

COUNTY OF IRON, MICHIGAN
BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016

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INDEPENDENT AUDITOR'S REPORT

Members of the Board of Commissioners
County of Iron, Michigan
Crystal Falls, Michigan 49920

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Iron, Michigan, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the County of Iron, Michigan'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 did not audit the financial statements of the Iron County Medical Care Facility, which represents 50 percent, 46 percent, and 70 percent, respectively, of the assets, net position, and revenues of the discretely presented component units. Those financial statements were audited by another auditor whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Iron County Medical Care Facility, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of Iron County Medical Care Facility were not audited in accordance with *Government Auditing Standards*.

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 of Iron, Michigan, as of December 31, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, the schedule of net pension liability and related ratios for the retirement system, the schedule of employer contributions for the retirement system, and the schedule of funding progress for other postemployment benefits 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 and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

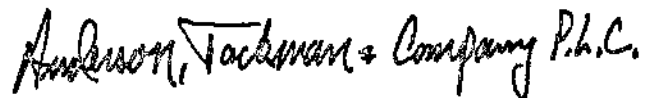
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Iron, Michigan's basic financial statements. The combining nonmajor fund financial statements and continuing disclosure filing are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of the other auditors, the combining nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The continuing disclosure filing has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 15, 2017, on our consideration of the County of Iron, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County of Iron, Michigan's internal control over financial reporting and compliance.



ANDERSON, TACKMAN & COMPANY, PLC
Certified Public Accountants
Escanaba, Michigan

June 15, 2017

MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED)

Our discussion and analysis of Iron County's financial performance provides an overview of the County's financial activities for the year ended December 31, 2016. Please read it in conjunction with the County's financial statements, which begin on page 12.

FINANCIAL HIGHLIGHTS

- Net position for the County was reported at \$2,955,072 for 2016 and was \$2,261,549 for 2015, resulting in an increase of \$693,523. For 2016, net position for our business-type activities was \$3,210,299 while net position (deficit) in our governmental activities was (\$255,227).
- The County's expenses for 2016 totaled \$8,403,824, revenues totaled \$9,097,347 resulting in an increase in net position in the amount of \$693,523.
- In the County's business type activities, total revenues were \$420,789, or 4.4% of total revenue, expenses totaled \$190,618, or 2.2% of total expenses, and net transfers were (\$40,000). This provides excess expense over revenue of \$32,546.
- The General Fund reported a decrease in fund balance of \$67,873 in 2016 and an increase of \$47,341 in 2015, representing a change in fund balance of -2.9% and +2.1%, respectively. This was after revenues of \$5,560,852 compared to expenditures of \$5,628,725 in 2016, and revenues of \$6,205,321 compared to expenditures of \$6,157,980 in 2015.

USING THIS REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and Statement of Activities (on pages 12, 13 and 14) provide information about the activities of the County as a whole and present a longer term view of the County's finances. Fund financial statements start on page 15. For governmental funds, these statements tell how services were financed in the short term as well as what remains for future spending. Fund financial statements also report the County's operations in more detail than the government-wide financial statements by providing information about the County's most significant funds. The remaining statement provides financial information about activities for which the County acts solely as a trustee or agent for the benefit of those outside of government.

Reporting the County as a Whole

Statement of Net Position and the Statement of Activities

Our analysis of the County as a whole begins on page 6. One of the most important questions asked about the County's finances; "Is the County as a whole better off or in worse condition as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the County as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the County's net position and changes in them. You can think of the County's net position - the difference between assets and liabilities- as one way to measure the County's financial health, or *financial position*. Over time, *increases or decreases* in the County's net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the County's property tax base to assess the *overall financial health* of the County.

In the Statement of Net Position and the Statement of Activities, we divide the County into two categories of activities:

- Governmental activities - Most of the County's basic services are reported here including public safety, judicial system, health and welfare, parks and recreation and general administration. Property taxes, state and federal grant funds, and charges for services make up the majority of revenue for these activities.
- Business-type activities - The County charges a fee to customers to help it cover all or most of the costs of certain services it provides. The Construction Code and the collection of delinquent property taxes primarily make up these activities.

The County also presents three legally separate component units; County Road Commission, District Health Department and Medical Care Facility, which are reported separately from the financial information of the County. A separate financial statement is available for the component units at their administrative offices.

Reporting the County's Most Significant Funds

Fund Financial Statements

Our analysis of the County's Major Funds begins on page 8. The fund financial statements begin on page 15 and provide detailed information on the most significant funds - not the County as a whole. Some funds are required to be established by State law, and by bond covenants. However, the County Board of Commissioners establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal requirements for certain taxes, grants, and other money. The County's two kinds of funds - governmental and proprietary - use different accounting methods.

- *Governmental funds* - Most of the County's services are reported in governmental funds which focus on how money flows into and out of those funds and the balances that are left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can be readily converted into cash. The governmental fund statements provide a detailed short-term view of the County's general government operations and the basic services it provides. Governmental fund information helps you to determine whether there are more or fewer financial resources that can be spent in the near future to finance County's program. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and Statement of Activities) and governmental funds in a reconciliation which follows the fund financial statements.
- *Proprietary funds* - When the County charges customers for the services it provides - whether to outside customers or to other units of the County - these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the County's enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements, but provide more detail and additional information, such as cash flows, for proprietary funds.

The County as a Trustee

The County is the trustee, or *fiduciary*, for tax receipts and other collections, which are collected for other agencies and held for a periodic payment to those agencies. The County's fiduciary activities are reported in a separate Statement of Fiduciary Net Position on page 24. We exclude these funds from the County's other financial statements because the County cannot use these assets to finance its operations. The County is responsible for ensuring that the assets reported in these funds are used for their intended purpose.

The County as a Whole

The County's combined net position increased by \$693,523.

Table 1
Net Position

	Governmental Activities		Business-Type Activities	
	2016	2015	2016	2015
Assets:				
Current and other assets	\$ 6,260,891	\$ 6,126,701	\$ 3,304,946	\$ 3,122,569
Capital assets (net)	4,371,621	4,443,693	12,637	12,624
Total Assets	<u>10,632,512</u>	<u>10,570,394</u>	<u>3,317,583</u>	<u>3,135,193</u>
Deferred outflows of resources	\$ 587,038	\$ 418,671	\$ -	\$ -
Liabilities:				
Long-term debt outstanding	\$ 5,822,000	\$ 6,428,000	\$ -	\$ -
Other liabilities	3,577,879	3,261,042	107,284	115,065
Total Liabilities	<u>9,399,879</u>	<u>9,689,042</u>	<u>107,284</u>	<u>115,065</u>
Deferred Inflows of Resources:				
Unavailable revenue	32,210	39,798	-	-
Taxes levied for a subsequent period	2,042,688	2,018,804	-	-
Total Deferred Inflows	<u>2,074,898</u>	<u>2,058,602</u>	<u>-</u>	<u>-</u>
Net Position:				
Net investment in capital assets	2,442,912	2,327,504	12,637	12,624
Restricted position:				
Expendable	763,993	664,840	-	-
Unrestricted	<u>(3,462,132)</u>	<u>(3,750,923)</u>	<u>3,197,662</u>	<u>3,007,504</u>
Total Net position	<u>\$ (255,227)</u>	<u>\$ (758,579)</u>	<u>\$ 3,210,299</u>	<u>\$ 3,020,128</u>

Net Position of the County's governmental activities stood at a deficit of (\$255,227). Unrestricted net position (deficit), the part of net position that could be used to finance the day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements stood at (\$3,462,132).

Net Position in our business-type activities stood at \$3,210,299. Unrestricted net position for our business-type activities was \$3,197,662.

Table 2
Changes in Net Position

	Governmental Activities		Business-Type Activities	
	2016	2015	2016	2015
Revenues:				
Program Revenues:				
Charges for services	\$ 1,407,264	\$ 1,451,024	\$ 413,335	\$ 399,477
Operating grants	1,100,194	1,362,178	-	-
Capital grants	-	-	-	-
General Revenues:				
Property taxes	5,262,109	4,985,857	-	-
Unrestricted investment earnings	6,844	6,970	7,454	4,926
Other	900,147	949,621	-	-
Total Revenues	<u>8,676,558</u>	<u>8,755,650</u>	<u>420,789</u>	<u>404,403</u>
Program Expenses:				
Legislative	171,124	276,300	-	-
Judicial system	1,019,067	975,586	-	-
General government	2,239,932	2,202,027	-	-
Public safety	2,634,005	2,643,215	-	-
Health and welfare	717,708	619,393	-	-
Culture and recreation	610,854	575,104	-	-
Highway and transportation	9,798	9,971	-	-
Community development	11,520	20	-	-
Other	576,491	508,008	-	-
Interest on long-term debt	222,707	240,863	-	-
Delinquent tax revolving	-	-	86,633	80,787
Building inspection	-	-	103,985	101,600
Total Expenses	<u>8,213,206</u>	<u>8,050,487</u>	<u>190,618</u>	<u>182,387</u>
Excess (deficiency) before transfers and contributions	463,352	705,163	230,171	222,016
Transfers	<u>40,000</u>	<u>158,271</u>	<u>(40,000)</u>	<u>(458,271)</u>
Increase (decrease) in net position	<u>503,352</u>	<u>863,434</u>	<u>190,171</u>	<u>(236,255)</u>
Net position-beginning of year as previously stated	(758,579)	568,953	3,020,128	3,256,383
Prior period adjustment	<u>-</u>	<u>(2,190,966)</u>	<u>-</u>	<u>-</u>
Net position (deficit) - beginning of year - as restated	<u>(758,579)</u>	<u>(1,622,013)</u>	<u>3,020,128</u>	<u>3,256,383</u>
Net position-ending	<u>\$ (255,227)</u>	<u>\$ (758,579)</u>	<u>\$ 3,210,299</u>	<u>\$ 3,020,128</u>

Governmental Activities

Revenues for the County's governmental activities totaled \$8,676,558, while expenses were \$8,213,206. The excess of revenue over expenses was \$463,352 before transfers.

Table three below reflects the cost of each of the County's five largest activities; General government, public safety, judicial system, cultural and recreation, and health and welfare, - as well as each program's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that each function placed on the taxpayers.

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2016	2015	2016	2015
General government	\$ 2,239,932	\$ 2,202,027	\$ 1,776,139	\$ 1,530,211
Public safety	2,634,005	2,643,215	1,707,588	1,602,608
Judicial system	1,019,067	975,586	433,189	368,339
Health and welfare	717,708	619,393	623,057	528,079
Cultural and recreation	610,854	575,104	265,812	257,107
Totals	<u>\$ 7,221,566</u>	<u>\$ 7,015,325</u>	<u>\$ 4,805,785</u>	<u>\$ 4,286,344</u>

Business-Type Activities

The County's business-type activities net position totaled \$3,210,299, with an increase in net position in the current year of \$190,171.

THE COUNTY'S FUNDS

The focus of the governmental funds of the County is to provide information on near-term inflows, outflows and balances in spendable resources. The fund information is useful to determine short-term financing requirements and can be used to measure the County's net resources available for spending at the end of the fiscal year.

For the current fiscal year the County's governmental funds reported total fund balance of \$3,781,561, which \$2,019,074 was unassigned. The General Fund's fund balance amounted to \$2,277,046. The General Fund had a decrease in fund balance of \$67,873, representing a decrease of 2.9% over the prior year fund balance. The previous year (2015) had an increase in fund balance of \$47,431, representing an increase of 2.0% over the previous year (2014) fund balance. Actual revenue exceeded expenditures by \$115,598 before net transfers of (\$183,471) resulting in the decrease in fund balance of \$67,873.

The Maintenance of Effort – Medicare Fund had a fund balance of \$353,396 which is all restricted.

The Youth Camp Fund has a total fund balance of \$107,615 with \$4,112 shown as nonspendable for inventory and prepaid items and \$103,503 as assigned fund balance.

The 2012 Refunding Bond Debt Service Fund has restricted fund balance of \$63,572.

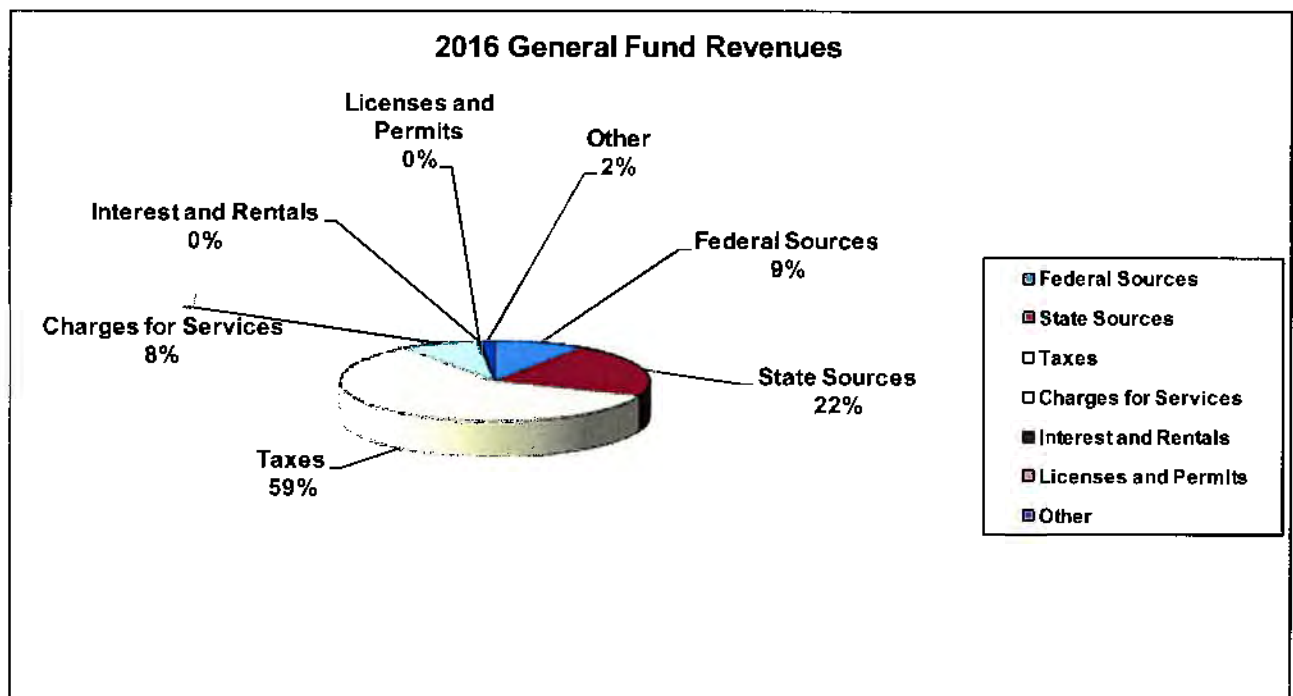
General Fund Budgetary Highlights

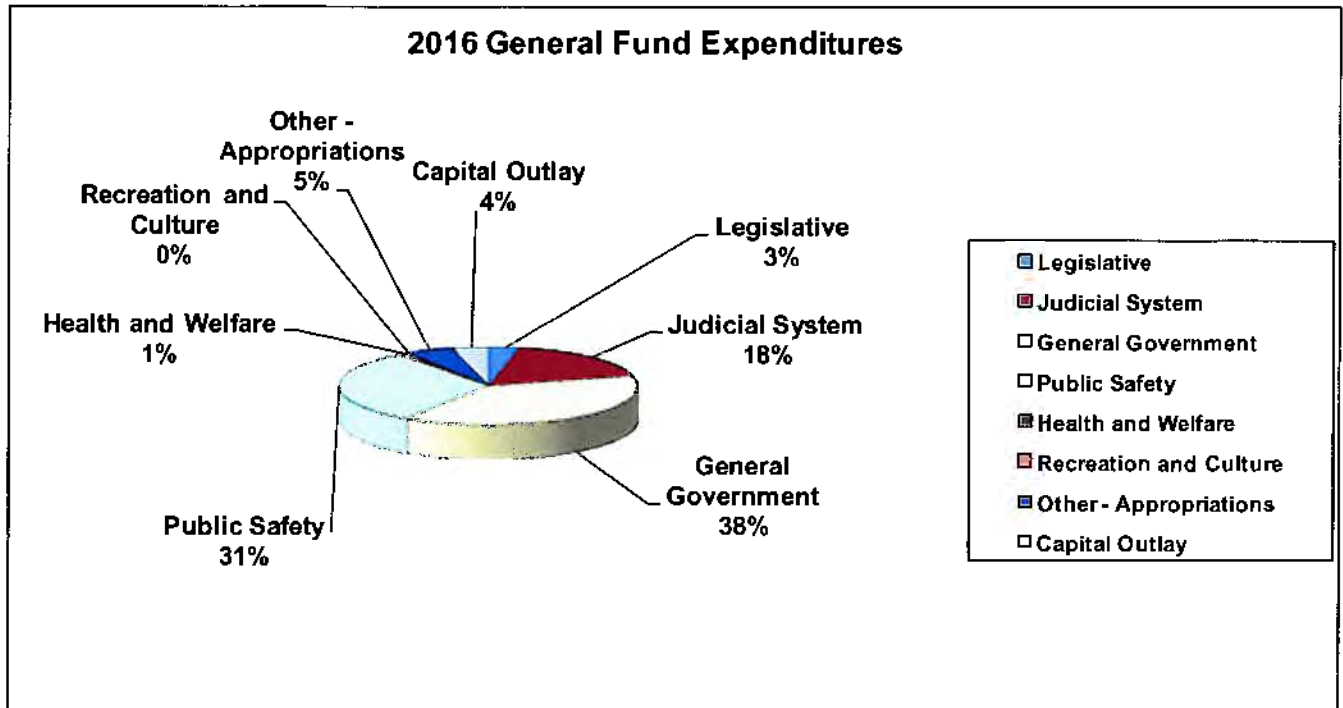
Over the course of the year, the budget was amended to recognize unbudgeted revenue and authorize required expenditures. The budgeted revenues, including transfers in, net change from the original budget to the final amended budget amounted to \$5,358 representing a decrease of about 0.10%. In contrast, the 2015 net change was \$1,113,850 representing an increase of 20.8%.

Actual revenue, including transfers in, was \$5,560,852 as compared with final amended budgeted revenue of \$5,476,318, resulted in a variance of \$84,534 or 1.5%.

The final amended budgeted expenditures, including transfers out, decreased by \$5,359 over the original budget, representing a decrease of 0.10%. In contrast, the 2015 final amended budget expenditures increased by \$1,093,040 over the original budget representing an increase of 20.2%.

Actual expenditures and other financial uses amounted to \$5,628,725 compared with final amended budgeted expenditures of \$5,476,317, resulting in a negative variance of \$152,408 or -2.8%.





CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2015, the County had \$4,384,258 net of accumulated depreciation, invested in a variety of capital assets including land, buildings, vehicles, equipment and infrastructure. (See table 4 below).

Table 4
Capital Assets at Year-End
(Net of accumulated depreciation)

	Governmental Activities		Business-Type Activities	
	2016	2015	2016	2015
Land	\$ 189,118	\$ 189,118	\$ -	\$ -
Buildings	3,225,043	3,350,818	-	-
Vehicles	616,105	89,542	12,637	12,624
Equipment	102,308	677,560	-	-
Infrastructure	239,047	136,655	-	-
Totals	\$ 4,371,621	\$ 4,443,693	\$ 12,637	\$ 12,624

Debt

At year-end the County had \$5,822,000 in bonds and loans outstanding.

**Table 5
Outstanding Debt at Year-End**

	Governmental Activities		Business-Type Activities	
	2015	2015	2016	2015
General Obligation Unlimited Bonds:				
Refunding Bonds - 2012	\$ 5,535,000	\$ 6,130,000	\$ -	\$ -
General Obligation Limited Bonds:				
County Courthouse Complex - 2003	287,000	298,000	-	-
Totals	<u>\$ 5,822,000</u>	<u>\$ 6,428,000</u>	<u>\$ -</u>	<u>\$ -</u>

The State of Michigan limits the amount of general obligation debt that local units of government can issue to 10% of the current equalized valuation, including TIF valuations. The County's outstanding general obligation debt of \$5,822,000 is well below statutory limits. There is no outstanding debt for business-type activities at year-end.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The County Board of Commissioners and county management have considered many factors when it adopted and amends the 2017 fiscal year budget, and tax rates and fees that will be charged for services.

Throughout the 2017 budget process, management has considered the cash flow problems passed onto the local government by the State of Michigan, however in 2016 the County received \$271,434 in revenue sharing from the State and anticipates receiving approximately \$273,300 in fiscal year 2017. Faced with national increases in property foreclosures, the County has chosen to continue to increase the balance available in the delinquent tax revolving funds to permit timely advance distribution to the County's Cities and Townships, despite the continued increase in delinquent taxes. Iron County expects to experience comparable taxable value for the upcoming fiscal year. The County expects similar economic conditions and funding levels compared to 2016.

These factors were taken into account when establishing and amending the 2017 budget.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, tax payers and customers, as well as investors and creditors with a general overview of the County's finances and to show the County's accountability for the revenues it receives. If you have questions about this report or need additional information, contact the County Administrator at the Iron County Courthouse, 2 South Sixth Street, Suite 7, Crystal Falls, Michigan 49920-1413.

COUNTY OF IRON, MICHIGAN
STATEMENT OF NET POSITION
December 31, 2016

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents			
Unrestricted	\$ 3,503,196	\$ 2,597,924	\$ 6,101,120
Receivables:			
State of Michigan	244,877	-	244,877
Accounts	53,324	-	53,324
Notes	32,210	-	32,210
Current/delinquent property taxes	2,302,011	-	2,302,011
Assets limited to use	-	-	-
Other assets	-	-	-
Inventory	4,107	-	4,107
Prepaid items	121,166	-	121,166
Total current assets	<u>6,260,891</u>	<u>2,597,924</u>	<u>8,858,815</u>
Noncurrent assets:			
Investments/assets limited to use	-	-	-
Delinquent taxes	-	620,655	620,655
Accrued interest on taxes	-	86,367	86,367
Capital assets, net of accumulated depreciation	4,371,621	12,637	4,384,258
Other assets	-	-	-
Total noncurrent assets	<u>4,371,621</u>	<u>719,659</u>	<u>5,091,280</u>
Total assets	<u>10,632,512</u>	<u>3,317,583</u>	<u>13,950,095</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflow - pension plan	587,038	-	587,038
Deferred loss on refunding	-	-	-
Total deferred outflows of resources	<u>587,038</u>	<u>-</u>	<u>587,038</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
	<u>\$ 11,219,550</u>	<u>\$ 3,317,583</u>	<u>\$ 14,537,133</u>
LIABILITIES			
Current liabilities:			
Accounts payable	260,287	3,044	263,331
Accrued payroll	144,145	779	144,924
Accrued interest	21,982	-	21,982
Other liabilities	-	103,461	103,461
Long-term liabilities due within one year:			
Compensated absences	39,351	-	39,351
Bonds/loans payable	627,000	-	627,000
Total current liabilities	<u>1,092,765</u>	<u>107,284</u>	<u>1,200,049</u>
Long-term liabilities:			
Compensated absences	118,054	-	118,054
Post employment benefit obligation	-	-	-
Net pension liability	2,994,060	-	2,994,060
Bonds/loans payable	5,195,000	-	5,195,000
Total long-term liabilities	<u>8,307,114</u>	<u>-</u>	<u>8,307,114</u>
Total liabilities	<u>9,399,879</u>	<u>107,284</u>	<u>9,507,163</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources:			
Unavailable revenue	32,210	-	32,210
Taxes levied for a subsequent period	2,042,688	-	2,042,688
Total deferred inflows of resources	<u>2,074,898</u>	<u>-</u>	<u>2,074,898</u>
NET POSITION			
Net investment in capital assets	2,442,912	12,637	2,455,549
Restricted for expendable:			
Special revenue	699,498	-	699,498
Debt service	64,495	-	64,495
Unrestricted	(3,462,132)	3,197,662	(264,470)
Total net position (deficit)	<u>(255,227)</u>	<u>3,210,299</u>	<u>2,955,072</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION (DEFICIT)			
	<u>\$ 11,219,550</u>	<u>\$ 3,317,583</u>	<u>\$ 14,537,133</u>

See accompanying notes to the financial statements

Component Units		
Road Commission	District Health	Medical Care Facility
\$ 2,101,269	\$ 502,951	\$ 2,901,176
650,399	696,798	-
20,465	111,532	1,779,332
-	-	-
-	-	599,742
-	-	129,425
544,878	-	-
17,958	-	-
<u>3,334,969</u>	<u>1,311,281</u>	<u>5,409,675</u>
-	-	435,404
-	-	-
-	-	-
22,503,806	287,919	21,547,270
<u>22,503,806</u>	<u>287,919</u>	<u>21,982,674</u>
<u>25,838,775</u>	<u>1,599,200</u>	<u>27,392,349</u>
531,751	469,837	4,458,878
10,390	-	-
<u>542,141</u>	<u>469,837</u>	<u>4,458,878</u>
<u>\$ 26,380,916</u>	<u>\$ 2,069,037</u>	<u>\$ 31,851,227</u>
256,666	58,778	492,326
34,023	89,868	901,919
18,468	-	85,758
423,458	361	253,292
44,609	48,724	1,457,640
163,087	-	340,418
<u>940,311</u>	<u>197,731</u>	<u>3,531,353</u>
133,828	146,172	-
1,269,577	-	1,283,624
7,577,992	3,568,726	9,465,539
1,609,188	-	6,302,518
<u>10,590,585</u>	<u>3,714,898</u>	<u>17,051,681</u>
<u>11,530,896</u>	<u>3,912,629</u>	<u>20,583,034</u>
-	-	-
-	-	-
-	-	-
20,731,531	287,919	14,904,334
-	-	-
-	-	903,257
<u>(5,881,511)</u>	<u>(2,131,511)</u>	<u>(4,539,398)</u>
<u>14,850,020</u>	<u>(1,843,592)</u>	<u>11,268,193</u>
<u>\$ 26,380,916</u>	<u>\$ 2,069,037</u>	<u>\$ 31,851,227</u>

See accompanying notes to the financial statements

COUNTY OF IRON, MICHIGAN
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2016

Functions/Programs	Program Revenue				Net (Expense) Revenue and Changes in Net Position			
	Expenses	Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units
					Governmental Activities	Business-type Activities	Total	
Primary government:								
Governmental activities:								
Legislative	\$ 171,124	\$ -	\$ -	\$ -	\$ (171,124)	\$ -	\$ (171,124)	\$ -
Judicial system	1,019,067	166,064	419,814	-	(433,189)	-	(433,189)	-
General government	2,239,932	179,879	283,914	-	(1,776,139)	-	(1,776,139)	-
Public safety	2,634,005	632,339	294,078	-	(1,707,588)	-	(1,707,588)	-
Health & welfare	717,708	13,311	81,340	-	(623,057)	-	(623,057)	-
Cultural and recreation	610,854	342,138	2,904	-	(265,812)	-	(265,812)	-
Highway & transportation	9,798	-	6,402	-	(3,396)	-	(3,396)	-
Community development	11,520	51,069	9,914	-	49,463	-	49,463	-
Other	576,491	22,464	1,828	-	(552,199)	-	(552,199)	-
Interest on long-term debt	222,707	-	-	-	(222,707)	-	(222,707)	-
Total governmental activities	<u>8,213,206</u>	<u>1,407,264</u>	<u>1,100,194</u>	<u>-</u>	<u>(5,705,748)</u>	<u>-</u>	<u>(5,705,748)</u>	<u>-</u>
Business-type activities:								
Delinquent tax revolving/tax collections	86,633	299,158	-	-	-	212,525	212,525	-
Building inspection	103,985	114,177	-	-	-	10,192	10,192	-
Total business-type activities	<u>190,618</u>	<u>413,335</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>222,717</u>	<u>222,717</u>	<u>-</u>
Total primary government	<u>\$ 8,403,824</u>	<u>\$ 1,820,599</u>	<u>\$ 1,100,194</u>	<u>\$ -</u>	<u>\$ (5,705,748)</u>	<u>\$ 222,717</u>	<u>\$ (5,483,031)</u>	<u>\$ -</u>
Component units:								
Road Commission	6,266,160	1,455,983	2,237,684	2,610,336	-	-	-	37,843
District Health Department	3,178,254	1,621,970	693,218	-	-	-	-	(863,066)
Medical Care Facility	23,691,853	22,546,860	-	-	-	-	-	(1,144,993)
Total component units	<u>\$ 33,136,267</u>	<u>\$ 25,624,813</u>	<u>\$ 2,930,902</u>	<u>\$ 2,610,336</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,970,216)</u>
General revenues:								
Property taxes, levied for general purpose					4,435,193	-	4,435,193	816,679
Property taxes, levied for debt service					826,916	-	826,916	-
State revenue sharing					271,434	-	271,434	-
Unrestricted grants and contributions					576,285	-	576,285	-
Unrestricted investment earnings					6,844	7,454	14,298	33,268
Contributions from other county funds					-	-	-	300,000
Miscellaneous					52,428	-	52,428	-
Transfers					40,000	(40,000)	-	-
Total general revenues, special items, and transfers					<u>6,209,100</u>	<u>(32,546)</u>	<u>6,176,554</u>	<u>1,149,947</u>
Change in net position					503,352	190,171	693,523	(820,269)
Net position, beginning of year					(758,579)	3,020,128	2,261,549	25,094,890
Net position (deficit), ending					<u>\$ (255,227)</u>	<u>\$ 3,210,299</u>	<u>\$ 2,955,072</u>	<u>\$ 24,274,621</u>

See accompanying notes to the financial statements

COUNTY OF IRON, MICHIGAN
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2016

	<u>General Fund</u>	<u>Maintenance of Effort - Medicare</u>	<u>Youth Camp</u>	<u>2012 Refunding Bond Debt Service</u>
ASSETS				
Cash and equivalents:				
Unrestricted	\$ 2,033,843	\$ 414,674	\$ 106,292	\$ 63,572
Receivables:				
State of Michigan	131,133	-	-	-
Accounts	21,042	-	-	-
Notes	-	-	-	-
Current property taxes	259,323	738,321	246,107	826,919
Inventory	-	-	4,107	-
Prepaid items	111,753	-	5	-
	<u>\$ 2,557,094</u>	<u>\$ 1,152,995</u>	<u>\$ 356,511</u>	<u>\$ 890,491</u>
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES				
Liabilities:				
Accounts payable	\$ 166,808	\$ 61,278	\$ -	\$ -
Accrued payroll and related liabilities	113,240	-	2,789	-
	<u>280,048</u>	<u>61,278</u>	<u>2,789</u>	<u>-</u>
Deferred inflows of resources:				
Unavailable revenue	-	-	-	-
Taxes levied for a subsequent period	-	738,321	246,107	826,919
	<u>-</u>	<u>738,321</u>	<u>246,107</u>	<u>826,919</u>
FUND BALANCES				
Nonspendable:				
Inventory	-	-	4,107	-
Prepaid items	111,753	-	5	-
Restricted	-	353,396	-	63,572
Assigned - compensated absences	146,219	-	-	-
- purpose of fund	-	-	103,503	-
Unassigned	2,019,074	-	-	-
	<u>2,277,046</u>	<u>353,396</u>	<u>107,615</u>	<u>63,572</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 2,557,094</u>	<u>\$ 1,152,995</u>	<u>\$ 356,511</u>	<u>\$ 890,491</u>

See accompanying notes to financial statements

Nonmajor Governmental Funds	Total Governmental Funds
\$ 884,815	\$ 3,503,196
113,744	244,877
32,282	53,324
32,210	32,210
231,341	2,302,011
-	4,107
9,408	121,166
<u>\$ 1,303,800</u>	<u>\$ 6,260,891</u>
\$ 32,201	\$ 260,287
28,116	144,145
<u>60,317</u>	<u>404,432</u>
32,210	32,210
231,341	2,042,688
<u>263,551</u>	<u>2,074,898</u>
-	4,107
9,408	121,166
347,025	763,993
-	146,219
623,499	727,002
-	2,019,074
<u>979,932</u>	<u>3,781,561</u>
<u>\$ 1,303,800</u>	<u>\$ 6,260,891</u>

See accompanying notes to financial statements

COUNTY OF IRON, MICHIGAN
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE
TO NET POSITION OF GOVERNMENTAL ACTIVITIES
December 31, 2016

Total fund balances for governmental funds \$ 3,781,561

Total net position reported for governmental activities in the statement of net position is different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:

Capital assets	9,950,719	
Accumulated depreciation	(5,579,098)	
Total capital assets	4,371,621	4,371,621

Deferred outflow of resources related to recording of net pension liability. 587,038

Long-term liabilities applicable to the County's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities, both current and long-term, are reported in the statement of net position.

Accrued interest on long-term debt	(21,982)	
Net pension liability	(2,994,060)	
Bonds/loans payable	(5,822,000)	
Compensated absences	(157,405)	
	(8,995,447)	(8,995,447)

Total net position (deficit) of governmental activities \$ (255,227)

See accompanying notes to financial statements

COUNTY OF IRON, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2016

	General Fund	Maintenance of Effort - Medicare	Youth Camp	2012 Refunding Bond Debt Service
REVENUES:				
Taxes	\$ 3,207,277	\$ 747,107	\$ 248,706	\$ 826,916
Licenses and permits	8,176	-	-	-
Federal sources	511,440	-	1,139	-
State sources	1,166,069	1,258	429	-
Charges for services	440,879	-	204,102	-
Interest and rentals	6,844	2,044	536	122
Other	81,002	-	385	1,380
Total revenues	<u>5,421,687</u>	<u>750,409</u>	<u>455,297</u>	<u>828,418</u>
EXPENDITURES:				
Legislative	171,124	-	-	-
Judicial system	937,027	-	-	-
General government	2,031,895	-	-	-
Public safety	1,626,037	-	-	-
Highway and transportation	-	-	-	-
Cultural and recreation	932	-	437,120	-
Health and welfare	58,088	399,286	-	-
Community development	-	-	-	-
Capital outlay	211,257	-	28,989	-
Debt service:				
Principal	-	-	-	595,000
Interest	-	-	-	211,725
Other	269,729	300,000	-	200
Total expenditures	<u>5,306,089</u>	<u>699,286</u>	<u>466,109</u>	<u>806,925</u>
Excess revenues (expenditures)	<u>115,598</u>	<u>51,123</u>	<u>(10,812)</u>	<u>21,493</u>
OTHER FINANCING SOURCES (USES):				
Transfer in	139,165	-	-	-
Transfer out	(322,636)	-	-	-
Total other financing sources (uses)	<u>(183,471)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	(67,873)	51,123	(10,812)	21,493
Fund balances - beginning of the year	<u>2,344,919</u>	<u>302,273</u>	<u>118,427</u>	<u>42,079</u>
Fund balances - end of year	<u>\$ 2,277,046</u>	<u>\$ 353,396</u>	<u>\$ 107,615</u>	<u>\$ 63,572</u>

See accompanying notes to financial statements

Nonmajor Governmental Funds	Total Governmental Funds
\$ 232,103	\$ 5,262,109
-	8,176
-	512,579
247,468	1,415,224
636,316	1,281,297
7,950	17,496
125,484	208,251
<u>1,249,321</u>	<u>8,705,132</u>
-	171,124
15,849	952,876
29,822	2,061,717
862,194	2,488,231
9,798	9,798
142,349	580,401
260,334	717,708
11,520	11,520
29,331	269,577
11,000	606,000
12,665	224,390
6,562	576,491
<u>1,391,424</u>	<u>8,669,833</u>
<u>(142,103)</u>	<u>35,299</u>
322,636	461,801
<u>(99,165)</u>	<u>(421,801)</u>
<u>223,471</u>	<u>40,000</u>
81,368	75,299
<u>898,564</u>	<u>3,706,262</u>
<u>\$ 979,932</u>	<u>\$ 3,781,561</u>

See accompanying notes to financial statements

IRON COUNTY, MICHIGAN
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2016

Net changes in fund balances - total governmental funds \$ 75,299

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is capitalized and the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense (\$313,075) is more than capital outlays (\$269,577). (43,498)

Loss on disposal of capital assets. (28,575)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 606,000

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

Compensated absences	\$	11,216	
Pension expense		(118,773)	
Accrued interest on bonds		<u>1,683</u>	<u>(105,874)</u>
Changes in net position of governmental activities			<u>\$ 503,352</u>

See accompanying notes to financial statements

COUNTY OF IRON, MICHIGAN
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2016

	Tax Revolving	Construction Code	Total Enterprise Funds
ASSETS			
Current assets:			
Cash and cash equivalents:			
Unrestricted	\$ 2,379,839	\$ 218,085	\$ 2,597,924
Total current assets	2,379,839	218,085	2,597,924
Noncurrent assets:			
Receivables:			
Delinquent taxes	620,655	-	620,655
Accrued interest on taxes	86,367	-	86,367
Capital assets, net of accumulated depreciation	6,325	6,312	12,637
Total noncurrent assets	713,347	6,312	719,659
Total assets	\$ 3,093,186	\$ 224,397	\$ 3,317,583
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 2,936	\$ 108	\$ 3,044
Accrued payroll	-	779	779
Due to other governmental units	103,461	-	103,461
Total liabilities	106,397	887	107,284
NET POSITION			
Net investment in capital assets	6,325	6,312	12,637
Unrestricted	2,980,464	217,198	3,197,662
Total net position	2,986,789	223,510	3,210,299
TOTAL LIABILITIES AND NET POSITION	\$ 3,093,186	\$ 224,397	\$ 3,317,583

See accompanying notes to financial statements

COUNTY OF IRON, MICHIGAN
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the Year Ended December 31, 2016

	Tax Revolving	Construction Code	Total Enterprise Funds
OPERATING REVENUES:			
License and permits	\$ -	\$ 112,677	\$ 112,677
Charges for services	144,159	-	144,159
Penalties and interest on taxes	148,318	-	148,318
Other	6,681	1,500	8,181
Total operating revenue	<u>299,158</u>	<u>114,177</u>	<u>413,335</u>
OPERATING EXPENSES:			
Salaries and fringes	-	22,342	22,342
Depreciation expense	452	6,312	6,764
Other	86,181	75,331	161,512
Total operating expenses	<u>86,633</u>	<u>103,985</u>	<u>190,618</u>
Operating income (loss)	<u>212,525</u>	<u>10,192</u>	<u>222,717</u>
NONOPERATING REVENUES (EXPENSES):			
Interest on investments	7,454	-	7,454
Total nonoperating revenues (expenses)	<u>7,454</u>	<u>-</u>	<u>7,454</u>
Income (loss) before transfers and contributions	219,979	10,192	230,171
Transfer out	<u>(40,000)</u>	<u>-</u>	<u>(40,000)</u>
Change in net position	179,979	10,192	190,171
Total net position - beginning	<u>2,806,810</u>	<u>213,318</u>	<u>3,020,128</u>
Total net position - ending	<u>\$ 2,986,789</u>	<u>\$ 223,510</u>	<u>\$ 3,210,299</u>

See accompanying notes to financial statements

COUNTY OF IRON, MICHIGAN
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended December 31, 2016

	Tax Revolving	Construction Code	Total Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 303,137	\$ 112,677	\$ 415,814
Cash received for collection of taxes	1,496,772	-	1,496,772
Other receipts	-	1,500	1,500
Payments for wages and related benefits	-	(22,245)	(22,245)
Cash payments for taxes	(1,445,646)	-	(1,445,646)
Other payments	(93,413)	(75,977)	(169,390)
Net cash provided (used) by operating activities	<u>260,850</u>	<u>15,955</u>	<u>\$ 276,805</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Operating transfer in	-	-	-
Operating transfer out	(40,000)	-	(40,000)
Net cash provided (used) by noncapital financing activities	<u>(40,000)</u>	<u>-</u>	<u>(40,000)</u>
CASH FLOWS FROM CAPITAL ACTIVITIES			
Proceeds/(payments) for capital assets	(6,777)	-	(6,777)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest earnings	7,455	-	7,455
Net increase (decrease) in cash and equivalents	221,528	15,955	237,483
Cash and equivalents, beginning of year	2,158,311	202,130	2,360,441
Cash and equivalents, end of year	<u>\$ 2,379,839</u>	<u>\$ 218,085</u>	<u>\$ 2,597,924</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	\$ 212,525	\$ 10,192	\$ 222,717
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	452	6,312	6,764
Changes in assets and liabilities:			
(Increase) decrease in receivables	55,105	-	55,105
Increase (decrease) in accounts payable	30	(646)	(616)
Increase (decrease) in other liabilities	(7,262)	97	(7,165)
Total adjustments	<u>48,325</u>	<u>5,763</u>	<u>54,088</u>
Net cash provided by operating activities	<u>\$ 260,850</u>	<u>\$ 15,955</u>	<u>\$ 276,805</u>

See accompanying notes to financial statements

COUNTY OF IRON, MICHIGAN
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
December 31, 2016

	Private Purpose Trust		Youth Camp Scholarship Fund	Agency Funds
ASSETS				
Cash and cash equivalents:				
Unrestricted	\$	-		\$ 386,927
Restricted		7,807		-
Receivables:				
Due from other governmental units		-		-
Due from external parties		-		-
Total assets	\$	7,807		\$ 386,927
LIABILITIES				
Due to external parties	\$	-		\$ 2,637
Undistributed taxes		-		224,170
Other liabilities		-		160,120
Total liabilities	\$	-		\$ 386,927
NET POSITION				
Reserved for scholarships	\$	7,807		
Total net position	\$	7,807		

See accompanying notes to financial statements

COUNTY OF IRON, MICHIGAN
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
December 31, 2016

	Private Purpose Trust
	Youth Camp Scholarship Fund
ADDITIONS:	
Interest on investments	\$ -
DEDUCTIONS:	
Scholarships awarded	-
Change in net position	-
Net position, beginning of year	7,807
Net position, end of year	\$ 7,807

See accompanying notes to financial statements

COUNTY OF IRON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Background – The County of Iron was organized under the Michigan Constitution. The County is operated under a Commission form of government and provides services in the following functional areas: legislative, courts, public records, public roads, management, building operation and expense, human services, resource management and development, law enforcement, and health services.

The financial statements of the County have been prepared in conformity with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The financial statements have been prepared in accordance with GASB Statement 34, *Basic Financial Statements and management's Discussion and Analysis*.

Reporting Entity - For financial reporting purposes, in conformance with GASB Statement 14, as amended, Iron County (the primary government) includes all funds, account groups, agencies, boards, commissions, other component units, and authorities that are controlled by or dependent on the County's legislative branch, the County Commission. Control by or dependence is determined on the basis of budget adoption, taxing authority, outstanding debt secured by revenues or general obligations of the County, obligation of the County to finance any deficits that may occur, or receipt of significant subsidies from the County. In addition, State of Michigan - Department of Treasury pronouncements were considered in the determination process. The component units discussed below are included in the County's reporting entity because of the significance of their operational or financial relationships with the County.

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

Blended Component Units - The County has one component unit for which the financial data has been blended with the primary government financial statements.

Economic Development Corporation – The Economic Development Corporation was incorporated as a non-profit corporation under the provisions of Act No. 338 of the Public Acts of 1974, as amended, for the purpose of preventing conditions of unemployment and to assist commercial enterprise in order to strengthen and revitalize the economy of Iron County. The Economic Development Corporation Board of Directors is appointed by the Iron County Board of Commissioners. Complete financial statements of the Economic Development Corporation can be obtained directly from their administrative office when available.

Economic Development Corporation
2 South Sixth, Suite 8
Crystal Falls, Michigan 49920

COUNTY OF IRON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Discretely presented component unit - The component unit columns in the combined financial statements include the financial data of the Iron County Road Commission, Dickinson-Iron District Health Department, and the Iron County Medical Care Facility. The component units are reported in a separate column to emphasize that they are legally separate from the County.

Iron County Road Commission – A five-member board governs the Road Commission, which are elected. The Road Commission may not issue debt or levy property taxes without the County's approval. The Road Commission follows the requirements of the Uniform Budgeting and Accounting Act, Michigan Public Act 621 of 1978 in the preparation and execution of its' annual general appropriations act. Complete financial statements at the Road Commission can be obtained directly from their administration office.

Iron County Road Commission
800 Franklin Street
Iron River, Michigan 49935

Dickinson-Iron District Health Department – The members of the governing board of the Dickinson-Iron District Health are jointly appointed by the Iron County Board of Commissioners and the Dickinson County Board of Commissioners. The Health Department's operations and capital budgets are approved by the County Commissioners. Complete financial statements of the Health Department can be obtained directly from their administrative office.

Dickinson-Iron District Health
601 Washington, P.O. Box 516
Stambaugh, Michigan 49964

Iron County Medical Care Facility – The Facility is a 200-bed, long-term medical care unit owned and operated by Iron County. The facility also operates a 25-bed assisted living unit. It is governed by the Iron County Department of Human Services Board. This Board consists of three members, two of whom are appointed by the Iron County Board of Commissioners, and one appointed by the Michigan Governor. Further, the Iron County Board of Commissioners approves the budget for the Facility. Complete financial statements of the Facility can be obtained directly from their administrative office.

Iron County Medical Care Facility
1523 W. US 2
Crystal Falls, Michigan 49920

COUNTY OF IRON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Jointly Governed Organization – Iron County entered into an inter-local agreement with Dickinson and Menominee Counties on October 26, 1994 for the purpose of establishing an Authority to govern community mental health programs. The Northpointe Behavioral Healthcare Systems Authority was established pursuant to the Michigan Constitution of 1963, Article 7, Section 28, the Mental Health Code, 1974 PA 258, as amended, and the Urban Cooperation Act, 1967 PA 7 and is governed by a twelve member board. The board is made up of five members each from Menominee and Dickinson Counties and two members from Iron County. The County does not have an ongoing financial interest or an ongoing financial responsibility in Northpointe but did make an appropriation in the amount of \$44,113. Complete financial statements for Northpointe can be obtained from their administrative office.

Northpointe Behavioral Healthcare Systems Authority
715 Pyle Drive
Kingsford, Michigan 49801

Based on the foregoing criteria, the following organizations are not included in the financial report of the County of Iron:

Iron County Housing Corporation – The Housing Commission provides housing for the poor and the elderly with the use of federal (HUD) grants.

Iron County Chamber of Commerce – The Chamber of Commerce provides informational and economical development for tourism and business.

Iron County Community Hospitals, Inc. – The Community Hospitals, Inc. is a not-for-profit health system, which provides acute care and long-term care to the residents of Iron County, Michigan.

Accounting Policies - The accounting policies of the County of Iron conform to accounting principles generally accepted in the United States of America as applicable to state and local governments. The following is a summary of the more significant policies:

Fund Accounting – The accounts of the County are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

COUNTY OF IRON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Government-wide and fund financial statements – The government-wide financial statements include a Statement of Net Position and a Statement of Activities which report the information on all non-fiduciary activities of the primary government and its component units. Most of the effects of interfund activity have been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenue, are reported separately from business-type activities, which rely primarily on user fees and charges for service. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identified with a specific function or segment. Program revenues include 1) charges for services to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a specific function or segment and 2) operating grants and contributions that are restricted to meeting the operating or capital requirements of a particular function or segment and 3) other revenues that are by definition related to the cost of providing a specific function or segment. Taxes and other items not specific to particular functions or segments are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds and major 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 use the economic resources measurement focus and full accrual basis of accounting which also include the proprietary and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenue in the year in which they are levied. The County levies all of its operating millage on July 1st, these amounts are recognized as revenue when collected as well as the amount the County expects to receive as part of the tax settlement which is usually within 180 days of the end of the County's fiscal year end. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the grantor 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 collectable within the current period or soon thereafter to be used to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within sixty 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 the payment is due.

COUNTY OF IRON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property taxes, licenses, interest revenue and charges for services are considered susceptible to accrual and have been recognized as revenues in the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the County.

The County reports the following as major governmental funds:

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

Maintenance of Effort – Medicare Fund – The Maintenance of Effort - Medicare Fund was established to account for the maintenance of effort activities of the Medical Care Facility.

Youth Camp Fund – The Youth Camp Fund was established to account for the activities of operating a county summer youth camp.

2012 Refunding Bond Debt Service Fund – The 2012 Refunding Bond Debt Service Fund was established to account for the refinancing of the 2002 Medical Care Facility Bond and the 2003 Courthouse Bond.

The County reports the following as major proprietary funds:

Tax Revolving Fund – This fund accounts for the purchase and subsequent collection of delinquent real property taxes from the various taxing units throughout the county.

Additionally, the County reports the following fund types:

Governmental Funds:

Special revenue funds – Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt or capital projects.

Debt service funds – Debt service funds are used to account for and report the financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

Capital projects funds – Capital project funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

COUNTY OF IRON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Proprietary Funds:

Enterprise funds – Enterprise funds may be used to, “report any activity for which a fee is charged to external users for goods and services.” GASB Statement 34 states that enterprise funds must be used to account for an activity if any of the following three criteria is satisfied:

- The activity is financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity.
- Laws or regulations require that the activity’s costs of providing services, including capital costs (such as depreciation or capital debt service), be recovered with fees and charges, rather than with taxes or similar revenues.
- The pricing policies of the activity establishes fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).

Fiduciary Funds:

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

Private-Purpose Trust Funds – Private-Purpose trust funds are used to account for the receipt and expenditures of assets held under a trust agreement. The Private-Purpose Trust fund maintained by the County is the Youth Camp Scholarship Fund.

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

Proprietary funds distinguish operating revenues and expenses from nonoperating 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 Tax Revolving enterprise funds are charges to customers for interest and fees collected on delinquent property taxes. Operating expenses for enterprise funds include the cost of services and administrative expenses.

All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the County’s policy to use restricted resources first, then unrestricted resources as they are needed.

COUNTY OF IRON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Budgets and Budgetary Accounting - The County utilizes the following procedures in establishing the budgetary data reflected in the financial statements:

- a. In mid-year a proposed operating budget for the fiscal year commencing the following January 1st is submitted to the County Board of Commissioners. The operating budget includes proposed expenditures and the means of financing them.
- b. Numerous opportunities exist for public comment during the budget process including at least one formal public hearing conducted at the Courthouse to obtain taxpayer comment.
- c. Pursuant to statute, prior to commencement of a year, the budget for the ensuing year is legally enacted through adoption by the County Board of Commissioners.
- d. The general statute governing County budgetary activity is the Uniform Budgeting and Accounting Act.
- e. The County of Iron adopts its annual budget on a line item basis. The budget structure consists of levels of detail as follows:

Resources (revenues)
General appropriations and functional groups
Departmental appropriations

At each level of detail, governmental operations are summarized into revenue or expenditure account groups. Budgetary control exists at the level adopted by the Board of Commissioners. Accounting, i. e. classification control, resides at the line item detail level.

- f. Budgets are adopted on a basis consistent with the accounting principles followed in the recording of transactions. Budgeted amounts reflected in the financial statements are as originally adopted and subsequently amended by the County Board of Commissioners.
- g. Budgets of certain funds reflect utilization of a portion of beginning fund balance. Only the appropriated beginning fund balance amount is reflected in the budgets under the caption "Fund balance, beginning of year."
- h. Budgets have been amended during 2016. All budget amendments are presented to the Finance Committee. In November, the Board of Commissioners approved the final amendments to the annual budget.

Cash Equivalents - For the purpose of the statement of cash flows, the County considers all highly liquid investments with maturities of less than three months as cash equivalents.

Investments – Investments are carried at market with all dividends being reinvested.

COUNTY OF IRON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 County has not recorded an allowance for uncollectible accounts, as the County does not anticipate that amount to be material.

Interfund Receivables and Payables - During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" and "due to other funds" on the balance sheet.

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 one item that qualifies for reporting in this category, which is the deferred loss on refunding. 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 County 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 governmental funds balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The County has property taxes and EDC loans that qualify for reporting in this category. The Road Commission has other state grants related to Public Act 252 that qualify for reporting in this category.

Inventory - Inventory is priced at cost as determined on the first-in, first-out method for the Youth Camp special revenue fund. Inventory of the Iron County Road Commission is valued at cost as determined by the average cost method

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.

Current Property Taxes Receivable – The County General Fund property tax is levied on each July 1st and other County approved millage are levied on December 1st on the taxable valuation of the property located in the County as of the preceding March 31st and December 31st, respectively.

The extra voted millage of the County's 2016 ad valorem taxes are levied and collectible on December 1, 2015. It is the County policy to recognize revenues from the current tax levy in the subsequent fiscal year when the proceeds from this levy are budgeted and made available for the financing of the extra voted millage purposes. The County also levies all of its operating millage on July 1st, these amounts are recognized as revenue when collected as well as the amount the County expects to receive as part of the tax settlement which is usually within 180 days of the end of the County's fiscal year end.

COUNTY OF IRON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The December 1, 2016 tax levy for all of the County's extra voted millage will be recorded as taxes receivable and deferred inflows of resources are anticipated to raise the following tax revenue for fiscal year 2017: Youth Camp \$246,107; MCF Operations \$738,321; Senior Citizens \$132,898; Health Department \$206,730; County Road Commission \$246,107; 2012 Refunded Bond Retirement \$826,919; and 911 Equipment \$98,443.

The 2015 taxable valuation of Iron County amounted to \$488,814,517 on which ad valorem taxes of .5000 mills were levied for Youth Camp; 1.500 mills for MCF Operations; .2700 mills for Senior Citizens Fund, .4200 mills for Health Department; .5000 mills for County Road Commission; 1.66 mills for 2012 Refunding Bond Debt; and .2000 for 911 Equipment. The County also levied 6.4300 mills as part of the July 1st levy, which had a 2016 taxable valuation of \$490,103,209.

For fiscal year 2016, the December 2015 tax levy raised approximately \$243,000 for Youth Camp; \$730,000 for MCF Operations; \$131,000 for Senior Citizens; \$204,000 for Health Department; \$243,000 for County Road Commission; \$807,000 for 2012 Refunding Bond Debt and \$97,000 for 911 Equipment.

Capital Assets – Capital assets which include property, buildings, equipment and infrastructure assets are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the County as assets with an initial individual cost of more than \$5,000 and an estimated useful life of more than one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend its life are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the County, as well as its component units, are depreciated using the straight-line method over the following estimated useful lives, except for road equipment for the Road Commission which uses the sum-of-the-year's-digits, are computed:

	<u>Years</u>
Buildings	20 - 50
Equipment	3 - 20
Vehicles	3 - 5
Infrastructure - Roads	8 - 30
Infrastructure - Bridges	12 - 50

COUNTY OF IRON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Compensated Absences – Compensated absences (unpaid vacation and sick leave) for governmental fund and similar component unit employees are recorded as expenditures in the year paid. County employees are granted vacation and sick leave in varying amounts based upon employment classification and length of service. Upon termination, employees are paid for accumulated vacation and sick time, based upon current rate of pay, subject to certain limitations. It is the County’s policy to liquidate any unpaid vacation or sick leave at year-end from future resources rather than currently available expendable resources. Accordingly, the entire unpaid liability for compensated absences for the governmental funds and similar component units are accrued in the government-wide financial statements and the proprietary financial statements.

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

Fund Equity – Equity Classifications for Government-wide and Fund Financial Statements are as follows:

Government-wide Financial Statements – Equity is classified as net position and displayed in three components:

- a. Net investment in capital assets – This component consists of capital assets net of accumulated depreciation and reduced by the outstanding balance of any bonds, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
- b. Restricted net position – This component consists of net position with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position – All other net position that do not meet the definition of “restricted” or “net investment in capital assets.”

Fund Financial Statements – The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the County is bound to honor constraints on the specific purpose for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The County has classified prepaid items and inventories as being nonspendable as these items are not expected to be converted to cash or are not expected to be converted to cash within the next year.

COUNTY OF IRON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- **Restricted:** This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of the other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
- **Committed:** This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the County Board of Commissioners. These amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.
- **Assigned:** This classification includes amounts that are constrained by the County's intent to be used for a specific purpose but are neither restricted nor committed and are generally imposed by the County Board of Commissioners. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund. The County has various assigned fund balances that are specifically identified on the face of the financial statements.
- **Unassigned:** This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts.

For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first (when appropriate), followed in order by committed fund balance, assigned fund balance and lastly, unassigned fund balance.

The Board desires to maintain a General Fund unrestricted fund balance equal to two months operating expenditures.

Budget Stabilization Funds – With the implementation of GASB 54, budget stabilization funds are required to be reported within the General Fund, and beginning and ending fund balances are reflected within the fund balances of the General Fund as of year-end. As of December 31, 2016, budget stabilization funds in the amount of \$378,326 are categorized as unassigned fund balance in the General Fund for the purpose of future budget shortfalls and emergencies and can only be used if authorized by a 2/3 vote of the members serving on the County Board.

Other Financing Sources (Uses) - The transfers of cash between the various County funds are budgeted but reported separately from revenues and expenditures as operating transfers in or (out), unless they represent temporary advances that are to be repaid, in which case, they are carried as assets and liabilities of the advancing and borrowing funds, respectively.

COUNTY OF IRON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of Estimates - The preparation of financial statements in conformity with 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE B - BUDGET NON-COMPLIANCE

Budget Violations - Public Act 621 of 1978, as amended, requires the adoption of a balanced budget for the General Fund and Special Revenue Funds, as well as budget amendments as needed to prevent actual expenditures from exceeding those provided for in the budget.

During the year ended December 31, 2016 expenditures were incurred in excess of amounts appropriated in the amended budgets for the following funds:

	<u>Total</u>		
	<u>Appropriations</u>	<u>Expenditures</u>	<u>Budget Variance</u>
General Fund			
Judicial System	\$ 926,250	\$ 937,027	\$ (10,777)
Health and Welfare	33,090	58,088	(24,998)
Other Appropriations	168,893	269,729	(100,836)
Family Counseling	1,000	2,000	(1,000)
Senior Citizens	133,962	134,639	(677)
Soldiers Relief	1,100	1,267	(167)
Plat Book	4,000	8,877	(4,877)

COUNTY OF IRON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE C – CASH & EQUIVALENTS AND INVESTMENTS

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

	<u>Primary Government</u>	
	<u>Carrying</u>	<u>Bank</u>
	<u>Amount</u>	<u>Balance</u>
Cash and equivalents:		
Imprest cash	\$ 1,750	
Deposits:		
Insured (FDIC)	1,111,250	\$ 1,109,415
Uninsured	5,382,854	5,718,058
Total cash	<u>\$ 6,495,854</u>	<u>\$ 6,827,473</u>
Government-Wide Statement of Net Position Presentation:		
Cash and equivalents:		
Unrestricted	\$ 6,101,120	
Statement of Fiduciary Net Position		
Cash and equivalents:		
Restricted	7,807	
Unrestricted	386,927	
Total cash and equivalents	<u>\$ 6,495,854</u>	
Component Units:		
Cash and equivalents:		
Road Commission	\$ 2,101,269	
District Health Department	502,951	
Medical Care Facility	2,901,176	
Total cash and equivalents	<u>\$ 5,505,396</u>	
Assets limited as to use:		
Medical Care Facility	<u>\$ 1,035,146</u>	

Michigan statutes authorize the County 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 that public funds may not be deposited in financial institutions located in states other than Michigan.

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

COUNTY OF IRON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE C – CASH & EQUIVALENTS AND INVESTMENTS (continued)

Credit Risk. State laws 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, 2016, the County did not hold any commercial paper. The County has no policy regarding credit risk.

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure the County's deposits may not be returned. At December 31, 2016, the County held \$6,827,473 in checking and savings accounts. Of this amount, \$5,718,058 was uninsured and uncollateralized. Although such deposits exceed federally insured limits, they are in the opinion of management, subject to minimal risk. The County has no policy regarding custodial credit risk.

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

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

All deposits for the County are in accordance with statutory authority.

NOTE D – INTERFUND RECEIVABLES AND PAYABLES

There were no individual interfund receivable and payable balances at December 31, 2016.

COUNTY OF IRON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE E – CAPITAL ASSETS

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

	Balance at 01/01/16	Additions	Disposals	Balance at 12/31/16
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 189,118	\$ -	\$ -	\$ 189,118
Capital assets being depreciated:				
Buildings	7,656,735	50,889	30,000	7,677,624
Equipment	1,274,263	44,899	-	1,319,162
Vehicles	417,105	58,974	109,083	366,996
Infrastructure	283,004	114,815	-	397,819
Total depreciable assets	<u>9,631,107</u>	<u>269,577</u>	<u>139,083</u>	<u>9,761,601</u>
Total capital assets	<u>9,820,225</u>	<u>269,577</u>	<u>139,083</u>	<u>9,950,719</u>
Less accumulated depreciation:				
Buildings	4,305,917	160,727	14,063	4,452,581
Equipment	596,712	106,345	-	703,057
Vehicles	327,563	33,580	96,455	264,688
Infrastructure	146,349	12,423	-	158,772
Total accumulated depreciation	<u>5,376,541</u>	<u>313,075</u>	<u>110,518</u>	<u>5,579,098</u>
Net capital assets being depreciated	<u>4,254,566</u>	<u>(43,498)</u>	<u>-</u>	<u>4,182,503</u>
Governmental activities capital assets, net	<u>\$ 4,443,684</u>	<u>\$ (43,498)</u>	<u>\$ 28,565</u>	<u>\$ 4,371,621</u>
Business-type activities:				
Capital assets being depreciated:				
Equipment	\$ -	\$ 6,777	\$ -	\$ 6,777
Vehicles	31,559	-	-	31,559
Total depreciable assets	<u>31,559</u>	<u>6,777</u>	<u>-</u>	<u>38,336</u>
Less accumulated depreciation:				
Equipment	-	452	-	452
Vehicles	18,935	6,312	-	25,247
Total accumulated depreciation	<u>18,935</u>	<u>6,764</u>	<u>-</u>	<u>25,699</u>
Business-type activities capital assets, net	<u>\$ 12,624</u>	<u>\$ 13</u>	<u>\$ -</u>	<u>\$ 12,637</u>

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

Governmental activities:		Business-type activities:	
Judicial system	\$ 46,000	Building inspection	\$ 6,312
General government	120,872	Tax revolving/collections	452
Public safety	118,125	Total business-type activities	
Culture and recreation	28,078	depreciation expense	<u>\$ 6,764</u>
Total governmental activities			
depreciation expense	<u>\$ 313,075</u>		

COUNTY OF IRON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE F - ROAD COMMISSION CAPITAL ASSETS

A summary of capital assets as of December 31, 2016 for the Road Commission:

	Balance at 01/01/16	Additions	Disposals	Balance at 12/31/16
Capital assets not being depreciated:				
Land and Improvements	\$ 26,568	\$ -	\$ -	\$ 26,568
Construction in progress	115,139	38,933	82,721	71,351
Subtotal	<u>141,707</u>	<u>38,933</u>	<u>82,721</u>	<u>97,919</u>
Capital assets being depreciated:				
Buildings and Improvements	3,337,348	2,000	-	3,339,348
Road equipment	4,248,824	558,241	2,254	4,804,811
Shop equipment	92,057	2,525	-	94,582
Engineers' equipment	25,958	-	-	25,958
Office equipment	68,445	-	-	68,445
Infrastructure - Roads	21,187,202	2,669,373	-	23,856,575
Infrastructure - Bridges	3,632,330	52,646	-	3,684,976
Total depreciable capital assets	<u>32,592,164</u>	<u>3,284,785</u>	<u>2,254</u>	<u>35,874,695</u>
Less accumulated depreciation:				
Buildings	1,331,845	107,349	-	1,439,194
Road equipment	3,925,531	239,992	2,254	4,163,269
Shop equipment	84,873	1,314	-	86,187
Engineers' equipment	24,928	445	-	25,373
Office equipment	64,493	1,336	-	65,829
Infrastructure - Roads	6,166,760	1,075,928	-	7,242,688
Infrastructure - Bridges	372,568	73,700	-	446,268
Total accumulated depreciation	<u>11,970,998</u>	<u>1,500,064</u>	<u>2,254</u>	<u>13,468,808</u>
Net capital assets being depreciated	<u>20,621,166</u>	<u>1,402,142</u>	<u>82,721</u>	<u>22,405,887</u>
Capital assets, net	<u>\$20,762,873</u>	<u>\$1,823,654</u>	<u>\$ 82,721</u>	<u>\$22,503,806</u>

The Road Commission has elected to prospectively report infrastructure assets, rather than retroactively report on infrastructure, as permitted by GASB Statement 34.

COUNTY OF IRON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE G – DISTRICT HEALTH CAPITAL ASSETS

A summary of capital assets as of December 31, 2016 for the Dickinson-Iron District Health Department:

	Beginning Balances 1/1/2016	Additions	Deductions	Ending Balances 12/31/2016
Capital assets:				
Equipment	\$ 405,208	\$ 40,594	\$ 28,380	\$ 417,422
Less: Accumulated depreciation	(143,084)	(14,799)	(28,380)	(129,503)
Capital assets, net	<u>\$ 262,124</u>	<u>\$ 25,795</u>	<u>\$ -</u>	<u>\$ 287,919</u>

NOTE H – MEDICAL CARE FACILITY CAPITAL ASSETS

A summary of capital assets as of December 31, 2016 for the Iron County Medical Care Facility:

	1/1/16	Additions	Disposals	12/31/16	Depreciable Life - Years
Land and land improvements	\$ 883,205	\$ 25,559	\$ -	\$ 908,764	10 - 25
Building	26,215,859	124,798	-	26,340,657	10 - 40
Fixed equipment	3,623,037	28,715	-	3,651,752	4 - 20
Moveable equipment	2,174,668	130,970	-	2,305,638	4 - 20
Total capital assets	<u>32,896,769</u>	<u>310,042</u>	<u>-</u>	<u>33,206,811</u>	
Less accumulated depreciation:					
Land and land improvements	185,679	63,035	-	248,714	
Building	8,235,854	778,823	-	9,014,677	
Fixed equipment	728,027	195,835	-	923,862	
Moveable equipment	1,320,704	151,584	-	1,472,288	
Total accumulated depreciation	<u>10,470,264</u>	<u>1,189,277</u>	<u>-</u>	<u>11,659,541</u>	
Net carrying amount	<u>\$22,426,505</u>	<u>\$ (879,235)</u>	<u>\$ -</u>	<u>\$ 21,547,270</u>	

COUNTY OF IRON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE I – LONG-TERM DEBT

The following is a summary of changes in long-term debt for the year ended December 31, 2016:

Type of Debt	Balance 01/01/16	Additions	Deductions	Balance 12/31/2016	Amounts Due Within One Year
Governmental activities:					
General Obligation Unlimited Tax Bonds:					
Refunding Bonds - 2012	\$ 6,130,000	\$ -	\$ 595,000	\$ 5,535,000	\$ 615,000
General Obligation Limited Tax Bonds:					
County Courthouse Complex - 2003	298,000	-	11,000	287,000	12,000
Compensated absences*	168,621	-	11,216	157,405	39,351
Total governmental activities long-term debt	<u>\$ 6,596,621</u>	<u>\$ -</u>	<u>\$ 617,216</u>	<u>\$ 5,979,405</u>	<u>\$ 666,351</u>

* Shown as net addition/deduction

Debt service requirements on long-term debt at December 31, 2016 are as follows:

For the Year Ending December 31,	<u>Governmental Activities</u>	
	<u>Bonds/Loan Payable</u>	
	<u>Principal</u>	<u>Interest</u>
2017	\$ 627,000	\$ 205,773
2018	647,000	183,338
2019	673,000	158,490
2020	698,000	132,600
2021	729,000	104,047
2022-2026	1,294,000	277,110
2027-2031	793,000	143,174
2032-2033	361,000	14,881
Total	<u>\$ 5,822,000</u>	<u>\$ 1,219,413</u>

Governmental Activities:

County Courthouse Complex Limited Tax Bonds, Series 2003

County Courthouse Complex Limited Tax Bonds, Series 2003 consist of general obligation limited tax bonds issued in the amount of \$400,000 for the purpose of paying part of the costs to acquire, construct and equip renovations and improvements to the County Courthouse Complex.

COUNTY OF IRON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE I – LONG-TERM DEBT (continued)

These bonds bear an interest rate of 4.25%, with interest payable on February 1, 2004 and semi-annually thereafter, provided that the principal payments required to the registered owner shall not exceed the total of the principal installments of this bond drawn by the County. Principal payments are required to be made August 1, 2004, and annually thereafter until August 1, 2033.

Refunding Bonds, Series 2012

2012 Refunding Bonds consist of general obligation unlimited tax refunding bonds issued in the amount of \$7,845,000 for the purpose of refunding the Medical Care Facility Bonds, Series 2002, maturing in the years 2003 through 2022 and the County Courthouse Complex Tax Bonds, Series 2003, maturing in the years 2004 through 2033. Bond principal and interest requirements will be met by an ad valorem tax levy.

Compensated Absences:

Substantially all County employees are entitled to certain vacation and sick pay benefits that accrue and vest under various parameters, dependent upon which labor contract the employee is subject to or upon which department or fund the employee is within. Compensated absences in the amount of \$157,405 are reported under the governmental activities in the Statement of Net Position. For governmental activities, compensated absences are liquidated by the fund the employee's regular payroll is charged to, and any claims or judgments are typically liquidated by the General Fund.

NOTE J - ROAD COMMISSION LONG-TERM DEBT

Bond Payable:

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.

Installment Payable:

On November 10, 2016, the Road Commission obtained an installment loan for a tandem axle truck in the amount of \$224,495. Quarterly payments are due February 10th, May 10th, August 10th and November 10th for a term of 3 years with a variable interest rate 3.4725%. Final payment is due on November 11, 2018.

COUNTY OF IRON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE J - ROAD COMMISSION LONG-TERM DEBT (Continued)

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, 2016 were \$85,798. The future minimum rental commitments for the non-cancelable equipment operating leases as of December 31, 2016 are as follows.

For the Year Ending December 31	
2017	\$ 85,798
2018	\$ 85,798
2019	\$ 85,798
2020	<u>\$ 354,018</u>
Total	<u>\$ 611,412</u>

Compensated Absences:

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.

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 their accumulated sick leave at the employee's prevailing rate of pay up to a maximum of ninety (90) days. In the event their 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%). The total sick and vacation leave amount of \$178,437 is recorded in the statement of net position as a liability.

COUNTY OF IRON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE J - ROAD COMMISSION LONG-TERM DEBT (Continued)

Other Postemployment Benefits:

Road Commission has estimated the cost of providing retiree healthcare benefits through an actuarial valuation date of January 1, 2015. The Net OPEB Obligation was \$1,269,577 as of December 31, 2016. See Note P for more information.

The general long-term debt of the Road Commission may be summarized as follows:

Type of Debt	Balance 1/1/2016	Additions	Deductions	Balance 12/31/2016	Amounts Due Within One Year
Bonds payable:					
MTF Refunding Bonds-2012	\$ 1,655,000	\$ -	\$ 80,000	\$ 1,575,000	\$ 80,000
Installment payable:					
2016 Tandem Axle Truck	-	224,495	27,220	197,275	83,087
Vested Employee Benefits Payable:					
Vacation Benefits*	21,117	2,261	-	23,378	5,845
Sick Leave Benefits*	132,881	22,178	-	155,059	38,765
Other Postemployment Benefits	944,404	325,173	-	1,269,577	-
Total long-term debt	\$ 2,753,402	\$ 574,107	\$ 107,220	\$ 3,220,289	\$ 207,696

* Shown as net addition/deduction

Debt service requirements on long-term debt at December 31, 2016 are as follows:

For the Year Ending December 31	County Road Commission					
	Bonds Payable			Installment Payable		
	Principal	Interest	Total	Principal	Interest	Total
2017	\$ 80,000	\$ 44,323	\$ 124,323	\$ 83,087	\$ 4,421	\$ 87,508
2018	80,000	43,363	123,363	114,188	2,489	116,677
2019	85,000	41,723	126,723	-	-	-
2020	85,000	39,980	124,980	-	-	-
2021	85,000	38,238	123,238	-	-	-
2022-2026	480,000	150,238	630,238	-	-	-
2027-2030	560,000	73,750	633,750	-	-	-
2032	120,000	3,900	123,900	-	-	-
Total	\$ 1,575,000	\$ 435,515	\$ 2,010,515	\$ 197,275	\$ 6,910	\$ 204,185

COUNTY OF IRON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE K – MEDICAL CARE FACILITY LONG-TERM DEBT

On July 12, 2012, the Facility refinanced its existing debt for the assisted-living project into a construction bond held by the Iron County Building Authority. The maximum draw on the note is \$7,900,000, which was fully drawn. The maturity schedule was set, as the final draw available was made in 2014. The bonds have a yield of 3.1% and mature on August 1, 2022. Principal and interest are due semiannually on February 1 and August 1.

Medical Care Facility has estimated the cost of providing retiree healthcare benefits through an actuarial valuation as of December 31, 2014 and December 31, 2012, respectively. The Net OPEB Obligation was \$1,283,624 as of December 31, 2016. See Note P for more information.

Long-term debt activity for the year ended December 31, 2016 was as follows:

	<u>1/1/2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>12/31/2016</u>	<u>Due Within One Year</u>
Series 2012 Bonds Payable	\$ 6,972,223	\$ -	\$ 329,287	\$ 6,642,936	\$ 340,418

Debt service requirements on long-term debt at December 31, 2016 are as follows:

<u>For the Year Ending December 31</u>	<u>Medical Care Facility Notes Payable</u>	
	<u>Principal</u>	<u>Interest</u>
2017	\$ 340,418	\$ 203,346
2018	350,139	192,739
2019	361,078	181,801
2020	371,899	170,980
2021	383,976	158,902
2022	4,835,426	146,907
Total	<u>\$ 6,642,936</u>	<u>\$ 1,054,675</u>

COUNTY OF IRON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE L - OPERATING TRANSFERS IN AND OUT

Transfers between governmental and proprietary funds are made to fund various County programs operational expenditures and are summarized as follows for the year ended December 31, 2016:

<u>Transfers In</u>	<u>Transfers Out</u>				<u>Total</u>
	<u>General Fund</u>	<u>Maintenance of Effort</u>	<u>Tax Revolving</u>	<u>Nonmajor Governmental Funds</u>	
General Fund	\$ -	\$ -	\$ 40,000	\$ 99,165	\$ 139,165
Nonmajor governmental funds	322,636	-	-	-	322,636
Discrete component unit - Medical Care Facility	-	300,000	-	-	300,000
					<u>761,801</u>
	<u>\$ 322,636</u>	<u>\$ 300,000</u>	<u>\$ 40,000</u>	<u>\$ 99,165</u>	<u>\$ 761,801</u>

NOTE M - RETIREMENT PLANS

General County

MUNICIPAL EMPLOYEE'S RETIREMENT SYSTEM

Defined Benefit Pension Plan

Description of Plan and Plan Assets

The County participates in an agent multiple-employer defined benefit pension plan with the Municipal Employees' Retirement System (MERS). For purposes of measuring the Net Pension Liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the MERS of Michigan and additions to/deductions from MERS' fiduciary net position have been determined on the same basis as they are reported by MERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

COUNTY OF IRON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE M - RETIREMENT PLANS (continued)

The system provides the following provisions: normal retirement, deferred retirement and service retirement to plan members and their beneficiaries. The service requirement is computed using credited service at the time of termination of membership multiplied by 2.25%, depending on the division, times the final average compensation (FAC). The most recent period of which actuarial data was available was for year ended December 31, 2015.

General Information about the Pension Plan

Plan Description: The County 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 County'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.

COUNTY OF IRON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE M - RETIREMENT PLANS (continued)

Benefits Provided

	Divisions - For the 2015 Valuation				
	01-General Closed	02-Sheriff Closed	10-AFSCME Crthse EE Closed	11-911 Dispatchers Open	20-Sheriff & Under- Sheriff Closed
	2.25%-80%	2.25%-80%	2.25%-80%	2.25%-80%	2.25%-80%
Benefit Multiplier:	max	max	max	max	max
Normal Retirement Age:	60	60	60	60	60
Vesting:	6 years	6 years	6 years	6 years	6 years
Early Retirement (unreduced):	55/15	55/15	55/15	55/15	55/15
Early Retirement (reduced):	50/25	50/25	50/25	50/25	50/25
Final Average Compensation:	5 years	5 years	5 years	5 years	5 years
Employee Contributions:	0%	0%	0%	0%	0%
Act 88:	Yes	Yes	Yes	Yes	Yes

Employees Covered by Benefit Terms

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

Inactive employees or beneficiaries currently receiving benefits	61
Inactive employees entitled to but not yet receiving benefits	17
Active employees	16
	<hr/> 94

Funding Policy

The County 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 County may establish contribution rates to be paid by its covered employees.

The required monthly employer contribution at December 31, 2016 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 – General	\$10,753
02 – Sheriff	\$4,322
10 – AFSCME Crthse EE	\$6,457
11 – 911 Dispatchers	10.90%
20 – Sheriff & Undersheriff	\$2,106

COUNTY OF IRON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE M - RETIREMENT PLANS (continued)

Net Pension Liability

The County's net pension liability reported at December 31, 2016 was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as December 31, 2015. 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, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent in the long term
Salary increases	3.75 percent, average, including inflation
Investment rate of return	8.00 percent, net of investment expense, including inflation

Although no specific price inflation assumptions are needed for the valuation, the 3.75% long-term wage inflation assumption would be consistent with a price inflation of 2.5%.

Mortality rates used were based on the RP-2014 Health Annuitant Mortality Table (with rates multiplied by 105%), the RP-2014 Employee Mortality Tables, and the RP-2014 Juvenile Mortality Tables using 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 the December 31, 2015 valuation were based on the results of an actuarial experience study covering the period from January 1, 2009, through December 31, 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%

COUNTY OF IRON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE M - RETIREMENT PLANS (continued)

Discount Rate: The discount rate used to measure the total pension liability is 8.25% for the 2016 rollforward and will be 8.0% in 2017 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.

Changes in the Net Pension Liability:

	Increases (Decreases)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at December 31, 2015	\$ 7,965,826	\$ 5,258,907	\$ 2,706,919
Service cost	62,655	-	62,655
Interest on total pension liability	635,176	-	635,176
Changes in benefits	-	-	-
Difference between expected and actual experience	94,310	-	94,310
Changes in assumptions	410,735	-	410,735
Employer contributions	-	296,140	(296,140)
Employee contributions	-	-	-
Net investment income	-	584,761	(584,761)
Benefit payments, including employee refunds	(596,107)	(596,107)	-
Administrative expense	-	(11,556)	11,556
Other changes	(46,390)	-	(46,390)
Net changes	560,379	273,238	287,141
Balances as of December 31, 2016	\$ 8,526,205	\$ 5,532,145	\$ 2,994,060

COUNTY OF IRON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE M - RETIREMENT PLANS (continued)

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 8.25%, as well as what the County'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 12/31/16		\$ 2,994,060	
Change in net pension liability at 12/31/16	\$ 824,974		\$ (707,829)
	\$ 3,819,034	\$ 2,994,060	\$ 2,286,231

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

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

For the year ended December 31, 2016, the County recognized pension expense of \$414,914. At December 31, 2016, the County 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	\$ 75,448	\$ -
Changes in assumptions	328,588	-
Net difference between projected and actual earnings on pension plan investments	183,002	-
Contributions subsequent to the measurement date *	-	-
Total	\$ 587,038	\$ -

* 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, 2017.

COUNTY OF IRON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE M - RETIREMENT PLANS (continued)

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:

2017	\$	172,927
2018		172,927
2019		172,927
2020		68,257

Annual Pension Cost

During the year ended December 31, 2016, the County's contributions totaling \$296,028 were made in accordance with contribution requirement determined by an actuarial valuation of the plan as of December 31, 2014. The employer contribution rate has been determined based on the entry age normal funding method. Under the entry age normal cost funding method, the total actuarially determined contribution requirement is equal to the sum of the normal cost plus the payment required to fund the unfunded actuarial accrued liability over a period of years. Funding or amortizing the unfunded actuarial accrued liability includes a payment toward the liability plus a payment to reflect the time value of money. The normal cost rate is the level percentage-of-pay contribution required each year, with respect to each member, to accumulate over their projected working lifetime the reserves needed to meet the cost of earned benefits. Significant actuarial assumptions used include a long-term investment yield rate of 7.75 percent and annual salary increases of 3.75 percent based on an age-related scale to reflect merit, longevity, and promotional salary increases. The unfunded actuarial liability is amortized under option A (level dollar contribution) on a closed basis. The remaining amortization period ranges from 10 to 24 years for the various divisions that are underfunded.

Defined Contribution Plan Description – The County of Iron participates in a defined contribution plan administered by the Municipal Employee's Retirement System (MERS). The retirement plan covers regular full-time and part-time employees hired after April 1, 2004.

For full-time employees, the County agrees to fund 6% of the gross employee earnings per pay period into a Section 401(a) defined contribution individual retirement account. To encourage full-time employees to participate, the County agrees to match individual pre-tax contribution into a section 457 Deferred Compensation Program, 50% employer and 50% employee, up to and additional 6% (3% employer and 3% employee) for a total of 12% (9% employer and 3% employee).

COUNTY OF IRON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE M - RETIREMENT PLANS (continued)

For part-time employees, the County agrees to fund 4% of the gross employee earnings per pay period into a Section 401(a) defined contribution individual retirement account. To encourage part-time employees to participate, the County agrees to match individual pre-tax contributions into a Section 457 Deferred Compensation Program, 50% employer and 50% employee, up to and additional 6% (3% employer and 3% employee) for a total of 10% (7% employer and 3% employee).

Both full-time and part-time employees have the option of providing additional unmatched pre-tax contributions to their individual Section 457 retirement account as authorized by the plan. A vesting schedule gives employees 20% vesting per year and at the end of the fifth year employees will be 100% vested on the employer's contribution portion. Employees are always 100% vested on the employee contribution portion.

During the 2016 fiscal year, employer and employee contributions relating to the defined contribution plan were \$141,626 and \$70,662, respectively.

Forfeiture of non-vested amounts are used to reduce future employer contributions. There were no forfeitures in 2016; however, there were forfeiture balances available for use by the Department in the amount of \$8,773.

County Road Commission - Component Unit

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.mersofinich.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.

COUNTY OF IRON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE M - RETIREMENT PLANS (continued)

	Divisions - For the 2015 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
	2.50%-80%	2.50%-80%	2.50%-80% max	1.70%-no max
Benefit Multiplier:	max	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
	2.5%	2.5%	2.5%	
COLA for Future Retirees:	(non-comp.)	(non-comp.)	(non-comp.)	-
	2.5%	2.5%	2.5%	
COLA for Current Retirees:	(non-comp.)	(non-comp.)	(non-comp.)	-
Employee Contributions:	0%	0%	0%	0%
Act 88:	Yes	Yes	Yes	Yes

Employees Covered by Benefit Terms

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

Inactive employees or beneficiaries currently receiving benefits	48
Inactive employees entitled to but not yet receiving benefits	2
Active employees	<u>17</u>
	67

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, 2016 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	\$4,444
10 – Union	\$27,366
11 – Hourly Non-Union	\$9,633
21 – Non-Union after 10/14; Union after 10/11	0.76%

COUNTY OF IRON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE M - RETIREMENT PLANS (continued)

Net Pension Liability

The Road Commission's net pension liability reported at December 31, 2016 was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as December 31, 2015. 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, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent in the long term
Salary increases	3.75 percent, average, including inflation
Investment rate of return	8.00 percent, net of investment expense, including inflation

Although no specific price inflation assumptions are needed for the valuation, the 3.75% long-term wage inflation assumption would be consistent with a price inflation of 2.5%.

Mortality rates used were based on the RP-2014 Health Annuitant Mortality Table (with rates multiplied by 105%), the RP-2014 Employee Mortality Tables, and the RP-2014 Juvenile Mortality Tables using 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 the December 31, 2015 valuation were based on the results of an actuarial experience study covering the period from January 1, 2009, through December 31, 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%

COUNTY OF IRON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE M - RETIREMENT PLANS (continued)

Discount Rate. The discount rate used to measure the total pension liability is 8.25% for 2016 and will be 8.0% in 2017. 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.

Changes in the Net Pension Liability:

	Increases (Decreases)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at December 31, 2015	\$ 11,624,062	\$ 4,527,588	\$ 7,096,474
Service cost	87,857	-	87,857
Interest on total pension liability	923,580	-	923,580
Changes in benefits	-	-	-
Difference between expected and actual experience	96,319	-	96,319
Changes in assumptions	647,163	-	647,163
Employer contributions	-	769,702	(769,702)
Employee contributions	-	-	-
Net investment income	-	501,474	(501,474)
Benefit payments, including employee refunds	(946,161)	(946,161)	-
Administrative expense	-	(9,907)	9,907
Other changes	(12,132)	-	(12,132)
Net changes	796,626	315,108	481,518
Balances as of December 31, 2016	\$ 12,420,688	\$ 4,842,696	\$ 7,577,992

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 12/31/16		\$ 7,577,992
Change in net pension liability at 12/31/16	\$ 1,203,741		\$ (1,034,907)
	\$ 8,781,733	\$ 7,577,992	\$ 6,543,085

COUNTY OF IRON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE M - RETIREMENT PLANS (continued)

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

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

For the year ended December 31, 2016, the Road Commission recognized pension expense of \$1,077,492. At December 31, 2016, the Road Commission reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 48,160	\$ -
Changes in assumptions	323,582	-
Net difference between projected and actual earnings on pension plan investments	160,009	-
Contributions subsequent to the measurement date *	-	-
	<hr/>	<hr/>
Total	<u>\$ 531,751</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, 2017.

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:

2017	\$ 434,120
2018	62,379
2019	62,379
2020	(27,127)

COUNTY OF IRON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE M - RETIREMENT PLANS (continued)

District Health Department - Component unit

Description of Plan and Plan Assets

The Department is in an agent multiple-employer defined benefit pension plan with the Municipal Employees' Retirement System (MERS). The system provides the following provisions: normal retirement, deferred retirement and service retirement to plan members and their beneficiaries. The service requirement is computed using credited service at the time of termination of membership multiplied by the sum of 2.50% times the five year final compensation (FAC) for all divisions. The most recent period of which actuarial data was available was for year ended December 31, 2015.

General Information about the 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.

Divisions - For the 2015 Valuation

	01-MNA Employee Open	10-AFSCME Closed	11-Non-Union Closed	13-Med Director Closed
	2.50%-80%	2.50%-80%		
Benefit Multiplier:	max	max	2.50%-80% max	2.50%-80% max
Normal Retirement Age:	60	60	60	60
Vesting:	8 years	8 years	8 years	8 years
Early Retirement (unreduced):	-	-	-	-
Early Retirement (reduced):	50/25; 55/15	50/25; 55/15	50/25; 55/15	50/25; 55/15
Final Average Compensation:	5 years	5 years	5 years	5 years
Employee Contributions:	1%	1%	1%	1%
Act 88:	Yes	Yes	Yes	Yes

COUNTY OF IRON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE M – RETIREMENT PLANS (continued)

Employees Covered by Benefit Terms

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

Inactive employees or beneficiaries currently receiving benefits	47
Inactive employees entitled to but not yet receiving benefits	13
Active employees	<u>21</u>
	81

Funding Policy

The Department 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 Department may establish contribution rates to be paid by its covered employees.

The required monthly employer contribution at December 31, 2016 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 – MNA Employee	23.34%
10 – AFSCME	\$4,418
11 – Non Union	\$17,942
13 – Med Director	\$54

Net Pension Liability

The Department's net pension liability reported at December 31, 2016 was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as December 31, 2015. 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, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent in the long term
Salary increases	3.75 percent, average, including inflation
Investment rate of return	8.00 percent, net of investment expense, including inflation

Although no specific price inflation assumptions are needed for the valuation, the 3.75% long-term wage inflation assumption would be consistent with a price inflation of 2.5%.

COUNTY OF IRON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE M – RETIREMENT PLANS (continued)

Mortality rates used were based on the RP-2014 Health Annuitant Mortality Table (with rates multiplied by 105%), the RP-2014 Employee Mortality Tables, and the RP-2014 Juvenile Mortality Tables using 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 the December 31, 2015 valuation were based on the results of an actuarial experience study covering the period from January 1, 2009, through December 31, 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 8.25% for the 2016 rollforward and will be 8.0% in 2017 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.

COUNTY OF IRON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE M – RETIREMENT PLANS (continued)

Changes in the Net Pension Liability:

	Increases (Decreases)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at December 31, 2015	\$ 8,579,150	\$ 5,319,838	\$ 3,259,312
Service cost	90,130	-	90,130
Interest on total pension liability	687,635	-	687,635
Changes in benefits	-	-	-
Difference between expected and actual experience	152,328	-	152,328
Changes in assumptions	434,793	-	434,793
Employer contributions	-	469,455	(469,455)
Employee contributions	-	9,517	(9,517)
Net investment income	-	603,003	(603,003)
Benefit payments, including employee refunds	(578,502)	(578,502)	-
Administrative expense	-	(11,898)	11,898
Other changes	14,605	-	14,605
Net changes	800,989	491,575	309,414
Balances as of December 31, 2016	\$ 9,380,139	\$ 5,811,413	\$ 3,568,726

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability of the Department, calculated using the discount rate of 8.25% , as well as what the Department'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 12/31/16		\$ 3,568,726
Change in net pension liability at 12/31/16	\$ 951,050		\$ (819,202)
	\$ 4,519,776	\$ 3,568,726	\$ 2,749,524

COUNTY OF IRON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE M – RETIREMENT PLANS (continued)

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

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

For the year ended December 31, 2016, the Department recognized pension expense of \$724,047. At December 31, 2016, the Department 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	\$ 76,164	\$ -
Changes in assumptions	217,397	-
Net difference between projected and actual earnings on pension plan investments	176,276	-
Contributions subsequent to the measurement date *	-	-
Total	<u>\$ 469,837</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, 2017.

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:

2017	\$ 363,567
2018	70,006
2019	70,006
2020	(33,743)

COUNTY OF IRON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE M – RETIREMENT PLANS (continued)

Annual Pension Cost

During the year ended December 31, 2016, the Department's contributions totaling \$469,455 were made in accordance with contribution requirement determined by an actuarial valuation of the plan as of December 31, 2014. The employer contribution rate has been determined based on the entry age normal funding method. Under the entry age normal cost funding method, the total employer contribution is comprised of the normal cost plus the level annual percentage of payroll payment required to normal cost is, for each employee, the level percentage of payroll contribution (from entry age to retirement) required to accumulate sufficient assets at the member's retirement to pay for his projected benefit. Significant actuarial assumptions used include a long-term investment yield rate of 7.75 percent and annual salary increases of 3.75 percent based on an age-related scale to reflect merit, longevity, and promotional salary increases. The unfunded actuarial liability is amortized as a level percent of payroll on a closed basis. The remaining amortization period is between 5 and 24 years for all divisions that are underfunded.

Defined Contribution Plan Description – Effective January 1, 2006, the Dickinson-Iron District Health Department adopted a Defined Contribution Plan administered by the Municipal Employees Retirement System (MERS). AFSCME (Division #10) and Non-Union (Division #11) employees and employees eligible for MERS membership hired after January 1, 2006, or who have previously not participated in MERS are eligible to participate in the plan. Normal retirement age under the plan shall be age 60 (not to exceed age 65).

Defined contribution plan contribution provisions are as follows:

<u>Employer Contributions</u>	<u>Required Employee Contributions</u>
5%	0%
6%	1%
7%	2%

Defined contribution plan vesting provisions are as follows:

<u>Years of Service Completed</u>	<u>Specified Vesting Requirements</u>
0	0%
1	20%
2	40%
3	60%
4	80%
5 or more	100%

During the 2016 fiscal year, employer and employee contributions relating to the defined contribution plan were \$25,808 and \$7,189, respectively.

COUNTY OF IRON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE M - RETIREMENT PLANS (continued)

Forfeiture of non-vested amounts are used to reduce future employer contributions. There were no forfeitures in 2016; however, there were forfeiture balances available for use by the Department in the amount of \$3,031.

Medical Care Facility - Component Unit

Plan Description: The Medical Care Facility 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 Medical Care Facility'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 2015 Valuation

	04-ASFME < 25 yrs svc Open	40-Admin Staff & RN Grp Open	41-SEIU Union Open	42-RN Employees Open	43-MCF Crystal Manor Closed
	< 25 years: 1.70%- no max; >25 years:				
Benefit Multiplier:	2.00%-no max	2.5%-80% max	2.25%-80% max	2.25%-80% max	1.70%-no max
Normal Retirement Age:	60	60	60	60	60
Vesting:	10 years	6 years	10 years	10 years	10 years
Early Retirement (unreduced):	55/25	55/25	55/25	55/25	55/25
Early Retirement (reduced):	50/25; 55/15	50/25; 55/15	50/25; 55/15	50/25; 55/15	50/25;55/15
Final Average Compensation:	5 years	5 years	5 years	5 years	5 years
COLA for Future Retirees:	0.00%	2.50%	0.00%	0.00%	0.00%
Employee Contributions:	5.65%	3.00%	10.62%	3.00%	4.94%
Act 88:	Yes	Yes	Yes	Yes	Yes

Employees Covered by Benefit Terms

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

Inactive employees or beneficiaries currently receiving benefits	109
Inactive employees entitled to but not yet receiving benefits	27
Active employees	<u>291</u>
	427

COUNTY OF IRON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE M - RETIREMENT PLANS (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. For the year ended December 31, 2016, the Medical Care Facility's active employee contribution ranged from 3.00% to 6.94% and the Facility's average contribution ranged from 4.25% to 19.73% of annual payroll.

The Medical Care Facility's required and actual contributions to the plan for the year ended December 31, 2016 were \$994,736.

Net Pension Liability

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

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

Inflation	2.50 percent in the long term
Salary increases	3.75 percent, average, including inflation
Investment rate of return	8.00 percent, net of investment expense, including inflation

Although no specific price inflation assumptions are needed for the valuation, the 3.75% long-term wage inflation assumption would be consistent with a price inflation of 2.5%.

Mortality rates used were based on the RP-2014 Health Annuitant Mortality Table (with rates multiplied by 105%), the RP-2014 Employee Mortality Tables, and the RP-2014 Juvenile Mortality Tables using 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 the December 31, 2015 valuation were based on the results of an actuarial experience study covering the period from January 1, 2009, through December 31, 2013.

COUNTY OF IRON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE M - RETIREMENT PLANS (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 8.00% for 2015. 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.

COUNTY OF IRON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE M - RETIREMENT PLANS (continued)

Changes in the Net Pension Liability:

	Increases (Decreases)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at December 31, 2015	\$ 26,068,387	\$ 20,565,689	\$ 5,502,698
Service cost	941,341	-	941,341
Interest on total pension liability	2,293,670	-	2,293,670
Changes in benefits	(131,532)	-	(131,532)
Difference between expected and actual experience	493,921	-	493,921
Changes in assumptions	1,468,177	-	1,468,177
Employer contributions	-	1,017,632	(1,017,632)
Employee contributions	-	449,754	(449,754)
Net investment income	-	(318,924)	318,924
Benefit payments, including employee refunds	(986,107)	(986,107)	-
Administrative expense	-	(45,726)	45,726
Other changes	-	-	-
Net changes	4,079,470	116,629	3,962,841
Balances as of December 31, 2016	\$ 30,147,857	\$ 20,682,318	\$ 9,465,539

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability of the Medical Care Facility, calculated using the discount rate of 8.00% , as well as what the Medical Care Facility's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.00%) or 1-percentage-point higher (9.00%) than the current rate:

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
Net pension liability at 12/31/16		\$ 9,465,539	
Change in net pension liability at 12/31/16	\$ 3,952,674		\$ (3,297,811)
	\$ 13,418,213	\$ 9,465,539	\$ 6,167,728

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

COUNTY OF IRON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE M - RETIREMENT PLANS (continued)

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

For the year ended December 31, 2016, the Medical Care Facility recognized pension expense of \$1,813,045. At December 31, 2016, the Facility 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	\$ 407,759	\$ -
Changes in assumptions	1,207,000	-
Net difference between projected and actual earnings on pension plan investments	1,849,383	-
Contributions subsequent to the measurement date *	994,736	-
Total	<u>\$ 4,458,878</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, 2017.

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:

2017	\$ 828,247
2018	828,247
2019	828,247
2020	713,073
2021	133,164
Thereafter	133,164

COUNTY OF IRON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE N - CONTINGENT LIABILITIES

The County participates in a number of Federal and State assisted grant programs, principal of which are the Friend of Court and Prosecuting Attorney Cooperative Reimbursement programs, which are subject to financial and compliance audits. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. 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.

The Dickinson-Iron District Health Department is at risk of potentially being required to payback cost-based reimbursement payments from the State for Medicaid, determinable by the Michigan Department of Health and Human Services (MDHHS). The amount, if any, of potential payback cost-based reimbursement payments cannot be determined at this time although the County expects such amounts if any, to be immaterial.

NOTE O - RISK MANAGEMENT

The County of Iron participates as a member in the Michigan Municipal Risk Management 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. An individual member's maximum retention on general liability and auto liability is \$100,000 per person and \$250,000 per occurrence. The limits on vehicle physical damage are \$1,500,000. The retention limits for property coverage are subject to a \$250 deductible. Some members have individual retention levels different than the ones previously stated.

The member must satisfy all deductibles before any payments are made from the member's self-insured retention or by MMRMA.

All costs including damages and allocated loss adjustment expenses are on an occurrence basis and must be paid first from the member's self-insured retention. The member's self-insured retention and deductibles must be satisfied fully before MMRMA will be responsible for any payments. The most MMRMA will pay is the difference between the member's self-insured retention and the Limits of Coverage.

Iron County agrees to maintain, at all times, on account with MMRMA, sufficient funds to pay its self-insured retention obligations. The member agrees to abide by all MMRMA rules, regulations, and administrative procedures pertaining to the member's self-insured retention.

At December 31, 2016, the County 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.

COUNTY OF IRON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE P – POST-RETIREMENT BENEFITS

Iron County Road Commission

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/sbe 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, 2016, 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. Actively employed individuals do not contribute to the plan prior to retirement. During the year 2016, expenditures of \$196,093 were recognized for post-employment health care benefits, and \$11,932 for life insurance benefits, for total contributions in the amount of \$208,025.

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, an amount actuarially determined in accordance with the parameters of GASBS No. 45. 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, the amount actually contributed to the plan, and changes in the Road Commission’s annual net OPEB obligation to the Retiree Medical Plan for the years ended December 31, 2016, 2015, and 2014:

	<u>2014</u>	<u>2015</u>	<u>2016</u>
Annual Required Contribution	\$ 318,021	\$ 583,126	\$ 646,180
Amount Contributed			
Payments of Current Premiums	<u>(196,672)</u>	<u>(225,763)</u>	<u>(208,025)</u>
Increase in Net OPEB Obligation	121,349	357,363	438,155
Adjustment for Interest and Amortization	23,982	26,129	37,776
Adjustment to ARC	(34,689)	(92,325)	(150,758)
OPEB Obligation - Beginning of Year	<u>542,595</u>	<u>653,237</u>	<u>944,404</u>
OPEB Obligation - End of Year	<u>\$ 653,237</u>	<u>\$ 944,404</u>	<u>\$ 1,269,577</u>

COUNTY OF IRON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE P – POST-RETIREMENT 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 2016 is as follows:

	<u>2014</u>	<u>2015</u>	<u>2016</u>
Annual OPEB Costs	\$ 307,314	\$ 516,930	\$ 533,198
Percentage Contributed	64.0%	43.7%	39.0%
Net OPEB Obligation	\$ 653,237	\$ 944,404	\$ 1,269,577

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.

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Underfunded (Overfunded) AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percent of Covered Payroll</u>
1/1/2009	\$ -	\$ 5,471,703	\$ 5,471,703	0.0%	N/A	N/A
1/1/2012	-	4,544,508	4,544,508	0.0%	N/A	N/A
1/1/2015	-	4,011,437	4,011,437	0.0%	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.

COUNTY OF IRON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE P – POST-RETIREMENT BENEFITS (continued)

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

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.

Iron County Medical Care Facility

Plan Description – The Facility participates in a defined benefit postretirement plan sponsored by Iron County that provides postretirement medical benefits to retirees. Substantially all employees may become eligible for the benefits if they reach normal retirement age while working at the Facility. The postemployment obligation is expected to be paid from the Facility’s General Fund. The Facility has no obligation to make contributions in advance until the premiums are due for payment (in other words, this may be financed on a pay-as-you-go basis).

Funding Progress – For the years ended December 31, 2016, 2015, and 2014, the Facility has estimated the cost of providing retiree healthcare benefits through actuarial valuations as of December 31, 2014. The valuation computes an annual required contribution, which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. This valuation’s computed contributions and actual funding are summarized as follows for the years ended December 31, 2016, 2015, and 2014:

	<u>2014</u>	<u>2015</u>	<u>2016</u>
Annual Required Contribution	\$ 351,529	\$ 309,993	\$ 322,393
Amount Contributed			
Payments of Current Premiums	<u>(124,938)</u>	<u>(112,922)</u>	<u>(184,949)</u>
Increase in Net OPEB Obligation	226,591	197,071	137,444
Adjustment for Interest and Amortization	25,616	38,388	46,526
Adjustment to ARC	(25,616)	(38,388)	(46,526)
OPEB Obligation - Beginning of Year	<u>722,518</u>	<u>949,109</u>	<u>1,146,180</u>
OPEB Obligation - End of Year	<u>\$ 949,109</u>	<u>\$ 1,146,180</u>	<u>\$ 1,283,624</u>

COUNTY OF IRON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE P – POST-RETIREMENT BENEFITS (continued)

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trends. 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.

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 members at that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the December 31, 2014 actuarial valuations, the entry age actuarial cost method was used. The actuarial assumptions include a 4.0% investment rate of return and a healthcare cost trend rate of 9.0% to 4.0% for the medical/drug component initially, reduced by decrements to an ultimate rate of 4.0% over 16 years and 4.0% for the dental and vision component. The unfunded actuarial accrued liability (UAAL) is being amortized as a level percentage of payroll if the divisions are open to new hires and as a level dollar if the divisions are closed to new hires. Amortization is over a closed 30-year period.

The table below is a summary of the UAAL from the actuarial valuation as of December 31, 2014 and 2012:

	Fiscal Year End		
	2014	2015	2016
Actuarial valuation date	12/31/2012	12/31/2014	12/31/2014
Annual pension cost (APC)	\$ 351,529	\$ 309,993	\$ 322,393
Percent of APC contributed	36%	36%	57%
Actuarial accrued liability (AAL)	\$ 4,524,092	\$ 4,917,963	\$ 4,917,963
Unfunded actuarial accrued liability (UAAL)	\$ 4,524,092	\$ 4,917,963	\$ 4,917,963

NOTE Q – RESTRICTED NET POSITION

Total net position restricted by enabling legislation amounted to \$763,993 for governmental activities and \$0 for business-type activities.

COUNTY OF IRON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE 5 – FUTURE CHANGES IN ACCOUNTING PRINCIPLE

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. Tax abatements are widely used by state and local governments, particularly to encourage economic development. For financial reporting purposes, this Statement defines a tax abatement as resulting from an agreement between a government and an individual or entity in which the government promises to forgo tax revenues and the individual or entity promises to subsequently take a specific action that contributes to economic development or otherwise benefits the government or its citizens. This Statement requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues. The County is currently evaluating the impact this standard will have on the financial statements when adopted during the 2017 fiscal year.

The Governmental Accounting Standards Board (GASB) issued two new pronouncements in June 2015, GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans*, and GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, which will enhance the note disclosures and schedules of required supplementary information for Other Postemployment Benefit Plans (OPEB). GASB Statement No. 74 will provide information about measures of net OPEB liabilities and an analysis of why those liabilities change from year to year. GASB Statement No. 75 establishes standards for governmental employer recognition, measurement, and presentation of information about OPEB plans. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. GASB Statement No. 74 will be effective for fiscal years beginning after June 15, 2016 and GASB Statement No. 75 will be effective for fiscal years beginning after June 15, 2017. The Road Commission and Medical Care Facility are currently evaluating the impact these standards will have on the financial statements when adopted.

NOTE 5 – SUBSEQUENT EVENTS

Effective February 28, 2017, the County dissolved the Economic Development Corporation. The County contracted for services with the Iron County Chamber of Commerce to be administered under the name Iron County Economic Chamber Alliance. The Alliance will be responsible for insuring the repayment of the current outstanding economic development loans. The loan payments and interest will be remitted to the County.

REQUIRED SUPPLEMENTAL INFORMATION

COUNTY OF IRON, MICHIGAN
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND

For the Year Ended December 31, 2016

	Budgeted Amounts		Actual Amounts, (Budgetary Basis) (See Note A)	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 3,168,878	\$ 3,168,878	\$ 3,207,277	\$ 38,399
License and permits	2,700	2,700	8,176	5,476
Federal sources	515,731	515,731	511,440	(4,291)
State sources	1,015,855	1,027,962	1,166,069	138,107
Charges for services	495,452	477,987	440,879	(37,108)
Interest and rentals	13,000	13,000	6,844	(6,156)
Other	122,591	122,591	81,002	(41,589)
Total revenues	5,334,207	5,328,849	5,421,687	92,838
EXPENDITURES:				
Legislative:				
Board of commissioners	246,359	246,359	171,124	75,235
Judicial system:				
Trial court	776,545	771,353	785,319	(13,966)
Friend of court	154,604	154,604	151,615	2,989
Jury commission	293	293	93	200
General government:				
Elections	17,922	17,922	22,210	(4,288)
County administrator	169,455	166,223	134,450	31,773
Clerk	198,885	198,885	181,816	17,069
Equalization	137,852	137,852	140,681	(2,829)
Prosecuting attorney	244,805	260,750	256,796	3,954
Register of deeds	113,487	113,487	114,083	(596)
Insurance and bonds	182,100	182,100	165,202	16,898
General county	515,067	507,067	586,549	(79,482)
Microfilm project	1,464	1,464	1,090	374
Treasurer	189,883	189,883	180,955	8,928
Courthouse and grounds	244,101	220,401	188,043	32,358
Remonumentation	85,907	53,149	52,498	651
Drain commissioner	11,076	11,076	7,522	3,554
Public safety:				
Sheriff's administration	781,470	770,870	688,497	82,373
Road patrol	90,536	90,036	83,146	6,890
Community work van	24,501	24,501	22,963	1,538
Marine patrol	2,650	2,650	6,247	(3,597)
Snowmobile	3,600	3,600	1,244	2,356
ORV	9,115	5,000	4,411	589
Jail	784,872	795,472	810,006	(14,534)
Mine inspector	10,063	10,063	9,523	540
Cultural and recreation:				
Parks & recreation	1,100	1,100	475	625
Cooperative extension services	-	-	457	(457)
Health and welfare:				
Medical examiner	22,400	22,400	52,208	(29,808)
Veteran's burial	10,690	10,690	5,880	4,810
Capital outlay:	5,000	14,203	211,257	(197,054)
Other:				
Appropriations	128,138	168,893	269,729	(100,836)
Total expenditures	5,163,940	5,152,346	5,306,089	(153,743)
Excess revenues (expenditures)	170,267	176,503	115,598	(60,905)
OTHER FINANCING SOURCES (USES):				
Transfer in	147,469	147,469	139,165	(8,304)
Transfer out	(317,736)	(323,971)	(322,636)	1,335
Total other financing sources (uses)	(170,267)	(176,502)	(183,471)	(6,969)
Net changes in fund balances	-	1	(67,873)	\$ (67,874)
Fund balances - beginning	2,344,919	2,344,919	2,344,919	
Fund balances - ending	\$ 2,344,919	\$ 2,344,920	\$ 2,277,046	

COUNTY OF IRON, MICHIGAN
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
MAINTENANCE OF EFFORT - MEDICARE
For the Year Ended December 31, 2016

	Budgeted Amounts		Actual Amounts, (Budgetary Basis) (See Note A)	Variance with Final Budget- Positive/ (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 744,766	\$ 744,766	\$ 747,107	\$ 2,341
State sources	-	-	1,258	1,258
Interest and rentals	2,000	2,000	2,044	44
Other	352,412	352,412	-	(352,412)
Total revenues	<u>1,099,178</u>	<u>1,099,178</u>	<u>750,409</u>	<u>(348,769)</u>
EXPENDITURES:				
Health and welfare	799,178	799,178	399,286	399,892
Appropriations	300,000	300,000	300,000	-
Total expenditures	<u>1,099,178</u>	<u>1,099,178</u>	<u>699,286</u>	<u>399,892</u>
Excess revenues (expenditures)	-	-	51,123	<u>\$ 51,123</u>
Fund balances - beginning	<u>302,273</u>	<u>302,273</u>	<u>302,273</u>	
Fund balances - ending	<u>\$ 302,273</u>	<u>\$ 302,273</u>	<u>\$ 353,396</u>	

COUNTY OF IRON, MICHIGAN
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
YOUTH CAMP
For the Year Ended December 31, 2016

	<u>Budgeted Amounts</u>		Actual Amounts, (Budgetary Basis) (See Note A)	Variance with Final Budget- Positive/ (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Taxes	\$ 243,300	\$ 243,300	\$ 248,706	\$ 5,406
Federal sources	1,200	1,200	1,139	(61)
State sources	-	-	429	429
Charges for services	194,300	194,300	204,102	9,802
Interest and rentals	500	500	536	36
Other	42,676	42,676	385	(42,291)
	<u>481,976</u>	<u>481,976</u>	<u>455,297</u>	<u>(26,679)</u>
Total revenues				
EXPENDITURES:				
Cultural and recreation	476,976	476,976	437,120	39,856
Capital outlay	5,000	5,000	28,989	(23,989)
	<u>481,976</u>	<u>481,976</u>	<u>466,109</u>	<u>15,867</u>
Total expenditures				
Excess revenues (expenditures)	-	-	(10,812)	<u>\$ (10,812)</u>
Fund balances - beginning	<u>118,427</u>	<u>118,427</u>	<u>118,427</u>	
Fund balances - ending	<u>\$ 118,427</u>	<u>\$ 118,427</u>	<u>\$ 107,615</u>	

COUNTY OF IRON, MICHIGAN
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
2012 REFUNDING BOND DEBT FUND
For the Year Ended December 31, 2016

	Budgeted Amounts		Actual Amounts, (Budgetary Basis) (See Note A)	Variance with Final Budget- Positive/ (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 822,448	\$ 822,448	\$ 826,916	\$ 4,468
Interest and rentals	200	200	122	(78)
Other	33,692	33,692	1,380	(32,312)
Total revenues	<u>856,340</u>	<u>856,340</u>	<u>828,418</u>	<u>(27,922)</u>
EXPENDITURES:				
Debt service:				
Principal	595,000	595,000	595,000	-
Interest	211,725	211,725	211,725	-
Other	49,615	49,615	200	49,415
Total expenditures	<u>856,340</u>	<u>856,340</u>	<u>806,925</u>	<u>49,415</u>
Excess revenues (expenditures)	<u>-</u>	<u>-</u>	<u>21,493</u>	<u>21,493</u>
OTHER FINANCING SOURCES (USES):				
Transfer in	-	-	-	-
Transfer out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net changes in fund balance	<u>-</u>	<u>-</u>	<u>21,493</u>	<u>\$ 21,493</u>
Fund balances - beginning	<u>42,079</u>	<u>42,079</u>	<u>42,079</u>	
Fund balances - ending	<u>\$ 42,079</u>	<u>\$ 42,079</u>	<u>\$ 63,572</u>	

COUNTY OF IRON, MICHIGAN

**EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS
SCHEDULE OF NET PENSION LIABILITY AND RELATED RATIOS
(Schedule is prepared prospectively upon implementation of GASB 68)**

For the Year Ended December 31, 2016

GENERAL COUNTY

	<u>2016</u>	<u>2015</u>
Total pension liability		
Service cost	\$ 62,655	\$ 68,015
Interest	635,176	609,763
Changes in benefits	-	-
Difference between expected and actual experience	94,310	-
Changes in assumptions	410,735	-
Benefit payments, including refund of member contributions	(596,107)	(594,309)
Other	<u>(46,390)</u>	<u>(2,833)</u>
Net change in total pension liability	560,379	80,636
Total pension liability - beginning	<u>7,965,826</u>	<u>7,885,190</u>
Total pension liability - ending	<u>\$ 8,526,205</u>	<u>\$ 7,965,826</u>
Plan fiduciary net position		
Contributions - employer	\$ 296,140	\$ 253,110
Contributions - employee	-	-
Net investment income	584,761	(81,936)
Benefit payments, including refunds of member contributions	(596,107)	(594,309)
Administrative expense	<u>(11,556)</u>	<u>(12,182)</u>
Net change in plan fiduciary net position	273,238	(435,317)
Plan fiduciary net position - beginning	<u>5,258,907</u>	<u>5,694,224</u>
Plan fiduciary net position - ending	<u>\$ 5,532,145</u>	<u>\$ 5,258,907</u>
County's net pension liability - ending	<u>\$ 2,994,060</u>	<u>\$ 2,706,919</u>
Plan fiduciary net position as a percentage of the total pension liability	35%	34%
Covered employee payroll	\$ 693,264	\$ 744,458
County's net pension liability as a percentage of covered employee payroll	432%	364%
Annual money-weighted rate of return, net of investment expenses	11%	-2%

COUNTY OF IRON, MICHIGAN

**EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS
SCHEDULE OF EMPLOYER CONTRIBUTIONS
(Schedule is prepared prospectively upon implementation of GASB 68)**

For the Year Ended December 31, 2016

GENERAL COUNTY

	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 296,028	\$ 253,110
Contributions in relation to the actuarially determined contribution	<u>296,028</u>	<u>253,110</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 693,264	\$ 744,458
Contributions as a percentage of covered employee payroll	43%	34%

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	10-24 years
Asset valuation method	5 years smoothed value
Inflation	2.5% in the long term
Salary increases	3.75%, average, including inflation
Investment rate of return	8.00%
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 RP-2014 Healthy Annuitant Mortality Tables (with rate multiplied by 105%), the RP-2014 Employee Mortality Tables, and the RP-2014 Juvenile Mortality Tables using a 50% male and 50% female blend.

COUNTY OF IRON, MICHIGAN

**EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS
SCHEDULE OF NET PENSION LIABILITY AND RELATED RATIOS
(Schedule is prepared prospectively upon implementation of GASB 68)**

For the Year Ended December 31, 2016

COUNTY ROAD COMMISSION-COMPONENT UNIT

	<u>2016</u>	<u>2015</u>
Total pension liability		
Service cost	\$ 87,857	\$ 81,979
Interest	923,580	892,034
Difference between expected and actual experience	96,319	-
Changes in assumptions	647,163	
Benefit payments, including refund of member contributions	(946,161)	(956,535)
Other	(12,131)	18,875
	<hr/>	<hr/>
Net change in total pension liability	796,627	36,353
Total pension liability - beginning	11,624,062	11,587,709
	<hr/>	<hr/>
Total pension liability - ending	<u>\$ 12,420,689</u>	<u>\$ 11,624,062</u>
Plan fiduciary net position		
Contributions - employer	\$ 769,702	\$ 715,164
Contributions - employee	-	-
Net investment income	501,474	(69,679)
Benefit payments, including refunds of member contributions	(946,161)	(956,535)
Administrative expense	(9,907)	(10,334)
	<hr/>	<hr/>
Net change in plan fiduciary net position	315,108	(321,384)
Plan fiduciary net position - beginning	4,527,589	4,848,973
	<hr/>	<hr/>
Plan fiduciary net position - ending	<u>\$ 4,842,697</u>	<u>\$ 4,527,589</u>
Commission's net pension liability - ending	<u>\$ 7,577,992</u>	<u>\$ 7,096,473</u>
Plan fiduciary net position as a percentage of the total pension liability	39%	39%
Covered - employee payroll	\$ 830,390	\$ 785,115
Commission's net pension liability as a percentage of covered-employee payroll	913%	904%
Annual money-weighted rate of return, net of investment expense	11%	-2%

COUNTY OF IRON, MICHIGAN

**EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS
SCHEDULE OF EMPLOYER CONTRIBUTIONS
(Schedule is prepared prospectively upon implementation of GASB 68)**

For the Year Ended December 31, 2016

COUNTY ROAD COMMISSION-COMPONENT UNIT

	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 499,702	\$ 475,164
Contributions in relation to the actuarially determined contribution	<u>769,702</u>	<u>715,164</u>
Contribution deficiency (excess)	<u>\$ (270,000)</u>	<u>\$ (240,000)</u>
Covered employee payroll	\$ 830,390	\$ 785,115
Contributions as a percentage of covered employee payroll	93%	91%

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	5 years smoothed value
Inflation	2.5% in the long term
Salary increases	3.75%, average, including inflation
Investment rate of return	8.00%
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 RP-2014 Healthy Annuitant Mortality Tables (with rate multiplied by 105%), the RP-2014 Employee Mortality Tables, and the RP-2014 Juvenile Mortality Tables using a 50% male and 50% female blend.

COUNTY OF IRON, MICHIGAN

**EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS
SCHEDULE OF NET PENSION LIABILITY AND RELATED RATIOS
(Schedule is prepared prospectively upon implementation of GASB 68)**

For the Year Ended December 31, 2016

DISTRICT HEALTH DEPARTMENT-COMPONENT UNIT

	<u>2016</u>	<u>2015</u>
Total pension liability		
Service cost	\$ 90,130	\$ 92,152
Interest	687,635	649,835
Changes in benefits	-	-
Difference between expected and actual experience	152,328	-
Changes in assumptions	434,793	-
Benefit payments, including refund of member contributions	(578,502)	(530,732)
Other	14,605	25,668
	<u>800,989</u>	<u>236,923</u>
Net change in total pension liability	800,989	236,923
Total pension liability - beginning	<u>8,579,150</u>	<u>8,342,227</u>
Total pension liability - ending	<u>\$ 9,380,139</u>	<u>\$ 8,579,150</u>
Plan fiduciary net position		
Contributions - employer	\$ 469,455	\$ 430,584
Contributions - employee	9,517	10,388
Net investment income	603,003	(82,487)
Benefit payments, including refunds of member contributions	(578,502)	(530,732)
Administrative expense	(11,898)	(12,018)
	<u>491,575</u>	<u>(184,265)</u>
Net change in plan fiduciary net position	491,575	(184,265)
Plan fiduciary net position - beginning	<u>5,319,838</u>	<u>5,504,103</u>
Plan fiduciary net position - ending	<u>\$ 5,811,413</u>	<u>\$ 5,319,838</u>
Department's net pension liability - ending	<u>\$ 3,568,726</u>	<u>\$ 3,259,312</u>
Plan fiduciary net position as a percentage of the total pension liability	62%	62%
Covered - employee payroll	\$ 985,911	\$ 1,026,051
Department's net pension liability as a percentage of covered-employee payroll	362%	318%
Annual money-weighted rate of return, net of investment expense	11%	-2%

COUNTY OF IRON, MICHIGAN

**EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS
SCHEDULE OF EMPLOYER CONTRIBUTIONS
(Schedule is prepared prospectively upon implementation of GASB 68)**

For the Year Ended December 31, 2016

DISTRICT HEALTH DEPARTMENT-COMPONENT UNIT

	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 349,455	\$ 310,584
Contributions in relation to the actuarially determined contribution	<u>469,455</u>	<u>430,584</u>
Contribution deficiency (excess)	<u>\$ (120,000)</u>	<u>\$ (120,000)</u>
Covered employee payroll	\$ 985,911	\$ 1,026,051
Contributions as a percentage of covered employee payroll	48%	42%

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	5 to 24 years
Asset valuation method	5 years smoothed value
Inflation	2.5% in the long term
Salary increases	3.75%, average, including inflation
Investment rate of return	8.00%
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 RP-2014 Healthy Annuitant Mortality Tables (with rate multiplied by 105%), the RP-2014 Employee Mortality Tables, and the RP-2014 Juvenile Mortality Tables using a 50% male and 50% female

COUNTY OF IRON, MICHIGAN

**EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS
SCHEDULE OF NET PENSION LIABILITY AND RELATED RATIOS
(Schedule is prepared prospectively upon implementation of GASB 68)**

For the Year Ended December 31, 2016

MEDICAL CARE FACILITY-COMPONENT UNIT

	<u>2016</u>	<u>2015</u>
Total pension liability		
Service cost	\$ 941,341	\$ 1,018,214
Interest	2,293,670	1,980,798
Changes in benefit terms	(131,532)	-
Difference between expected and actual experience	493,921	-
Changes in assumptions	1,468,177	-
Benefit payments, including refund of member contributions	(986,107)	(862,397)
Other	-	-
	<hr/>	<hr/>
Net change in total pension liability	4,079,470	2,136,615
Total pension liability - beginning	<u>26,068,387</u>	<u>23,931,772</u>
Total pension liability - ending	<u><u>\$ 30,147,857</u></u>	<u><u>\$ 26,068,387</u></u>
Plan fiduciary net position:		
Contributions - employer	\$ 1,017,632	\$ 904,991
Contributions - employee	449,754	398,939
Net investment income	(318,924)	1,209,231
Benefit payments, including refunds of member contributions	(45,726)	(862,397)
Administrative expense	(986,107)	(34,702)
	<hr/>	<hr/>
Net change in plan fiduciary net position	116,629	1,616,062
Plan fiduciary net position - beginning	<u>20,565,689</u>	<u>18,949,627</u>
Plan fiduciary net position - ending	<u><u>\$ 20,682,318</u></u>	<u><u>\$ 20,565,689</u></u>
Facility's net pension liability - ending	<u><u>\$ 9,465,539</u></u>	<u><u>\$ 5,502,698</u></u>
Plan fiduciary net position as a percentage of the total pension liability	69%	79%
Covered - employee payroll	\$ 13,167,588	\$ 11,794,697
Facility's net pension liability as a percentage of covered-employee payroll	72%	47%
Annual money-weighted rate of return, net of investment expense	-6%	6%

COUNTY OF IRON, MICHIGAN

**EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS
SCHEDULE OF EMPLOYER CONTRIBUTIONS**

For the Year Ended December 31, 2016

MEDICAL CARE FACILITY - COMPONENT UNIT

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Actuarially determined contribution	\$ 994,736	\$ 1,018,208	\$ 904,991	\$ 551,367	\$ 489,897	\$ 436,776	\$ 429,336	\$ 402,156	\$ 383,076	\$ 315,348
Contributions in relation to the actuarially determined contribution	994,736	1,018,208	904,991	551,367	489,897	436,776	429,336	402,156	383,076	315,348
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered - employee payroll	\$ 13,167,588	\$ 11,794,697	\$ 11,634,239	\$ 10,372,632	\$ 10,295,019	\$ 10,182,251	\$ 9,268,253	\$ 8,655,717	\$ 8,316,046	\$ 8,026,827
Contributions as a percentage of covered-employee payroll	8%	9%	8%	5%	5%	4%	5%	5%	5%	4%

Notes to Schedule:

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

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll
Remaining amortization period	25 years
Asset valuation method	10-years smoothed
Inflation	2.5% in the long term
Salary increases	3.75%, average, including inflation
Investment rate of return	8.00%
Retirement age	Normal at 60 with 10 year vesting schedule, early at 55 with 25 years of service for unreduced benefits or 50 with 25 years of service, and 55 with 15 years of service for reduced benefits
Mortality	50% female/50% male from the RP-2014 Health Annuitant Mortality Tables

COUNTY OF IRON, MICHIGAN
SCHEDULE OF FUNDING PROGRESS FOR
OTHER POSTEMPLOYMENT BENEFITS

December 31, 2016

COUNTY ROAD COMMISSION
OTHER POSTEMPLOYMENT BENEFITS

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
1/1/09	\$ -	\$ 5,471,703	\$ 5,471,703	0%	Not Available	Not Available
1/1/12	-	4,544,508	4,544,508	0%	Not Available	Not Available
1/1/15	-	4,011,437	4,011,437	0%	Not Available	Not Available

MEDICAL CARE FACILITY
OTHER POSTEMPLOYMENT BENEFITS

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
12/31/10	\$ -	\$ 2,509,410	\$ 2,509,410	0%	Not Available	Not Available
12/31/12	-	4,524,092	4,524,092	0%	Not Available	Not Available
12/31/14	-	4,917,963	4,917,963	0%	Not Available	Not Available

OTHER SUPPLEMENTAL INFORMATION

COUNTY OF IRON, MICHIGAN
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2016

	Special Revenue Funds			
	Family Counseling	Equipment for 911	County Parks	Friend of Court Incentive
ASSETS				
Cash and equivalents:				
Unrestricted	\$ 17,762	\$ 1,379	\$ 48,889	\$ 8,830
Receivables:				
State of Michigan	-	-	-	-
Accounts	-	-	-	-
Notes	-	-	-	-
Current property taxes	-	98,443	-	-
Prepaid items	-	-	56	-
	<u>\$ 17,762</u>	<u>\$ 99,822</u>	<u>\$ 48,945</u>	<u>\$ 8,830</u>
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ 1,088	\$ -
Accrued payroll	-	-	1,546	-
	<u>-</u>	<u>-</u>	<u>2,634</u>	<u>-</u>
Total liabilities	-	-	2,634	-
Deferred Inflows of Resources:				
Unavailable revenue	-	-	-	-
Taxes levied for a subsequent period	-	98,443	-	-
	<u>-</u>	<u>98,443</u>	<u>-</u>	<u>-</u>
Total deferred inflows of resources	-	98,443	-	-
FUND BALANCES				
Fund balances:				
Nonspendable:				
Prepaid items	-	-	56	-
Restricted	-	1,379	-	8,830
Assigned	17,762	-	46,255	-
Unassigned	-	-	-	-
	<u>17,762</u>	<u>1,379</u>	<u>46,311</u>	<u>8,830</u>
Total fund balances	17,762	1,379	46,311	8,830
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 17,762</u>	<u>\$ 99,822</u>	<u>\$ 48,945</u>	<u>\$ 8,830</u>

See accompanying notes to financial statements

Special Revenue Funds

Probation Surcharge	Homestead Property Tax Exemption	Register of Deeds Automation	CDBG Grant	Central Dispatch	Local Corrections Officer Training	Concealed Weapon Permit
\$ 5,759	\$ 4,485	\$ 147,680	\$ 81,843	\$ 24,921	\$ 12,019	\$ 6,950
-	-	-	-	77,936	-	-
-	-	-	-	32,282	-	-
-	-	-	-	-	-	-
-	-	-	-	8,212	-	-
<u>\$ 5,759</u>	<u>\$ 4,485</u>	<u>\$ 147,680</u>	<u>\$ 81,843</u>	<u>\$ 143,351</u>	<u>\$ 12,019</u>	<u>\$ 6,950</u>
\$ -	\$ 4,485	\$ 1,165	\$ -	\$ 17,180	\$ -	\$ -
-	-	-	-	21,006	-	-
-	4,485	1,165	-	38,186	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	8,212	-	-
5,759	-	-	81,843	-	-	-
-	-	146,515	-	96,953	12,019	6,950
-	-	-	-	-	-	-
<u>5,759</u>	<u>-</u>	<u>146,515</u>	<u>81,843</u>	<u>105,165</u>	<u>12,019</u>	<u>6,950</u>
<u>\$ 5,759</u>	<u>\$ 4,485</u>	<u>\$ 147,680</u>	<u>\$ 81,843</u>	<u>\$ 143,351</u>	<u>\$ 12,019</u>	<u>\$ 6,950</u>

See accompanying notes to financial statements

COUNTY OF IRON, MICHIGAN
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2016

	Special Revenue Funds			
	Drug Forfeiture - Prosecutor	Drug Forfeiture - Sheriff	Law Library	Drug Court Grant Program
ASSETS				
Cash and equivalents:				
Unrestricted	\$ 1,490	\$ 2,233	\$ 2,071	\$ 17,296
Receivables:				
State of Michigan	-	-	-	29,817
Accounts	-	-	-	-
Notes	-	-	-	-
Current property taxes	-	-	-	-
Prepaid items	-	-	-	10
Total assets	\$ 1,490	\$ 2,233	\$ 2,071	\$ 47,123
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ 912	\$ 1,284
Accrued payroll	-	-	-	3,046
Total liabilities	-	-	912	4,330
Deferred Inflows of Resources:				
Unavailable revenue	-	-	-	-
Taxes levied for a subsequent period	-	-	-	-
Total deferred inflows of resources	-	-	-	-
FUND BALANCES				
Fund balances:				
Nonspendable:				
Prepaid items	-	-	-	10
Restricted	-	-	-	-
Assigned	1,490	2,233	1,159	42,783
Unassigned	-	-	-	-
Total fund balances	1,490	2,233	1,159	42,793
Total liabilities, deferred inflows of resources, and fund balances	\$ 1,490	\$ 2,233	\$ 2,071	\$ 47,123

See accompanying notes to financial statements

Special Revenue Funds

Senior Citizens	Alcohol Assessment	Human Services Agency	Child Care	Soldiers Relief	Veterans Trust	Public Act 302
\$ 1,500	\$ 41,271	\$ 2,522	\$ 19,605	\$ 1,377	\$ 6,814	\$ 4,205
-	-	-	5,991	-	-	-
-	-	-	-	-	-	-
132,898	-	-	-	-	-	-
-	-	-	1,130	-	-	-
<u>\$ 134,398</u>	<u>\$ 41,271</u>	<u>\$ 2,522</u>	<u>\$ 26,726</u>	<u>\$ 1,377</u>	<u>\$ 6,814</u>	<u>\$ 4,205</u>
\$ -	\$ 103	\$ -	\$ 621	\$ -	\$ -	\$ -
-	-	81	2,125	4	-	-
-	103	81	2,746	4	-	-
-	-	-	-	-	-	-
132,898	-	-	-	-	-	-
132,898	-	-	-	-	-	-
-	-	-	1,130	-	-	-
1,500	-	-	-	-	-	4,205
-	41,168	2,441	22,850	1,373	6,814	-
-	-	-	-	-	-	-
1,500	41,168	2,441	23,980	1,373	6,814	4,205
<u>\$ 134,398</u>	<u>\$ 41,271</u>	<u>\$ 2,522</u>	<u>\$ 26,726</u>	<u>\$ 1,377</u>	<u>\$ 6,814</u>	<u>\$ 4,205</u>

See accompanying notes to financial statements

COUNTY OF IRON, MICHIGAN
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2016

	Special Revenue Funds			
	Plat Book	Sheriff's Department Equipment	Courthouse Repair	EDC/Revolving Loan
ASSETS				
Cash and equivalents:				
Unrestricted	\$ 65,838	\$ 35,192	\$ 55,755	\$ 194,771
Receivables:				
State of Michigan	-	-	-	-
Accounts	-	-	-	-
Notes	-	-	-	32,210
Current property taxes	-	-	-	-
Prepaid items	-	-	-	-
	<u>\$ 65,838</u>	<u>\$ 35,192</u>	<u>\$ 55,755</u>	<u>\$ 226,981</u>
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES				
Liabilities:				
Accounts payable	\$ -	\$ 1,553	\$ -	\$ 1,169
Accrued payroll	-	-	-	-
	<u>-</u>	<u>1,553</u>	<u>-</u>	<u>1,169</u>
Deferred Inflows of Resources:				
Unavailable revenue	-	-	-	32,210
Taxes levied for a subsequent period	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>32,210</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>32,210</u>
FUND BALANCES				
Fund balances:				
Nonspendable:				
Prepaid items	-	-	-	-
Restricted	-	-	-	193,602
Assigned	65,838	33,639	55,755	-
Unassigned	-	-	-	-
	<u>65,838</u>	<u>33,639</u>	<u>55,755</u>	<u>193,602</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 65,838</u>	<u>\$ 35,192</u>	<u>\$ 55,755</u>	<u>\$ 226,981</u>

See accompanying notes to financial statements

<u>Special Revenue Funds</u>		<u>Debt Service Funds</u>	<u>Capital Project Funds</u>	<u>Total Nonmajor Governmental Funds</u>
<u>Airport</u>	<u>MDOC Inmate</u>	<u>2003 Courthouse Debt Retirement</u>	<u>Invasive Species</u>	
\$ 9,287	\$ 49,047	\$ 923	\$ 13,101	\$ 884,815
-	-	-	-	113,744
-	-	-	-	32,282
-	-	-	-	32,210
-	-	-	-	231,341
-	-	-	-	9,408
<u>\$ 9,287</u>	<u>\$ 49,047</u>	<u>\$ 923</u>	<u>\$ 13,101</u>	<u>\$ 1,303,800</u>
\$ 634	\$ 63	\$ -	\$ 1,944	\$ 32,201
308	-	-	-	28,116
<u>942</u>	<u>63</u>	<u>-</u>	<u>1,944</u>	<u>60,317</u>
-	-	-	-	32,210
-	-	-	-	231,341
-	-	-	-	263,551
-	-	-	-	9,408
-	48,984	923	-	347,025
8,345	-	-	11,157	623,499
-	-	-	-	-
<u>8,345</u>	<u>48,984</u>	<u>923</u>	<u>11,157</u>	<u>979,932</u>
<u>\$ 9,287</u>	<u>\$ 49,047</u>	<u>\$ 923</u>	<u>\$ 13,101</u>	<u>\$ 1,303,800</u>

See accompanying notes to financial statements

COUNTY OF IRON, MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2016

	Special Revenue Funds			
	Family Counseling	Equipment for 911	County Parks	Friend of Court Incentive
REVENUES:				
Taxes	\$ -	\$ 97,690	\$ -	\$ -
Federal sources	-	-	-	-
State sources	-	1,900	-	-
Charges for services	-	-	135,548	-
Interest and rentals	-	-	800	-
Other	2,085	-	2,103	2,870
Total revenues	<u>2,085</u>	<u>99,590</u>	<u>138,451</u>	<u>2,870</u>
EXPENDITURES:				
Judicial system	-	-	-	-
General government	-	-	-	-
Public safety	-	-	-	-
Highway and transportation	-	-	-	-
Cultural and recreation	-	-	140,405	-
Health and welfare	2,000	-	-	-
Community development	-	-	-	-
Capital outlay	-	-	11,500	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Other	-	-	-	-
Total expenditures	<u>2,000</u>	<u>-</u>	<u>151,905</u>	<u>-</u>
Excess revenues (expenditures)	<u>85</u>	<u>99,590</u>	<u>(13,454)</u>	<u>2,870</u>
OTHER FINANCING SOURCES (USES):				
Transfer in	-	-	23,700	-
Transfer out	-	(99,165)	-	-
Total other financing sources (uses)	<u>-</u>	<u>(99,165)</u>	<u>23,700</u>	<u>-</u>
Net changes in fund balance	85	425	10,246	2,870
Fund balances - beginning of year	<u>17,677</u>	<u>954</u>	<u>36,065</u>	<u>5,960</u>
Fund balances - ending	<u>\$ 17,762</u>	<u>\$ 1,379</u>	<u>\$ 46,311</u>	<u>\$ 8,830</u>

See accompanying notes to financial statements

Special Revenue Funds

Probation Surcharge	Homestead Property Tax Exemption	Register of Deeds Automation	CDBG Grant	Central Dispatch	Local Corrections Officer Training	Concealed Weapon Permit
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	98,165	-	-
-	-	17,455	-	456,016	3,940	5,705
-	-	409	-	93	-	-
1,886	-	-	9,684	-	-	-
<u>1,886</u>	<u>-</u>	<u>17,864</u>	<u>9,684</u>	<u>554,274</u>	<u>3,940</u>	<u>5,705</u>
144	-	-	-	-	-	-
-	-	2,836	-	-	-	-
-	-	-	-	701,272	750	796
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	11,520	-	-	-
-	-	8,892	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>144</u>	<u>-</u>	<u>11,728</u>	<u>11,520</u>	<u>701,272</u>	<u>750</u>	<u>796</u>
<u>1,742</u>	<u>-</u>	<u>6,136</u>	<u>(1,836)</u>	<u>(146,998)</u>	<u>3,190</u>	<u>4,909</u>
-	-	-	-	118,000	-	-
-	-	-	-	-	-	-
-	-	-	-	118,000	-	-
1,742	-	6,136	(1,836)	(28,998)	3,190	4,909
<u>4,017</u>	<u>-</u>	<u>140,379</u>	<u>83,679</u>	<u>134,163</u>	<u>8,829</u>	<u>2,041</u>
<u>\$ 5,759</u>	<u>\$ -</u>	<u>\$ 146,515</u>	<u>\$ 81,843</u>	<u>\$ 105,165</u>	<u>\$ 12,019</u>	<u>\$ 6,950</u>

See accompanying notes to financial statements

COUNTY OF IRON, MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2016

	Special Revenue Funds			
	Drug Forfeiture - Prosecutor	Drug Forfeiture - Sheriff	Law Library	Drug Court Grant Program
REVENUES:				
Taxes	\$ -	\$ -	\$ -	\$ -
Federal sources	-	-	-	-
State sources	-	-	-	110,997
Charges for services	-	-	-	284
Interest and rentals	3	1	-	-
Other	-	250	-	-
Total revenues	<u>3</u>	<u>251</u>	<u>-</u>	<u>111,281</u>
EXPENDITURES:				
Judicial system	-	-	14,065	-
General government	-	-	-	-
Public safety	-	-	-	117,903
Highway and transportation	-	-	-	-
Cultural and recreation	-	-	-	-
Health and welfare	-	-	-	-
Community development	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Other	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>14,065</u>	<u>117,903</u>
Excess revenues (expenditures)	<u>3</u>	<u>251</u>	<u>(14,065)</u>	<u>(6,622)</u>
OTHER FINANCING SOURCES (USES):				
Transfer in	-	-	12,000	-
Transfer out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>12,000</u>	<u>-</u>
Net changes in fund balance	3	251	(2,065)	(6,622)
Fund balances - beginning of year	<u>1,487</u>	<u>1,982</u>	<u>3,224</u>	<u>49,415</u>
Fund balances - ending	<u>\$ 1,490</u>	<u>\$ 2,233</u>	<u>\$ 1,159</u>	<u>\$ 42,793</u>

See accompanying notes to financial statements

Special Revenue Funds

Senior Citizens	Alcohol Assessment	Human Services Agency	Child Care	Soldiers Relief	Veterans Trust	Public Act 302
\$ 134,413	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
226	-	-	27,087	-	7,267	1,826
-	3,837	-	3,782	-	-	-
-	-	-	-	-	-	2
-	7,873	-	2,462	-	-	-
<u>134,639</u>	<u>11,710</u>	<u>-</u>	<u>33,331</u>	<u>-</u>	<u>7,267</u>	<u>1,828</u>
-	1,640	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	1,067
-	-	-	-	-	-	-
134,639	-	921	116,873	1,267	4,634	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>134,639</u>	<u>1,640</u>	<u>921</u>	<u>116,873</u>	<u>1,267</u>	<u>4,634</u>	<u>1,067</u>
-	10,070	(921)	(83,542)	(1,267)	2,633	761
-	-	2,500	101,671	1,100	-	-
-	-	-	-	-	-	-
-	-	2,500	101,671	1,100	-	-
-	10,070	1,579	18,129	(167)	2,633	761
1,500	31,098	862	5,851	1,540	4,181	3,444
<u>\$ 1,500</u>	<u>\$ 41,168</u>	<u>\$ 2,441</u>	<u>\$ 23,980</u>	<u>\$ 1,373</u>	<u>\$ 6,814</u>	<u>\$ 4,205</u>

See accompanying notes to financial statements

COUNTY OF IRON, MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2016

	Special Revenue Funds			
	Plat Book	Sheriff's Department Equipment	Courthouse Repair	EDC/Revolving Loan
REVENUES:				
Taxes	\$ -	\$ -	\$ -	\$ -
Federal sources	-	-	-	-
State sources	-	-	-	-
Charges for services	-	-	-	-
Interest and rentals	-	10	-	230
Other	10,754	34,448	-	51,069
	<u>10,754</u>	<u>34,458</u>	<u>-</u>	<u>51,299</u>
Total revenues	10,754	34,458	-	51,299
EXPENDITURES:				
Judicial system	-	-	-	-
General government	8,877	-	18,109	-
Public safety	-	16,995	-	-
Highway and transportation	-	-	-	-
Cultural and recreation	-	-	-	-
Health and welfare	-	-	-	-
Community development	-	-	-	-
Capital outlay	-	439	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Other	-	-	-	6,562
	<u>8,877</u>	<u>17,434</u>	<u>18,109</u>	<u>6,562</u>
Total expenditures	8,877	17,434	18,109	6,562
Excess revenues (expenditures)	<u>1,877</u>	<u>17,024</u>	<u>(18,109)</u>	<u>44,737</u>
OTHER FINANCING SOURCES (USES):				
Transfer in	-	-	30,000	-
Transfer out	-	-	-	-
	<u>-</u>	<u>-</u>	<u>30,000</u>	<u>-</u>
Total other financing sources (uses)	-	-	30,000	-
Net changes in fund balance	1,877	17,024	11,891	44,737
Fund balances - beginning of year	<u>63,961</u>	<u>16,615</u>	<u>43,864</u>	<u>148,865</u>
Fund balances - ending	<u>\$ 65,838</u>	<u>\$ 33,639</u>	<u>\$ 55,755</u>	<u>\$ 193,602</u>

See accompanying notes to financial statements

Special Revenue Funds		Debt Service Funds	Capital Project Funds	Total Nonmajor Governmental Funds
Airport	MDOC Inmate Trust	2003 Courthouse Debt Retirement	Invasive Species	
\$ -	\$ -	\$ -	\$ -	\$ 232,103
-	-	-	-	-
-	-	-	-	247,468
-	9,749	-	-	636,316
6,402	-	-	-	7,950
-	-	-	-	125,484
<u>6,402</u>	<u>9,749</u>	<u>-</u>	<u>-</u>	<u>1,249,321</u>
-	-	-	-	15,849
-	-	-	-	29,822
-	23,411	-	-	862,194
9,798	-	-	-	9,798
-	-	-	1,944	142,349
-	-	-	-	260,334
-	-	-	-	11,520
-	8,500	-	-	29,331
-	-	11,000	-	11,000
-	-	12,665	-	12,665
-	-	-	-	6,562
<u>9,798</u>	<u>31,911</u>	<u>23,665</u>	<u>1,944</u>	<u>1,391,424</u>
<u>(3,396)</u>	<u>(22,162)</u>	<u>(23,665)</u>	<u>(1,944)</u>	<u>(142,103)</u>
5,000	-	23,665	5,000	322,636
-	-	-	-	(99,165)
<u>5,000</u>	<u>-</u>	<u>23,665</u>	<u>5,000</u>	<u>223,471</u>
1,604	(22,162)	-	3,056	81,368
<u>6,741</u>	<u>71,146</u>	<u>923</u>	<u>8,101</u>	<u>898,564</u>
<u>\$ 8,345</u>	<u>\$ 48,984</u>	<u>\$ 923</u>	<u>\$ 11,157</u>	<u>\$ 979,932</u>

See accompanying notes to financial statements

COUNTY OF IRON, MICHIGAN
COMBINING STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUNDS
December 31, 2016

	General Trust and Agency	Flex Spending	Friend of the Court Trust	District Court Bonds
ASSETS				
Cash and cash equivalents:				
Unrestricted	\$ 280,357	\$ 62,720	\$ 20	\$ 7,592
Total assets	<u>\$ 280,357</u>	<u>\$ 62,720</u>	<u>\$ 20</u>	<u>\$ 7,592</u>
LIABILITIES				
Due to external parties	\$ -	\$ -	\$ -	\$ -
Undistributed taxes	224,170	-	-	-
Other liabilities	56,187	62,720	20	7,592
Total liabilities	<u>\$ 280,357</u>	<u>\$ 62,720</u>	<u>\$ 20</u>	<u>\$ 7,592</u>

See accompanying notes to financial statements

Library Fund	Inmate Trust	Totals
\$ 29,491	\$ 6,747	\$ 386,927
<u>\$ 29,491</u>	<u>\$ 6,747</u>	<u>\$ 386,927</u>
\$ -	\$ 2,637	\$ 2,637
-	-	224,170
<u>29,491</u>	<u>4,110</u>	<u>160,120</u>
<u>\$ 29,491</u>	<u>\$ 6,747</u>	<u>\$ 386,927</u>

See accompanying notes to financial statements

SINGLE AUDIT



ANDERSON, TACKMAN & COMPANY, PLC
Certified Public Accountants

OFFICES IN MICHIGAN AND WISCONSIN

Kristine P. Berhow, CPA, Principal
Alan M. Stolz, CPA, Principal
Brandy M. Olson, CPA, Principal

Kathleen A. Ciantar, CPA
Alaina R. Kreis, CPA

**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**

To the Members of the Board of Commissioners
County of Iron
Crystal Falls, Michigan 49920

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 the County of Iron, Michigan as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the County of Iron, Michigan's basic financial statements, and have issued our report thereon dated June 15, 2017. Our report includes a reference to other auditors who audited the financial statements of the Iron County Medical Care Facility, as described in our report on the County of Iron, Michigan's financial statements. The financial statements of the Iron County Medical Care Facility were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the Iron County Medical Care Facility.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, we did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies. See item 2016-001.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County of Iron, Michigan's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2016-002.

The County of Iron, Michigan's Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the 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, PLC
Certified Public Accountants
Escanaba, Michigan

June 15, 2017



ANDERSON, TACKMAN & COMPANY, PLC
Certified Public Accountants

Kristine P. Berhow, CPA, Principal
Alan M. Stotz, CPA, Principal
Brandy M. Olson, CPA, Principal

OFFICES IN MICHIGAN AND WISCONSIN

Kathleen A. Ciantar, CPA
Alaina R. Kreis, CPA

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

To the Members of the Board of Commissioners
County of Iron, Michigan
Crystal Falls, Michigan 49920

Report on Compliance for Each Major Federal Program

We have audited the County of Iron, Michigan's 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 of Iron, Michigan's major federal programs for the year ended December 31, 2016. County of Iron, Michigan's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

County of Iron, Michigan's basic financial statements include the operations of the Iron County Road Commission and the Iron County Medical Care Facility. The Iron County Road Commission received \$884,636 in federal awards which is not included in County of Iron, Michigan's schedule of expenditures of federal awards during the year ended December 31, 2016. Our audit, described below, did not include the operations of the Iron County Road Commission or the Iron County Medical Care Facility because the component units issue separately audited financial statements, which include an audit of compliance, if required.

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.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the County of Iron, Michigan's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 of Iron, Michigan's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

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

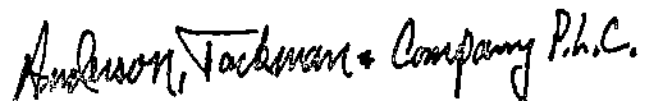
Report on Internal Control over Compliance

Management of the County of Iron, Michigan, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County of Iron, Michigan's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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 of Iron, Michigan's internal control over compliance.

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

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.



ANDERSON, TACKMAN & COMPANY, PLC
Certified Public Accountants
Escanaba, Michigan

June 15, 2017

COUNTY OF IRON, MICHIGAN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended December 31, 2016

<u>Federal grantor/pass-through/program title</u>	<u>Federal CFDA #</u>	<u>Agency or pass-through number</u>	<u>Federal Expenditures</u>
U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES:			
Passed through the Michigan Department of Health and Human Services:			
Title IV-D Cooperative Reimbursement	93.563	CSFOC-13-36001	\$ 91,498
		CSPA-13-36002	23,257
Friend of Court - Federal Incentives	93.563		15,009
Passed through the Michigan Department of Health and Human Services:			
Medicaid Cluster - Medical Assistance Program	93.778	20161678, 20170284	166,351
Family Planning Project	93.217	20161678, 20170284	20,167
Maternal and Child Health Services Block Title V	93.994	20161678, 20170284	27,746
Immunization	93.268	20161678, 20170284	105,825
Public Health Emergency Preparedness (PHEP)	93.069	20161678, 20170284	123,241
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	20161678, 20170284	100
PPHF Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance	93.539	20161678, 20170284	<u>19,347</u>
Total U.S. Department of Health & Human Services			<u>592,541</u>
U.S. DEPARTMENT OF AGRICULTURE:			
Passed through State of Michigan Department of Natural Resources & Environment:			
Forest Service Schools and Roads Cluster:			
Schools & Roads - Grants to States	10.665	unavailable	143,051
Passed through the Michigan Department of Health and Human Services:			
Special Supplemental Food Program for Woman, Infants and Childreu	10.557	20161678, 20170284	224,820
Passed through the Michigan Fitness Foundation			
SNAP Cluster - Food Stamps	10.561	FY 2016 DIDHD	25,681
Passed through Michigan Department of Education:			
Child Nutrition Cluster:			
Special Milk Program for Children	10.556	unavailable	1,139
Direct Payments:			
Community Facilities Loans & Grants Cluster	10.766	n/a	<u>13,000</u>
Total U.S. Department of Agriculture			<u>407,691</u>

See accompanying notes to the Schedule of Expenditures of Federal Awards

COUNTY OF IRON, MICHIGAN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended December 31, 2016

<u>Federal grantor/pass-through/program title</u>	<u>Federal CFDA #</u>	<u>Agency or pass-through number</u>	<u>Federal Expenditures</u>
U.S. DEPARTMENT OF EDUCATION:			
Passed through Dickinson-Iron Intermediate School District:			
Special Education Grants for Infants and Families with Disabilities (Early On)	84.181	unavailable	<u>27,837</u>
U.S. DEPARTMENT OF HOMELAND SECURITY			
Passed through State Department of Natural Resources & Environment:			
Federal Boating Safety Financial Assistance Program	97.012	unavailable	6,500
Passed through State Emergency Management:			
Emergency Management Performance Grants	97.042	unavailable	7,139
Passed through Houghton County, Michigan:			
2014 Michigan Homeland Security Grant Program	97.067	unavailable	3,081
2015 Michigan Homeland Security Grant Program	97.067	unavailable	<u>4,783</u>
Total U.S. Department of Homeland Security			<u>21,503</u>
U.S. ENVIRONMENTAL PROTECTION AGENCY			
Passed through State Department of Environmental Quality:			
Drinking Water State Revolving Fund Cluster:			
Capitalized Grants for Drinking Water State Revolving	66.468	unavailable	<u>1,126</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>\$ 1,050,698</u></u>

See accompanying notes to the Schedule of Expenditures of Federal Awards

COUNTY OF IRON, MICHIGAN
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2016

NOTE A – OVERSIGHT AGENCY

The U.S. Department of Agriculture is the current year's oversight agency for single audit as determined by the agency providing the largest share of the County's direct federal financial assistance.

NOTE B – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Iron County under programs of the federal government for the year ended December 31, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Iron County, it is not intended to and does not present the financial position, changes in net position, or cash flows of Iron County. The information in the schedules reconciles with the amounts presented in the financial statements as shown in Note F below.

NOTE C – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. 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.

(2) Iron County has elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE D – PASS-THROUGH GRANTOR'S OR PROGRAM NUMBERS

The pass-through grantor's number represents the County's provider I.D. number. Such other I.D. numbers were not available or provided by the State administering agencies.

NOTE E – PASS-THROUGH GRANT MONIES

During 2016, the County did not act as a pass-through agent for any federal monies.

COUNTY OF IRON, MICHIGAN
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2016

NOTE F - FEDERAL REVENUE RECONCILIATION

Federal revenue per governmental fund financial statements	\$	512,579
Federal expenditures per schedule of expenditures of federal award		<u>1,050,698</u>
Difference		<u>(538,119)</u>
Reconciling items:		
Federal revenues reported in the component units which are included on the schedule of expenditures of federal awards:		
District Health Department		742,242
Federal revenues not reported in the financial statements, but on the schedule of expenditures of federal awards because the funds were receipted and disbursed in a trust and agency fund:		
Schools and Roads - Grant to States		143,051
Federal funds disbursed on behalf of Iron County by Houghton County for the following grant programs.		
Michigan Homeland Security Grant Program		7,864
Federal funds received for payment in-lieu of taxes reported as federal revenue but are not considered for single audit purposes.		<u>(355,038)</u>
Reconciled difference	\$	<u><u>-</u></u>

COUNTY OF IRON, MICHIGAN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2016

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unmodified opinion on the basic financial statements of the County of Iron, Michigan.
2. One significant deficiency was disclosed during the audit of the basic financial statements as reported in the *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*, and are detailed in part B of this schedule.
3. There was one instance of noncompliance material to the basic financial statements of the County of Iron, Michigan disclosed during the audit.
4. There were no significant deficiencies or material weaknesses disclosed during the audit of the major federal programs as reported in the *Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance*.
5. The auditor's report on compliance for the major federal programs for the County of Iron, Michigan expresses an unmodified opinion.
6. There were no audit findings relative to the major federal programs for the County of Iron, Michigan.
7. The programs tested as a major program included:
 - Public Health Emergency Preparedness (PHEP), CFDA #93.069
 - WIC, CFDA #10.557
 - School & Roads – Grants to States, CFDA #10.665
8. The threshold for distinguishing Type A & B programs was \$750,000.
9. The County of Iron, Michigan was determined not to be a low-risk auditee.

COUNTY OF IRON, MICHIGAN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2016

B. FINDINGS – FINANCIAL STATEMENT AUDIT

2016-001: PREPARATION OF FINANCIAL STATEMENTS

Statement of Condition/Criteria: The County of Iron, Michigan does not prepare their own financial statements.

Effect: Significant deficiency in internal controls over financial reporting as County of Iron, Michigan does not have controls over preparation of the financial statements which would prevent or detect a misstatement in the financial statements.

Cause of Condition: The County of Iron, Michigan does not possess the personnel capable of preparing financial statements and the required footnote disclosures.

Recommendation: Consideration should be given to hire an individual with ability to prepare the County financial statements.

Management Response: Iron County has chosen their independent auditor to prepare these financial statements and required footnote disclosures on their behalf.

2016-002: COMPLIANCE FINDING – VIOLATION OF PUBLIC ACT 2 OF 1968, AS AMENDED

Statement of Condition/Criteria: During the fiscal year ended December 31, 2016, expenditures were incurred in excess of amounts appropriated in the amended budgets (see footnote B for detail). Expenditures in excess of appropriations is contrary to the provisions of Public Act 2 of 1968, as amended.

Effect: Material non-compliance.

Cause of Condition: The County of Iron, Michigan did not amend the budget as necessary near year end.

Recommendation: Budgets should be amended prior to expenditures being incurred that are in excess of appropriated amounts.

Management Response: In the future, budgets will be more conservatively reviewed prior to the end of the fiscal year in an effort to prevent expenditures in excess of appropriated amounts.

COUNTY OF IRON, MICHIGAN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2016

**C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS
AUDIT**

	<u>Questioned Costs</u>
There were no findings for the current fiscal year.	\$ -0-

COUNTY OF IRON, MICHIGAN
STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2016

**A. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS
AUDIT**

There were no findings for the prior fiscal year relating to major federal award programs.

ADDITIONAL SUPPLEMENTAL INFORMATION

CONTINUING DISCLOSURE FILING

County of Iron
State of Michigan

Fiscal Year Ended
December 31, 2016

LIST OF CURRENT
NATIONALLY RECOGNIZED MUNICIPAL SECURITIES
INFORMATION REPOSITORIES (NRMSIRs)

The Municipal Securities Rulemaking Board (**MSRB**), effective July 1, 2009, received approval from the Securities and Exchange Commission to launch operations of the continuing disclosure service of the MSRB's Electronic Municipal Market Access system (EMMA). The annual filing of audited financial statements along with this Continuing Disclosure Undertaking is no longer accepted by the Nationally Recognized Municipal Securities Information Repositories. The continuing disclosure service will receive electronic submissions in PDF format by issuers (Iron County) and their agents (Anderson Tackman & Company, PLC) at www.emma.msrb.org where they will be made publicly available on the internet.

STATE INFORMATION REPOSITORY

Municipal Advisory Council of Michigan
1445 First National Building
Detroit, Michigan 48226-3517
Phone: 313-963-0420
Fax: 313-963-0943
E-mail: mac@macmi.com

**MUNICIPAL SECONDARY MARKET DISCLOSURE
INFORMATION COVER SHEET**

This cover sheet should be sent with all submissions made to the Municipal Securities Rulemaking Board, Nationally Recognized Municipal Securities Information Repositories, and any applicable State Information Depository pursuant to Securities and Exchange Commission Rule 15c2-12.

Issuer's and/or Other Obligated Person's Name: **County of Iron, Michigan**

CUSIP Numbers (attach additional sheet if necessary):

Nine-digit number(s) to which the information relates
 Information relates to **all securities** issued by the issuer having the following six-digit number(s): **462765**

Number of pages of attached information:

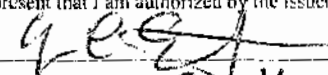
Description of Material Event Notice / Financial Information (Check One):

- 1. Principal and interest payment delinquencies
- 2. Non-Payment related defaults
- 3. Unscheduled draws on debt service reserves reflecting financial difficulties
- 4. Unscheduled draws on credit enhancements reflecting financial difficulties
- 5. Substitution of credit or liquidity providers, or their failure to perform
- 6. Adverse tax opinions or events affecting the tax-exempt status of the security
- 7. Modifications to rights of securities holders
- 8. Bond calls
- 9. Defeasances
- 10. Release, substitution, or sale of property securing repayment of the securities
- 11. Rating changes
- 12. Failure to provide annual financial information as required
- 13. Other material event notice (specify)
- 14. Financial information*: Please check all appropriate boxes:

CAFR: (a) includes does not include Annual Financial Information
 (b) Audited? Yes No
 Annual Financial Information: Audited? Yes No
 Operating Data
 Fiscal Period Covered: Fiscal Year Ended December 31, 2016

*Financial information **should not** be filed with the MSRB

I hereby represent that I am authorized by the issuer or its agent to distribute this information publicly:

Signature: 
 Name: Eugene Smith Title: County Administrator

Employer: County of Iron

Address: 2 South Sixth Street, Suite 7

City, State, Zip Code: Crystal Falls, Michigan 49920-1410 Voice Telephone Number: (906) 875-3301

County of Iron
Total Taxable Value
Fiscal Years Ended December 31, 2012 Through 2016

Assessed Value as of December 31	Year of State Equalization and Tax Levy	County's Fiscal Year Ended December 31	Ad Valorem Taxable	Equivalent Taxable Value of Property Granted Tax Abatement Under Act 198 (1)	Total Taxable Value	Percent Increase Over Prior Year
2011	2012	2012	483,408,192	3,110,503	483,408,192	1.46
2012	2013	2013	493,608,638	3,000,000	493,608,638	1.02
2013	2014	2014	479,164,617	3,263,257	479,164,167	.97
2014	2015	2015	486,710,195	2,503,741	486,710,195	1.02
2015	2016	2016	490,103,209	823,700	490,103,209	1.01

Per Capita Total Taxable Value for the Fiscal Year Ended December 31, 2016 (2)

(1) At the full tax rate.

(2) Based on the County's 2010 Census population of 11,817.

Source: County of Iron

County of Iron
Total Taxable Value by Use and Class
Fiscal Years Ended December 31, 2012 Through 2016

Use	Fiscal Year Ended December 31				
	2012	2013	2014	2015	2016
Agriculture	10,048,069	10,637,916	9,912,428	10,244,604	10,503,108
Commercial	33,820,842	34,515,130	34,935,974	34,913,419	34,135,379
Utility	43,943,776	44,412,260	34,856,121	37,225,582	38,740,131
Industrial	30,926,234	32,110,727	32,790,643	33,656,029	35,231,869
Residential.....	325,242,429	333,235,710	334,559,773	340,160,468	342,883,788
Timber Cutover	19,235,449	19,292,156	19,814,779	19,725,399	19,714,578
Total	463,216,79	474,203,899	466,869,718	475,925,501	479,208,853

Class	2012	2013	2014	2015	2016
Real Property	\$ 419,273,023	\$ 429,791,639	\$ 432,013,597	\$ 438,699,919	\$440,468,722
Personal Property.....	64,115,369	63,816,999	47,151,020	48,010,276	49,634,487
Total	\$ 483,408,192	\$ 493,608,638	\$ 479,164,617	\$ 486,710,195	\$ 490,103,209

Source: County of Iron

County of Iron
 Percent of Total Taxable Value by Use and Class
 Fiscal Years Ended December 31, 2012 Through 2016

Use	Fiscal Year Ended December 31st				
	2012	2013	2014	2015	2016
Agriculture	2.16%	2.16%	2.07%	2.15%	2.19%
Commercial	7.00%	8.30%	8.53%	7.34	7.13%
Utility	11.00%	9.00%	7.27%	7.82	8.09%
Industrial	8.41%	9.21%	8.17%	7.07	6.93%
Residential.....	67.52%	67.51%	69.82	71.48	71.55%
Timber Cutover	3.91%	3.91%	4.14%	4.14	4.11%
Total	100.00%	100.00%	100.00%	100.00%	100.00%
Class	2012	2013	2014	2015	2016
Real Property	86.73%	87.07%	90.16%	90.14%	89.87%
Personal Property	13.27%	12.97%	9.84%	9.86%	10.13%
Total	100.00%	100.00%	100.00%	100.00%	100.00%

Source: County of Iron

County of Iron
 Total State Equalized Valuation
 Fiscal Years Ended December 31, 2012 Through 2016

Assessed Value as of December 31	Year of State Equalization and Tax Levy	County's Fiscal Year Ended December 31	Ad Valorem SEV	SEV of Property		Total SEV	Percent Increase Over Prior Year
				Granted Tax Under Acts 198 and 255	Abatement		
2011	2012	2012	700,161,888	3,110,503		700,161,888	
2012	2013	2013	691,122,933	3,000,000		691,122,933	
2013	2014	2014	662,250,664	3,263,257		665,513,921	
2014	2015	2015	665,307,700	2,503,741		667,811,441	
2015	2016	2016	669,622,220	823,700		669,622,220	1.01%
Per Capita Total SEV for the Fiscal Year Ended December 31, 2016 (1).....						\$56,300.89	

(1) Based on the County's 2010 Census population of 11,817.

Source: County of Iron

County of Iron
Total SEV by Use and Class
Fiscal Years Ended December 31, 2012 Through 2016

<u>Use</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Agriculture	\$ 19,181,792	\$ 19,500,316	\$ 18,665,227	\$ 18,958,668	\$18,776,644
Commercial	39,173,248	39,146,066	38,364,420	38,504,184	37,874,643
Utility	47,639,374	47,996,338	38,010,060	39,039,674	39,921,845
Industrial	31,977,930	33,417,830	33,815,197	34,590,347	34,363,092
Residential	494,287,932	486,269,981	476,585,127	480,854,903	485,679,837
Timber Cutover	<u>47,698,228</u>	<u>45,381,507</u>	<u>44,513,549</u>	<u>42,849,446</u>	<u>42,111,803</u>
Total	<u>\$ 679,958,504</u>	<u>\$ 671,712,038</u>	<u>\$ 649,953,580</u>	<u>\$ 654,796,222</u>	<u>\$658,727,864</u>

<u>Class</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Real Property	\$ 632,319,130	\$ 623,715,700	\$ 611,943,520	\$ 615,757,548	\$618,806,019
Personal Property	<u>67,842,758</u>	<u>67,407,233</u>	<u>50,307,144</u>	<u>49,550,152</u>	<u>50,816,201</u>
	<u>\$ 700,161,888</u>	<u>\$ 691,122,933</u>	<u>\$ 662,250,394</u>	<u>\$ 665,307,700</u>	<u>\$669,622,220</u>

Source: County of Iron

County of Iron
Percent of Total SEV by Use and Class
Fiscal Years Ended December 31, 2012 Through 2016

<u>Use</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Agriculture	2.82%	2.90%	2.88%	2.90%	2.85%
Commercial	5.77	5.83	5.90	5.88	5.75
Utility	7.00	7.14	5.84	5.96	6.06
Industrial	4.70	4.98	5.20	5.28	5.27
Residential	72.70	72.39	73.33	73.33	73.73
Timber Cutover	<u>7.01</u>	<u>6.76</u>	<u>6.85</u>	<u>6.54</u>	<u>6.39</u>
Total	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

<u>Class</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Real Property	90.25%	90.25%	92.40%	92.55%	92.41%
Personal Property	<u>9.69</u>	<u>9.75</u>	<u>7.60</u>	<u>7.45</u>	<u>7.59</u>
	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.0%</u>

Source: County of Iron

County of Iron
Property Tax Rates
Fiscal Years Ended December 31, 2012 Through 2016

Levy	Fiscal Years		Youth			Senior			911*	Roads *	Total
	Ended	Allocated	Camp *	Medical*	Debt *	Citizen*	Health *				
Dec. 31	Dec.31										
2011	2012	6.4800	0.5000	1.5000	2.0500	0.2700	0.3452	N/A	0.5000	11.1452	
2012	2013	6.4300	0.5000	1.5000	2.0000	0.2700	0.4200	N/A	0.5000	11.9200	
2013	2014	6.4300	0.5000	1.5000	1.4850	0.2700	0.4200	N/A	0.5000	11.1050	
2014	2015	6.4300	0.5000	1.5000	1.6600	0.2700	0.5200	0.2000	0.5000	10.9800	
2015	2016	6.4300	0.5000	1.5000	1.6800	0.2700	0.4200	0.2000	0.5000	11.5000	

* Voted Millage

County of Iron
Property Tax Collections
Fiscal Years Ended or Ending December 31, 2012 Through 2016

Dec. 1 Levy	Fiscal Years Ended or Ending <u>December 31</u>	County Tax Levy (1)	Collections to March 1 <u>Following Levy</u>	Percent Collected to March 1 <u>Following Levy</u>
2011	2012	19,476,682	18,094,140	92.90%
2012	2013	19,559,705	18,415,235	94.15%
2013	2014	19,481,185	18,823,276	96.62%
2014	2015	19,118,845	17,540,093	91.74%
2015	2016	19,438,579	18,036,829	92.79%

(1) Includes real property taxes.

(1) At settlement

Source: County of Iron

Profile of the Ten Largest Taxpayers

Reflected below are the County's ten largest property taxpayers, their principal product or service and respective Taxable Value for its fiscal year ended December 31, 2015.

Taxpayer	Principal Product or Service	Taxable Value	Percent of <u>Total (1)</u>
WE Energies	Utility.....	36,004,741	7.35%
American Transmission Co.....	Utility.....	12,734,384	2.60%
Great Lakes Gas.....	Utility.....	11,499,139	2.35%
Enbridge Energy.....	Utility.....	7,064,723	1.44%
UPPCO.....	Utility.....	3,468,200	0.71%
Northern Trust Company.....	Financial Institution.....	2,867,104	0.59%
The Wildemess LLC.....	Land / Wildlife Mangement.....	2,378,005	0.49%
Angeli Mangement Corp.	Retail Management.....	2,366,944	0.48%
Aramark Uniform Services Inc.	Facility Cleaning Services	1,889,872	0.39%
Krist Oil Co. Inc.	Gas / Propane Supplier.....	1,609,471	0.33%

(1) Based on \$490,103,209 which is the County's Taxable Value for the fiscal year ended December 31, 2016

Source: County of Iron

County of Iron
Revenues from the State of Michigan
Fiscal Years Ended December 31, 2011 Through 2015

	Fiscal Years Ended December 31				
	<u>2012</u>	2013	<u>2014</u>	2015	<u>2016</u>
State Sales Tax.....	\$ 266,751	\$ 143,077	\$232,729	\$270,167	\$ 270,642

Source: Iron County and the Michigan Department of Treasury.

COUNTY DEBT

Constitutional Debt Limitations

Article VII, Section 11 of the Michigan Constitution states "No county shall incur any indebtedness which shall increase its total debt beyond 10 percent of its assessed valuation".

Legal Debt Margin

Pursuant to the statutory and constitutional debt provisions set forth herein, the following table reflects the amount of additional debt the County may legally incur as of December 31, 2016.

Debt Limit (2)	\$710,090,928
Debt Outstanding	\$ 14,474,542
Less: No County Credit Pledge Issues	<u>14,474,542</u>
Legal Debt Margin.....	<u>\$55,616,386</u>

Debt Statement

The following table reflects a breakdown of the County's direct and underlying debt as of December 31, 2016. Direct debt that is shown as self-supporting is paid from sources other than the County's General Fund.

To the extent necessary, the County may levy taxes on all taxable property within its boundaries without limitation as to rate or amount to pay the principal of and interest due on the bonds that are designated as Unlimited Tax ("UT"). However, the County's ability to levy taxes to pay debt service on the bonds that are designated as Limited Tax ("LT") is subject to applicable statutory and constitutional limitations.

County Direct Debt	<u>Gross</u>	<u>Self-Supporting</u>	<u>Net</u>
Michigan Transportation Fund Bonds:			
Dated February 12, 2003	\$ 1,750,000	\$ -0-	\$ 1,575,000
Subtotal	<u>\$ 1,750,000</u>	<u>\$ -0-</u>	<u>\$ 1,575,000</u>
General Obligation Bonds:			
Dated March 3, 2005 (UT)	\$ -0-	\$ -0-	\$ -0-
Dated August 12, 2004 (LT).....	-0-	-0-	-0-
Dated August 19, 2003 (LT)	309,000	-0-	287,000
Dated March 8, 2012, Co.Combined	6,715,000	-0-	5,535,000
Dated November 1, 2002 (UT)	-0-	-0-	-0-
Dated, 7/12/2012 Building Authority.(Medicare)...	7,295,223	-0-	6,972,222
Subtotal	<u>\$ 14,322,223</u>	<u>\$ -0-</u>	<u>\$ 12,794,222</u>
Total.....	<u>\$ 16,072,223</u>	<u>\$ -0-</u>	<u>\$ 14,369,222</u>
PerCapita Net County Direct Debt(1).....			\$1,215.97
Percent of Net Direct Debt to Total SEY (2).....			2.15%

(1) Based on the County's 2010 Census population of 11,817.

(2) Based on \$669,622,220 which is the County's Total SEY for its fiscal year ended December 31, 2016

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

Pension Plan

The County participates in a defined benefit plan that covers all full-time employees and limited part-time employees that is administered by the Michigan Municipal Employees Retirement System. Effective April 1, 2004 all new hires are enrolled in the MERS Defined Contribution Plan.

**County of Iron
Employees Retirement System
Five-Year History.**

<u>Valuation Date</u> <u>December 31</u>	<u>Actuarial Value of Assets</u>	<u>Accrued Actuarial Liability</u>	<u>Funded Ratio</u>
2012	\$24,509,272	\$29,821,784	82%
2013	\$26,160,977	\$32,219,603	81%
2014	\$27,833,855	\$34,902,651	80%
2015	\$29,453,199	\$39,714,291	74%
2016	(*)		

Source: County of Iron and MERS, * 2016 information was not available at report time.