IRON COUNTY ROAD COMMISSION

BASIC FINANCIAL STATEMENTS

For the Year Ended December 31, 2015

IRON COUNTY

BOARD OF COUNTY ROAD COMMISSIONERS

2015

Chris Scholander
Chairman

Ernest Schmidt
Vice - Chairman

Richard Frighetto Commissioner	Dan Germic Commissioner	Charles Battan Commissioner

Douglas Tomasoski
Superintendent/Manager

Lisa Powell, CPA
Finance Director/Clerk

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Additional Supplementary Information:

Compliance Reports:

ANDERSON, TACKMAN & COMPANY, PLC
Certified Public Accountants
OFFICES IN MICHIGAN AND WISCONSIN

Kristine P. Berhow, CPA, Principal
Alan M. Stotz, CPA, Principal
Brandy M. Olson, CPA
Gary E. Maynard, CPA, PFS
Kathleen A. Ciantar, CPA

INDEPENDENT AUDITOR'S REPORT

Board of County Road Commissioners
Iron County Road Commission
800 W. Franklin Street
Iron River, MI 49935

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of the Iron County Road Commission (a component unit of the County of Iron, Michigan), as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Iron County Road Commission's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major fund of the Iron County Road Commission as of December 31, 2015, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis; schedule of funding progress for the retirement system and other post employment benefit, and budgetary comparison information on pages 4–9 and 36–40 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 Iron County Road Commission's basic financial statements. The Analysis of Changes in Fund Balances, Analysis of Revenues, and the Analysis of Expenditures are presented for purposes of additional analysis and are not a required part of the financial statements.

The schedules listed as additional supplementary information, as listed in the table of contents, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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 supplementary information is 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 15, 2016, on our consideration of the Iron County Road Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Iron County Road Commission's internal control over financial reporting and compliance.

Anderson, Tackman & Company P.L.C.

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

June 15, 2016

Management's Discussion and Analysis

Using This Annual Report

The Iron County Road Commission's discussion and analysis is designed to: (a) assist the reader in focusing on significant financial issues; (b) provide an overview of the road commission's financial activity; (c) identify changes in the road commission's financial position (its ability to address the next and subsequent year challenges); (d) identify any material deviations from the approved budget; and (e) identify any issues or concerns.

Reporting the Road Commission as a Whole

The statement of position and the statement of activities report information about the road commission as a whole and about its activities in a way that helps answer the question of whether the road commission as a whole is better off or worse off as a result of the year's activities. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting method, used by most private-sector companies. All of the year's revenues and expenses are taken into account regardless of when cash is received or paid.

The two statements mentioned above, report the road commission's net position and the changes in them. The reader can think of the road commission's net position (the difference between assets and liabilities) as one way to measure the road commission's financial health or financial position. Over time, increases or decreases in the road commission's net position are one indicator of whether its financial health is improving or deteriorating.

Reporting the Road Commission's Major Fund

Our analysis of the road commission's major fund begins on page 7. The road commission currently has only one fund, the general operations fund, in which all of the road commission's activities are accounted. The general operations fund is a governmental fund type.

- Governmental funds focus on how money flows into and out of this fund and the balances left at year end that are available for spending. This fund is reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the road commission's general governmental operations and the basic service it provides. Governmental fund information helps the reader to determine whether there are more or fewer financial resources that can be spent in the near future to finance the road commission's services. We describe the relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and the governmental fund in a reconciliation following the fund financial statements.

The Road Commission as a Whole

The Road Commission's net position decreased approximately 21% from $18.6 million to $14.6 million for the year ended December 31, 2015. The large decrease in net position can be attributed to the effects of implementing GASB Statement No. 68, which required us to record our pension liability on our government-wide financial statements. Governmental activities now show a net pension liability of $7,096,493. Most of this liability was shown as a prior period adjustment of $6,738.736. The net position and change in net position are summarized below.

Net position, after prior period adjustment, increased $2,749,099 during the current year primarily due to infrastructure additions for road projects funded by state and federal funds. The investment in capital assets category increased $2,953,883 as a result of capital asset additions exceeding current depreciation plus debt payments on capital assets.

Net position for the year ending December 31, 2015 and 2014, is as follows:

	Governmental Activities	
	2015	2014
Current and Other Assets	$ 4,023,034	$ 3,888,914
Capital Assets	20,762,873	17,883,990
Total Assets	$ 24,785,907	$ 21,772,904
Deferred Outflow- Pension Plan	$ 358,023	$ -
Deferred Loss on Refunding	11,071	11,752
Total Deferred Outflow of Resources	$ 369,094	$ 11,752
Current Liabilities	$ 826,030	$ 791,044
Long-term Liabilities	9,731,377	2,406,381
Total Liabilities	$ 10,557,407	$ 3,197,425
Net Position:		
Net Investment in Capital Assets	$ 19,107,873	$ 16,153,990
Restricted	-	2,433,241
Unrestricted	(4,510,279)	-
Total Net Position	$ 14,597,594	$ 18,587,231

A summary of changes in net position for the year ending December 31, 2015 and 2014 are as follows:

	Governmental Activities	
	2015	2014
Program Revenues:		
Charges for Services	$ 1,234,841	$ 1,638,293
Operating Grants and Contributions	2,437,552	2,348,676
Capital Grants and Contributions	4,125,961	2,332,096
General Revenues:		
Taxes	197,673	223,981
Interest Income	7,589	6,370
Gain on disposal of equipment	42,600	576
Total Revenues	$ 8,046,216	$ 6,549,992
Program Expenses:		
Primary Roads:		
Maintenance	1,814,721	847,086
Local Roads:		
Maintenance	440,478	1,250,612
State Trunkline Maintenance	1,132,330	1,437,186
State Trunkline Non-maintenance	50,845	71,748
Equipment Expenses	149,032	94,534
Administrative	284,017	443,820
Capital Outlay	84,410	31,140
Compensated Absenses	23,139	(74,232)
Other Postemployment Benefits & Pension Expense	290,881	110,642
Interest Expense	50,056	53,299
Infrastructure Depreciation	977,208	893,791
Total Expenses	$ 5,297,117	$ 5,159,626
Increases in Net Position	$ 2,749,099	$ 1,390,366

Note that GASB Statement No. 68 was implemented as of January 1, 2015, but has not been reflected retroactively in the tables above as of December 31, 2014.

The Road Commission's Fund

The Road Commission's general operations fund is used to control the expenditures of Michigan Transportation Fund monies distributed to the county which are earmarked by law for road and highway purposes.

For the year ended December 31, 2015, the fund balance of the general operations fund increased $29,899 as compared to an increase of $260,809 in the fund balance for the year ended December 31, 2014. Total revenues were $7,966,878 in 2015, an increase of $1,515,566 as compared to last year. The increase is due to increased activity of projects completed, such as the Heritage Trail project and Bates-Amasa Bridge project.

Total expenditures were $7,936,979 in 2015, an increase of $1,746,476 as compared to last year. This increase was due to more projects being completed in 2015 than in 2014 and is comparable to change in revenues in 2015.

Budgetary Highlights

Prior to the beginning of any year, the Road Commission's budget is compiled based upon certain assumptions and facts available at that time. During the year, the Road Commission Board acts to amend its budget to reflect changes in these original assumptions, facts and/or economic conditions that were unknown at the time the original budget was compiled. In addition, by policy, the board reviews and authorizes large expenditures when requested throughout the year.

The final amended budgeted revenue for 2015 was higher than actual due to estimating.

The final amended budgeted expenditures remained the same as the original budget. The primary reason for the difference between the original and final amended budget is due to amounts being reclassed between categories.

Road Commission expenditures were projected at $8,292,830 while actual expenditures were $7,936,979. The primary reason for the difference between the original and final amended budget is because the Bates and Amasa bridge project was not completed.

Capital Asset and Debt Administration

Capital Assets

A summary of capital assets for the year ending December 31, 2015 and 2014 is as follows:

	2015	2014
Capital Assets Not Being Depreciated:		
Land and Improvements	$ 26,568	$ 26,568
Construction in Progress	115,139	132,664
Other Capital Assets:		
Buildings and Improvements	3,337,348	3,337,348
Road Equipment	4,248,824	4,186,469
Other Equipment	186,460	178,861
Infrastructure and Improvements	24,819,532	20,737,032
Total Capital Assets at Historic Cost	32,733,871	28,598,942
Total Accumulated Depreciation	(11,970,998)	(10,714,952)
Total Net Capital Assets	$ 20,762,873	$ 17,883,990

Current year's major additions included the following:

Various Road Projects	$ 2,944,556	$ 2,022,948
Bridge Projects	1,236,872	36,808
Trucks/Equipment	101,677	56,946

Debt

The Road Commission has limited debt obligations. Bonds issued in prior years have been paid currently. The Road Commission has long-term debt in the amount of $2,753,404 which represents bonds and leases payable, compensated absences, and other post-employment benefits. More detailed information about the road commission's long-term liabilities is presented in Note 10 to the financial statements.

Economic Factors and Next Year's Budget

The Board of County Road Commissions considered many factors when setting the fiscal year 2016 budget. Changes in overall revenues for 2016 compared to 2015 are expected to remain stable. Because of conservative spending, cash reserves should also remain stable. Operating costs for fuel, bituminous, cold patch, gravel and steel products are anticipated to decline in 2016 with the decrease in the cost of fuel prices, possibly leaving room for additional road work. The Road Commission's main source of funding, MTF, is stable with an expected increase in the future with the change in road funding.

The Board realized, and the reader should understand, that there are not sufficient funds available to repair and/or rebuild every road in Iron County's transportation system. Therefore, the Board attempts to spend the public's money wisely and equitably and in the best interest of the motoring public and the citizens of Iron County.

Contacting the Road Commission's Financial Management

This financial report is designed to provide the motoring public, citizens and other interested parties a general overview of the road commission's finances and to show the road commission's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Iron County Road Commission administrative offices at 800 W. Franklin Street, Iron River, Michigan 49935.

IRON COUNTY ROAD COMMISSION
STATEMENT OF NET POSITION
December 31, 2015

ASSETS	
Cash and equivalents	$ 2,432,368
Accounts Receivable:	
Michigan Transportation Fund	354,897
State Trunkline Maintenance	192,765
Due on County Road Agreements	61,853
Other State Grants	267,027
Inventories:	
Road Material	603,011
Equipment, Parts and Materials	96,348
Prepaid Items	14,765
Capital Assets - (Not Depreciated)	141,707
Capital Assets (Net of Accumulated Depreciation)	20,621,166
Total Assets	24,785,907
DEFERRED OUTFLOW OF RESOURCES	
Deferred outflow - pension plan	358,023
Deferred loss on refunding	11,071
Total Deferred Outflow of Resources	369,094
Total Assets and Deferred Outflows of Resources	$ 25,155,001
LIABILITIES	
Current liabilities:	
Accounts payable	$ 204,588
Accrued Liabilities	20,404
Unearned Revenue	213,424
Advances from State	250,247
Interest Payable	18,868
Bonds Payable	80,000
Vested Employee Benefits	38,500
Noncurrent Liabilities:	
Bonds Payable	1,575,000
Other Postemployment Benefits	944,404
Pension Liability	7,096,473
Vested Employee Benefits	115,500
Total Liabilities	10,557,407
NET POSITION	
Net Investment in Capital Assets	19,107,873
Unrestricted	(4,510,279)
Total Net Position	14,597,594
Total Liabilities and Net Position	$ 25,155,001

The Notes to Financial Statements are an integral part of this statement.

IRON COUNTY ROAD COMMISSION
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2015

Program Expenses:	
Primary Road Maintenance	$ 1,814,721
Local Road Maintenance	440,478
State Trunkline Maintenance	1,132,330
State Trunkline Non-Maintenance	50,845
Net Equipment Expense	149,032
Net Administrative Expense	284,017
Net Capital Outlay	84,410
Compensated Absences	23,139
Other Postemployment Benefits & Pension Expense	290,881
Interest Expense	50,056
Infrastructure Depreciation	977,208
Total Program Expenses	5,297,117
Program Revenues:	
Charges for Services:	
Charges for Services	1,234,841
Operating Grants and Contributions:	
State Grants	2,437,552
Capital Grants and Contributions:	
Federal Grants	2,216,289
State Grants	993,698
Contributions from Local Units	915,974
Total Program Revenues	7,798,354
Net Program Revenues	2,501,237
General Revenue:	
Taxes	197,673
Investment Earnings	7,589
Gain on Equipment Disposal	42,600
Total General Revenues	247,862
Change in Net Position	2,749,099
Net Position:	
Beginning of Year, as previously stated	18,587,231
Prior period adjustment	(6,738,736)
Beginning of Year, as restated	11,848,495
End of Year	$ 14,597,594

The Notes to Financial Statements are an integral part of this statement.

IRON COUNTY ROAD COMMISSION
BALANCE SHEET
December 31, 2015

	Governmental Fund Type General Operating Fund
ASSETS	
Cash and equivalents	$ 2,432,368
Accounts Receivable:	
Michigan Transportation Fund	354,897
State Trunkline Maintenance	192,765
Due on County Road Agreements	61,853
Other State Grants	278,098
Inventories:	
Road Material	603,011
Equipment, Parts and Materials	96,348
Prepaid Items	14,765
Total Assets	$ 4,034,105
LIABILITIES, DEFERRED INFLOWS AND FUND EQUITY	
Liabilities:	
Accounts Payable	$ 204,588
Accrued Liabilities	39,272
Unearned Revenue	213,424
Advances from State	250,247
Total Liabilities	707,531
Deferred Inflows of Resources:	
Unavailable Revenue - Other State Grants	178,018
Fund Equity:	
Fund Balance	
Nonspendable:	
Inventory	699,359
Prepaid Items	14,765
Restricted for Road Operations	2,434,432
Total Fund Equities	3,148,556
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND EQUITIES	$ 4,034,105

The Notes to Financial Statements are an integral part of this statement.

IRON COUNTY ROAD COMMISSION
RECONCILIATION OF THE BALANCE SHEET FUND BALANCE TO THE STATEMENT OF NET POSITION
December 31, 2015

Total Governmental Fund Balance		$ 3,148,556
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		20,762,873
Deferred outflow of resouces related to recording of net pension liability.		358,023
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		
Bonds Payable	(1,655,000)	
Other Postemployement Benefits	(982,904)	
Net Pension Liability	(7,096,473)	
Compensated Abesences	(115,500)	(9,849,876)
Some revenues are not available in the current period and, therefore are not reported in the governmental fund financial statements.		178,018
Net Position of Governmental Activities		$ 14,597,594

The Notes to Financial Statements are an integral part of this statement.

IRON COUNTY ROAD COMMISSION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
For the Year Ended December 31, 2015

	General Operating Fund
Revenues:	
Taxes	$ 197,673
License and Permits	7,890
Federal Sources	2,216,289
State Sources	3,344,022
Contributions from Local Units	915,974
Charges for Services	1,234,841
Interest and Rents	7,589
Gain on Equipment Disposals	42,600
Total Revenues	7,966,878
Expenditures:	
Public Works	7,989,669
Capital Outlay	(177,746)
Debt Service	125,056
Total Expenditures	7,936,979
Excess of Revenues Over (Under) Expenditures	29,899
Fund Balance - January 1, 2015	3,118,657
Fund Balance - December 31, 2015	$ 3,148,556

The Notes to Financial Statements are an integral part of this statement.

IRON COUNTY ROAD COMMISSION
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2015

Net Change in Fund Balance - Total Governmental Funds	$	29,899
Amounts reported for governmental activities in the statement are different because:		
Governmental funds report capital outlays and infrastructure costs as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		2,878,883
Repayment of bonds payable is an expenditure in governmental funds, but reduces the long-term liabilities in the statement of net position.		75,000
Some revenues reported in the statement of activities do not provide current financial resources and therefore, are not reported as revenues in the governmental fund financial statements.		79,338
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.		(314,021)
Change in Net Position of Governmental Activities	$	2,749,099

The Notes to Financial Statements are an integral part of this statement.

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Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Iron County Road Commission conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Iron County Road Commission.

A. Reporting Entity

The Iron County Road Commission, which is established pursuant to the County Road Law (MCL 224.1), is governed by an elected 5 member Board of County Road Commissioners. The Road Commission may not issue debt without the County's approval and property tax levies are subject to County Board of Commissioners' approval.

The criteria established by the Governmental Accounting Standards Board (GASB) Statement No. 61, "The Financial Reporting Entity," for determining the reporting entity includes oversight responsibility, fiscal dependency and whether the financial statements would be misleading if the component unit data were not included. Based on the above criteria, these financial statements present the Iron County Road Commission, a discretely presented component unit of Iron County.

The Road Commission Operating Fund is used to control the expenditures of Michigan Transportation Fund monies distributed to the County, along with other revenues, which are designated for road and highway purposes. The Board of County Road Commissioners is responsible for the administration of the Road Commission Operating Fund.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the Iron County Road Commission. There is only one fund reported in the government-wide financial statements.

The Statement of Net Position presents the Road Commission's assets and liabilities with the difference being reported as either net investment in capital assets or restricted net position.

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

Separate financial statements are provided for the operating fund (governmental fund). The operating fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. Major individual governmental funds are reported as separate columns in the fund financial statements.

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Michigan transportation funds, grants, permits, township contributions and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

D. Assets, Liabilities, and Net Position or Equity

Cash, Cash Equivalents and Investments

Cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with a maturity of three months or less when acquired.

Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. The Road Commission has not recorded an allowance for uncollectible accounts, and the Road Commission does not anticipate that amount to be material.

Inventories

Inventories are valued at cost as determined by the average cost method. Inventory items are charged to road construction and maintenance, equipment repairs and operations as used.

Prepaid Items

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

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges and similar items), are reported in the operating fund in the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost of purchase or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

GASB Statement 34 requires major networks and major subsystems of infrastructure assets acquired, donated, constructed, or substantially rehabilitated since fiscal years ending June 30, 1980 be inventoried and capitalized by the fourth anniversary of the mandated date of adoption of the other provisions of GASB Statement No. 34. The Iron County Road Commission has capitalized the current year's infrastructure, as required by GASB Statement 34, and has reported the infrastructure assets in the statement of net position on a prospective basis from 2004 forward.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Depreciation

Depreciation is computed on the sum-of-the-years'-digits method for road equipment and straight-line method for all other assets. The depreciation rates are designed to amortize the cost of the assets over their estimated useful lives as follows:

Building	30 to 50 years	Office Equipment	4 to 10 years
Road Equipment	5 to 8 years	Infrastructure – Roads	8 to 30 years
Shop Equipment	10 years	Infrastructure – Bridges	12 to 50 years
Engineering Department	4 to 10 years		

Deferred Outflows of Resources

In addition to assets, the statement of net position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Road Commission has two items that qualifies for reporting in this category, which is the deferred loss on refunding and deferred outflow-pension plan. A deferred loss on refunding results from the difference in the carrying value of the refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The Road Commission has pension plan items that qualify for reporting in this category.

Deferred Inflows of Resources

In addition to liabilities, the statement of net position and/or governmental funds balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position/fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Road Commission has other state grants related to Public Act 252 that qualify for reporting in this category.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the operating fund statement of net position.

Vested Employee Benefits (Vacation and Sick Leave)

Road Commission employment policies provide for vacation benefits to be earned in varying amounts depending on the number of years of service of the employee. The annual vacation benefits earned by each employee are credited at the beginning of the year. An employee who is eligible for vacation leave in excess of twenty (20) days, may, with the consent of the employer, take pay at the employee's regular rate of pay for time in excess of twenty (20) days in-lieu-of vacation leave.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Employees may carry over a maximum of ten (10) days vacation into the next year. An employee leaving the services of the Road Commission will be paid all unused vacation carried over to January 1st up to a maximum of ten (10) days, plus any vacation earned, on a prorated basis to the end of the month of separation, in accordance with the vacation policy in effect at this time.

Road Commission employment policies provide that each full-time employee shall earn sick leave with pay at the rate of eight (8) hours for each month of employment in which the employee is compensated for at least eighteen (18) days, with unlimited accumulation. Upon permanent separation from employment, employees shall be paid for all of his accumulated sick leave at the employee's prevailing rate of pay up to a maximum of ninety (90) days. In the event his balance at time of retirement is over ninety (90) days, all accumulated excess of the ninety (90) days will be paid at the rate of fifty percent (50%).

Pension and Other Postemployment Benefit Costs

The Road Commission offers both pension and retiree healthcare benefits to retirees. The Road Commission receives an actuarial valuation to compute the annual required contribution (ARC) necessary to fund the obligation over the remaining amortization period. In the governmental fund, pension and OPEB costs are recognized as contributions are made. For the government-wide statements, the Road Commission reports the full accrual cost equal to the current year required contribution, adjusted for interest and "adjustment to the ARC" on the beginning of year underpaid amount, if any.

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 affect the disclosure of contingent assets and liabilities at the date of the financial statements. These estimates and assumptions also affect the reported amounts of revenue and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Procedures

Budgetary procedures are established pursuant to PA 621 of 1978, as amended, (MCL 141.421) which requires the County Board of Road Commissioners to approve a budget for the County Road Fund. The Road Commission's Chief Administrative Officer (superintendent/manager) and clerk prepare and submit a proposed operating budget to the Board of Road Commissioners for its review and consideration. The Board conducts a public budget hearing and subsequently adopts an operating budget. The budget is amended as necessary during the year, and is approved by the Board. Also, the Board has authorized the Chief Administrative Officer to amend the Road Commission budget when necessary, without increasing the overall budget, by transferring up to 25 percent from one line item to another. The operating fund budget is prepared on the modified accrual basis of accounting, which is the same basis as the financial statements.

NOTE 3 - CASH AND DEPOSITS

The composition of cash and equivalents as reported in the Statement of Net Position is presented below:

Financial Statement Presentation:	
Cash and Equivalents	$ 2,432,368
Composition of Balances:	
Imprest Cash	$ 200
Cash and Equivalents:	
Checking Accounts	29,824
Held By County Treasurer	2,402,344
Total	$ 2,432,368

Cash and cash equivalents consist solely of checking and saving account deposits.

Michigan statutes authorize the Road Commission to invest in bonds, other direct obligations and repurchase agreements of the United States, certificates of deposit, saving accounts, deposit accounts or receipts of a bank which is a member of the FDIC, commercial paper, bankers' acceptances of United States banks, obligations of the State of Michigan and its political subdivisions, external investment pools, and certain mutual funds.

Attorney General's Opinion No. 6168 states the public funds may not be deposited in financial institutions located in states other than Michigan.

NOTE 3 - CASH AND DEPOSITS (Continued)

Interest Rate Risk. The Road Commission carries no significant interest rate risk as all of its holdings are in bank accounts with a high degree of liquidity.

Credit Risk. State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations with a maximum maturity of 270 days. As of December 31, 2015, the Road Commission did not hold any commercial paper.

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure the Road Commission's deposits may not be returned. As of December 31, 2015, the Road Commission held a bank balance of $64,196 in a checking account of which the full balance was insured.

The risk disclosures for the Road Commission deposits (in regards to deposits held with the County Treasurer), as required by GASB Statement No. 40, are not available in that the Road Commission's cash deposits are part of the County's common bank account. The Road Commission would receive its proportional share of insurance coverage.

Concentration of Credit Risk. The Road Commission has no significant concentration of credit risk due to the fact that its deposits are with area banks.

Foreign Currency Risk. The Road Commission has no foreign currency risk as it has no deposits or investments in foreign currency.

All deposits for the Road Commission are in accordance with statutory authority.

NOTE 4 – FUND BALANCE CLASSIFICATIONS

In accordance with Governmental Accounting Standards No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, the Road Commission classifies its fund balances as follows:

- Non-spendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints. For the Road Commission, the non-spendable balance reflects the inventory on hand and prepaid items.
- Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
- Committed – includes fund balance amounts that can be used only for specific purposes determined by a formal action of the government's highest level of decision making authority.
- Assigned – includes fund balance amounts that are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. Fund balance may be assigned by the Superintendent/Manager, Office Manager or his/her/their designee.
- Unassigned – is to be used only to report a deficit balance from overspending for specific purposes for which amounts have been restricted, committed or assigned.

When the Road Commission incurs an expenditure for which various fund classification can be used, it is the policy of the Road Commission to use restricted or committed funds first, unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the Road Commission would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balances when expenditures are made.

The Road Commission has a formal minimum fund balance policy which is defined as the total of all nonspendable amounts. This policy will ensure that the Road Commission maintains adequate fund balances and reserves in order to provide sufficient cash flow for daily financial needs, secure and maintain investment grade bond ratings, offset significant economic downturns or revenue shortfalls, and provide funds for unforeseen expenditures related to emergencies.

NOTE 5 - CAPITAL ASSETS

Capital asset activity of the Iron County Road Commission for the current year was as follows:

	Balance at 01/01/15	Additions	Disposals	Transfers	Balance at 12/31/15
Capital assets not being depreciated:					
Land and Improvements	$ 26,568	$ -	$ -	$ -	$ 26,568
Constuction in progress	132,664	98,927	-	(116,452)	115,139
Subtotal	159,232	98,927	-	(116,452)	141,707
Capital assets being depreciated:					
Buildings and Improvements	3,337,348	-	-	-	3,337,348
Road equipment	4,186,469	94,078	31,723	-	4,248,824
Shop equipment	87,626	4,431	-	-	92,057
Engineers' equipment	25,958	-	-	-	25,958
Office equipment	65,277	3,168	-	-	68,445
Infrastructure - Roads	18,341,573	2,765,985	-	79,644	21,187,202
Infrastructure - Bridges	2,395,459	1,200,063	-	36,808	3,632,330
Total depreciable capital assets	28,439,710	4,067,725	31,723	116,452	32,592,164
Less accumulated depreciation:					
Buildings	1,224,460	107,385	-	-	1,331,845
Road equipment	3,758,119	199,135	31,723	-	3,925,531
Shop equipment	84,174	699	-	-	84,873
Engineers' equipment	23,992	936	-	-	24,928
Office equipment	62,087	2,406	-	-	64,493
Infrastructure - Roads	5,237,461	929,299	-	-	6,166,760
Infrastructure - Bridges	324,659	47,909			372,568
Total accumulated depreciation	10,714,952	1,287,769	31,723	-	11,970,998
Net capital assets being depreciated	17,724,758	1,402,142	-	-	20,621,166
Capital assets, net	$17,883,990	$2,878,883	$ -	$ -	$20,762,873

Depreciation was charged to the following programs: Infrastructure - $977,208; Equipment - $199,135; Administrative - $7,696 and Indirect - $103,730.

NOTE 6 - EMPLOYEE RETIREMENT AND BENEFITS

Plan Description: The Road Commission 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 PA 135 of 1945 and administered by a nine member Retirement Board. MERS is a nonprofit organization that was granted independence from the State of Michigan pursuant to Public Act 220 of 1996, effective August 15, 1996. MERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained by accessing the MERS Website at www.mersofmich.com or in writing to MERS at 1134 Municipal Way, Lansing, Michigan 48917.

Benefits Provided--Defined Benefit: The Road Commission's defined benefit pension plan provides certain retirement, disability, and death benefits to plan members and beneficiaries. PA 427 of 1984 established and amends the benefit provisions of the participants in MERS.

	Divisions - For the 2014 Valuation			
	01-Comm/Sal/ Non-Union Closed	10-Union Closed	11-Hourly Non-Union Closed	12-Non-Union after 10/14 & Union after 10/11 Open
Benefit Multiplier:	2.50%-80% max	2.50%-80% max	2.50%-80% max	1.70%-no max
Normal Retirement Age:	60	60	60	60
Vesting:	10 years	10 years	10 years	10 years
Early Retirement (unreduced):	55/20	-	55/20	-
Early Retirement (reduced):	50/25; 55/15	50/25; 55/15	50/25; 55/15	50/25; 55/15
Final Average Compensation:	3 years	5 years	3 years	5 years
COLA for Future Retirees:	2.5% (non-comp.)	2.5% (non-comp.)	2.5% (non-comp.)	-
COLA for Current Retirees:	2.5% (non-comp.)	2.5% (non-comp.)	2.5% (non-comp.)	-
Employee Contributions:	0%	0%	0%	0%
Act 88:	Yes	Yes	Yes	Yes

Employees Covered by Benefit Terms

At December 31, 2014 valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	50
Inactive employees entitled to but not yet receiving benefits	2
Active employees	17
	69

NOTE 6 - EMPLOYEE RETIREMENT AND BENEFITS (continued)

Contributions: Article 9, Section 24 of the State of Michigan constitution requires that financial benefits arising on account of employee service rendered in each year be funded during that year. Accordingly, MERS retains an independent actuary to determine the annual contribution. The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by the MERS Retirement Board. The actuarially determined rate is the estimated amount necessary to finance the 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.

The required monthly employer contribution at December 31, 2015 for open divisions is shown as a percent of pay contribution and for closed divisions is shown as a monthly dollar contribution as follows:

01 – Comm/Sal/Non-Union	$4,289
10 – Union	$25,740
11 – Hourly Non-Union	$9,568
21 – Non-Union after 10/14; Union after 10/11	0.00%

Net Pension Liability

The Road Commission's net pension liability reported at December 31, 2015 was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as December 31, 2014. Update procedures were used to roll forward the total pension liability to the measurement date.

Actuarial Assumptions. The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 to 4.0 percent
Salary increases	4.5 percent, in the long-term (1%, 2%, and 3% for calendar years 2014, 2015, and 2016, respectively)
Investment rate of return	8.0 percent, net of investment expense, including inflation

Although no specific price inflation assumptions are needed for the valuation, the 4.5% long-term wage inflation assumption would be consistent with a price inflation of 3% - 4%.

Mortality rates used were based on the 1994 Group Annuity Mortality Table of a 50% Male and 50% Female blend. For disabled retirees, the regular mortality table is used with a 10-year set forward in ages to reflect the higher expected mortality rates of disabled members.

The actuarial assumptions used in valuation were based on the results of the most recent actuarial experience study in 2008. (MERS Retirement Board is currently conducting an actuarial experience study covering the period from January 1, 2009, through December 31, 2013.)

NOTE 6 - EMPLOYEE RETIREMENT AND BENEFITS (continued)

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	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 8.25% for 2014 and will be 8.0% in 2015 and thereafter. 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.

NOTE 6 - EMPLOYEE RETIREMENT AND BENEFITS (continued)

Changes in the Net Pension Liability:

	Increases (Decreases)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at December 31, 2014	$ 11,587,709	$ 4,848,973	$ 6,738,736
Service cost	81,979	-	81,979
Interest on total pension liability	892,034	-	892,034
Changes in benefits	-	-	-
Difference between expected and actual experience	-	-	-
Changes in assumptions	-	-	-
Employer contributions	-	715,164	(715,164)
Employee contributions	-	-	-
Net investment income	-	(69,679)	69,679
Benefit payments, including employee refunds	(956,535)	(956,535)	-
Administrative expense	-	(10,334)	10,334
Other changes	18,875	-	18,875
Net changes	36,353	(321,384)	357,737
Balances as of December 31, 2015	$ 11,624,062	$ 4,527,589	$ 7,096,473

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability of the Road Commission, calculated using the discount rate of 8.25% , as well as what the Road Commission's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.25%) or 1-percentage-point higher (9.25%) than the current rate:

	1% Decrease (7.25%)	Current Discount Rate (8.25%)	1% Increase (9.25%)
Net pension liability at 12/31/15		$ 7,096,473	
Change in net pension liability at 12/31/15	$ 1,085,821		$ (936,704)

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

NOTE 6 - EMPLOYEE RETIREMENT AND BENEFITS (continued)

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

For the year ended December 31, 2015, the Road Commission recognized pension expense of $714,878. At December 31, 2015, the Road Commission reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ -	$ -
Changes in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	358,023	-
Contributions subsequent to the measurement date *	-	-
Total	$ 358,023	$ -

* 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, 2016.

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

Year Ended December 31:	
2016	$ 89,506
2017	89,506
2018	89,506
2019	89,506

NOTE 7 – OTHER POST-EMPLOYMENT BENEFITS

Plan Description – The Iron County Road Commission Retiree Medical Plan is a single employer plan administered by Iron County Road Commission. The Plan provides post-employment health care benefits and life insurance benefits, in accordance with the provision of Article 49, Section 3, and Article 50, Section 2 of the union agreement for all retirees who were hired by the Road Commission, and retire under the provided Michigan Municipal Employees' Retirement System. The post-employment health care benefit provides that the Road Commission will continue to pay the monthly hospitalization insurance plan premium for the retiree only, without the specific drug and dental program, provided he/she makes application for the Medicare card, prior to the effective date of Medicare coverage. The post-employment life insurance benefit provides that the Road Commission will pay for $8,000 of term life insurance coverage for each retiree hired before September 13, 2011. Currently, 26 retirees are eligible for these post-employment benefits. The Plan does not issue a stand alone financial report.

Funding Policy – As of December 31, 2015, the Road Commission has not established a trust to fund the OPEB obligation. The Road Commission's policy is to finance these benefits on a pay-as-you-go basis. During the year 2015, expenditures of $212,866 were recognized for post-employment health care benefits, and $12,897 for life insurance benefits, for total contributions in the amount of $225,763.

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

	2013	2014	2015
Annual Required Contribution	$ 313,477	$ 318,021	$ 583,126
Amount Contributed			
Payments of Current Premiums	(197,033)	(196,672)	(225,763)
Increase in Net OPEB Obligation	116,444	121,349	357,363
Adjustment for Interest and Amortization	16,092	23,982	26,129
Adjustment to ARC	(25,171)	(34,689)	(92,325)
OPEB Obligation - Beginning of Year	435,230	542,595	653,237
OPEB Obligation - End of Year	$ 542,595	$ 653,237	$ 944,404

NOTE 7 – OTHER POST-EMPLOYMENT BENEFITS (continued)

The Road Commission's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2015 is as follows:

	2013	2014	2015
Annual OPEB Costs	$ 304,398	$ 307,314	$ 516,930
Percentage Contributed	64.7%	64.0%	43.7%
Net OPEB Obligation	$ 542,595	$ 653,237	$ 944,404

Funded Status and Funding Progress – As of January 1, 2015, the actuarial accrued liability for benefits was $4,011,437, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was unavailable, and the ratio of the unfunded actuarial accrued liability to the covered payroll was unavailable.

Valuation Date	Value of Assets	Accrued Liability	Liability (UAL)	Funded Ratio	Covered Payroll	of Covered Payroll
01/01/09	$ -	$ 5,471,703	$ 5,471,703	0%	n/a	n/a
01/01/12	-	4,544,508	4,544,508	0%	n/a	n/a
01/01/15	-	4,011,437	4,011,437	0%	n/a	n/a

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

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

In the January 1, 2015 actuarial valuation, the alternative method under GASB Statement No. 45 was used:

Actuarial Cost Method:	Entry Age Normal (level percent)
Amortization Method:	Level percent, closed
Remaining Amortization Period:	8 years (average future service)
Asset Valuation Method:	Not applicable

NOTE 7 – OTHER POST-EMPLOYMENT BENEFITS (continued)

The actuarial assumptions include a discount rate of 4%, turnover rates ranging from .75% to 5% based on age, retirement rates ranging from 5% to 100% based on age, and medical inflation rates of 8.0% graded down 0.5% per year to an ultimate rate of 5.0% for pre-65 and 5.0% in all years for post-65.

NOTE 8 - FEDERAL GRANTS

The Michigan Department of Transportation (MDOT) requires that all road commissions report all federal and state grants pertaining to their county. During the year ended December 31, 2015, the federal aid received and expended by the Road Commission was $2,216,289 for contracted projects. Contracted projects are defined as projects performed by private contractors paid for and administrated by MDOT (they are included in MDOT's single audit). Local force account projects are projects where the road commissions perform the work and would be subject to single audit requirements if they expended $750,000 or more.

NOTE 9 - STATE EQUIPMENT PURCHASE ADVANCE

State equipment purchase advance is determined by a formula applied to the book value of equipment of the previous fiscal year. This amount is adjusted each fiscal year in accordance with the formula and would be refunded to the State Department of Transportation upon termination of the State Highway Maintenance Contract.

NOTE 10 - LONG-TERM DEBT

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

Changes in Long-Term Debt

	Balance 1/1/15	Additions	Deletions	Balance 13/31/15	Amounts Due Within One Year
Bond Payable:					
MTF Refunding Bonds - 2012	$ 1,730,000	$ -	$ 75,000	$ 1,655,000	$ 80,000
Vested Employee Benefits Payable:					
Vacation Benefits (1)	14,183	6,934		21,117	5,280
Sick Leave Benefits (1)	116,676	16,205	-	132,881	33,220
Other Post Employment Benefits (1)	653,237	291,167	-	944,404	
Total	$ 2,514,096	$ 314,306	$ 75,000	$ 2,753,402	$ 118,500

(1) Shown at net addition/deletion.

NOTE 10 - LONG-TERM DEBT (continued)

Debt service requirements on long-term debt at December 31, 2015 are as follows:

Year Ending December 31	Bonds Payable Principal	Interest	Total
2016	$ 80,000	$ 45,283	$ 125,283
2017	80,000	44,323	124,323
2018	80,000	43,363	123,363
2019	85,000	41,723	126,723
2020	85,000	39,980	124,980
2021-2025	465,000	164,248	629,248
2026-2030	540,000	90,238	630,238
2031-2032	240,000	11,700	251,700
Total	$ 1,655,000	$ 480,858	$ 2,135,858

Bond Payable – Michigan Transportation Fund Refunding Bonds, Series 2012

On April 3, 2012, Michigan Transportation Fund Refunding Bonds, Series 2012 in the amount of $1,880,000 were issued for the purpose of refunding the Michigan Transportation Bonds, Series 2003. Semi-annual payments are due on February 1st and August 1st for a term of 20 years with a variable interest rate between 1.20%-3.25%. February 1st payments consist of interest only and August 1st payments consist of principal and interest. Final payment is due on August 1, 2032.

Operating Leases:

In 2015, the Iron County Board of Road Commissioners entered into four operating leases for equipment. The equipment is two John Deere 770GP Motor Grader Snow Wings and 2 Caterpillar 12M3 Motor Graders. Rent expenses for the operating leases for the year ended December 31, 2015 were $37,780. The future minimum rental commitments for the non-cancelable equipment operating leases as of December 31, 2015 are as follows.

For the Year Ending December 31	
2016	$ 85,798
2017	$ 85,798
2018	$ 85,798
2019	$ 85,798
2020	$ 354,018
Total	$ 697,210

NOTE 11 - COMMITMENTS AND CONTINGENCIES

Grants - The Road Commission has received significant financial assistance from state and federal agencies in the form of various grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreement and are subject to audit by the grantor agency. Any disallowed claims resulting from such audits could become a liability of the applicable fund of the Road Commission. In the opinion of management, any such disallowed claims would not have a material effect on any of the financial statements included herein or on the overall financial position of the Road Commission at December 31, 2015.

Risk Management – The Road Commission is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries, as well as medical benefits provided to employees. The Road Commission has purchased commercial insurance for medical benefits claims and boiler and machinery coverage. They participate in the Michigan County Road Commission Self-Insurance Pool for claims relating to general liability, excess liability, auto liability, trunkline liability, errors and omissions, physical damage (equipment, buildings and contents) and workers compensation.

The county road commissions in the State of Michigan established and created a trust fund, known as the Michigan County Road Commission Self-Insurance Pool (Pool) pursuant to the provisions of Public Act 138 of 1982. The Pool is to provide for joint and cooperative action relative to members' financial and administrative resources for the purpose of providing risk management services along with property and liability protection. Membership is restricted to road commissions and related road commission activities with the State. The Iron County Road Commission became a charter member in 1984.

The Michigan County Road Commission Self-Insurance Pool program operates as a common risk-sharing management program for road commissions in Michigan, member premiums are used to purchase excess insurance coverage and to pay member claims in excess of deductions amounts.

As of December 31, 2015, the Road Commission had no outstanding claims, which exceeded the plan's limits and there has been no significant reduction in insurance coverage over the past three years.

NOTE 12 – CHANGE IN ACCOUNTING PRINCIPLE

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*. Statement No. 68 requires governments providing defined benefit pensions to recognize their unfunded pension benefit obligation as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. This net pension liability that is recorded on the government-wide statements is computed differently than the previous unfunded actuarial accrued liability, using specific parameters set forth by the GASB. The statement also enhances accountability and transparency through revised note disclosures and required supplementary information (RSI). The provisions of this statement are effective for financial statements for the fiscal year ending December 31, 2015.

NOTE 13 – FUTURE CHANGES IN ACCOUNTING PRINCIPLE

In February 2015, the GASB issued GASB Statement No. 72, *Fair Value Measurement and Application.* The requirement of this Statement will enhance comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and acceptable valuation techniques. This Statement also will enhance fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position. GASB Statement No. 72 is required to be adopted for years beginning after June 15, 2015. The County is currently evaluating the impact this standard will have on the financial statements when adopted during the County's 2015-2016 fiscal year.

In August 2015, the GASB issued Statement No. 77, *Tax Abatement Disclosures*. This statement will require governments to disclose in their financial statements information related to tax abatement agreements. The County is currently evaluating the impact this standard will have on the financial statements when adopted during the 2016 fiscal year.

NOTE 14 – PRIOR PERIOD ADJUSTMENT

A prior period adjustment was made in the Governmental Activities and discretely presented component unit related to the implementation of GASB Statement 68 as follows:

Beginning net position as previously reported on December 31, 2014	$ 18,587,231
Prior period adjustment - implementation of GASB 68	
Net pension liability (measurement date)	(6,738,736)
Deferred outflow of resources - pension contributions	-
Net position as restated, January 1, 2014	$ 11,848,495

Required Supplementary Information

IRON COUNTY ROAD COMMISSION

Required Supplementary Information

SCHEDULE OF FUNDING PROGRESS FOR MUNICIPAL EMPLOYEE'S RETIREMENT SYSTEM

For the Year Ended December 31, 2015

	2015
Total pension liability	
Service cost	$ 81,979
Interest	892,034
Difference between expected and actual experience	-
Benefit payments, including refund of member contributions	(956,535)
Other	18,875
Net change in total pension liability	36,353
Total pension liability - beginning	11,587,709
Total pension liability - ending	$ 11,624,062
Plan fiduciary net position	
Contributions - employer	$ 715,164
Contributions - employee	-
Net investment income	(69,679)
Benefit payments, including refunds of member contributions	(956,535)
Administrative expense	(10,334)
Net change in plan fiduciary net position	(321,384)
Plan fiduciary net position - beginning	4,848,973
Plan fiduciary net position - ending	$ 4,527,589
Commission's net pension liability - ending	$ 7,096,473
Plan fiduciary net position as a percentage of the total pension liability	39%
Covered - employee payroll	$ 785,115
Commission's net pension liability as a percentage of covered-employee pay	904%
Annual money-weighted rate of return, net of investment expense	-2%

IRON COUNTY ROAD COMMISSION

Required Supplementary Information

SCHEDULE OF FUNDING PROGRESS FOR MUNICIPAL EMPLOYEE'S RETIREMENT SYSTEM

For the Year Ended December 31, 2015

	2015
Actuarially determined contribution	$ 475,164
Contributions in relation to the actuarially determined contribution	715,164
Contribution deficiency (excess)	$ (240,000)
Covered employee payroll	$ 744,458
Contributions as a percentage of covered employee payroll	96%

Notes to Schedule:

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

Actuarial cost method	Entry age
Amortization method	Option A, Level Dollar Contribution, Closed
Remaining amortization period	24 years
Asset valuation method	10 years smoothed value
Inflation	4.5% in the long term
Salary increases	4.5% in the long term (2 and 3 percent for calendar years 2016 and 2016, respectively
Investment rate of return	8.25%
Retirement age	Age 60. In the 2014 actuarial valuation, expected retirement ages of general employees were adjusted to more closely reflect actual experience.
Mortality	Assumptions were based on the 1994 Group Annuity Mortality Table - Blended 50% Male/ 50% Female.

IRON COUNTY ROAD COMMISSION

Required Supplementary Information

SCHEDULE OF FUNDING PROGRESS FOR OTHER POSTEMPLOYMENT BENEFITS

December 31, 2015

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Entry Age Actuarial Accrued Liability	(b-a) Unfunded Accrued Liability (UAL)	(a/b) Funded Ratio	(c) Annual Covered Payroll	[(b-a) / c] UAL as a Percentage of Covered Payroll
01/01/09	$ -	$ 5,471,703	$ 5,471,703	0%	Not Available	Not Available
01/01/12	-	4,544,508	4,544,508	0%	Not Available	Not Available
01/01/15	-	4,011,437	4,011,437	0%	Not Available	Not Available

IRON COUNTY ROAD COMMISSION

Required Supplementary Information

BUDGETARY COMPARISON SCHEDULE
STATEMENT OF REVENUES - BUDGET AND ACTUAL

For the Year Ended December 31, 2015

	Original Budget	Final Amended Budget	Actual	Variance Favorable (Unfavorable)
Taxes	$ 200,000	$ 200,000	$ 197,673	$ (2,327)
Licenses and Permits:				
Permits	5,000	7,890	7,890	-
Federal Sources:				
Surface Tran. Program (STP)	-	13,358	13,358	-
State Sources:				
Michigan Transportation Fund:				
Engineering	10,000	10,000	10,000	-
Primary Road	1,500,000	1,565,259	1,570,588	5,329
Local Road	650,000	677,968	685,979	8,011
Local Bridge	-	-	-	-
Snow Removal	88,000	88,000	91,648	3,648
Special General Fund Allocation	148,000	276,753	276,753	-
State & Federal Funds:				
Primary Road Non-Motorized	2,111,000	1,922,291	1,294,854	(627,437)
Bates Amasa Bridge	710,600	-	-	-
State Bridge Funds		168,705	170,265	1,560
Primary Road Heavy Maintenance	570,000	481,167	908,078	426,911
Economic Development Fund:				
Forest Road "E" Funds	213,430	213,430	213,419	(11)
IC NRG	-	330,712	330,712	-
State Critical Bridge	-	2,549	2,549	-
Contributions from Local Units:				
Townships and others	599,000	859,179	915,975	56,796
Charges for Services:				
Trunkline Maintenance	1,160,000	1,115,707	1,172,216	56,509
Trunkline Non-Maintenance	70,000	50,845	50,845	-
State Other Overhead	-	3,983	2,403	(1,580)
Handling Charge	-	121	221	100
Salvage & Timber Sales	1,500	4,320	1,266	(3,054)
Interest and Rents	256,300	257,165	7,586	(249,579)
Other Revenue:				
Sundry	-	828	-	(828)
Gain on Disposal of Equipment	-	42,600	42,600	-
Total Operating Revenue	8,292,830	8,292,830	$ 7,966,878	$ (325,952)
Fund Balance - January 1, 2015	3,118,658	3,118,658		
Total Budget	$ 11,411,488	$ 11,411,488		

IRON COUNTY ROAD COMMISSION

Required Supplementary Information

BUDGETARY COMPARISON SCHEDULE
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL

For the Year Ended December 31, 2015

	Original Budget	Final Amended Budget	Actual	Variance Favorable (Unfavorable)
Primary Road				
Preservation and Non-motorized	$ 3,598,600	$ 2,698,600	$ 2,981,298	$ (282,698)
Maintenance	901,330	892,162	892,546	(384)
Structure Maintenance	7,000	7,000	-	7,000
Local Road				
Preservation	599,000	1,039,000	1,084,859	(45,859)
Maintenance	850,000	1,320,000	1,414,742	(94,742)
Structure Maintenance	2,000	2,000	-	2,000
State Trunkline Maintenance	1,160,000	1,160,000	1,132,330	27,670
State Trunkline Non-Maintenance	70,000	70,000	50,845	19,155
Equipment Expense - Net	(325,000)	25,000	149,032	(124,032)
Administrative Expense - Net	114,900	114,900	283,366	(168,466)
Capital Outlay - Net	17,000	(258,832)	(177,746)	(81,086)
Distributive Expense - Net	1,041,000	1,091,000	-	1,091,000
Other	-	-	651	(651)
Debt Service				
Principal	200,000	75,000	75,000	-
Interest	57,000	57,000	50,056	6,944
Total Expenditures	8,292,830	8,292,830	$ 7,936,979	$ 355,851
Fund Balance - January 1, 2015	3,118,658	3,118,658		
Total Budget	$ 11,411,488	$ 11,411,488		

Additional Supplementary Information

IRON COUNTY ROAD COMMISSION

ANALYSIS OF CHANGES IN FUND BALANCES

For the Year Ended December 31, 2015

	Primary Road Fund	Local Road Fund	County Road Commission	Total
Total Revenue	$4,760,975	$1,729,727	$1,476,176	$7,966,878
Total Expenditures	4,083,296	2,677,805	1,175,878	7,936,979
Excess of Revenues Over (Under) Expenditures	677,679	(948,078)	300,298	29,899
Other Financing Sources (Uses):				
Optional Transfers In (Out)	(788,773)	788,773	-	-
Total Other Financing Sources (Uses)	(788,773)	788,773	-	-
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(111,094)	(159,305)	300,298	29,899
Fund Balance - January 1, 2015	2,624,053	63,954	430,650	3,118,657
Interfund Transfer	-	144,000	(144,000)	-
Fund Balance - December 31, 2015	$2,512,959	$ 48,649	$ 586,948	$3,148,556

The Notes to Financial Statements are an integral part of this statement.

IRON COUNTY ROAD COMMISSION

ANALYSIS OF REVENUES

For the Year Ended December 31, 2015

	Primary Road Fund	Local Road Fund	County Road Comission	Total
Taxes	$ -	$ -	$ 197,673	197,673
Licenses and Permits	-	-	7,890	7,890
Federal Sources:				
Surface Tran. Program (STP)	13,358	-	-	13,358
Bridge	908,078	-	-	908,078
Primary Road Non-Motorized	1,294,854	-	-	1,294,854
State Sources:				
Michigan Transportation Fund:				
Engineering	6,960	3,040	-	10,000
Snow Removal	-	91,648	-	91,648
Local Bridge	170,265	-	-	170,265
Winter Maintenance Appropriation	-	-	-	-
General Fund Appropriation	276,753	-	-	276,753
Allocation	1,570,588	685,979		2,256,567
Economic Development Fund:				
Rural Primary	2,549	-	-	2,549
Forest Road	180,486	32,933	-	213,419
Iron County Natural Resource Grant	330,712	-	-	330,712
Contributions from Local Units				
Townships	-	915,975	-	915,975
Other	-	-	-	-
Charges for Services:				
Trunkline Maintenance	-	-	1,172,216	1,172,216
Trunkline Non-Maintenance	-	-	50,845	50,845
Salavage and Timber Sales	-	-	1,266	1,266
State Overhead	-	-	2,403	2,403
Handling Charge	-	-	221	221
Interest and Rents	6,372	152	1,062	7,586
Other Revenue				
Gain on Disposal of Equipment	-	-	42,600	42,600
Total Revenues	$4,760,975	$1,729,727	$1,476,176	$ 7,966,878

The Notes to Financial Statements are an integral part of this statement.

IRON COUNTY ROAD COMMISSION

ANALYSIS OF EXPENDITURES

For the Year Ended December 31, 2015

	Primary Road Fund	Local Road Fund	County Road Comission	Total
Primary Road				
Heavy Maintenance	$2,981,298	$ -	$ -	$ 2,981,298
Maintenance	892,546	-	-	892,546
Local Road				
Heavy Maintenance	-	1,084,859	-	1,084,859
Maintenance	-	1,414,742	-	1,414,742
State Trunkline Maintenance	-	-	1,132,330	1,132,330
State Trunkline Non-Maintenance	-	-	50,845	50,845
Equipment Expense - Net	36,568	67,071	45,393	149,032
Administrative Expense - Net	172,232	111,133	-	283,365
Capital Outlay - Net	-	-	(177,746)	(177,746)
Other	652	-	-	652
Debt Service				
Debt Principal Payments	-	-	75,000	75,000
Interest Expense	-	-	50,056	50,056
Total Expenditures	$4,083,296	$2,677,805	$1,175,878	$ 7,936,979

The Notes to Financial Statements are an integral part of this statement.

ANDERSON, TACKMAN & COMPANY, PLC
Certified Public Accountants
OFFICES IN MICHIGAN AND WISCONSIN

Kristine P. Berhow, CPA, Principal
Alan M. Stotz, CPA, Principal
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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of County Road Commissioners
Iron County Road Commission
800 W. Franklin Street
Iron River, MI 49935

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 and major fund of the Iron County Road Commission (a component unit of Iron County, Michigan) as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Iron County Road Commission's basic financial statements, and have issued our report thereon dated June 15, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Iron County Road Commission'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 Iron County Road Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Iron County Road Commission'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.

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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 Iron County Road Commission'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.

Anderson, Tackman & Company P.L.C.

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

June 15, 2016

ANDERSON, TACKMAN & COMPANY, PLC
Certified Public Accountants
OFFICES IN MICHIGAN AND WISCONSIN

Kristine P. Berhow, CPA, Principal
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REPORT TO MANAGEMENT

Board of County Road Commissioners
Iron County Road Commission
800 W. Franklin Street
Iron River, MI 49935-1047

We have audited the financial statements of the Iron County Road Commission for the year ended December 31, 2015. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards,* as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated March 24, 2016. 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 Iron County Road Commission are described in Note 1 to the financial statements. During the current year, Iron County adopted GASB Statement 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement 27.* Accordingly, the cumulative effect of the accounting change as of the beginning of the year is reported in Note 14 to the financial statements. We noted no transactions entered into by Road Commission 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 governmental activities financial statements were:

> Management's estimate of the useful lives of capital assets, the estimated other post employment benefit (OPEB) obligation and pension liabilities are based on management's knowledge of similar assets and the intended use of those assets and consultation with third party professionals. We evaluated the key factors and assumptions used to develop the useful lives of capital assets, the estimated other post employment benefit (OPEB) obligation and the pension liabilities in determining that it is reasonable in relation to the financial statements taken as a whole.

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

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Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. There were no misstatements found during the audit.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated June 15, 2016.

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 Road Commission'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 Road Commission's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

<u>Other Matters</u>

We applied certain limited procedures to the required supplementary information (RSI) as listed in the table of contents, which are required supplementary information 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 additional supplementary information as listed in the table of contents, 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.

During our audit we became aware of a matter needing to be addressed relating to opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and recommendations as well as managements responses regarding those matters. This letter does not affect our report dated June 15, 2016, on the financial statements of the Iron County Road Commission.

Restriction on Use

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

Very truly yours,

Anderson, Tackman & Company P.L.C.

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

June 15, 2016

Overpayment of Payroll

Comment:

We noted that the finance director wage rate entered into the system and paid out was over the agreed upon wage as documented in the contract by $.03. We noted the wage rate was corrected in the system during December 2015.

Recommendation:

Wage rates should be carefully reviewed by at least two individuals to ensure that all wage rates entered in the payroll system are proper and authorized annually.

Management Response:

Wage rates on new employees will be reviewed for accuracy and verified to the probationary wage scale log at the start of employment and at every step change during the probation by the Finance Director and the Superintendent.