrued Liabilities	134,420	623	--	--	--	--	--	135,043
Unearned Revenue	265,519	--	--	--	--	--	--	265,519
Total Liabilities	467,897	623	--	--	--	--	--	468,520
DEFERRED INFLOWS OF RESOURCES								
Unavailable Revenues	349,381	--	--	--	--	--	--	349,381
Total Liabilities and Deferred Inflows of Resources	817,278	623	--	--	--	--	--	817,901
FUND BALANCE								
Committed	240,517	--	--	--	--	--	--	240,517
Assigned	822,112	1	10,000	19,532	330,178	--	--	1,181,823
Unassigned	7,061,762	--	--	--	--	--	--	7,061,762
Total Fund Balance	8,124,391	1	10,000	19,532	330,178	--	--	8,484,102
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 8,941,669	\$ 624	\$ 10,000	\$ 19,532	\$ 330,178	\$ --	\$ --	\$ 9,302,003

County of Cheboygan
General Funds Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
All Funds Treated as General
For the Year Ended December 31, 2016

	General Fund	Termination Liability	Disaster Contingency	Courthouse Preservation	CCE 911 Capital	Social Services	Soldier's Relief	Total General Funds
Revenues								
Taxes	\$ 8,118,475	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 8,118,475
Licenses and Permits	41,824	--	--	--	--	--	--	41,824
Federal Sources	97,681	--	--	--	--	--	--	97,681
State Sources	1,176,451	--	--	--	--	--	--	1,176,451
Local Sources	57,266	--	--	--	--	--	--	57,266
Charges for Services	1,308,600	--	--	--	--	--	--	1,308,600
Fines and Penalties	24,453	--	--	--	--	--	--	24,453
Refunds and Reimbursement	220,040	--	--	--	--	--	--	220,040
Other Revenues	29,623	--	--	210	--	--	--	29,833
Interest and Rentals	79,409	--	--	--	--	--	--	79,409
Total Revenues	<u>11,153,822</u>	<u>--</u>	<u>--</u>	<u>210</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>11,154,032</u>
Expenditures								
Legislative	130,253	--	--	--	--	--	--	130,253
Judicial	1,599,829	--	--	--	--	--	--	1,599,829
General Government	3,383,157	90,754	--	--	--	--	--	3,473,911
Public Safety	3,969,837	--	--	--	19,733	--	--	3,989,570
Health and Welfare	449,205	--	--	--	--	1,473	3,997	454,675
Community and Economic Development	350,770	--	--	--	--	--	--	350,770
Recreation and Culture	106,935	--	--	--	--	--	--	106,935
Other Expenditures	170,325	--	--	--	--	--	--	170,325
Capital Outlay	150,819	--	--	21,403	--	--	--	172,222
Debt Service - Principal	5,840	--	--	--	--	--	--	5,840
Total Expenditures	<u>10,316,970</u>	<u>90,754</u>	<u>--</u>	<u>21,403</u>	<u>19,733</u>	<u>1,473</u>	<u>3,997</u>	<u>10,454,330</u>
Excess of Revenues Over (Under) Expenditures	<u>836,852</u>	<u>(90,754)</u>	<u>--</u>	<u>(21,193)</u>	<u>(19,733)</u>	<u>(1,473)</u>	<u>(3,997)</u>	<u>699,702</u>
Other Financing Sources (Uses)								
Insurance Recoveries	22,339	--	--	--	--	--	--	22,339
Transfers In	268,573	25,162	--	40,725	50,733	1,473	3,997	390,663
Transfer Out	(807,964)	--	--	--	--	--	--	(807,964)
Net Other Financing Sources (Uses)	<u>(517,052)</u>	<u>25,162</u>	<u>--</u>	<u>40,725</u>	<u>50,733</u>	<u>1,473</u>	<u>3,997</u>	<u>(394,962)</u>
Net Change in Fund Balance	319,800	(65,592)	--	19,532	31,000	--	--	304,740
<i>Fund Balance at Beginning of Period</i>	7,804,591	65,593	10,000	--	299,178	--	--	8,179,362
Fund Balance at End of Period	\$ 8,124,391	\$ 1	\$ 10,000	\$ 19,532	\$ 330,178	\$ --	\$ --	\$ 8,484,102

County of Cheboygan
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2016

	Special Revenue									
	Family Counseling	PA 302 Training	Public Act 106	Probation Enhancement	Victim's Restitution	Remonumentation Grant	Community Projects	Friend of the Court	Ambulance Millage	Doris Reid Building
ASSETS										
Cash and Equivalents	\$ 26,563	\$ 9,612	\$ --	\$ 14,359	\$ 182	\$ --	\$ 5,399	\$ --	\$ --	\$ 70,414
Receivables	--	--	--	--	--	23,660	--	91,020	--	786
Taxes Receivable	--	--	--	--	--	--	--	--	334,963	--
Total Assets	\$ 26,563	\$ 9,612	\$ --	\$ 14,359	\$ 182	\$ 23,660	\$ 5,399	\$ 91,020	\$ 334,963	\$ 71,200
LIABILITIES										
Accounts Payable	\$ --	\$ --	\$ --	\$ 44	\$ --	\$ --	\$ --	\$ 1,175	\$ --	\$ 377
Accrued Liabilities	--	--	--	--	--	--	--	7,501	--	--
Due to Governmental Units	--	--	--	--	--	--	--	--	--	--
Unearned Revenue	--	--	--	--	--	--	--	--	--	467
Due to Other Funds	--	--	--	--	--	351	--	82,344	--	--
Total Liabilities	--	--	--	44	--	351	--	91,020	--	844
DEFERRED INFLOWS OF RESOURCES										
Revenues Intended to Finance a Subsequent Year	--	--	--	--	--	--	--	--	334,963	--
Total Liabilities and Deferred Inflows of Resources	--	--	--	44	--	351	--	91,020	334,963	844
FUND BALANCE										
Committed	--	--	--	--	--	--	--	--	--	--
Assigned	26,563	9,612	--	14,315	182	23,309	5,399	--	--	70,356
Unassigned	--	--	--	--	--	--	--	--	--	--
Total Fund Balance	26,563	9,612	--	14,315	182	23,309	5,399	--	--	70,356
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 26,563	\$ 9,612	\$ --	\$ 14,359	\$ 182	\$ 23,660	\$ 5,399	\$ 91,020	\$ 334,963	\$ 71,200

County of Cheboygan
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2016

	Special Revenue									
	Recycling	Cellular Phone	911 4% Surcharge	DNR Forest Flow Through	Public Improvement	Building Department	Register of Deeds Automation	Sheriff Special Projects	Concealed Pistol	Local Officer Training
ASSETS										
Cash and Equivalents	\$ 133,709	\$ --	\$ --	\$ --	\$ 6,041	\$ 6,155	\$ 369,592	\$ 1,920	\$ 15,236	\$ 22,792
Receivables	302,827	--	--	--	--	--	--	--	--	--
Taxes Receivable	--	--	--	--	--	--	--	--	--	--
Total Assets	\$ 436,536	\$ --	\$ --	\$ --	\$ 6,041	\$ 6,155	\$ 369,592	\$ 1,920	\$ 15,236	\$ 22,792
LIABILITIES										
Accounts Payable	\$ 12,171	\$ --	\$ --	\$ --	\$ --	\$ 583	\$ --	\$ --	\$ --	\$ --
Accrued Liabilities	904	--	--	--	--	5,571	--	--	--	--
Due to Governmental Units	--	--	--	--	--	--	--	--	--	--
Unearned Revenue	--	--	--	--	--	--	--	--	--	--
Due to Other Funds	--	--	--	--	--	--	--	--	--	--
Total Liabilities	13,075	--	--	--	--	6,154	--	--	--	--
DEFERRED INFLOWS OF RESOURCES										
Revenues Intended to Finance a Subsequent Year	289,800	--	--	--	--	--	--	--	--	--
Total Liabilities and Deferred Inflows of Resources	302,875	--	--	--	--	6,154	--	--	--	--
FUND BALANCE										
Committed	--	--	--	--	--	--	--	--	--	--
Assigned	133,661	--	--	--	6,041	1	369,592	1,920	15,236	22,792
Unassigned	--	--	--	--	--	--	--	--	--	--
Total Fund Balance	133,661	--	--	--	6,041	1	369,592	1,920	15,236	22,792
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 436,536	\$ --	\$ --	\$ --	\$ 6,041	\$ 6,155	\$ 369,592	\$ 1,920	\$ 15,236	\$ 22,792

County of Cheboygan
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2016

	Special Revenue									
	DARE	Drug Court	Sobriety Court	Law Library	Veteran's Assistance	SAYPA Program	Child Care	Veteran's Trust	Senior Citizens Busing	DAV Van
ASSETS										
Cash and Equivalents	\$ 2,930	\$ 7,862	\$ 13,438	\$ 1,075	\$ 23,040	\$ 8,148	\$ 117,055	\$ 451	\$ --	\$ 600
Receivables	--	18,340	--	--	--	--	11,193	--	--	--
Taxes Receivable	--	--	--	--	--	--	--	--	--	--
Total Assets	\$ 2,930	\$ 26,202	\$ 13,438	\$ 1,075	\$ 23,040	\$ 8,148	\$ 128,248	\$ 451	\$ --	\$ 600
LIABILITIES										
Accounts Payable	\$ --	\$ 1,460	\$ 875	\$ 1,075	\$ 250	\$ 282	\$ 31,431	\$ --	\$ --	\$ --
Accrued Liabilities	--	922	--	--	--	--	4,409	--	--	--
Due to Governmental Units	--	--	--	--	--	--	32,200	--	--	--
Unearned Revenue	--	--	--	--	--	--	--	--	--	--
Due to Other Funds	--	--	--	--	--	--	--	--	--	--
Total Liabilities	--	2,382	875	1,075	250	282	68,040	--	--	--
DEFERRED INFLOWS OF RESOURCES										
Revenues Intended to Finance a Subsequent Year	--	--	--	--	--	--	--	--	--	--
Total Liabilities and Deferred Inflows of Resources	--	2,382	875	1,075	250	282	68,040	--	--	--
FUND BALANCE										
Committed	--	--	--	--	--	--	--	--	--	--
Assigned	2,930	23,820	12,563	--	22,790	7,866	60,208	451	--	600
Unassigned	--	--	--	--	--	--	--	--	--	--
Total Fund Balance	2,930	23,820	12,563	--	22,790	7,866	60,208	451	--	600
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 2,930	\$ 26,202	\$ 13,438	\$ 1,075	\$ 23,040	\$ 8,148	\$ 128,248	\$ 451	\$ --	\$ 600

County of Cheboygan
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2016

	Special Revenue			Capital Projects			Total Nonmajor Governmental Funds	
	County Fair	Sheriff Work Crew	ORV Fund	DHHS Building	Revolving Drain Fund	Doris Reid Capital Project		Animal Control Project
ASSETS								
Cash and Equivalents	\$ --	\$ --	\$ 1,763	\$ 5,230	\$ 100	\$ 1,868	\$ 9,074	\$ 874,608
Receivables	2,208	520	--	--	--	--	--	450,554
Taxes Receivable	--	--	--	--	--	--	--	334,963
<i>Total Assets</i>	<u>2,208</u>	<u>520</u>	<u>1,763</u>	<u>5,230</u>	<u>100</u>	<u>1,868</u>	<u>9,074</u>	<u>1,660,125</u>
DEFERRED OUTFLOWS OF RESOURCES								
Aggregated deferred outflows	--	--	--	--	--	--	--	--
<i>Total Assets and Deferred Outflows of Resources</i>	<u>\$ 2,208</u>	<u>\$ 520</u>	<u>\$ 1,763</u>	<u>\$ 5,230</u>	<u>\$ 100</u>	<u>\$ 1,868</u>	<u>\$ 9,074</u>	<u>\$ 1,660,125</u>
LIABILITIES								
Accounts Payable	\$ 406	\$ --	\$ --	\$ --	\$ --	\$ 1,868	\$ 9,074	\$ 61,071
Accrued Liabilities	--	481	--	--	--	--	--	19,788
Due to Governmental Units	--	--	--	--	--	--	--	32,200
Unearned Revenue	--	--	--	--	--	--	--	467
Due to Other Funds	1,799	39	--	--	--	--	--	84,533
<i>Total Liabilities</i>	<u>2,205</u>	<u>520</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>1,868</u>	<u>9,074</u>	<u>198,059</u>
DEFERRED INFLOWS OF RESOURCES								
Aggregated deferred inflows	--	--	--	--	--	--	--	624,763
<i>Total Liabilities and Deferred Inflows of Resources</i>	<u>2,205</u>	<u>520</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>1,868</u>	<u>9,074</u>	<u>822,822</u>
FUND BALANCE								
Committed	--	--	--	--	100	--	--	100
Assigned	3	--	1,763	5,230	--	--	--	837,203
Unassigned	--	--	--	--	--	--	--	--
<i>Total Fund Balance</i>	<u>3</u>	<u>--</u>	<u>1,763</u>	<u>5,230</u>	<u>100</u>	<u>--</u>	<u>--</u>	<u>837,303</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balance</i>	<u>\$ 2,208</u>	<u>\$ 520</u>	<u>\$ 1,763</u>	<u>\$ 5,230</u>	<u>\$ 100</u>	<u>\$ 1,868</u>	<u>\$ 9,074</u>	<u>\$ 1,660,125</u>

County of Cheboygan
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended December 31, 2016

Special Revenue										
	Family Counseling	PA 302 Training	Public Act 106	Probation Enhancement	Victim's Restitution	Remonumentation Grant	Community Projects	Friend of the Court	Ambulance Millage	Doris Reid Building
Revenues										
Taxes	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 333,592	\$ --
Licenses and Permits	--	--	--	--	--	--	--	--	--	--
Federal Sources	--	--	--	--	--	--	--	316,829	--	--
State Sources	--	4,063	137,800	--	--	38,950	--	48,286	--	--
Local Sources	--	--	--	--	--	--	--	53,595	--	--
Contributions	--	--	--	--	--	--	--	--	--	--
Charges for Services	--	--	--	--	--	--	--	23,878	--	--
Fines and Penalties	--	--	--	2,201	--	--	--	--	--	--
Other Revenues	2,820	--	--	--	78	--	1,500	--	--	--
Interest and Rentals	--	--	--	--	--	--	--	--	--	82,491
Total Revenues	2,820	4,063	137,800	2,201	78	38,950	1,500	442,588	333,592	82,491
Expenditures										
Judicial	--	--	--	--	--	--	--	499,948	--	--
General Government	--	--	137,800	--	--	38,950	--	--	--	23,800
Public Safety	--	4,604	--	1,853	--	--	422	--	--	--
Health and Welfare	--	--	--	--	--	--	--	--	333,592	--
Recreation and Culture	--	--	--	--	--	--	--	--	--	--
Capital Outlay	--	--	--	--	--	--	--	--	--	--
Total Expenditures	--	4,604	137,800	1,853	--	38,950	422	499,948	333,592	23,800
Excess of Revenues Over (Under) Expenditures	2,820	(541)	--	348	78	--	1,078	(57,360)	--	58,691
Other Financing Sources (Uses)										
Transfers In	--	--	--	--	--	--	--	57,329	--	--
Transfer Out	--	--	--	--	--	--	--	--	--	(47,411)
Net Other Financing Sources (Uses)	--	--	--	--	--	--	--	57,329	--	(47,411)
Net Change in Fund Balance	2,820	(541)	--	348	78	--	1,078	(31)	--	11,280
<i>Fund Balance at Beginning of Period</i>	23,743	10,153	--	13,967	104	23,309	4,321	31	--	59,076
Fund Balance at End of Period	\$ 26,563	\$ 9,612	\$ --	\$ 14,315	\$ 182	\$ 23,309	\$ 5,399	\$ --	\$ --	\$ 70,356

County of Cheboygan
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended December 31, 2016

Special Revenue

	Recycling	Cellular Phone	911 4% Surcharge	DNR Forest Flow Through	Public Improvement	Building Department	Register of Deeds Automation	Sheriff Special Projects	Concealed Pistol	Local Officer Training
Revenues										
Taxes	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Licenses and Permits	--	--	--	--	--	--	--	--	15,226	--
Federal Sources	--	--	--	5,162	--	--	--	--	--	--
State Sources	--	--	--	--	--	--	--	--	--	--
Local Sources	9,689	--	--	--	--	--	--	--	--	--
Contributions	--	--	--	--	--	--	--	1,000	--	--
Charges for Services	306,588	--	--	--	--	383,654	34,730	--	--	8,440
Fines and Penalties	--	--	--	--	--	--	--	--	--	--
Other Revenues	--	150,938	159,777	--	--	6	--	--	--	--
Interest and Rentals	--	--	--	--	--	--	343	--	10	--
Total Revenues	316,277	150,938	159,777	5,162	--	383,660	35,073	1,000	15,236	8,440
Expenditures										
Judicial	--	--	--	--	--	--	--	--	--	--
General Government	244,507	--	--	--	--	--	11,053	--	--	--
Public Safety	--	150,938	159,777	--	--	411,819	--	986	--	5,125
Health and Welfare	--	--	--	--	--	--	--	--	--	--
Recreation and Culture	--	--	--	5,162	--	--	--	--	--	--
Capital Outlay	--	--	--	--	--	--	--	--	--	--
Total Expenditures	244,507	150,938	159,777	5,162	--	411,819	11,053	986	--	5,125
Excess of Revenues Over (Under) Expenditures	71,770	--	--	--	--	(28,159)	24,020	14	15,236	3,315
Other Financing Sources (Uses)										
Transfers In	--	--	--	--	--	28,161	--	--	--	--
Transfer Out	--	--	--	--	--	(40,800)	--	--	--	--
Net Other Financing Sources (Uses)	--	--	--	--	--	(12,639)	--	--	--	--
Net Change in Fund Balance	71,770	--	--	--	--	(40,798)	24,020	14	15,236	3,315
<i>Fund Balance at Beginning of Period</i>	61,891	--	--	--	6,041	40,799	345,572	1,906	--	19,477
Fund Balance at End of Period	\$ 133,661	\$ --	\$ --	\$ --	\$ 6,041	\$ 1	\$ 369,592	\$ 1,920	\$ 15,236	\$ 22,792

County of Cheboygan
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended December 31, 2016

Special Revenue										
	DARE	Drug Court	Sobriety Court	Law Library	Veteran's Assistance	SAYPA Program	Child Care	Veteran's Trust	Senior Citizens Busing	DAV Van
Revenues										
Taxes	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Licenses and Permits	--	--	--	--	--	--	--	--	--	--
Federal Sources	--	79,685	--	--	--	54,522	--	--	--	--
State Sources	--	7,054	--	--	--	--	479,212	--	25,000	--
Local Sources	--	--	--	--	--	--	--	--	--	--
Contributions	--	--	--	--	1,800	87,127	--	--	--	--
Charges for Services	--	6,567	8,800	--	--	--	5,298	--	--	--
Fines and Penalties	--	--	--	--	--	--	--	--	--	--
Other Revenues	--	--	--	3,500	--	--	--	14,460	--	--
Interest and Rentals	--	--	--	--	--	--	--	--	--	--
Total Revenues	--	93,306	8,800	3,500	1,800	141,649	484,510	14,460	25,000	--
Expenditures										
Judicial	--	89,876	4,954	13,829	--	--	--	--	--	--
General Government	--	--	--	--	--	--	--	--	--	--
Public Safety	469	--	--	--	--	--	--	--	--	--
Health and Welfare	--	--	--	--	2,441	66,699	944,385	14,207	25,000	--
Recreation and Culture	--	--	--	--	--	--	--	--	--	--
Capital Outlay	--	--	--	--	--	--	--	--	--	--
Total Expenditures	469	89,876	4,954	13,829	2,441	66,699	944,385	14,207	25,000	--
Excess of Revenues Over (Under) Expenditures	(469)	3,430	3,846	(10,329)	(641)	74,950	(459,875)	253	--	--
Other Financing Sources (Uses)										
Transfers In	--	13,644	--	10,329	--	--	465,911	--	--	--
Transfer Out	--	(9,958)	--	--	--	(67,084)	--	--	--	--
Net Other Financing Sources (Uses)	--	3,686	--	10,329	--	(67,084)	465,911	--	--	--
Net Change in Fund Balance	(469)	7,116	3,846	--	(641)	7,866	6,036	253	--	--
<i>Fund Balance at Beginning of Period</i>	3,399	16,704	8,717	--	23,431	--	54,172	198	--	600
Fund Balance at End of Period	\$ 2,930	\$ 23,820	\$ 12,563	\$ --	\$ 22,790	\$ 7,866	\$ 60,208	\$ 451	\$ --	\$ 600

County of Cheboygan
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended December 31, 2016

	Special Revenue			Capital Projects				Total Nonmajor Governmental Funds
	County Fair	Sheriff Work Crew	ORV Fund	DHHS Building	Revolving Drain Fund	Doris Reid Capital Project	Animal Control Project	
Revenues								
Taxes	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 333,592
Licenses and Permits	--	--	--	--	--	--	--	15,226
Federal Sources	--	--	--	--	--	--	--	456,198
State Sources	--	--	--	--	--	--	--	740,365
Local Sources	--	--	--	--	--	--	--	63,284
Contributions	--	--	--	--	--	--	28,000	117,927
Charges for Services	157,112	19,159	--	--	--	--	--	954,226
Fines and Penalties	--	--	--	--	--	--	--	2,201
Other Revenues	--	--	--	--	--	--	--	333,079
Interest and Rentals	7	--	--	18,800	--	--	--	101,651
Total Revenues	<u>157,119</u>	<u>19,159</u>	<u>--</u>	<u>18,800</u>	<u>--</u>	<u>--</u>	<u>28,000</u>	<u>3,117,749</u>
Expenditures								
Judicial	--	--	--	--	--	--	--	608,607
General Government	--	--	--	--	--	--	--	456,110
Public Safety	--	23,535	--	--	--	--	411	759,939
Health and Welfare	--	--	--	--	--	--	--	1,386,324
Recreation and Culture	199,562	--	--	--	--	--	--	204,724
Capital Outlay	--	--	--	37,070	--	45,720	123,596	206,386
Total Expenditures	<u>199,562</u>	<u>23,535</u>	<u>--</u>	<u>37,070</u>	<u>--</u>	<u>45,720</u>	<u>124,007</u>	<u>3,622,090</u>
Excess of Revenues Over (Under) Expenditures	<u>(42,443)</u>	<u>(4,376)</u>	<u>--</u>	<u>(18,270)</u>	<u>--</u>	<u>(45,720)</u>	<u>(96,007)</u>	<u>(504,341)</u>
Other Financing Sources (Uses)								
Transfers In	38,474	2,011	--	--	--	39,715	96,007	751,581
Transfer Out	--	--	--	--	--	--	--	(165,253)
Net Other Financing Sources (Uses)	<u>38,474</u>	<u>2,011</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>39,715</u>	<u>96,007</u>	<u>586,328</u>
Net Change in Fund Balance	<u>(3,969)</u>	<u>(2,365)</u>	<u>--</u>	<u>(18,270)</u>	<u>--</u>	<u>(6,005)</u>	<u>--</u>	<u>81,987</u>
<i>Fund Balance at Beginning of Period</i>	3,972	2,365	1,763	23,500	100	6,005	--	755,316
Fund Balance at End of Period	<u>\$ 3</u>	<u>\$ --</u>	<u>\$ 1,763</u>	<u>\$ 5,230</u>	<u>\$ 100</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 837,303</u>

County of Cheboygan
Combining Statement of Net Position
Nonmajor Enterprise Funds
December 31, 2016

	Enterprise		Total Nonmajor Enterprise Funds
	Tax Foreclosure	Jail Commissary	
ASSETS			
<i>Current Assets</i>			
Cash and Equivalents	\$ 543,072	\$ 33,677	\$ 576,749
Receivables	51,256	--	51,256
Total Current Assets	594,328	33,677	628,005
LIABILITIES			
<i>Current Liabilities</i>			
Accounts Payable	--	8,392	8,392
Accrued Liabilities	622	--	622
Total Current Liabilities	622	8,392	9,014
NET POSITION			
<i>Unrestricted</i>	593,706	25,285	618,991
Total Net Position	\$ 593,706	\$ 25,285	\$ 618,991

County of Cheboygan
Combining Statement of Revenues, Expenses, and Changes in Net Position
Nonmajor Enterprise Funds
For the Year Ended December 31, 2016

	<u>Enterprise</u>		<u>Total Nonmajor Enterprise Funds</u>
	<u>Tax Foreclosure</u>	<u>Jail Commissary</u>	
Operating Revenues			
Charges for Services	\$ 498,711	\$ 143,497	\$ 642,208
<i>Total Operating Revenues</i>	<u>498,711</u>	<u>143,497</u>	<u>642,208</u>
Operating Expenses			
Personal Services	49,246	--	49,246
Contractual Services	55,899	--	55,899
Other Supplies and Expenses	9,840	134,020	143,860
<i>Total Operating Expenses</i>	<u>114,985</u>	<u>134,020</u>	<u>249,005</u>
<i>Operating Income (Loss)</i>	<u>383,726</u>	<u>9,477</u>	<u>393,203</u>
Non-Operating Revenues (Expenses)			
Interest and Rentals	2,512	--	2,512
<i>Net Non-Operating Revenues (Expenses)</i>	<u>2,512</u>	<u>--</u>	<u>2,512</u>
<i>Transfers</i>	386,238	9,477	395,715
Transfers In	--	--	--
Transfer Out	(111,276)	--	(111,276)
<i>Change In Net Position</i>	<u>274,962</u>	<u>9,477</u>	<u>284,439</u>
<i>Net Position at Beginning of Period</i>	318,744	15,808	334,552
<i>Net Position at End of Period</i>	<u>\$ 593,706</u>	<u>\$ 25,285</u>	<u>\$ 618,991</u>

County of Cheboygan, Michigan
Statement of Cash Flows
Nonmajor Enterprise Funds
For the Year Ended December 31, 2016

	<u>Tax Foreclosure</u>	<u>Jail Commissary</u>	<u>Total Nonmajor Enterprise Funds</u>
Cash Flows from Operating Activities			
Cash Received from Customers or Users	\$ 501,034	\$ 143,497	\$ 644,531
Cash Payments to Suppliers	(66,318)	(131,463)	(197,781)
Cash Payments to Employees	(49,151)	-	(49,151)
Net cash provided (used) by Operating Activities	<u>385,565</u>	<u>12,034</u>	<u>397,599</u>
Cash Flows from Noncapital Financing Activities			
Transfers Out	(111,276)	-	(111,276)
Net cash provided (used) by Noncapital Financing Activities	<u>(111,276)</u>	<u>-</u>	<u>(111,276)</u>
Cash Flows from Investing Activities			
Interest received	2,512	-	2,512
Total Cash Flows from Investing Activities	<u>2,512</u>	<u>-</u>	<u>2,512</u>
Net Increase (Decrease) in Cash and Equivalents	276,801	12,034	288,835
<i>Cash and Equivalents - Beginning of Year</i>	266,271	21,643	287,914
Cash and Equivalents - End of Year	<u>\$ 543,072</u>	<u>\$ 33,677</u>	<u>\$ 576,749</u>
Reconciliation of Operating Income (Loss) to			
Net Cash Provided (Used) by Operating Activities			
Operating income (loss)	\$ 383,726	\$ 9,477	\$ 393,203
Adjustments to Reconcile Operating Income to Net Cash			
Provided (Used) by Operating Activities			
(Increase) decrease in:			
Receivables	2,323	-	2,323
Accounts Payable	(579)	2,557	1,978
Accrued Liabilities	95	-	95
Net Cash Provided by Operating Activities	<u>\$ 385,565</u>	<u>\$ 12,034</u>	<u>\$ 397,599</u>

**County of Cheboygan
Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2016**

	Agency				
	T & A	Friend of the Court Agency	Library	District Court	Inmate Trust Fund
ASSETS					
Cash and Equivalents	\$ 817,206	\$ 190	\$ 136,908	\$ 256,142	\$ 11,201
<i>Total Assets</i>	817,206	190	136,908	256,142	11,201
LIABILITIES					
Assets Held on Behalf of Others	817,206	190	136,908	256,142	11,201
<i>Total Liabilities</i>	817,206	190	136,908	256,142	11,201
NET POSITION					
Held in Trust	\$ --	\$ --	\$ --	\$ --	\$ --

**COUNTY OF CHEBOYGAN, MICHIGAN
SINGLE AUDIT ACT COMPLIANCE
YEAR ENDED DECEMBER 31, 2016**



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SINGLE AUDIT ACT COMPLIANCE

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**INDEPENDENT AUDITORS' REPORT ON THE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
REQUIRED BY THE UNIFORM GUIDANCE**

June 9, 2017

Members of the Board of Commissioners
County of Cheboygan, Michigan
Cheboygan, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of Cheboygan, Michigan (the "County") as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We issued our report thereon dated June 9, 2017, which contained unmodified opinions on those financial statements. Our report includes a reference to other auditors. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.



Gabridge & Company, PLC
Grand Rapids, MI
March 24, 2017

County of Cheboygan
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2016

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Agency or Pass-through Number	Passed-through to Subrecipients	Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE:				
<i>Pass-through programs from the Michigan Department of Natural Resources</i>				
DNR Forest	10.665	N/A	\$ -	\$ 5,162
U.S. DEPARTMENT OF JUSTICE:				
<i>Direct Award</i>				
Bullet Proof Vest	16.607	N/A	-	6,796
<i>Pass-through programs from the Michigan State Police</i>				
Byrne JAG	16.738	2015-MU-BX-0964	-	54,522
Byrne JAG	16.738	2015-MU-BX-0964	-	79,685
Total U.S. Department of Justice			-	141,003
U.S. DEPARTMENT OF TRANSPORTATION:				
<i>Pass-through programs from the Michigan Department of Transportation</i>				
Capital Grant - Section 5309	20.500	2012-0061/P12	-	49,271
Operating Grant - Section 5311	20.509	2012-0061/P13/R1	-	116,486
Operating Grant - Section 5311	20.509	2017-0032/P1	-	38,622
<i>Pass-through programs from the Michigan State Police</i>				
Traffic Enforcement Grant	20.616	N/A	-	15,724
Total U.S. Department of Transportation			-	220,103
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:				
<i>Pass-through programs from the Michigan Department of Health and Human Services</i>				
Title IV-D Incentive Payment	93.563	FIP2013	-	28,711
Title IV-D Incentive Payment	93.563	FIP2017	-	9,084
PA Title IV-D Reimbursement - 10/1/12 to 9/30/16	93.563	CSPA13-16002-A2	-	45,699
PA Title IV-D Reimbursement - 10/1/16 to 9/30/21	93.563	CSPA17-16002	-	15,600
FOC Title IV-D Reimbursement - 10/1/12 to 9/30/16	93.563	CSFOC13-16001-A2	-	204,049
FOC Title IV-D Reimbursement - 10/1/16 to 9/30/21	93.563	CSFOC17-16001	-	74,985
Total U.S. Department of Health and Human Services			-	378,128
U.S. DEPARTMENT OF HOMELAND SECURITY:				
<i>Pass-through programs from the Michigan Department of State Police, Emergency Management Division</i>				
Fiscal Year 2014 Homeland Security Grant Operation Stonegarden	97.067	EMW-2014-SS-00059	-	13,862
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ -	\$ 758,258

See Notes to the Schedule of Expenditures of Federal Awards

County of Cheboygan

Notes to the Schedule of Expenditures of Federal Awards

NOTE 1 - BASIS OF PRESENTATION

The Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal grant activity of the County of Cheboygan (the "County") under programs of the federal government for the year ended December 31, 2016. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the County, it is not intended to and does not present the financial position, changes in net position, or cash flows of the County.

The County's reporting entity is defined in Note 1 of the County's financial statement audit report. The County's financial statements include the operations of the Cheboygan County Road Commission as a discretely presented component unit, which received federal awards that are not included in the Schedule for the year ended December 31, 2016, as this entity was separately audited.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting, which is described in Note 1 to the County's financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

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

NOTE 3 - RECONCILIATION TO FINANCIAL STATEMENTS

A reconciliation of the amounts presented in the Schedule to the amounts presented in the financial statements is as follows:

Federal sources reported in the financial statements	
Governmental funds	\$ 553,879
Business-type funds, operating revenues	155,108
Business-type funds, capital assistance	<u>49,271</u>
Total expenditures of federal awards	<u>\$ 758,258</u>

**INDEPENDENT AUDITORS' 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 of Commissioners
County of Cheboygan, Michigan
Cheboygan, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of Cheboygan (the "County"), as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated June 9, 2017. Our report includes a reference to other auditors who audited the financial statements of the Cheboygan County Road Commission, as described in our report on the County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be

material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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



Gabridge & Company, PLC
Grand Rapids, MI
June 9, 2017

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Members of the Board of Commissioners
County of Cheboygan, Michigan
Cheboygan, Michigan

Report on Compliance for Each Major Federal Program

We have audited the County of Cheboygan's (the "County") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended December 31, 2016. The County's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. The County's basic financial statements include the operations of the Cheboygan County Road Commission which received \$743,165 in federal awards, and which is not included in the schedule of expenditures of federal awards for the year ended December 31, 2016. Our audit, described below, did not include the operations of the Cheboygan County Road Commission because it arranged for a separate financial statement audit and did not meet the criteria for a single audit.

Management's Responsibility

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

Independent Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2016.

Report on Internal Control over Compliance

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

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

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

Purpose of this Report

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

Gabridge & Company

Gabridge & Company, PLC
Grand Rapids, MI
June 9, 2017

**County of Cheboygan
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2016**

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued	Unmodified
Internal controls over financial reporting	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Type of auditors' report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No

Identification of Major Programs

Name of Federal Program or Cluster	CFDA Number
Child Support Enforcement	93.563
Dollar threshold used to distinguish between Type A and B programs?	\$ 750,000
Auditee qualified as a low-risk auditee?	No

SECTION II - FINANCIAL STATEMENT FINDINGS
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None.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
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No matters were reported.

SECTION IV - SUMMARY OF PRIOR AUDIT FINDINGS

No findings or questioned costs in the prior year.

June 9, 2017

Members of the Board of Commissioners
County of Cheboygan, Michigan
Cheboygan, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of Cheboygan, Michigan (the "County") for the year ended December 31, 2016. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated March 28, 2017. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the County are described in Note 1 to the financial statements. As discussed in Note 1 to the Financial Statements, the County has adopted Governmental Accounting Standards Board Statement No. 72. We noted no transactions entered into by the County during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

- Management's estimate of the useful life of depreciable capital assets is based on the length of time it is believed that those assets will provide some economic benefit in the future.
- Management's estimate of the accrued compensated absences is based on current hourly rates and policies regarding payment of sick and vacation banks.

- The assumptions used in the actuarial valuations of the pension are based on historical trends and industry standards.

We evaluated the key factors and assumptions used to develop these estimates in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated June 9, 2017.

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 County's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

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

Other Matters

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

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

Restriction on Use

This information is intended solely for the information and use of the Board of Commissioners and management of the County and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in cursive script that reads "Gabridge & Company". The signature is written in dark ink and is positioned above the typed name of the firm.

Gabridge & Company, PLC
Grand Rapids, MI
June 9, 2017