



**COUNTY OF CHEBOYGAN, MICHIGAN
ANNUAL FINANCIAL REPORT
YEAR ENDED DECEMBER 31, 2017**

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INDEPENDENT AUDITORS' REPORT

Members of the Board of Commissioners
Cheboygan County
Cheboygan, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Cheboygan County, Michigan (the "County") as of and for the year ended December 31, 2017, 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 or the Cheboygan Airport Authority, which represent 100 percent of the assets, net position, and revenues of the aggregate discretely presented component units. 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 and the Cheboygan Airport Authority, is based solely on the reports 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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County as of December 31, 2017, 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 26, 2018, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County'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 typed name of the firm.

Gabridge & Company, PLC
Grand Rapids, MI
June 26, 2018

Management's Discussion and Analysis

Management's Discussion and Analysis

As management of Cheboygan County (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, 2017. 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, 2017 by \$25,237,287. Of this amount, \$15,948,817 is unrestricted and may be used to meet the County's ongoing obligations to citizens and creditors.
- The County's total net position increased \$49,914 in 2017 compared to \$292,467 in 2016. Revenues for the County increased during the year by \$264,109 and expenses for the County increased by \$506,662 from the prior year.
- At the close of the current fiscal year, the County's governmental funds reported combined fund balances of \$10,163,232, an increase of \$487,404 in comparison with the prior year. Approximately 79%, or \$8,035,234, of this amount is available for spending at the government's discretion (unassigned fund balance).
- At December 31, 2017, unassigned fund balance for the General Fund was \$8,035,234, or 69% 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 two legally separate entities in its financial statements, the Cheboygan County Road Commission and the Cheboygan Airport Authority. Although legally separate, these “component units” are important because the County is financially accountable for them. The Cheboygan County Road Commission and the Cheboygan Airport Authority issued separate audited financial statements and those statements can be obtained at their respective administrative offices.

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.

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.

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.

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.

Other information. In addition to the basic financial statement and accompanying notes, this report also presents certain information concerning the County's budgetary compliance and the County's progress in funding its obligation to provide pension benefits to its employees. This required supplemental 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.

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 \$25,237,287 at the close of the most recent fiscal year. A large portion of the County's net position (35%, or \$8,898,946) 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 (2%, or \$389,524) 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 (63%, or \$15,948,817) 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.

Cheboygan County's Net Position

	Governmental Activities		Business-type Activities		Total Primary Government	
	2017	2016	2017	2016	2017	2016
ASSETS						
<i>Current Assets</i>						
Cash and Investments	\$ 10,050,967	\$ 9,718,523	\$ 8,819,906	\$ 8,492,920	\$ 18,870,873	\$ 18,211,443
Receivables	2,055,675	2,176,350	1,448,376	1,639,740	3,504,051	3,816,090
Current Portion of Notes Receivable	17,000	17,053	-	-	17,000	17,053
Current Portion of Leases Receivable	95,000	95,000	-	-	95,000	95,000
Due from Other Governments	259,889	7,365	93,369	-	353,258	7,365
Prepaid Items	-	-	392	372	392	372
Inventories	-	-	19,337	21,910	19,337	21,910
Land Held for Resale	-	-	50,460	-	50,460	-
Total Current Assets	12,478,531	12,014,291	10,431,840	10,154,942	22,910,371	22,169,233
<i>Noncurrent Assets</i>						
Advances to Other Governments	162,727	-	-	-	162,727	-
Capital Assets not Being Depreciated	2,084,238	1,896,578	-	-	2,084,238	1,896,578
Capital Assets being Depreciated	5,355,638	5,704,702	1,467,830	1,643,855	6,823,468	7,348,557
Notes Receivable	1,176,749	1,193,749	-	-	1,176,749	1,193,749
Leases Receivable	2,335,000	2,430,000	-	-	2,335,000	2,430,000
Total Assets	23,592,883	23,239,320	11,899,670	11,798,797	35,492,553	35,038,117
DEFERRED OUTFLOWS OF RESOURCES						
Pension	2,656,007	3,479,064	194,109	237,037	2,850,116	3,716,101
Total Deferred Outflows of Resources	2,656,007	3,479,064	194,109	237,037	2,850,116	3,716,101
LIABILITIES						
<i>Current Liabilities</i>						
Accounts Payable	177,449	129,029	18,824	23,659	196,273	152,688
Accrued Liabilities	169,789	154,831	9,196	9,738	178,985	164,569
Due to Governmental Units	66,957	32,363	19,628	11,311	86,585	43,674
Unearned Revenue	61,035	265,986	-	102	61,035	266,088
Current Portion of Long-term Debt	5,840	5,840	-	-	5,840	5,840
Total Current Liabilities	481,070	588,049	47,648	44,810	528,718	632,859
<i>Noncurrent Liabilities</i>						
Long-term Debt	2,920	8,762	-	-	2,920	8,762
Compensated Absences	317,813	292,965	11,760	10,965	329,573	303,930
Net Pension Liability	7,921,179	8,209,595	573,077	591,879	8,494,256	8,801,474
Total Liabilities	8,722,982	9,099,371	632,485	647,654	9,355,467	9,747,025
DEFERRED INFLOWS OF RESOURCES						
Revenues Intended to Finance a Subsequent Year	3,739,190	3,819,820	-	-	3,739,190	3,819,820
Pension	-	-	10,725	-	10,725	-
Total Deferred Inflows of Resources	3,739,190	3,819,820	10,725	-	3,749,915	3,819,820
NET POSITION						
Net Investment in Capital Assets	7,431,116	7,586,678	1,467,830	1,643,855	8,898,946	9,230,533
Restricted	389,524	354,423	-	-	389,524	354,423
Unrestricted	5,966,078	5,858,092	9,982,739	9,744,325	15,948,817	15,602,417
Total Net Position	\$ 13,786,718	\$ 13,799,193	\$ 11,450,569	\$ 11,388,180	\$ 25,237,287	\$ 25,187,373

The County's total net position increased \$49,914 during the year, from \$25,187,373 to \$25,237,287 as of December 31, 2017.

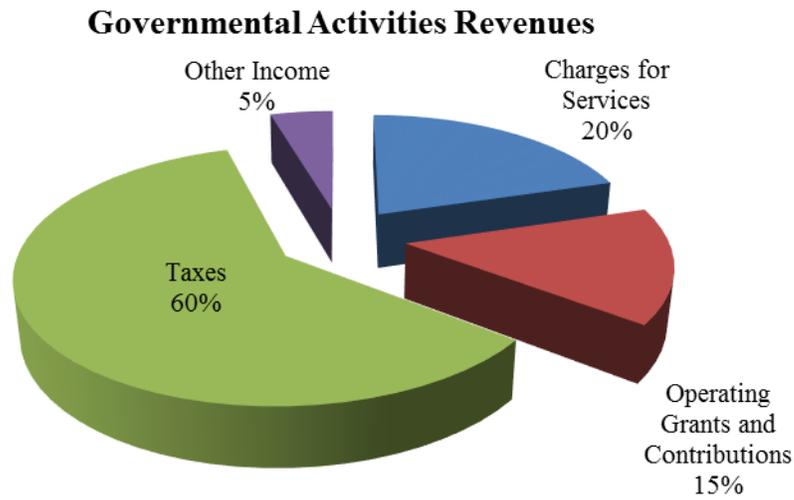
Cheboygan County's Change in Net Position

	Governmental Activities		Business-type Activities		Total Government	
	2017	2016	2017	2016	2017	2016
Revenue						
Program Revenues						
Charges for Services	\$ 3,225,190	\$ 3,229,492	\$ 1,401,063	\$ 1,770,950	\$ 4,626,253	\$ 5,000,442
Operating Grants and Contributions	2,369,953	2,121,727	480,845	496,589	2,850,798	2,618,316
Capital Grants and Contributions	-	-	1,000	61,589	1,000	61,589
Total Program Revenues	5,595,143	5,351,219	1,882,908	2,329,128	7,478,051	7,680,347
General Revenues						
Taxes	9,536,711	9,104,409	-	-	9,536,711	9,104,409
State Sources	592,034	564,104	-	-	592,034	564,104
Investment Income	130,075	119,019	36,973	41,856	167,048	160,875
Total General Revenues	10,258,820	9,787,532	36,973	41,856	10,295,793	9,829,388
Total Revenues	15,853,963	15,138,751	1,919,881	2,370,984	17,773,844	17,509,735
Expenses						
Legislative	131,986	135,856	-	-	131,986	135,856
Judicial	2,319,875	2,346,795	-	-	2,319,875	2,346,795
General Government	4,340,667	4,333,752	-	-	4,340,667	4,333,752
Public Safety	5,328,838	5,066,598	-	-	5,328,838	5,066,598
Health and Welfare	2,991,962	2,497,249	-	-	2,991,962	2,497,249
Recreation and Culture	301,671	327,834	-	-	301,671	327,834
Public Works	35,641	32,931	-	-	35,641	32,931
Community and Economic Development	336,637	369,816	-	-	336,637	369,816
Other Expenses	172,731	170,325	-	-	172,731	170,325
Interest on Long-term Debt	211,781	216,175	-	-	211,781	216,175
Marina	-	-	388,770	420,297	388,770	420,297
Tax Foreclosure	-	-	86,320	114,985	86,320	114,985
Straits Regional Ride	-	-	930,660	989,942	930,660	989,942
Jail Commissary	-	-	146,391	134,020	146,391	134,020
Delinquent Tax	-	-	-	60,693	-	60,693
Total Expenses	16,171,789	15,497,331	1,552,141	1,719,937	17,723,930	17,217,268
Changes in Net Position Before Transfers	(317,826)	(358,580)	367,740	651,047	49,914	292,467
Transfers - Net	305,351	169,027	(305,351)	(169,027)	-	-
Change in Net Position	(12,475)	(189,553)	62,389	482,020	49,914	292,467
<i>Net Position at the Beginning of Period</i>	<i>13,799,193</i>	<i>13,988,746</i>	<i>11,388,180</i>	<i>10,906,160</i>	<i>25,187,373</i>	<i>24,894,906</i>
Net Position at the End of Period	\$ 13,786,718	\$ 13,799,193	\$ 11,450,569	\$ 11,388,180	\$ 25,237,287	\$ 25,187,373

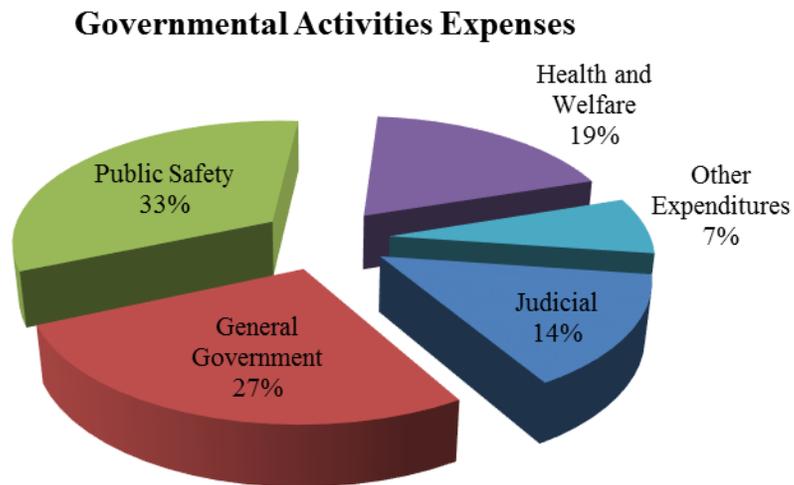
Governmental activities.

Governmental activities decreased the County's net position by \$12,475 in 2017, compared to a decrease of \$189,553 in 2016. This was primarily the result of an increase in property tax revenue from an increase in the millage rate for the County.

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 \$62,389 in 2017 compared to an increase of \$482,020 in 2016. This large change was primarily due to a decrease in charges for services within the tax foreclosure fund in 2017.

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 69% 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 towards the end of this report as other supplementary information to show the various components.

The General Fund's fund balance increased by \$331,049 from \$8,484,102 to \$8,815,151 during 2017; compared to \$304,740 during 2016. Total revenues for the General Fund increased by \$187,824 compared to the previous year. Total expenditures increased by \$132,889 compared to the previous year. The details of the significant changes in the General Fund revenues and expenditures are as follows:

General Fund Revenues

- Taxes increased by \$175,399 due to County increasing the millage rate for 2017.
- State sources increased by \$33,678 primarily due to the County's return to the state revenue sharing program.
- Refunds and reimbursements decreased by \$39,276 primarily due to a reduced return of net assets from the Michigan Municipal Risk Management insurance pool.
- Transfers in increased by \$317,414.

General Fund Expenditures

- Treasurer increased by \$82,613 due to staff paid entirely out of the General Fund that began in 2017
- Sheriff increased by \$34,733 primarily due to staff cost including expenses related to paying down the unfunded accrued liability related to the County pension plan.
- Corrections increased by \$34,903 due to staff costs including expenses related to paying down the unfunded accrued liability related to the County pension plan and inmate food costs and medical services.
- Planning Zoning decreased \$33,019 due to staff vacancies during the year.
- Transfers out increased by \$326,295.

Senior Citizen's Millage Fund Highlights

The Senior Citizen's Millage Fund's fund balance increased by \$33,609 from \$148,180 to \$181,789 during 2017; compared to an increase of \$55,986 during 2016. Total revenues increased by \$5,550 compared to the previous year. Total expenditures increased by \$27,927 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 \$35,176. There was no capital outlay expenditure within the fund during 2017.
- Health and Welfare increased by \$63,103.

Inverness Township Sewer Debt Fund Highlights

The Inverness Township Sewer Debt Fund's fund balance increased by \$5 from \$5,355 to \$5,360 during 2017; compared to \$6 during 2016. Total revenues decreased by \$4,395 compared to the previous year. Total expenditures decreased by \$4,394 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

The Housing Commission Fund's fund balance increased by \$1,487 from \$200,888 to \$202,375 during 2017; compared to a \$16,902 increase during 2016. Total revenues increased by \$165,371 compared to the previous year. Total expenditures increased by \$180,786 compared to the previous year.

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 \$75,343, (\$180,850), and \$9,431,004, respectively. The change in net position, respectively, for the proprietary funds was \$(43,660), (\$52,494), and \$120,292. 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 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 (\$60,000) for the purchase of two sheriff patrol vehicles.

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.

Capital Asset and Debt Administration

Capital assets

As of December 31, 2017, the County's investment in capital assets for its governmental and business-type activities amounted to \$8,907,706 (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 2017 was \$337,429.

Significant capital asset additions during 2017 included:

Governmental Activities

- Humane Society (animal control) remodel project – phase III
- Doris Reid Building remodel project – phase II
- 2 Ford Explorers for the County Sheriff's Department
- 1 Ford F-250 and 1 Ford Fusion

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	192,136	-	192,136
Land improvement	380,899	889,121	1,270,020
Building and improvements	4,413,347	119,710	4,533,057
Machinery and equipment	305,372	11,257	316,629
Vehicles	256,020	-	256,020
Transportation equipment	-	188,451	188,451
Docks	-	259,291	259,291
Total	\$ 7,439,876	\$ 1,467,830	\$ 8,907,706

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, 2017, the primary government of the County had long-term debt outstanding of \$8,760 for a 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 \$15,745,453 of revenues will be available for appropriation in the General Fund in the upcoming budget. Expenditures are expected to exceed revenues by \$681,000; compared to \$822,000 in the 2017 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

Cheboygan County
Statement of Net Position
December 31, 2017

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
<i>Current Assets</i>				
Cash and Investments	\$ 10,050,967	\$ 8,819,906	\$ 18,870,873	\$ 1,849,614
Receivables	569,008	1,174	570,182	1,244,621
Taxes Receivable	1,486,667	1,447,202	2,933,869	--
Current Portion of Notes Receivable	17,000	--	17,000	--
Current Portion of Leases Receivable	95,000	--	95,000	--
Due from Other Governments	259,889	93,369	353,258	1,294,740
Prepaid Items	--	392	392	109,394
Inventories	--	19,337	19,337	904,503
Land Held for Resale	--	50,460	50,460	--
Total Current Assets	12,478,531	10,431,840	22,910,371	5,402,872
<i>Noncurrent Assets</i>				
Advances to Other Governments	162,727	--	162,727	--
Capital Assets not Being Depreciated	2,084,238	--	2,084,238	7,409,510
Capital Assets Being Depreciated	5,355,638	1,467,830	6,823,468	27,107,028
Notes Receivable	1,176,749	--	1,176,749	--
Leases Receivable	2,335,000	--	2,335,000	--
Restricted Deposits	--	--	--	19,793
Total Assets	23,592,883	11,899,670	35,492,553	39,939,203
DEFERRED OUTFLOWS OF RESOURCES				
Pension	2,656,007	194,109	2,850,116	541,019
Total Deferred Outflows of Resources	2,656,007	194,109	2,850,116	541,019
LIABILITIES				
<i>Current Liabilities</i>				
Accounts Payable	177,449	18,824	196,273	52,323
Accrued Liabilities	169,789	9,196	178,985	142,709
Accrued Interest Payable	--	--	--	22,300
Due to Governmental Units	66,957	19,628	86,585	9,652
Advances and Deposits	--	--	--	129,615
Unearned Revenue	61,035	--	61,035	--
Current Portion of Long-term Debt	5,840	--	5,840	135,000
Total Current Liabilities	481,070	47,648	528,718	491,599
<i>Noncurrent Liabilities</i>				
Long-term Debt	2,920	--	2,920	1,715,000
Compensated Absences	317,813	11,760	329,573	235,170
Other Post-Employment Benefits	--	--	--	2,989,611
Net Pension Liability	7,921,179	573,077	8,494,256	11,022,475
Total Liabilities	8,722,982	632,485	9,355,467	16,453,855
DEFERRED INFLOWS OF RESOURCES				
Revenues Intended to Finance a Subsequent Year	3,739,190	--	3,739,190	1,201,182
Pension	--	10,725	10,725	185,471
Total Deferred Inflows of Resources	3,739,190	10,725	3,749,915	1,386,653
NET POSITION				
Net Investment in Capital Assets	7,431,116	1,467,830	8,898,946	32,702,898
<i>Restricted for:</i>				
Debt Service	5,360	--	5,360	--
Health and Welfare	384,164	--	384,164	--
<i>Unrestricted</i>	5,966,078	9,982,739	15,948,817	(10,063,184)
Total Net Position	\$ 13,786,718	\$ 11,450,569	\$ 25,237,287	\$ 22,639,714

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

Cheboygan County
Statement of Activities
For the Year Ended December 31, 2017

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue			Component Units
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	
Primary Government								
Governmental Activities:								
Legislative	\$ 131,986	\$ --	\$ --	\$ --	\$ (131,986)	\$ --	\$ (131,986)	\$ --
Judicial	2,319,875	691,061	924,601	--	(704,213)	--	(704,213)	--
General Government	4,340,667	1,414,775	238,247	--	(2,687,645)	--	(2,687,645)	--
Public Safety	5,328,838	895,418	265,281	--	(4,168,139)	--	(4,168,139)	--
Health and Welfare	2,991,962	30,155	897,114	--	(2,064,693)	--	(2,064,693)	--
Recreation and Culture	301,671	162,999	4,518	--	(134,154)	--	(134,154)	--
Other Expenses	172,731	--	--	--	(172,731)	--	(172,731)	--
Public Works	35,641	--	--	--	(35,641)	--	(35,641)	--
Community and Economic Development	336,637	30,782	40,192	--	(265,663)	--	(265,663)	--
Interest on Long-term Debt	211,781	--	--	--	(211,781)	--	(211,781)	--
Total Governmental Activities	16,171,789	3,225,190	2,369,953	--	(10,576,646)	--	(10,576,646)	--
Business-type Activities:								
Marina	388,770	345,110	--	--	--	(43,660)	(43,660)	--
Tax Foreclosure	86,320	222,612	--	--	--	136,292	136,292	--
Straits Regional Ride	930,660	308,282	480,845	1,000	--	(140,533)	(140,533)	--
Jail Commissary	146,391	153,358	--	--	--	6,967	6,967	--
Delinquent Tax	--	371,701	--	--	--	371,701	371,701	--
Total Business-type Activities	1,552,141	1,401,063	480,845	1,000	--	330,767	330,767	--
Total Primary Government	\$ 17,723,930	\$ 4,626,253	\$ 2,850,798	\$ 1,000	\$ (10,576,646)	\$ 330,767	\$ (10,245,879)	--
Component Units								
Road Commission	\$ 9,278,843	\$ 2,150,896	\$ 7,448,572	\$ --	--	--	--	320,625
Cheboygan Airport Authority	303,189	114,663	125,790	--	--	--	--	(62,736)
Total Component Units	\$ 9,582,032	\$ 2,265,559	\$ 7,574,362	\$ --	--	--	--	257,889

General Purpose Revenues and Transfers:

Revenues

Taxes	9,536,711	--	9,536,711	1,187,121
State Sources	592,034	--	592,034	--
Other Revenues	--	--	--	116,419
Interest and Rentals	130,075	36,973	167,048	2,713
Transfers	305,351	(305,351)	--	--
Total General Revenues and Transfers	10,564,171	(268,378)	10,295,793	1,306,253
Change in Net Position	(12,475)	62,389	49,914	1,564,142
<i>Net Position at Beginning of Period</i>	13,799,193	11,388,180	25,187,373	21,075,572
Net Position at End of Period	\$ 13,786,718	\$ 11,450,569	\$ 25,237,287	\$ 22,639,714

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

**Cheboygan County
Balance Sheet
Governmental Funds
December 31, 2017**

	Special Revenue					Other Governmental Funds	Total Governmental Funds
	General	Senior Citizen's Millage	Inverness Township Sewer Debt	Housing Commission			
ASSETS							
Cash and Investments	\$ 8,677,579	\$ 181,789	\$ 5,360	\$ 125,395	\$ 1,060,844	\$ 10,050,967	
Receivables	146,133	--	--	--	422,875	569,008	
Taxes Receivable	466,509	678,124	--	--	342,034	1,486,667	
Notes Receivable	--	--	--	1,193,749	--	1,193,749	
Leases Receivable	--	--	2,430,000	--	--	2,430,000	
Due from Other Governments	25,717	--	--	102,349	294,550	422,616	
Due from Other Funds	394,876	--	--	--	--	394,876	
<i>Total Assets</i>	\$ 9,710,814	\$ 859,913	\$ 2,435,360	\$ 1,421,493	\$ 2,120,303	\$ 16,547,883	
LIABILITIES							
Accounts Payable	\$ 105,238	\$ --	\$ --	\$ 852	\$ 71,359	\$ 177,449	
Accrued Liabilities	148,264	--	--	--	21,525	169,789	
Due to Governmental Units	--	--	--	163	66,794	66,957	
Unearned Revenue	60,555	--	--	--	480	61,035	
Due to Other Funds	--	--	--	24,354	370,522	394,876	
<i>Total Liabilities</i>	314,057	--	--	25,369	530,680	870,106	
DEFERRED INFLOWS OF RESOURCES							
Unavailable Revenues	581,606	--	--	1,193,749	--	1,775,355	
Revenues Intended to Finance a Subsequent Year	--	678,124	2,430,000	--	631,066	3,739,190	
<i>Total Liabilities and Deferred Inflows of Resources</i>	895,663	678,124	2,430,000	1,219,118	1,161,746	6,384,651	
FUND BALANCE							
Restricted	--	181,789	5,360	202,375	--	389,524	
Committed	354,763	--	--	--	100	354,863	
Assigned	425,154	--	--	--	958,457	1,383,611	
Unassigned	8,035,234	--	--	--	--	8,035,234	
<i>Total Fund Balance</i>	8,815,151	181,789	5,360	202,375	958,557	10,163,232	
<i>Total Liabilities, Deferred Inflows of Resources, and Fund Balance</i>	\$ 9,710,814	\$ 859,913	\$ 2,435,360	\$ 1,421,493	\$ 2,120,303	\$ 16,547,883	

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

Cheboygan County
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position
December 31, 2017

Total Fund Balance - Governmental Funds	\$	10,163,232
General government capital assets of \$15,233,357, net of accumulated depreciation of \$7,793,481, are not financial resources and, accordingly, are not reported in the funds.		7,439,876
Compensated absences are not due and payable in the current period and, therefore, are not reported in the funds.		(317,813)
Long-term liabilities are not due any payable in the current period and, therefore, are not reported in the funds.		(8,760)
Unavailable revenues are not available to pay current period expenditures and, therefore, are deferred inflows of resources in the funds.		1,775,355
Net pension liability is not due and payable in the current period and is not reported in the funds.		(7,921,179)
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.		2,656,007
Total Net Position - Governmental Funds	\$	<u>13,786,718</u>

Cheboygan County
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended December 31, 2017

	Special Revenue					Other Governmental Funds	Total Governmental Funds
	General	Senior Citizen's Millage	Inverness Township Sewer Debt	Housing Commission			
Revenues							
Taxes	\$ 8,293,874	\$ 673,662	\$ --	\$ --	\$ 336,950	\$ 9,304,486	
Licenses and Permits	48,718	--	--	--	14,564	63,282	
Federal Sources	114,523	--	--	158,502	418,347	691,372	
State Sources	1,210,129	--	--	--	881,955	2,092,084	
Local Sources	56,241	--	211,781	--	69,219	337,241	
Contributions	--	--	--	--	109,457	109,457	
Charges for Services	1,302,731	--	--	--	955,387	2,258,118	
Fines and Penalties	38,088	--	--	--	1,178	39,266	
Refunds and Reimbursement	180,764	--	--	--	--	180,764	
Other Revenues	7,515	--	--	35,205	325,048	367,768	
Interest and Rentals	89,273	--	5	125	102,956	192,359	
Total Revenues	11,341,856	673,662	211,786	193,832	3,215,061	15,636,197	
Expenditures							
Legislative	126,212	--	--	--	--	126,212	
Judicial	1,557,821	--	--	--	616,974	2,174,795	
General Government	3,447,354	--	--	--	493,407	3,940,761	
Public Safety	4,159,841	--	--	--	824,254	4,984,095	
Health and Welfare	467,157	640,053	--	192,345	1,619,867	2,919,422	
Community and Economic Development	317,752	--	--	--	--	317,752	
Recreation and Culture	116,795	--	--	--	168,703	285,498	
Other Expenditures	172,731	--	--	--	--	172,731	
Capital Outlay	215,714	--	--	--	102,135	317,849	
Debt Service - Principal	5,842	--	--	--	--	5,842	
Debt Service - Interest	--	--	211,781	--	--	211,781	
Total Expenditures	10,587,219	640,053	211,781	192,345	3,825,340	15,456,738	
Excess of Revenues Over (Under) Expenditures	754,637	33,609	5	1,487	(610,279)	179,459	
Other Financing Sources (Uses)							
Insurance Recoveries	2,594	--	--	--	--	2,594	
Transfers In	708,077	--	--	--	870,898	1,578,975	
Transfer Out	(1,134,259)	--	--	--	(139,365)	(1,273,624)	
Net Other Financing Sources (Uses)	(423,588)	--	--	--	731,533	307,945	
Net Change in Fund Balance	331,049	33,609	5	1,487	121,254	487,404	
<i>Fund Balance at Beginning of Period</i>	8,484,102	148,180	5,355	200,888	837,303	9,675,828	
Fund Balance at End of Period	\$ 8,815,151	\$ 181,789	\$ 5,360	\$ 202,375	\$ 958,557	\$ 10,163,232	

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

Cheboygan County
Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and
Changes in Fund Balance with Statement of Activities
For the Year Ended December 31, 2017

Total Net Change in Fund Balances - Governmental Funds	\$	487,404
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 \$317,849 are exceeded by depreciation expense of \$479,253.		(161,404)
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.		(24,848)
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.		5,842
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.		215,172
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.		(534,641)
Changes in Net Position - Governmental Funds	\$	<u>(12,475)</u>

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

**Cheboygan County
Statement of Net Position
Proprietary Funds
December 31, 2017**

	Business-type Activities - Enterprise Funds				
	Marina	Straits Regional Ride	Delinquent Tax	Other Enterprise Funds	Total Enterprise Funds
ASSETS					
<i>Current Assets</i>					
Cash and Investments	\$ 107,725	\$ 111,130	\$ 7,983,802	\$ 617,249	\$ 8,819,906
Receivables	--	1,174	--	--	1,174
Taxes Receivable	--	--	1,447,202	--	1,447,202
Due from Governmental Units	--	93,369	--	--	93,369
Prepaid Items	392	--	--	--	392
Inventories	19,337	--	--	--	19,337
Land Held for Resale	--	--	--	50,460	50,460
Total Current Assets	127,454	205,673	9,431,004	667,709	10,431,840
<i>Noncurrent Assets</i>					
Capital Assets Being Depreciated	1,268,123	199,707	--	--	1,467,830
Total Assets	1,395,577	405,380	9,431,004	667,709	11,899,670
DEFERRED OUTFLOWS OF RESOURCES					
Pension	12,520	181,589	--	--	194,109
Total Deferred Outflows of Resources	12,520	181,589	--	--	194,109
LIABILITIES					
<i>Current Liabilities</i>					
Accounts Payable	580	7,777	--	10,467	18,824
Accrued Liabilities	--	9,196	--	--	9,196
Due to Governmental Units	--	19,628	--	--	19,628
Total Current Liabilities	580	36,601	--	10,467	47,648
<i>Noncurrent Liabilities</i>					
Compensated Absences	--	11,760	--	--	11,760
Net Pension Liability	53,326	519,751	--	--	573,077
Total Liabilities	53,906	568,112	--	10,467	632,485
DEFERRED INFLOWS OF RESOURCES					
Pension	10,725	--	--	--	10,725
Total Deferred Inflows of Resources	10,725	--	--	--	10,725
NET POSITION					
Net Investment in Capital Assets	1,268,123	199,707	--	--	1,467,830
<i>Unrestricted</i>	75,343	(180,850)	9,431,004	657,242	9,982,739
Total Net Position	\$ 1,343,466	\$ 18,857	\$ 9,431,004	\$ 657,242	\$ 11,450,569

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

Cheboygan County
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended December 31, 2017

Business-type Activities - Enterprise Funds

	<u>Marina</u>	<u>Straits Regional Ride</u>	<u>Delinquent Tax</u>	<u>Other Enterprise Funds</u>	<u>Total Enterprise Funds</u>
Operating Revenues					
Federal Sources	\$ --	\$ 151,643	\$ --	\$ --	\$ 151,643
State Sources	--	329,202	--	--	329,202
Local Sources	--	10,296	--	--	10,296
Charges for Services	344,581	296,486	104,910	375,970	1,121,947
Interest and Rentals	--	--	266,791	--	266,791
Other Revenues	529	--	--	--	529
Total Operating Revenues	<u>345,110</u>	<u>787,627</u>	<u>371,701</u>	<u>375,970</u>	<u>1,880,408</u>
Operating Expenses					
Personal Services	55,902	557,649	--	7,288	620,839
Contractual Services	--	10,714	--	58,092	68,806
Utilities	14,952	3,590	--	--	18,542
Repair and Maintenance	6,994	91,527	--	--	98,521
Other Supplies and Expenses	233,777	168,300	--	167,331	569,408
Depreciation	77,145	98,880	--	--	176,025
Total Operating Expenses	<u>388,770</u>	<u>930,660</u>	<u>--</u>	<u>232,711</u>	<u>1,552,141</u>
Operating Income (Loss)	<u>(43,660)</u>	<u>(143,033)</u>	<u>371,701</u>	<u>143,259</u>	<u>328,267</u>
Non-Operating Revenues (Expenses)					
Gain on Sale of Assets	--	1,500	--	--	1,500
Interest and Rentals	--	--	35,746	1,227	36,973
Net Non-Operating Revenues (Expenses)	<u>--</u>	<u>1,500</u>	<u>35,746</u>	<u>1,227</u>	<u>38,473</u>
Income Before Contributions and Transfers	<u>(43,660)</u>	<u>(141,533)</u>	<u>407,447</u>	<u>144,486</u>	<u>366,740</u>
Federal Capital Assistance	--	800	--	--	800
State Capital Assistance	--	200	--	--	200
Transfers In	--	88,039	31,610	--	119,649
Transfer Out	--	--	(318,765)	(106,235)	(425,000)
Change In Net Position	<u>(43,660)</u>	<u>(52,494)</u>	<u>120,292</u>	<u>38,251</u>	<u>62,389</u>
<i>Net Position at Beginning of Period</i>	1,387,126	71,351	9,310,712	618,991	11,388,180
Net Position at End of Period	<u>\$ 1,343,466</u>	<u>\$ 18,857</u>	<u>\$ 9,431,004</u>	<u>\$ 657,242</u>	<u>\$ 11,450,569</u>

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

Cheboygan County
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2017

	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	\$ 345,008	\$ 309,510	\$ 182,988	\$ 376,766	\$ 1,214,272
Cash Received from Interest and Rentals	-	-	266,791	-	266,791
Cash Received from Governmental Units	-	455,095	-	-	455,095
Cash Payments to Suppliers	(253,140)	(281,071)	-	(223,348)	(757,559)
Cash Payments to Employees	(50,094)	(527,313)	(418)	(7,910)	(585,735)
Net Cash Provided (Used) by Operating Activities	41,774	(43,779)	449,361	145,508	592,864
Cash Flows from Noncapital Financing Activities					
Transfers In	-	88,039	31,610	-	119,649
Transfers Out	-	-	(318,765)	(106,235)	(425,000)
Net Cash Provided (Used) by Noncapital Financing Activities	-	88,039	(287,155)	(106,235)	(305,351)
Cash Flows from Capital and Related Financing Activities					
Federal Capital Assistance	-	800	-	-	800
State Capital Assistance	-	200	-	-	200
Gain on Sale of Assets	-	1,500	-	-	1,500
Net Cash Provided by Capital and Related Financing Activities	-	2,500	-	-	2,500
Cash Flows from Investing Activities					
Interest Received	-	-	35,746	1,227	36,973
Net Cash Provided by Investing Activities	-	-	35,746	1,227	36,973
Net Increase in Cash and Equivalents	41,774	46,760	197,952	40,500	326,986
<i>Cash and Investments - Beginning of Year</i>	<i>65,951</i>	<i>64,370</i>	<i>7,785,850</i>	<i>576,749</i>	<i>8,492,920</i>
Cash and Investments - End of Year	\$ 107,725	\$ 111,130	\$ 7,983,802	\$ 617,249	\$ 8,819,906

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

Cheboygan County
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2017

	<u>Business-type Activities - Enterprise Funds</u>				
	<u>Marina</u>	<u>Straits Regional Ride</u>	<u>Delinquent Tax</u>	<u>Other Enterprise Funds</u>	<u>Total Enterprise Funds</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities					
Operating Income (Loss)	\$ (43,660)	\$ (143,033)	\$ 371,701	\$ 143,259	\$ 328,267
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities					
Depreciation	77,145	98,880	-	-	176,025
(Increase) decrease in:					
Receivables	-	13,024	78,078	796	91,898
Prepays	(20)	-	-	-	(20)
Inventories	2,573	-	-	-	2,573
Due from Governmental Units	-	(44,363)	-	-	(44,363)
Accounts Payable	30	(6,940)	-	2,075	(4,835)
Compensated Absences	-	795	-	-	795
Accrued Liabilities	-	498	(418)	(622)	(542)
Unearned Revenue	(102)	-	-	-	(102)
Due to Governmental Units	-	8,317	-	-	8,317
Pension	5,808	29,043	-	-	34,851
Net Cash Provided (Used) by Operating Activities	<u>\$ 41,774</u>	<u>\$ (43,779)</u>	<u>\$ 449,361</u>	<u>\$ 145,508</u>	<u>\$ 592,864</u>

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

Cheboygan County
Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2017

	<u>Agency Funds</u>
ASSETS	
Cash and Investments	\$ 843,511
<i>Total Assets</i>	<u>843,511</u>
LIABILITIES	
Assets Held on Behalf of Others	843,511
<i>Total Liabilities</i>	<u>\$ 843,511</u>

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

Cheboygan County
Combining Statement of Net Position
Component Units
December 31, 2017

	<u>Road Commission</u>	<u>Cheboygan Airport Authority</u>	<u>Total Component Units</u>
ASSETS			
<i>Current Assets</i>			
Cash and Investments	\$ 1,783,917	\$ 65,697	\$ 1,849,614
Receivables	1,240,603	4,018	1,244,621
Due from Governmental Units	1,294,740	--	1,294,740
Prepaid Items	79,104	30,290	109,394
Inventories	903,746	757	904,503
Total Current Assets	<u>5,302,110</u>	<u>100,762</u>	<u>5,402,872</u>
<i>Noncurrent Assets</i>			
Capital Assets not Being Depreciated	7,027,326	382,184	7,409,510
Capital Assets Being Depreciated	25,179,331	1,927,697	27,107,028
Restricted Deposits	19,793	--	19,793
Total Assets	<u>37,528,560</u>	<u>2,410,643</u>	<u>39,939,203</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension	541,019	--	541,019
Total Deferred Outflows of Resources	<u>541,019</u>	<u>--</u>	<u>541,019</u>
LIABILITIES			
<i>Current Liabilities</i>			
Accounts Payable	48,626	3,697	52,323
Accrued Liabilities	134,502	8,207	142,709
Accrued Interest Payable	22,300	--	22,300
Due to Governmental Units	9,652	--	9,652
Advances and Deposits	129,615	--	129,615
Current Portion of Long-term Debt	135,000	--	135,000
Total Current Liabilities	<u>479,695</u>	<u>11,904</u>	<u>491,599</u>
<i>Noncurrent Liabilities</i>			
Long-term Debt	1,715,000	--	1,715,000
Compensated Absences	235,170	--	235,170
Other Post-Employment Benefits	2,989,611	--	2,989,611
Net Pension Liability	11,022,475	--	11,022,475
Total Liabilities	<u>16,441,951</u>	<u>11,904</u>	<u>16,453,855</u>
DEFERRED INFLOWS OF RESOURCES			
Taxes Levied for a Subsequent Year	1,201,182	--	1,201,182
Pension	185,471	--	185,471
Total Deferred Inflows of Resources	<u>1,386,653</u>	<u>--</u>	<u>1,386,653</u>
NET POSITION			
Net Investment in Capital Assets	30,393,017	2,309,881	32,702,898
<i>Unrestricted</i>	(10,152,042)	88,858	(10,063,184)
Total Net Position	<u>\$ 20,240,975</u>	<u>\$ 2,398,739</u>	<u>\$ 22,639,714</u>

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

Cheboygan County
Combining Statement of Activities
Component Units
For the Year Ended December 31, 2017

	<u>Road Commission</u>	<u>Cheboygan Airport Authority</u>	<u>Total Component Units</u>
Expenses			
Public Works	\$ 9,278,843	\$ 303,189	\$ 9,582,032
Total Expenses	<u>9,278,843</u>	<u>303,189</u>	<u>9,582,032</u>
Program Revenues			
Charges for services	2,150,896	114,663	2,265,559
Operating grants and contributions	7,448,572	125,790	7,574,362
Capital grants and contributions	--	--	--
Total Program Revenues	<u>9,599,468</u>	<u>240,453</u>	<u>9,839,921</u>
Net Program Revenues (Expenses)	<u>320,625</u>	<u>(66,736)</u>	<u>257,889</u>
General Revenue			
Taxes	1,187,121	--	1,187,121
Other Revenues	116,419	--	116,419
Interest and Rentals	2,713	--	2,713
Total General Revenues	<u>1,306,253</u>	<u>--</u>	<u>1,306,253</u>
Change in Net Position	<u>1,626,878</u>	<u>(62,736)</u>	<u>1,564,142</u>
<i>Net Position at Beginning of Period</i>	<u>18,614,097</u>	<u>2,461,475</u>	<u>21,075,572</u>
Net Position at End of Period	<u>\$ 20,240,975</u>	<u>\$ 2,398,739</u>	<u>\$ 22,639,714</u>

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

Notes to the Financial Statements

Cheboygan County

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 units, entities for which the government is considered to be financially accountable. The discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize they are legally separate from the County.

Discretely-presented Component Units

Cheboygan County 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:

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

Cheboygan Airport Authority (the “Airport”)

The Airport is an authority created by Public Act 206 as amended by Public Act 153, which is supported through fees and rents as well as support from Cheboygan County. The County appoints members of the Airport’s governing board. Management of the County has elected to include the Airport as a discretely presented component unit because the County has the ability to impose its

Cheboygan County

Notes to the Financial Statements

will on the Airport. The Airport is audited separately from the County and complete financial statements may be obtained from the Airport's administrative office. Accordingly, the County has elected to omit substantially all note disclosures related to the Airport in these financial statements. The Airport's administrative office contact information is as follows:

Cheboygan County Airport
1520 Levering Rd
Cheboygan, Michigan, 49721

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 requirement, which amounted to \$226,154 for the year ended December 31, 2017. 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, 2017. This expenditure was made from the General Fund.

Regional Joint Operation

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, 2017 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,

Cheboygan County

Notes to the Financial Statements

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 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.

Cheboygan County

Notes to the Financial Statements

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.

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.

Cheboygan County

Notes to the Financial Statements

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

Deposits and Investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Investments are stated at fair value, which is determined as follows: a) short-term investments are reported at cost, which approximates fair value; b) securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates; c) investments that do not have established market values are reported at estimated fair value; and d) cash deposits are reported at carrying amount, which reasonably approximates fair value. State statutes authorize the County to deposit in the accounts of federally insured banks, credit unions and savings and loan associations and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, bankers' acceptances, and mutual funds composed of otherwise legal investments.

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 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.

Lease Receivable

On December 10, 2002, the County borrowed \$3,419,000 from the United States Department of Housing and Urban Development (HUD) under the provisions of the Consolidated Farm and Rural Development Act (7 U.S.C. 1921 et seq.) for the development of a sewer extension in Inverness Township.

On May 1, 2002, Inverness Township entered into a contract with the County. This contract provides,

Cheboygan County

Notes to the Financial Statements

among other things, that the County will finance a portion of this project in anticipation of sufficient payments to be made by the Township to pay the principal and interest on the loan. The outstanding lease receivable recorded in the accompanying basic financial statements is offset by deferred inflows because it is not available for use by the County. The loan consists of a series of notes ranging in amounts of \$40,000 to \$100,000, with maturity dates from September 1, 2005 to September 1, 2024 with interest charged at 4.625%.

The Township has pledged its full faith and credit for the repayment of the loan. Neither the full faith and credit nor the taxing power of the County is pledged for the payment of the notes; therefore, the debt has not been recorded in the accompanying basic financial statements.

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.

Land Held for Resale

Land held for resale consists of property held by the County for the purpose of selling.

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 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.

Cheboygan County

Notes to the Financial Statements

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

	<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.

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.

Cheboygan County

Notes to the Financial Statements

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, 2016 levy, was recognized as revenue in the fiscal year 2017. The general operating tax rate for this levy was at the maximum rate of 5.7319. The County also has a voter approved tax of .4993 mills for senior services, .2500 mills for ambulance services, and .9986 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, 2017. 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.

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.

Cheboygan County

Notes to the Financial Statements

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.

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.

Cheboygan County

Notes to the Financial Statements

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.

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 expenditures in excess of appropriations during the year ended December 31, 2017.

Cheboygan County

Notes to the Financial Statements

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.
- 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.

Cheboygan County

Notes to the Financial Statements

- (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 (including both pooled cash and investments) as of December 31, 2017:

	Totals
Statement of Net Position	
Cash and investments	\$ 18,870,873
Statement of Fiduciary Net Position	
Cash and investments	843,511
<i>Total Deposits and Investments</i>	<i>\$ 19,714,384</i>
Deposits and Investments	
Bank deposits	\$ 16,597,463
Certificates of deposit	2,622,902
Investments	487,564
Cash on hand	6,455
<i>Total</i>	<i>\$ 19,714,384</i>

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, \$18,840,997 of the County's bank balance of \$20,340,997 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 and NCUA insurance, the County believes it is impractical

Cheboygan County

Notes to the Financial Statements

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, 2017, the County had one investment that would be subject to rating by a NRSRO: Michigan CLASS account with an S&P rating of AAAm. 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. Maturity dates for investments and certificates of deposits held at year-end are summarized as follows:

	Certificates of Deposits	Investments
	<u> </u>	<u> </u>
No maturity	\$ -	\$ 487,564
Due within 1 year	400,249	-
Due within 1-5 years	2,222,653	-
	<u>\$ 2,622,902</u>	<u>\$ 487,564</u>

Concentration of Credit Risk

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

Fair Value Measurement

The County categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; level 2 inputs are significant other observable inputs; level 3 inputs are significant

Cheboygan County

Notes to the Financial Statements

unobservable inputs.

The County has the following recurring fair value measurements as of December 31, 2017:

- Investments held within Michigan CLASS totaled \$487,564. Michigan CLASS is authorized to invest in the same investment types as local units of government in Michigan. These holdings are valued using level 2 inputs.

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 funds were as follows:

	Revenues Intended to Finance Subsequent Year	Unavailable Revenues	Total
Governmental funds			
Property taxes receivable	\$ 1,020,158	\$ 581,606	\$ 1,601,764
Special assessments	289,032	-	289,032
Leases receivable	2,430,000	-	2,430,000
Notes receivable	-	1,193,749	1,193,749
Total	\$ 3,739,190	\$ 1,775,355	\$ 5,514,545

Cheboygan County

Notes to the Financial Statements

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.

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	\$ 870,898
General - Termination Liability	General Fund	80,000
General - Social Services	General Fund	1,463
General - Soldier's Relief	General Fund	2,232
General - Courthouse Preservation	General Fund	40,894
General - CCE 911	General Fund	50,733
Straits Regional Ride	General Fund	88,039
General Fund	Nonmajor Governmental Funds	107,755
General Fund	Delinquent Tax	318,765
General Fund	Nonmajor Enterprise Funds	106,235
Delinquent Tax	Nonmajor Governmental Funds	31,610

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	\$ 370,522	\$ -
Housing Commission	24,354	24,354
Nonmajor Governmental Funds	-	370,522
Total	<u>\$ 394,876</u>	<u>\$ 394,876</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.

Cheboygan County

Notes to the Financial Statements

Note 6 - Capital Assets

Capital asset activity for the year ended December 31, 2017 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
<i>Capital assets not being depreciated:</i>				
Land	\$ 1,892,102	\$ -	\$ -	\$ 1,892,102
Construction in process	4,476	187,660	-	192,136
Subtotal	<u>1,896,578</u>	<u>187,660</u>	<u>-</u>	<u>2,084,238</u>
<i>Capital assets being depreciated:</i>				
Land improvements	540,880	-	-	540,880
Buildings and improvements	9,958,135	-	-	9,958,135
Machinery and equipment	1,663,858	24,079	-	1,687,937
Vehicles	872,664	106,110	(16,607)	962,167
Subtotal	<u>13,035,537</u>	<u>130,189</u>	<u>(16,607)</u>	<u>13,149,119</u>
<i>Less accumulated depreciation for:</i>				
Land improvements	(126,711)	(33,270)	-	(159,981)
Buildings and improvements	(5,271,091)	(273,697)	-	(5,544,788)
Machinery and equipment	(1,282,254)	(100,311)	-	(1,382,565)
Vehicles	(650,779)	(71,975)	16,607	(706,147)
Subtotal	<u>(7,330,835)</u>	<u>(479,253)</u>	<u>16,607</u>	<u>(7,793,481)</u>
Net Capital Assets Being Depreciated	<u>5,704,702</u>	<u>(349,064)</u>	<u>-</u>	<u>5,355,638</u>
Governmental Activities Capital Assets, Net of Depreciation	<u>\$ 7,601,280</u>	<u>\$ (161,404)</u>	<u>\$ -</u>	<u>\$ 7,439,876</u>

Cheboygan County

Notes to the Financial Statements

Depreciation expense was charged to the following governmental activities:

Governmental Activities:	
Judicial	\$ 26,675
General Government	233,322
Public Safety	126,163
Public Works	29,599
Health and Welfare	47,321
Recreation and Cultural	16,173
Total Governmental Activities	<u>\$ 479,253</u>

Capital asset activity for the business-type activities for the year ended December 31, 2017 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
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	1,248,608	-	(104,374)	1,144,234
Docks	691,940	-	-	691,940
	<u>4,117,736</u>	<u>-</u>	<u>(104,374)</u>	<u>4,013,362</u>
 <i>Less accumulated depreciation for:</i>				
Buildings and improvements	(424,278)	(16,971)	-	(441,249)
Land improvements	(592,245)	(37,892)	-	(630,137)
Machinery and equipment	(83,729)	(1,985)	-	(85,714)
Transportation equipment	(963,262)	(96,895)	104,374	(955,783)
Docks	(410,367)	(22,282)	-	(432,649)
	<u>(2,473,881)</u>	<u>(176,025)</u>	<u>104,374</u>	<u>(2,545,532)</u>
Net Capital Assets Being Depreciated	<u>1,643,855</u>	<u>(176,025)</u>	<u>-</u>	<u>1,467,830</u>
Business-type Activities Capital Assets, Net of Depreciation	<u>\$ 1,643,855</u>	<u>\$ (176,025)</u>	<u>\$ -</u>	<u>\$ 1,467,830</u>

Cheboygan County

Notes to the Financial Statements

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

Business-type Activities:	
Marina	\$ 77,145
Straits Regional Ride	98,880
Total Business-type Activities	<u>\$ 176,025</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
2018	\$ 5,840
2019	2,920
Total	<u>\$ 8,760</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.

Cheboygan County

Notes to the Financial Statements

A summary of vested employee benefits payable for the primary government as of December 31, 2017, is as follows:

Primary Government	Beginning Balances	Change (net)	Ending Balances
Vacation	\$ 178,448	\$ 34,752	\$ 213,200
Sick	125,482	(9,109)	116,373
Total	\$ 303,930	\$ 25,643	\$ 329,573

Note 9 - Retirement System

Defined Benefit Pension Plan

Plan Description

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

Benefits Provided

Retirement benefits for employees are calculated as follows:

Division	Benefit Multiplier	Benefit Maximum	Final Average Compensation (Years)	Normal Retirement Age	Unreduced Benefit (Age/Years of Service)	Reduced Benefit (Age/Years of Service)	Vesting (Years)
01 - General - Closed	2.50%	80%	5	60	55/20	50/25 or 55/15	10
02 - Sheriff - Closed	2.50%	80%	3	60	55/20	50/25 or 55/15	10
10 - Elected/Appointed - Closed	2.50%	80%	3	60	55/20	50/25 or 55/15	10
20 - Sheriff POLC - Closed	2.50%	80%	3	60	55/20	50/25 or 55/15	10
HA - General and Non-Union	Hybrid, 1.25%	-	3	60	-	-	6
HB - All FT Union & Non-Union Patrol	Hybrid, 1.25%	-	3	60	55/25	-	6

Cheboygan County

Notes to the Financial Statements

Employees Covered by Benefit Terms

At the December 31, 2016 measurement date, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	104
Inactive plan members entitled to but not yet receiving benefits	13
Active plan members	<u>123</u>
Total employees covered by MERS	<u>240</u>

Contributions

The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by the MERS Retirement Board. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer may establish contribution rates to be paid by its covered employees.

For the year ended December 31, 2017, the County had the following contribution rates:

<u>Division</u>	<u>Employee Contributions</u>	<u>Employer Contributions</u>
01 - General - Closed	3.50%	18.81%
02 - Sheriff - Closed	3.50%	18.92%
10 - Elected/Appointed - Closed	3.50%	14.32%
20 - Sheriff POLC - Closed	3%	17.91%
HA - General and Non-Union	0%	7.35%
HB - All FT Union & Non-Union Patrol	0%	6.42%

Net Pension Liability

The County's net pension liability was measured as of December 31, 2016 and the total pension liability used to calculate the net pension liability was determined by an annual actuarial valuation as of that date.

Actuarial Assumptions

The total pension liability in the December 31, 2016 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

- Inflation: 2.5%
- Salary Increases: 3.75% in the long-term
- Investment rate of return: 7.75%, net of investment expense, including inflation

Cheboygan County

Notes to the Financial Statements

Although no specific price inflation assumptions are needed for the valuation, the 2.5% long-term wage inflation assumption would be consistent with a price inflation of 3%-4%.

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

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

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

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Global Equity	57.5%	5.02%
Global Fixed Income	20.0%	2.18%
Real Assets	12.5%	4.23%
Diversifying Strategies	10.0%	6.56%

Discount Rate

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

Cheboygan County

Notes to the Financial Statements

Changes in Net Pension Liability

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

<u>Changes in Net Pension Liability</u>	Increase (Decrease)		<u>Net Pension Liability</u>
	Total Pension Liability	Plan Net Position	
Balance at December 31, 2015	\$ 26,360,537	\$ 17,559,063	\$ 8,801,474
Service cost	606,305	-	606,305
Interest	2,081,552	-	2,081,552
Difference between expected and actual experience	236,900	-	236,900
Contributions - Employer	-	1,075,037	(1,075,037)
Contributions - Employee	-	185,646	(185,646)
Net investment income	-	2,006,495	(2,006,495)
Benefit payments, including refunds	(1,288,578)	(1,288,578)	-
Administrative expenses	-	(39,589)	39,589
Other changes	(4,386)	-	(4,386)
Net changes	1,631,793	1,939,011	(307,218)
Balance at December 31, 2016	\$ 27,992,330	\$ 19,498,074	\$ 8,494,256

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 8.00 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 (7.00 percent) or one percentage point higher (9.00 percent) than the current rate:

	1% Decrease	Current	1% Increase
	(7.00%)	Discount Rate (8.00%)	(9.00%)
Net pension liability of the County	\$ 11,702,554	\$ 8,494,256	\$ 5,773,896

Note: The current discount rate shown for GASB 68 purposes is higher than the MERS assumed rate of return. This is because for GASB purposes, the discount rate must be gross of administrative expenses, whereas for funding purposes, it is net of administrative expenses.

Cheboygan County

Notes to the Financial Statements

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

For the year ended December 31, 2017, the County recognized pension expense of \$1,061,875. At December 31, 2017, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Source	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ 537,779	\$ -
Differences between expected and actual experience	414,939	-
Changes in assumptions	751,876	-
Employer contributions to the plan subsequent to the measurement date *	<u>1,134,796</u>	<u>-</u>
Total	<u>\$ 2,839,390</u>	<u>\$ -</u>

*The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability for the year ending December 31, 2018.

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

Years Ending December 31	Amount
2018	\$ 613,901
2019	613,901
2020	550,306
2021	(73,514)

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

Cheboygan County

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, 2017, 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.

Cheboygan County

Notes to the Financial Statements

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 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	\$ -	\$ 181,789	\$ -	\$ -	\$ -	\$ 181,789
Housing	-	-	-	202,375	-	202,375
Debt Service	-	-	5,360	-	-	5,360
	<u>-</u>	<u>181,789</u>	<u>5,360</u>	<u>202,375</u>	<u>-</u>	<u>389,524</u>
Committed						
Caseflow Assistance	102,162	-	-	-	-	102,162
Local Grants	10,714	-	-	-	-	10,714
LEPC	6,260	-	-	-	-	6,260
Capital Improvements	235,627	-	-	-	-	235,627
Drain Fund	-	-	-	-	100	100
	<u>354,763</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>100</u>	<u>354,863</u>
Assigned						
Family Counseling	-	-	-	-	29,423	29,423
Termination Liability	53,976	-	-	-	-	53,976
Public Act 302 Training	-	-	-	-	8,836	8,836
Courthouse Preservation	-	-	-	-	-	-
Probation Enhancement	-	-	-	-	12,095	12,095
Victim's Restitution	-	-	-	-	539	539
Remuneration Grant	-	-	-	-	22,709	22,709
Community Projects	-	-	-	-	4,865	4,865
Doris Reid Building	-	-	-	-	82,986	82,986
Recycling	-	-	-	-	188,029	188,029
Public Improvement	-	-	-	-	6,041	6,041
Register of Deeds Automation	-	-	-	-	386,823	386,823
Disaster Contingency	10,000	-	-	-	-	10,000
Sheriff Special Projects	-	-	-	-	1,672	1,672
Concealed Pistol Licensing	-	-	-	-	29,822	29,822
Local Officer Training	-	-	-	-	23,014	23,014
D.A.R.E.	-	-	-	-	2,609	2,609
Drug Court	-	-	-	-	24,990	24,990
Sobriety Court	-	-	-	-	13,435	13,435
Veterans Assistance	-	-	-	-	21,927	21,927
ORV	-	-	-	-	1,763	1,763
SAYPA	-	-	-	-	1,729	1,729
Child Care	-	-	-	-	70,236	70,236
Veterans Trust	-	-	-	-	284	284
DAV Van	-	-	-	-	600	600
DHHS Building Fund	-	-	-	-	24,030	24,030
CCE 911 Development	361,178	-	-	-	-	361,178
	<u>425,154</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>958,457</u>	<u>1,383,611</u>
Unassigned	<u>8,035,234</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,035,234</u>
Total fund balances - governmental funds	<u>\$ 8,815,151</u>	<u>\$ 181,789</u>	<u>\$ 5,360</u>	<u>\$ 202,375</u>	<u>\$ 958,557</u>	<u>\$ 10,163,232</u>

Cheboygan County

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, 2017, the County’s property taxes were reduced by \$591 under this program.

Required Supplementary Information

Cheboygan County
Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
General Fund
For the Year Ended December 31, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Positive (Negative)
				Final to Actual
Revenues				
Taxes	\$ 8,287,498	\$ 8,287,498	\$ 8,293,874	\$ 6,376
Licenses and Permits	37,923	37,923	48,718	10,795
Federal Sources	105,484	157,237	114,523	(42,714)
State Sources	1,161,631	1,170,128	1,210,129	40,001
Local Sources	54,297	55,697	56,241	544
Charges for Services	1,185,068	1,196,889	1,302,731	105,842
Fines and Penalties	16,000	19,800	38,088	18,288
Interest and Rentals	75,334	75,334	89,273	13,939
Refunds and Reimbursements	132,944	132,944	180,764	47,820
Other Revenue	10,000	10,000	7,515	(2,485)
Total Revenues	<u>11,066,179</u>	<u>11,143,450</u>	<u>11,341,856</u>	<u>198,406</u>
Other Financing Sources				
Insurance Recoveries	--	2,594	2,594	(0)
Transfers In	467,044	785,809	708,077	(77,732)
Total Revenues and Other Financing Sources	<u>11,533,223</u>	<u>11,931,853</u>	<u>12,052,527</u>	<u>120,674</u>
Expenditures				
Legislative				
Board of Commissioners	143,637	141,067	126,212	14,855
Judicial				
Circuit Court	312,461	318,302	278,288	40,014
District Court	623,024	635,238	617,172	18,066
Victim's Rights	84,143	71,559	68,489	3,070
Jury Board	10,810	10,810	6,521	4,289
Probate Court	596,964	606,311	587,351	18,960
Total Judicial	<u>1,627,402</u>	<u>1,642,220</u>	<u>1,557,821</u>	<u>84,399</u>
General Government				
Elections	9,618	9,218	--	9,218
Finance	323,314	325,848	289,782	36,066
Administrative Office	221,776	227,785	215,090	12,695
County Clerk/Register of Deeds	447,393	447,349	434,556	12,793
Equalization	257,468	259,193	212,437	46,756
Information Systems	264,077	265,801	199,703	66,098
Prosecuting Attorney	608,258	646,057	589,852	56,205
GIS	68,605	69,237	68,906	331
Treasurer	262,257	317,514	308,687	8,827
Tax Allocation Board	950	950	--	950
Maintenance	471,834	479,050	464,886	14,164
Major Equipment and Building	143,000	83,649	50,249	33,400
Human Resources	5,895	5,895	4,883	1,012
Drain Commission	6,090	6,090	2,982	3,108
County Surveyor	1,750	1,950	1,950	--
MSU Extension	130,860	131,931	131,648	283
Soil Conservation	13,720	13,720	13,232	488
Termination Liability	80,000	80,000	26,025	53,975
Disaster Contingency	10,000	10,000	--	10,000
General	501,538	500,771	432,486	68,285
Total General Government	<u>3,828,403</u>	<u>3,882,008</u>	<u>3,447,354</u>	<u>434,654</u>

Cheboygan County
Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
General Fund
For the Year Ended December 31, 2017

	Budgeted Amounts		Actual	Variance
	Original	Final		Positive (Negative) Final to Actual
Expenditures				
Public Safety				
Sheriff	\$ 1,666,212	\$ 1,712,558	\$ 1,673,554	\$ 39,004
ORV Enforcement	19,474	19,474	17,428	2,046
CCE 911	482,095	482,095	451,024	31,071
Marine Safety	107,148	109,620	101,427	8,193
Snowmobile Safety	9,804	9,412	9,367	45
Secondary Road Patrol	75,800	77,853	74,878	2,975
Stoneward	32,100	72,376	40,192	32,184
Enforcement Grants	12,983	24,460	12,391	12,069
Local Grants	9,885	9,845	6,942	2,903
Canine Unit	10,000	10,000	6,123	3,877
Corrections/Communications	1,477,271	1,556,836	1,531,928	24,908
Emergency Management Services	82,503	82,503	82,008	495
Animal Control	155,440	155,440	152,579	2,861
Total Public Safety	4,140,715	4,322,472	4,159,841	162,631
Community and Economic Development				
Planning and Zoning	360,611	360,161	317,752	42,409
Health and Welfare				
Health Department	226,654	226,654	226,154	500
Mental Health	111,995	111,995	111,995	--
Medical Examiner	19,507	19,508	11,888	7,620
Soldier's Relief	5,220	5,220	2,232	2,988
Social Services Medical	7,400	7,400	1,463	5,937
Veteran's Services	122,725	128,867	113,425	15,442
Total Health and Welfare	493,501	499,644	467,157	32,487
Recreation and Culture				
Airport Operations	86,575	86,575	80,000	6,575
Fairgrounds and Events	47,772	47,794	36,795	10,999
Veteran's Park	7,000	7,000	--	7,000
Total Recreation and Culture	141,347	141,369	116,795	24,574
Other Expenditures				
Insurance	188,000	188,000	172,528	15,472
Other Miscellaneous	157,671	157,671	203	157,468
Total Other Expenditures	345,671	345,671	172,731	172,940
Debt Service	5,841	5,842	5,842	--
Capital Outlay	203,300	299,517	215,714	83,803
Total Expenditures	11,290,428	11,639,973	10,587,219	1,052,754
Other Financing Uses				
Transfers Out	1,074,907	1,506,580	1,134,259	372,321
Total Expenditures and Other Financing Uses	12,365,335	13,146,552	11,721,478	1,425,074
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	(832,112)	(1,214,699)	331,049	1,545,748
Net Change in Fund Balance	(832,112)	(1,214,699)	331,049	1,545,748
<i>Fund Balance at Beginning of Period</i>	8,484,102	8,484,102	8,484,102	--
Fund Balance at End of Period	\$ 7,651,990	\$ 7,269,403	\$ 8,815,151	\$ 1,545,748

Cheboygan County
Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
Senior Citizen's Millage
For the Year Ended December 31, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Positive (Negative) Final to Actual
Revenues				
Taxes	\$ 678,439	\$ 678,439	\$ 673,662	\$ (4,777)
<i>Total Revenues</i>	<u>678,439</u>	<u>678,439</u>	<u>673,662</u>	<u>(4,777)</u>
Expenditures				
Health and Welfare	678,439	678,439	640,053	38,386
<i>Total Expenditures</i>	<u>678,439</u>	<u>678,439</u>	<u>640,053</u>	<u>38,386</u>
<i>Excess (Deficiency) of Revenues</i>				
<i>Over Expenditures</i>	--	--	33,609	33,609
<i>Net Change in Fund Balance</i>	--	--	33,609	33,609
<i>Fund Balance at Beginning of Period</i>	148,180	148,180	148,180	--
<i>Fund Balance at End of Period</i>	<u>\$ 148,180</u>	<u>\$ 148,180</u>	<u>\$ 181,789</u>	<u>\$ 33,609</u>

Cheboygan County
Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
Inverness Township Sewer Debt
For the Year Ended December 31, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Positive (Negative) Final to Actual
Revenues				
Local Sources	\$ 214,094	\$ 214,094	\$ 211,781	\$ (2,313)
Interest and Rentals	--	--	5	5
Total Revenues	<u>214,094</u>	<u>214,094</u>	<u>211,786</u>	<u>(2,308)</u>
Expenditures				
Debt Service	214,094	214,094	211,781	2,313
Total Expenditures	<u>214,094</u>	<u>214,094</u>	<u>211,781</u>	<u>2,313</u>
Excess (Deficiency) of Revenues				
Over Expenditures	--	--	5	5
Net Change in Fund Balance	--	--	<u>5</u>	<u>5</u>
<i>Fund Balance at Beginning of Period</i>	5,355	5,355	5,355	--
Fund Balance at End of Period	<u>\$ 5,355</u>	<u>\$ 5,355</u>	<u>\$ 5,360</u>	<u>\$ 5</u>

Cheboygan County
Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
Housing Commission
For the Year Ended December 31, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Positive (Negative) Final to Actual
Revenues				
Federal Sources	\$ 186,440	\$ 186,440	\$ 158,502	\$ (27,938)
Other Revenue	4,700	4,700	35,205	30,505
Interest and Rentals	--	--	125	125
Total Revenues	<u>191,140</u>	<u>191,140</u>	<u>193,832</u>	<u>2,692</u>
Expenditures				
Health and Welfare	319,140	319,140	192,345	126,795
Total Expenditures	<u>319,140</u>	<u>319,140</u>	<u>192,345</u>	<u>126,795</u>
Excess (Deficiency) of Revenues				
Over Expenditures	<u>(128,000)</u>	<u>(128,000)</u>	<u>1,487</u>	<u>129,487</u>
Net Change in Fund Balance	<u>(128,000)</u>	<u>(128,000)</u>	<u>1,487</u>	<u>129,487</u>
<i>Fund Balance at Beginning of Period</i>	200,888	200,888	200,888	--
Fund Balance at End of Period	<u>\$ 72,888</u>	<u>\$ 72,888</u>	<u>\$ 202,375</u>	<u>\$ 129,487</u>

Cheboygan County
Required Supplementary Information
Schedule of Changes in Net Pension Liability and Related Ratios
Last Three Years

	2016	2015	2014
Total Pension Liability			
Service Cost	\$ 606,305	\$ 641,356	\$ 593,125
Interest	2,081,552	1,860,889	1,808,149
Differences Between Expected & Actual Experience	236,900	163,725	-
Changes in Assumptions	-	1,253,128	-
Benefit Payments, Including Refunds	(1,288,578)	(1,114,294)	(1,048,189)
Other Changes	(4,386)	58,153	-
Net Change in Pension Liability	<u>1,631,793</u>	<u>2,862,957</u>	<u>1,353,085</u>
<i>Total Pension Liability - Beginning</i>	<u>26,360,537</u>	<u>23,497,580</u>	<u>22,144,495</u>
Total Pension Liability - Ending (a)	<u>\$ 27,992,330</u>	<u>\$ 26,360,537</u>	<u>\$ 23,497,580</u>
Plan Fiduciary Net Position			
Contributions - Employer	\$ 1,075,037	\$ 793,069	\$ 723,370
Contributions - Member	185,646	309,950	178,124
Net Investment Income	2,006,495	(273,612)	1,078,034
Benefit Payments, Including Refunds	(1,288,578)	(1,114,294)	(1,048,189)
Administrative Expenses	(39,589)	(39,544)	(39,659)
Net Change in Plan Fiduciary Net Position	<u>1,939,011</u>	<u>(324,431)</u>	<u>891,680</u>
<i>Plan Fiduciary Net Position - Beginning</i>	<u>17,559,063</u>	<u>17,883,494</u>	<u>16,991,814</u>
Plan Fiduciary Net Position - Ending (b)	<u>\$ 19,498,074</u>	<u>\$ 17,559,063</u>	<u>\$ 17,883,494</u>
Net Pension Liability - Ending (a) - (b)	\$ 8,494,256	\$ 8,801,474	\$ 5,614,086
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	69.66%	66.61%	76.11%
Covered Employee Payroll	\$ 5,057,284	\$ 5,595,966	\$ 5,171,109
Net Pension Liability as a Percentage of Covered Employee Payroll	167.96%	157.28%	108.57%

* Built prospectively upon implementation on GASB 68

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

	2017	2016	2015	2014
Actuarially Determined Contribution	\$ 974,897	\$ 825,037	\$ 748,069	\$ 723,370
Contributions in Relation to the Actuarially Determined Contribution	1,134,797	1,075,037	793,069	723,370
Contribution Excess (Deficiency)	<u>\$ 159,900</u>	<u>\$ 250,000</u>	<u>\$ 45,000</u>	<u>\$ -</u>
 Covered Employee Payroll	 5,807,595	 5,057,284	 5,595,966	 5,171,109
 Contributions as a Percentage of Covered Employee Payroll	 20%	 21%	 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
Amortization method	Level percentage of payroll, closed
Remaining amortization period	20-23 years
Asset valuation method	5 year smoothed
Inflation	2.50%
Salary increases	3.75%
Investment rate of return	7.75%
Retirement Age	Varies depending on plan adoption
Mortality	50% Male - 50% Female blend of the RP-2014 Group Annuity Mortality Table

Combining and Individual Fund Statements and Schedules

Cheboygan County
General Fund Combining Balance Sheet
All Funds Treated as General
December 31, 2017

	General Fund	Termination Liability	Disaster Contingency	Courthouse Preservation	CCE 911 Capital	Social Services	Soldier's Relief	Total General Funds
ASSETS								
Cash and Equivalents	\$ 8,251,484	\$ 54,778	\$ 10,000	\$ --	\$ 361,178	\$ 139	\$ --	\$ 8,677,579
Receivables	146,133	--	--	--	--	--	--	146,133
Taxes Receivable	466,509	--	--	--	--	--	--	466,509
Due from Other Governments	25,717	--	--	--	--	--	--	25,717
Due from Other Funds	394,876	--	--	--	--	--	--	394,876
<i>Total Assets and Deferred Outflows of Resources</i>	<u>\$ 9,284,719</u>	<u>\$ 54,778</u>	<u>\$ 10,000</u>	<u>\$ --</u>	<u>\$ 361,178</u>	<u>\$ 139</u>	<u>\$ --</u>	<u>\$ 9,710,814</u>
LIABILITIES								
Accounts Payable	\$ 105,099	\$ --	\$ --	\$ --	\$ --	\$ 139	\$ --	\$ 105,238
Accrued Liabilities	147,462	802	--	--	--	--	--	148,264
Unearned Revenue	60,555	--	--	--	--	--	--	60,555
<i>Total Liabilities</i>	<u>313,116</u>	<u>802</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>139</u>	<u>--</u>	<u>314,057</u>
DEFERRED INFLOWS OF RESOURCES								
Unavailable Revenues	581,606	--	--	--	--	--	--	581,606
<i>Total Liabilities and Deferred Inflows of Resources</i>	<u>894,722</u>	<u>802</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>139</u>	<u>--</u>	<u>895,663</u>
FUND BALANCE								
Committed	354,763	--	--	--	--	--	--	354,763
Assigned	--	53,976	10,000	--	361,178	--	--	425,154
Unassigned	8,035,234	--	--	--	--	--	--	8,035,234
<i>Total Fund Balance</i>	<u>8,389,997</u>	<u>53,976</u>	<u>10,000</u>	<u>--</u>	<u>361,178</u>	<u>--</u>	<u>--</u>	<u>8,815,151</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balance</i>	<u>\$ 9,284,719</u>	<u>\$ 54,778</u>	<u>\$ 10,000</u>	<u>\$ --</u>	<u>\$ 361,178</u>	<u>\$ 139</u>	<u>\$ --</u>	<u>\$ 9,710,814</u>

Cheboygan County
General Fund Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
All Funds Treated as General
For the Year Ended December 31, 2017

	<u>General Fund</u>	<u>Termination Liability</u>	<u>Disaster Contingency</u>	<u>Courthouse Preservation</u>	<u>CCE 911 Capital</u>	<u>Social Services</u>	<u>Soldier's Relief</u>	<u>Total General Funds</u>
Revenues								
Taxes	\$ 8,293,874	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 8,293,874
Licenses and Permits	48,718	--	--	--	--	--	--	48,718
Federal Sources	114,523	--	--	--	--	--	--	114,523
State Sources	1,210,129	--	--	--	--	--	--	1,210,129
Local Sources	56,241	--	--	--	--	--	--	56,241
Charges for Services	1,302,731	--	--	--	--	--	--	1,302,731
Fines and Penalties	38,088	--	--	--	--	--	--	38,088
Refunds and Reimbursement	180,764	--	--	--	--	--	--	180,764
Other Revenues	7,415	--	--	100	--	--	--	7,515
Interest and Rentals	89,273	--	--	--	--	--	--	89,273
Total Revenues	<u>11,341,756</u>	<u>--</u>	<u>--</u>	<u>100</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>11,341,856</u>
Expenditures								
Legislative	126,212	--	--	--	--	--	--	126,212
Judicial	1,557,821	--	--	--	--	--	--	1,557,821
General Government	3,421,329	26,025	--	--	--	--	--	3,447,354
Public Safety	4,140,108	--	--	--	19,733	--	--	4,159,841
Health and Welfare	463,462	--	--	--	--	1,463	2,232	467,157
Community and Economic Development	317,752	--	--	--	--	--	--	317,752
Recreation and Culture	116,795	--	--	--	--	--	--	116,795
Other Expenditures	172,731	--	--	--	--	--	--	172,731
Capital Outlay	155,188	--	--	60,526	--	--	--	215,714
Debt Service - Principal	5,842	--	--	--	--	--	--	5,842
Total Expenditures	<u>10,477,240</u>	<u>26,025</u>	<u>--</u>	<u>60,526</u>	<u>19,733</u>	<u>1,463</u>	<u>2,232</u>	<u>10,587,219</u>
Excess of Revenues Over (Under) Expenditures	<u>864,516</u>	<u>(26,025)</u>	<u>--</u>	<u>(60,426)</u>	<u>(19,733)</u>	<u>(1,463)</u>	<u>(2,232)</u>	<u>754,637</u>
Other Financing Sources (Uses)								
Insurance Recoveries	2,594	--	--	--	--	--	--	2,594
Transfers In	532,755	80,000	--	40,894	50,733	1,463	2,232	708,077
Transfer Out	(1,134,259)	--	--	--	--	--	--	(1,134,259)
Net Other Financing Sources (Uses)	<u>(598,910)</u>	<u>80,000</u>	<u>--</u>	<u>40,894</u>	<u>50,733</u>	<u>1,463</u>	<u>2,232</u>	<u>(423,588)</u>
Net Change in Fund Balance	265,606	53,975	--	(19,532)	31,000	--	--	331,049
<i>Fund Balance at Beginning of Period</i>	8,124,391	1	10,000	19,532	330,178	--	--	8,484,102
Fund Balance at End of Period	\$ 8,389,997	\$ 53,976	\$ 10,000	\$ --	\$ 361,178	\$ --	\$ --	\$ 8,815,151

**Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2017**

	Special Revenue						
	Family Counseling	PA 302 Training	Public Act 106	Probation Enhancement	Victim's Restitution	Remonumentation Grant	Community Projects
ASSETS							
Cash and Investments	\$ 29,423	\$ 8,836	\$ --	\$ 12,145	\$ 539	\$ --	\$ 4,865
Receivables	--	--	--	--	--	27,341	--
Taxes Receivable	--	--	--	--	--	--	--
Due from Other Governments	--	--	--	--	--	--	--
<i>Total Assets</i>	<u>\$ 29,423</u>	<u>\$ 8,836</u>	<u>\$ --</u>	<u>\$ 12,145</u>	<u>\$ 539</u>	<u>\$ 27,341</u>	<u>\$ 4,865</u>
LIABILITIES							
Accounts Payable	\$ --	\$ --	\$ --	\$ 50	\$ --	\$ --	\$ --
Accrued Liabilities	--	--	--	--	--	--	--
Due to Governmental Units	--	--	--	--	--	--	--
Unearned Revenue	--	--	--	--	--	--	--
Due to Other Funds	--	--	--	--	--	4,632	--
<i>Total Liabilities</i>	<u>--</u>	<u>--</u>	<u>--</u>	<u>50</u>	<u>--</u>	<u>4,632</u>	<u>--</u>
DEFERRED INFLOWS OF RESOURCES							
Revenues Intended to Finance a Subsequent Year	--	--	--	--	--	--	--
<i>Total Liabilities and Deferred Inflows of Resources</i>	<u>--</u>	<u>--</u>	<u>--</u>	<u>50</u>	<u>--</u>	<u>4,632</u>	<u>--</u>
FUND BALANCE							
Committed	--	--	--	--	--	--	--
Assigned	29,423	8,836	--	12,095	539	22,709	4,865
Unassigned	--	--	--	--	--	--	--
<i>Total Fund Balance</i>	<u>29,423</u>	<u>8,836</u>	<u>--</u>	<u>12,095</u>	<u>539</u>	<u>22,709</u>	<u>4,865</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balance</i>	<u>\$ 29,423</u>	<u>\$ 8,836</u>	<u>\$ --</u>	<u>\$ 12,145</u>	<u>\$ 539</u>	<u>\$ 27,341</u>	<u>\$ 4,865</u>

**Cheboygan County
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2017**

	Special Revenue						
	Friend of the Court	Ambulance Millage	Doris Reid Building	Recycling	Cellular Phone	911 4% Surcharge	DNR Forest Flow Through
ASSETS							
Cash and Investments	\$ --	\$ --	\$ 83,260	\$ 191,212	\$ --	\$ 137	\$ --
Receivables	57,073	1,398	786	302,063	--	--	--
Taxes Receivable	--	342,034	--	--	--	--	--
Due from Other Governments	20,942	--	--	--	--	--	--
Total Assets	\$ 78,015	\$ 343,432	\$ 84,046	\$ 493,275	\$ --	\$ 137	\$ --
LIABILITIES							
Accounts Payable	\$ 1,495	\$ --	\$ 580	\$ 15,205	\$ --	\$ 137	\$ --
Accrued Liabilities	7,674	--	--	1,009	--	--	--
Due to Governmental Units	--	--	--	--	--	--	--
Unearned Revenue	--	--	480	--	--	--	--
Due to Other Funds	68,846	1,398	--	--	--	--	--
Total Liabilities	78,015	1,398	1,060	16,214	--	137	--
DEFERRED INFLOWS OF RESOURCES							
Revenues Intended to Finance a Subsequent Year	--	342,034	--	289,032	--	--	--
Total Liabilities and Deferred Inflows of Resources	78,015	343,432	1,060	305,246	--	137	--
FUND BALANCE							
Committed	--	--	--	--	--	--	--
Assigned	--	--	82,986	188,029	--	--	--
Unassigned	--	--	--	--	--	--	--
Total Fund Balance	--	--	82,986	188,029	--	--	--
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 78,015	\$ 343,432	\$ 84,046	\$ 493,275	\$ --	\$ 137	\$ --

**Cheboygan County
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2017**

	Special Revenue						
	Public Improvement	Building Department	Register of Deeds Automation	Sheriff Special Projects	Concealed Pistol	Local Officer Training	DARE
ASSETS							
Cash and Investments	\$ 6,041	\$ 6,669	\$ 386,892	\$ 1,672	\$ 29,822	\$ 23,320	\$ 2,609
Receivables	--	--	--	--	--	--	--
Taxes Receivable	--	--	--	--	--	--	--
Due from Other Governments	--	--	--	--	--	--	--
<i>Total Assets</i>	\$ 6,041	\$ 6,669	\$ 386,892	\$ 1,672	\$ 29,822	\$ 23,320	\$ 2,609
LIABILITIES							
Accounts Payable	\$ --	\$ 561	\$ --	\$ --	\$ --	\$ 306	\$ --
Accrued Liabilities	--	6,108	69	--	--	--	--
Due to Governmental Units	--	--	--	--	--	--	--
Unearned Revenue	--	--	--	--	--	--	--
Due to Other Funds	--	--	--	--	--	--	--
<i>Total Liabilities</i>	--	6,669	69	--	--	306	--
DEFERRED INFLOWS OF RESOURCES							
Revenues Intended to Finance a Subsequent Year	--	--	--	--	--	--	--
<i>Total Liabilities and Deferred Inflows of Resources</i>	--	6,669	69	--	--	306	--
FUND BALANCE							
Committed	--	--	--	--	--	--	--
Assigned	6,041	--	386,823	1,672	29,822	23,014	2,609
Unassigned	--	--	--	--	--	--	--
<i>Total Fund Balance</i>	6,041	--	386,823	1,672	29,822	23,014	2,609
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balance</i>	\$ 6,041	\$ 6,669	\$ 386,892	\$ 1,672	\$ 29,822	\$ 23,320	\$ 2,609

**Cheboygan County
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2017**

	Special Revenue						
	Drug Court	Sobriety Court	Law Library	Veteran's Assistance	SAYPA Program	Child Care	Veteran's Trust
ASSETS							
Cash and Investments	\$ 7,957	\$ 13,550	\$ 1,129	\$ 21,927	\$ --	\$ 178,372	\$ 284
Receivables	21,168	--	--	--	12,446	--	--
Taxes Receivable	--	--	--	--	--	--	--
Due from Other Governments	--	--	--	--	73,608	--	--
Total Assets	\$ 29,125	\$ 13,550	\$ 1,129	\$ 21,927	\$ 86,054	\$ 178,372	\$ 284
LIABILITIES							
Accounts Payable	\$ 2,884	\$ 115	\$ 1,129	\$ --	\$ --	\$ 36,867	\$ --
Accrued Liabilities	1,251	--	--	--	298	4,475	--
Due to Governmental Units	--	--	--	--	--	66,794	--
Unearned Revenue	--	--	--	--	--	--	--
Due to Other Funds	--	--	--	--	84,027	--	--
Total Liabilities	4,135	115	1,129	--	84,325	108,136	--
DEFERRED INFLOWS OF RESOURCES							
Revenues Intended to Finance a Subsequent Year	--	--	--	--	--	--	--
Total Liabilities and Deferred Inflows of Resources	4,135	115	1,129	--	84,325	108,136	--
FUND BALANCE							
Committed	--	--	--	--	--	--	--
Assigned	24,990	13,435	--	21,927	1,729	70,236	284
Unassigned	--	--	--	--	--	--	--
Total Fund Balance	24,990	13,435	--	21,927	1,729	70,236	284
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 29,125	\$ 13,550	\$ 1,129	\$ 21,927	\$ 86,054	\$ 178,372	\$ 284

**Cheboygan County
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2017**

	Special Revenue					
	Senior Citizens Busing	DAV Van	County Fair	Sheriff Work Crew	ORV Fund	Township Road Loan Program
ASSETS						
Cash and Investments	\$ --	\$ 600	\$ 11,853	\$ --	\$ 1,763	\$ --
Receivables	--	--	--	600	--	--
Taxes Receivable	--	--	--	--	--	--
Due from Other Governments	--	--	--	--	--	200,000
<i>Total Assets</i>	<u>\$ --</u>	<u>\$ 600</u>	<u>\$ 11,853</u>	<u>\$ 600</u>	<u>\$ 1,763</u>	<u>\$ 200,000</u>
LIABILITIES						
Accounts Payable	\$ --	\$ --	\$ 193	\$ --	\$ --	\$ --
Accrued Liabilities	--	--	227	414	--	--
Due to Governmental Units	--	--	--	--	--	--
Unearned Revenue	--	--	--	--	--	--
Due to Other Funds	--	--	11,433	186	--	200,000
<i>Total Liabilities</i>	<u>--</u>	<u>--</u>	<u>11,853</u>	<u>600</u>	<u>--</u>	<u>200,000</u>
DEFERRED INFLOWS OF RESOURCES						
Revenues Intended to Finance a Subsequent Year	--	--	--	--	--	--
<i>Total Liabilities and Deferred Inflows of Resources</i>	<u>--</u>	<u>--</u>	<u>11,853</u>	<u>600</u>	<u>--</u>	<u>200,000</u>
FUND BALANCE						
Committed	--	--	--	--	--	--
Assigned	--	600	--	--	1,763	--
Unassigned	--	--	--	--	--	--
<i>Total Fund Balance</i>	<u>--</u>	<u>600</u>	<u>--</u>	<u>--</u>	<u>1,763</u>	<u>--</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balance</i>	<u>\$ --</u>	<u>\$ 600</u>	<u>\$ 11,853</u>	<u>\$ 600</u>	<u>\$ 1,763</u>	<u>\$ 200,000</u>

**Cheboygan County
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2017**

	Capital Projects				Total Nonmajor Governmental Funds
	DHHS Building	Revolving Drain Fund	Doris Reid Capital Project	Animal Control Project	
ASSETS					
Cash and Investments	\$ 24,030	\$ 100	\$ 6,047	\$ 5,790	\$ 1,060,844
Receivables	--	--	--	--	422,875
Taxes Receivable	--	--	--	--	342,034
Due from Other Governments	--	--	--	--	294,550
Total Assets	\$ 24,030	\$ 100	\$ 6,047	\$ 5,790	\$ 2,120,303
LIABILITIES					
Accounts Payable	\$ --	\$ --	\$ 6,047	\$ 5,790	\$ 71,359
Accrued Liabilities	--	--	--	--	21,525
Due to Governmental Units	--	--	--	--	66,794
Unearned Revenue	--	--	--	--	480
Due to Other Funds	--	--	--	--	370,522
Total Liabilities	--	--	6,047	5,790	530,680
DEFERRED INFLOWS OF RESOURCES					
Revenues Intended to Finance a Subsequent Year	--	--	--	--	631,066
Total Liabilities and Deferred Inflows of Resources	--	--	6,047	5,790	1,161,746
FUND BALANCE					
Committed	--	100	--	--	100
Assigned	24,030	--	--	--	958,457
Unassigned	--	--	--	--	--
Total Fund Balance	24,030	100	--	--	958,557
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 24,030	\$ 100	\$ 6,047	\$ 5,790	\$ 2,120,303

Cheboygan County
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended December 31, 2017

	Special Revenue						
	Family Counseling	PA 302 Training	Public Act 106	Probation Enhancement	Victim's Restitution	Remonumentatio n Grant	Community Projects
Revenues							
Taxes	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Licenses and Permits	--	--	--	--	--	--	--
Federal Sources	--	--	--	--	--	--	--
State Sources	--	3,607	137,796	--	--	45,195	--
Local Sources	--	--	--	--	--	--	--
Contributions	--	--	--	--	--	--	--
Charges for Services	--	--	--	--	--	--	--
Fines and Penalties	--	--	--	1,178	--	--	--
Other Revenues	2,860	--	--	--	357	--	500
Interest and Rentals	--	--	--	--	--	--	--
Total Revenues	<u>2,860</u>	<u>3,607</u>	<u>137,796</u>	<u>1,178</u>	<u>357</u>	<u>45,195</u>	<u>500</u>
Expenditures							
Judicial	--	--	--	--	--	--	--
General Government	--	--	137,796	--	--	45,795	--
Public Safety	--	4,383	--	3,398	--	--	1,034
Health and Welfare	--	--	--	--	--	--	--
Recreation and Culture	--	--	--	--	--	--	--
Capital Outlay	--	--	--	--	--	--	--
Total Expenditures	<u>--</u>	<u>4,383</u>	<u>137,796</u>	<u>3,398</u>	<u>--</u>	<u>45,795</u>	<u>1,034</u>
Excess of Revenues Over (Under) Expenditures	<u>2,860</u>	<u>(776)</u>	<u>--</u>	<u>(2,220)</u>	<u>357</u>	<u>(600)</u>	<u>(534)</u>
Other Financing Sources (Uses)							
Transfers In	--	--	--	--	--	--	--
Transfer Out	--	--	--	--	--	--	--
Net Other Financing Sources (Uses)	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Net Change in Fund Balance	<u>2,860</u>	<u>(776)</u>	<u>--</u>	<u>(2,220)</u>	<u>357</u>	<u>(600)</u>	<u>(534)</u>
Fund Balance at Beginning of Period	26,563	9,612	--	14,315	182	23,309	5,399
Fund Balance at End of Period	<u>\$ 29,423</u>	<u>\$ 8,836</u>	<u>\$ --</u>	<u>\$ 12,095</u>	<u>\$ 539</u>	<u>\$ 22,709</u>	<u>\$ 4,865</u>

Cheboygan County
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended December 31, 2017

	Special Revenue						
	Friend of the Court	Ambulance Millage	Doris Reid Building	Recycling	Cellular Phone	911 4% Surcharge	DNR Forest Flow Through
Revenues							
Taxes	\$ --	\$ 336,950	\$ --	\$ --	\$ --	\$ --	\$ --
Licenses and Permits	--	--	--	--	--	--	--
Federal Sources	311,726	--	--	--	--	--	3,218
State Sources	39,359	--	--	--	--	--	--
Local Sources	56,469	--	--	12,750	--	--	--
Contributions	--	--	--	--	--	--	--
Charges for Services	22,249	--	--	306,495	--	--	--
Fines and Penalties	--	--	--	--	--	--	--
Other Revenues	--	--	--	--	152,169	163,245	--
Interest and Rentals	--	--	83,760	--	--	--	--
Total Revenues	<u>429,803</u>	<u>336,950</u>	<u>83,760</u>	<u>319,245</u>	<u>152,169</u>	<u>163,245</u>	<u>3,218</u>
Expenditures							
Judicial	495,333	--	--	--	--	--	--
General Government	--	--	27,366	264,877	--	--	--
Public Safety	--	--	--	--	152,169	163,245	--
Health and Welfare	--	336,950	--	--	--	--	--
Recreation and Culture	--	--	--	--	--	--	3,218
Capital Outlay	--	--	--	--	--	--	--
Total Expenditures	<u>495,333</u>	<u>336,950</u>	<u>27,366</u>	<u>264,877</u>	<u>152,169</u>	<u>163,245</u>	<u>3,218</u>
Excess of Revenues Over (Under) Expenditures	<u>(65,530)</u>	<u>--</u>	<u>56,394</u>	<u>54,368</u>	<u>--</u>	<u>--</u>	<u>--</u>
Other Financing Sources (Uses)							
Transfers In	65,530	--	--	--	--	--	--
Transfer Out	--	--	(43,764)	--	--	--	--
Net Other Financing Sources (Uses)	<u>65,530</u>	<u>--</u>	<u>(43,764)</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Net Change in Fund Balance	<u>--</u>	<u>--</u>	<u>12,630</u>	<u>54,368</u>	<u>--</u>	<u>--</u>	<u>--</u>
Fund Balance at Beginning of Period	<u>--</u>	<u>--</u>	<u>70,356</u>	<u>133,661</u>	<u>--</u>	<u>--</u>	<u>--</u>
Fund Balance at End of Period	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 82,986</u>	<u>\$ 188,029</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

Cheboygan County
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended December 31, 2017

	Special Revenue						
	Public Improvement	Building Department	Register of Deeds Automation	Sheriff Special Projects	Concealed Pistol	Local Officer Training	DARE
Revenues							
Taxes	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Licenses and Permits	--	--	--	--	14,564	--	--
Federal Sources	--	--	--	--	--	--	--
State Sources	--	--	--	--	--	--	--
Local Sources	--	--	--	--	--	--	--
Contributions	--	--	--	--	--	--	--
Charges for Services	--	392,419	34,430	200	--	8,039	--
Fines and Penalties	--	--	--	--	--	--	--
Other Revenues	--	--	--	--	--	--	--
Interest and Rentals	--	--	374	--	22	--	--
Total Revenues	<u>--</u>	<u>392,419</u>	<u>34,804</u>	<u>200</u>	<u>14,586</u>	<u>8,039</u>	<u>--</u>
Expenditures							
Judicial	--	--	--	--	--	--	--
General Government	--	--	17,573	--	--	--	--
Public Safety	--	465,751	--	448	--	7,817	321
Health and Welfare	--	--	--	--	--	--	--
Recreation and Culture	--	--	--	--	--	--	--
Capital Outlay	--	--	--	--	--	--	--
Total Expenditures	<u>--</u>	<u>465,751</u>	<u>17,573</u>	<u>448</u>	<u>--</u>	<u>7,817</u>	<u>321</u>
Excess of Revenues Over (Under) Expenditures	<u>--</u>	<u>(73,332)</u>	<u>17,231</u>	<u>(248)</u>	<u>14,586</u>	<u>222</u>	<u>(321)</u>
Other Financing Sources (Uses)							
Transfers In	--	73,331	--	--	--	--	--
Transfer Out	--	--	--	--	--	--	--
Net Other Financing Sources (Uses)	<u>--</u>	<u>73,331</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Net Change in Fund Balance	<u>--</u>	<u>(1)</u>	<u>17,231</u>	<u>(248)</u>	<u>14,586</u>	<u>222</u>	<u>(321)</u>
Fund Balance at Beginning of Period	<u>6,041</u>	<u>1</u>	<u>369,592</u>	<u>1,920</u>	<u>15,236</u>	<u>22,792</u>	<u>2,930</u>
Fund Balance at End of Period	<u>\$ 6,041</u>	<u>\$ --</u>	<u>\$ 386,823</u>	<u>\$ 1,672</u>	<u>\$ 29,822</u>	<u>\$ 23,014</u>	<u>\$ 2,609</u>

Cheboygan County
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended December 31, 2017

	Special Revenue						
	Drug Court	Sobriety Court	Law Library	Veteran's Assistance	SAYPA Program	Child Care	Veteran's Trust
Revenues							
Taxes	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Licenses and Permits	--	--	--	--	--	--	--
Federal Sources	90,957	--	--	--	12,446	--	--
State Sources	3,787	--	--	--	--	627,211	--
Local Sources	--	--	--	--	--	--	--
Contributions	500	--	--	247	73,708	--	--
Charges for Services	3,523	6,334	--	--	--	8,549	--
Fines and Penalties	--	--	--	--	--	--	--
Other Revenues	--	--	3,500	--	--	--	594
Interest and Rentals	--	--	--	--	--	--	--
Total Revenues	98,767	6,334	3,500	247	86,154	635,760	594
Expenditures							
Judicial	102,849	5,462	13,330	--	--	--	--
General Government	--	--	--	--	--	--	--
Public Safety	--	--	--	--	--	--	--
Health and Welfare	--	--	--	1,110	16,468	1,239,578	761
Recreation and Culture	--	--	--	--	--	--	--
Capital Outlay	--	--	--	--	--	--	--
Total Expenditures	102,849	5,462	13,330	1,110	16,468	1,239,578	761
Excess of Revenues Over (Under) Expenditures	(4,082)	872	(9,830)	(863)	69,686	(603,818)	(167)
Other Financing Sources (Uses)							
Transfers In	14,873	--	9,830	--	--	613,846	--
Transfer Out	(9,621)	--	--	--	(75,823)	--	--
Net Other Financing Sources (Uses)	5,252	--	9,830	--	(75,823)	613,846	--
Net Change in Fund Balance	1,170	872	--	(863)	(6,137)	10,028	(167)
Fund Balance at Beginning of Period	23,820	12,563	--	22,790	7,866	60,208	451
Fund Balance at End of Period	\$ 24,990	\$ 13,435	\$ --	\$ 21,927	\$ 1,729	\$ 70,236	\$ 284

Cheboygan County
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended December 31, 2017

	<u>Senior Citizens Busing</u>	<u>DAV Van</u>	<u>County Fair</u>	<u>Sheriff Work Crew</u>	<u>ORV Fund</u>	<u>Township Road Loan Program</u>
Revenues						
Taxes	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Licenses and Permits	--	--	--	--	--	--
Federal Sources	--	--	--	--	--	--
State Sources	25,000	--	--	--	--	--
Local Sources	--	--	--	--	--	--
Contributions	--	--	--	--	--	--
Charges for Services	--	--	162,446	10,703	--	--
Fines and Penalties	--	--	--	--	--	--
Other Revenues	--	--	1,823	--	--	--
Interest and Rentals	--	--	--	--	--	--
Total Revenues	<u>25,000</u>	<u>--</u>	<u>164,269</u>	<u>10,703</u>	<u>--</u>	<u>--</u>
Expenditures						
Judicial	--	--	--	--	--	--
General Government	--	--	--	--	--	--
Public Safety	--	--	--	25,688	--	--
Health and Welfare	25,000	--	--	--	--	--
Recreation and Culture	--	--	165,485	--	--	--
Capital Outlay	--	--	--	--	--	--
Total Expenditures	<u>25,000</u>	<u>--</u>	<u>165,485</u>	<u>25,688</u>	<u>--</u>	<u>--</u>
Excess of Revenues Over (Under) Expenditures	<u>--</u>	<u>--</u>	<u>(1,216)</u>	<u>(14,985)</u>	<u>--</u>	<u>--</u>
Other Financing Sources (Uses)						
Transfers In	--	--	11,370	14,985	--	--
Transfer Out	--	--	(10,157)	--	--	--
Net Other Financing Sources (Uses)	<u>--</u>	<u>--</u>	<u>1,213</u>	<u>14,985</u>	<u>--</u>	<u>--</u>
Net Change in Fund Balance	<u>--</u>	<u>--</u>	<u>(3)</u>	<u>--</u>	<u>--</u>	<u>--</u>
Fund Balance at Beginning of Period	<u>--</u>	<u>600</u>	<u>3</u>	<u>--</u>	<u>1,763</u>	<u>--</u>
Fund Balance at End of Period	<u>\$ --</u>	<u>\$ 600</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 1,763</u>	<u>\$ --</u>

Cheboygan County
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended December 31, 2017

	Capital Projects				Total Nonmajor Governmental Funds
	DHHS Building	Revolving Drain Fund	Doris Reid Capital Project	Animal Control Project	
Revenues					
Taxes	\$ --	\$ --	\$ --	\$ --	\$ 336,950
Licenses and Permits	--	--	--	--	14,564
Federal Sources	--	--	--	--	418,347
State Sources	--	--	--	--	881,955
Local Sources	--	--	--	--	69,219
Contributions	--	--	--	35,002	109,457
Charges for Services	--	--	--	--	955,387
Fines and Penalties	--	--	--	--	1,178
Other Revenues	--	--	--	--	325,048
Interest and Rentals	18,800	--	--	--	102,956
Total Revenues	18,800	--	--	35,002	3,215,061
Expenditures					
Judicial	--	--	--	--	616,974
General Government	--	--	--	--	493,407
Public Safety	--	--	--	--	824,254
Health and Welfare	--	--	--	--	1,619,867
Recreation and Culture	--	--	--	--	168,703
Capital Outlay	--	--	44,006	58,129	102,135
Total Expenditures	--	--	44,006	58,129	3,825,340
Excess of Revenues Over (Under) Expenditures	18,800	--	(44,006)	(23,127)	(610,279)
Other Financing Sources (Uses)					
Transfers In	--	--	44,006	23,127	870,898
Transfer Out	--	--	--	--	(139,365)
Net Other Financing Sources (Uses)	--	--	44,006	23,127	731,533
Net Change in Fund Balance	18,800	--	--	--	121,254
<i>Fund Balance at Beginning of Period</i>	5,230	100	--	--	837,303
Fund Balance at End of Period	\$ 24,030	\$ 100	\$ --	\$ --	\$ 958,557

Cheboygan County
Combining Statement of Net Position
Nonmajor Enterprise Funds
December 31, 2017

	Enterprise		
	Tax Foreclosure	Jail Commissary	Total Enterprise Funds
ASSETS			
<i>Current Assets</i>			
Cash and Equivalents	\$ 574,530	\$ 42,719	\$ 617,249
Land Held for Resale	50,460	--	50,460
Total Assets	624,990	42,719	667,709
LIABILITIES			
<i>Current Liabilities</i>			
Accounts Payable	--	10,467	10,467
Total Liabilities	--	10,467	10,467
NET POSITION			
<i>Unrestricted</i>	624,990	32,252	657,242
Total Net Position	\$ 624,990	\$ 32,252	\$ 657,242

Cheboygan County
Combining Statement of Revenues, Expenses, and Changes in Net Position
Nonmajor Enterprise Funds
For the Year Ended December 31, 2017

	Enterprise		Total Enterprise Funds
	Tax Foreclosure	Jail Commissary	
Operating Revenues			
Charges for Services	\$ 222,612	\$ 153,358	\$ 375,970
<i>Total Operating Revenues</i>	222,612	153,358	375,970
Operating Expenses			
Personal Services	7,288	--	7,288
Contractual Services	58,092	--	58,092
Other Supplies and Expenses	20,940	146,391	167,331
<i>Total Operating Expenses</i>	86,320	146,391	232,711
<i>Operating Income (Loss)</i>	136,292	6,967	143,259
Non-Operating Revenues (Expenses)			
Interest and Rentals	1,227	--	1,227
<i>Net Non-Operating Revenues (Expenses)</i>	1,227	--	1,227
<i>Transfers</i>	137,519	6,967	144,486
Transfers In	--	--	--
Transfer Out	(106,235)	--	(106,235)
<i>Change In Net Position</i>	31,284	6,967	38,251
<i>Net Position at Beginning of Period</i>	593,706	25,285	618,991
<i>Net Position at End of Period</i>	\$ 624,990	\$ 32,252	\$ 657,242

Cheboygan County
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Year Ended December 31, 2017

	<u>Enterprise</u>		<u>Total Enterprise Funds</u>
	<u>Tax Foreclosure</u>	<u>Jail Commissary</u>	
Cash Flows from Operating Activities			
Cash Received from Customers or Users	\$ 223,408	\$ 153,358	\$ 376,766
Cash Payments to Suppliers	(79,032)	(144,316)	(223,348)
Cash Payments to Employees	(7,910)	-	(7,910)
Net Cash Provided (Used) by Operating Activities	<u>136,466</u>	<u>9,042</u>	<u>145,508</u>
Cash Flows from Noncapital Financing Activities			
Transfers Out	(106,235)	-	(106,235)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(106,235)</u>	<u>-</u>	<u>(106,235)</u>
Cash Flows from Investing Activities			
Interest received	1,227	-	1,227
Net Cash Provided by Investing Activities	<u>1,227</u>	<u>-</u>	<u>1,227</u>
Net Increase (Decrease) in Cash and Equivalents	31,458	9,042	40,500
<i>Cash and Equivalents - Beginning of Year</i>	543,072	33,677	576,749
Cash and Equivalents - End of Year	<u>\$ 574,530</u>	<u>\$ 42,719</u>	<u>\$ 617,249</u>
Reconciliation of Operating Income (Loss) to			
Net Cash Provided (Used) by Operating Activities			
Operating Income	\$ 136,292	\$ 6,967	\$ 143,259
Adjustments to Reconcile Operating Income to Net Cash			
Provided (Used) by Operating Activities			
(Increase) decrease in:			
Receivables	796	-	796
Accounts Payable	-	2,075	2,075
Accrued Liabilities	(622)	-	(622)
Net Cash Provided by Operating Activities	<u>\$ 136,466</u>	<u>\$ 9,042</u>	<u>\$ 145,508</u>

Cheboygan County
Combining Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2017

	Agency					
	T & A	Friend of the Court Agency	Library	District Court	Inmate Trust Fund	Total
ASSETS						
Cash and Equivalents	\$ 678,852	\$ 200	\$ 146,939	\$ 5,254	\$ 12,266	\$ 843,511
<i>Total Assets</i>	678,852	200	146,939	5,254	12,266	843,511
LIABILITIES						
Assets Held on Behalf of Others	678,852	200	146,939	5,254	12,266	843,511
<i>Total Liabilities</i>	\$ 678,852	\$ 200	\$ 146,939	\$ 5,254	\$ 12,266	\$ 843,511



**CHEBOYGAN COUNTY, MICHIGAN
SINGLE AUDIT ACT COMPLIANCE
YEAR ENDED DECEMBER 31, 2017**

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CHEBOYGAN COUNTY, MICHIGAN

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

June 26, 2018

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Cheboygan County, Michigan (the "County") as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We issued our report thereon dated June 26, 2018, 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 County's 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 expenditures 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
June 26, 2018

Cheboygan County
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2017

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	\$ -	\$ 3,218
U.S. DEPARTMENT OF JUSTICE:				
<i>Pass-through programs from the Michigan State Police</i>				
Byrne JAG	16.738	2015-MU-BX-0964	-	90,957
Byrne JAG	16.738	2015-MU-BX-0964	-	12,446
Total U.S. Department of Justice			-	103,403
U.S. DEPARTMENT OF TRANSPORTATION:				
<i>Pass-through programs from the Michigan Department of Transportation</i>				
Capital Grant - Section 5309	20.500	2017-0032/P3	-	800
Operating Grant - Section 5311	20.509	2017-0032/P1	-	151,643
<i>Pass-through programs from the Michigan State Police</i>				
Traffic Enforcement Grant	20.616	N/A	-	12,392
Total U.S. Department of Transportation			-	164,835
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	FIP2017	-	37,284
PA Title IV-D Reimbursement - 10/1/16 to 9/30/21	93.563	CSPA17-16002	-	61,939
FOC Title IV-D Reimbursement - 10/1/16 to 9/30/21	93.563	CSFOC17-16001	-	274,442
Total U.S. Department of Health and Human Services			-	373,665
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	-	40,192
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:				
<i>Pass-through programs from the Michigan Economic Development Corporation</i>				
Fiscal Year 2015 Community Development Block Grant	14	MSC-2015-0730-HOA	-	158,502
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ -	\$ 843,815

Cheboygan County

Notes to the Schedule of Expenditures of Federal Awards

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Cheboygan County (the "County") under programs of the federal government for the year ended December 31, 2017. 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 Audited Financial Statements. The County's financial statements include the operations of the Cheboygan County Road Commission and the Cheboygan Airport Authority as discretely presented component units, which received federal awards that are not included in the Schedule for the year ended December 31, 2017, as the entities were 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. Pass-through entity identifying numbers are presented where available.

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	\$ 691,372
Business-type funds, operating revenues	151,643
Business-type funds, capital assistance	800
Total expenditures of federal awards	<u>\$ 843,815</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***

To the Board of Commissioners
Cheboygan County
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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Cheboygan County, Michigan (the "County"), as of and for the year ended December 31, 2017, 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 26, 2018. Our report includes a reference to other auditors who audited the financial statements of the Cheboygan County Road Commission and the Cheboygan Airport Authority, 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 26, 2018

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

To the Board of Commissioners
Cheboygan County
Cheboygan, Michigan

Report on Compliance for Each Major Federal Program

We have audited Cheboygan County, Michigan'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, 2017. 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 and the Cheboygan Airport Authority, which are discretely presented component units; all of which received certain federal awards which are not included in the schedule of expenditures of federal awards for the year ended December 31, 2017. Our audit, as described below, did not include the operations of the Cheboygan County Road Commission or the Cheboygan Airport Authority because they arranged for a separate financial statement audit report.

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, 2017.

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 26, 2018

Cheboygan County
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2017

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 not considered to be material weaknesses	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
--

No matters were reported.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
--

No matters were reported.

SECTION IV - SUMMARY OF PRIOR AUDIT FINDINGS

No findings or questioned costs in the prior year.

June 26, 2018

To the Board of Commissioners
Cheboygan County
Cheboygan, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Cheboygan County, Michigan (the "County") as of and for the year ended December 31, 2017. Our report includes a reference to other auditors. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, 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 April 2, 2018. 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. No new accounting policies were adopted and the application of existing policies were not changed during the fiscal year ended December 31, 2017. 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.

- Management’s 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 and determined that they are reasonable in relation to the basic financial statements taken as a whole and in relation to the applicable opinion units.

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated June 26, 2018.

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 fund financial statements and schedules and the schedule of expenditures of federal awards, 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,



Gabridge & Company, PLC
Grand Rapids, MI
June 26, 2018