

Iron County, Michigan

ANNUAL FINANCIAL REPORT

December 31, 2017

Iron County, Michigan

DECEMBER 31, 2017

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Independent auditors' report

To the County Board
Iron County, Michigan

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Iron County, Michigan (the "County") as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Iron County Road Commission and Iron County Medical Care Facility which are presented as component units of Iron County, Michigan and represent 97%, 109%, and 91% of the assets, net position, and revenues respectively of the aggregate discretely presented component units. These statements were audited by other auditors whose report thereon has been furnished to us and our opinion, insofar as it relates to amounts included for the Iron County Road Commission and Iron County Medical Care Facility is based solely upon 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. The financial statements of the Iron County Medical Care Facility, a discretely presented component unit of the County, were not audited in accordance with *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 auditors consider internal control relevant to the County'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 County'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, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County as of December 31, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

OTHER MATTERS

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 9 and the budgetary comparison information and the schedules relating to pensions and other postemployment benefits on pages 62 through 76 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The financial information listed in the table of contents as supplementary information is presented for purposes of additional analysis and is 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 supplementary information and 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. In our opinion, the supplementary information 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.

OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2018, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.



Certified Public Accountants

Iron Mountain, Michigan
June 29, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

DECEMBER 31, 2017

As management of the County of Iron, we offer readers of the County's basic financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended December 31, 2017.

Financial Highlights

- The assets and deferred outflows of resources of the County exceeded its liabilities and deferred inflows or resources as of December 31, 2017, by \$4.41 million. The County's *unrestricted net position* was \$1,578,481.
- The County's total net position increased by \$1.45 million, with business-type activities increasing \$206,034 and governmental activities increasing \$1.25 million.
- As of December 31, 2017, the County's governmental funds reported combined ending fund balances of \$4.3 million. Approximately \$3.48 million is *available for spending* at the County's discretion (*committed and unassigned fund balance*). The unassigned general fund balance was \$2.68 million or approximately 52% of 2017 general fund expenditures.

Overview of the Basic Financial Statements

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

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

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

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

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the County include general government, public safety, highway and transportation, health and welfare, culture and recreation, and community development. The business-type activities of the County include the collection of delinquent taxes and the construction code department.

The government-wide financial statements include not only the County itself (known as the *primary government*), but also a legally separate Road Commission, Health District Department, and Medical Care Facility. Financial information for the *component unit* is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 10 - 12 of this report.

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

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

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

The County maintains 37 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund, Maintenance of Effort – Medicare, Youth Camp special revenue funds, Indian Lake Capital Projects Fund, and the 2012 Refunding Debt Service Fund, all of which are considered to be major funds. Data from the other 32 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The County adopts an annual appropriated budget for its governmental funds. As part of the basic governmental fund financial statements, budgetary comparison statements have been provided for the general fund and the major special revenue fund to demonstrate compliance with the budget.

The basic governmental fund financial statements can be found on pages 13 - 19 of this report.

Proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The County uses enterprise funds to account for its water and sewer utilities.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Tax Revolving and Construction Code Funds, both of which are considered to be major funds of the County.

The basic proprietary fund financial statements can be found on pages 20 - 21 of this report.

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

The fiduciary fund financial statements can be found on pages 22 - 23 of this report.

Notes to the basic financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 26 - 61 of this report.

Other information. The required supplementary information and the combining statements referred to earlier in connection with nonmajor governmental funds, detailed comparisons of general fund budgeted and actual revenues and expenditures are presented immediately following the notes to the basic financial statements. These statements and schedules can be found on pages 62 - 90.

Government-wide Financial Analysis

Net Position. As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the County, total net position was \$4.40 million at the close of 2017.

IRON COUNTY, MICHIGAN						
Net Position						
	Governmental Activities		Business-type Activities		Totals	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 7,357,378	\$ 6,260,891	\$ 3,500,875	\$ 3,304,946	\$ 10,858,253	\$ 9,565,837
Capital assets	4,305,062	4,371,621	36,068	12,637	4,341,130	4,384,258
Total Assets	11,662,440	10,632,512	3,536,943	3,317,583	15,199,383	13,950,095
Deferred outflows of resources	338,417	587,038	-	-	338,417	587,038
Long-term liabilities outstanding	8,354,716	5,822,000	-	-	8,354,716	5,822,000
Other liabilities	403,910	3,577,879	133,246	107,284	537,156	3,685,163
Total Liabilities	8,758,626	9,399,879	133,246	107,284	8,891,872	9,507,163
Deferred inflows of resources	2,252,610	2,074,898	-	-	2,252,610	2,074,898
Net position						
Net investment in capital assets	2,060,765	2,442,912	36,068	12,637	2,096,833	2,455,549
Restricted	732,821	763,993	-	-	732,821	763,993
Unrestricted (deficit)	(1,803,965)	(3,462,132)	3,367,629	3,197,662	1,563,664	(264,470)
Total Net Position	\$ 989,621	\$ (255,227)	\$ 3,403,697	\$ 3,210,299	\$ 4,393,318	\$ 2,955,072

By far the largest portion of the County's net position reflects its investment in capital assets (e.g. land, buildings, machinery and equipment, infrastructure, etc.), less any related debt used to acquire those assets that are still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although, the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the County's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* is a deficit of \$1,803,964.

Change in net position. Governmental activities increased the County's net position by \$1,244,849, and business-type activities increased \$206,304. Key elements of this increase are as follows:

IRON COUNTY, MICHIGAN						
Change in Net Position						
	Governmental Activities		Business-type Activities		Totals	
	2017	2016	2017	2016	2017	2016
Revenues						
Program Revenues						
Charges for services	\$ 1,313,775	\$ 1,407,264	\$ 394,423	\$ 413,335	\$ 1,708,198	\$ 1,820,599
Operating grants and contributions	1,265,980	1,100,194	-	-	1,265,980	1,100,194
Capital grants and contributions	564,000	-	-	-	564,000	-
General Revenues						
Property taxes	5,198,732	4,435,193	-	-	5,198,732	4,435,193
Other taxes	652,527	826,916	-	-	652,527	826,916
Grants and contributions not restricted to specific programs	274,103	576,285	-	-	274,103	576,285
Other	191,295	330,706	23,569	7,454	214,864	338,160
Total Revenues	9,460,412	8,676,558	417,992	420,789	9,878,404	9,097,347
Expenses						
General government	3,689,457	4,006,614	176,594	190,618	3,866,051	4,197,232
Public safety	2,588,843	2,634,005	-	-	2,588,843	2,634,005
Highway and transportation	11,279	9,798	-	-	11,279	9,798
Health and welfare	1,061,739	717,708	-	-	1,061,739	717,708
Culture and recreation	663,582	610,854	-	-	663,582	610,854
Community development	43,919	11,520	-	-	43,919	11,520
Interest and fiscal charges	204,745	222,707	-	-	204,745	222,707
Total Expenses	8,263,564	8,213,206	176,594	190,618	8,440,158	8,403,824
Change in Net Position Before Transfers	1,196,848	463,352	241,398	230,171	1,438,246	693,523
Transfers	48,000	40,000	(48,000)	(40,000)	-	-
Change in Net Position	1,244,848	503,352	193,398	190,171	1,438,246	693,523
Net Position - January 1	(255,227)	(758,579)	3,210,299	3,020,128	2,955,072	2,261,549
Net Position - December 31	\$ 989,621	\$ (255,227)	\$ 3,403,697	\$ 3,210,299	\$ 4,393,318	\$ 2,955,072

Financial Analysis of the County's Funds

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

Governmental funds. The focus of the County's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the County's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of the County's net resources available for spending at the end of the fiscal year.

As of December 31, 2017, the County's governmental funds (consisting of the general fund, special revenue, debt service, and capital project funds as detailed on pages 13 - 15 reported combined ending fund balances of \$4,324,420, an increase of \$542,859 in comparison with the prior year. Of this amount, \$2,679,662 constitutes *unassigned fund balance*, which is available for spending at the County's discretion. \$802,178 of fund balance is committed. Fund balance of \$753,575 *restricted* to indicate that it is not available for new spending because it has already been restricted for specific spending. The remainder of fund balance of \$89,005 is nonspendable as it is not in spendable form (inventory and prepaid items).

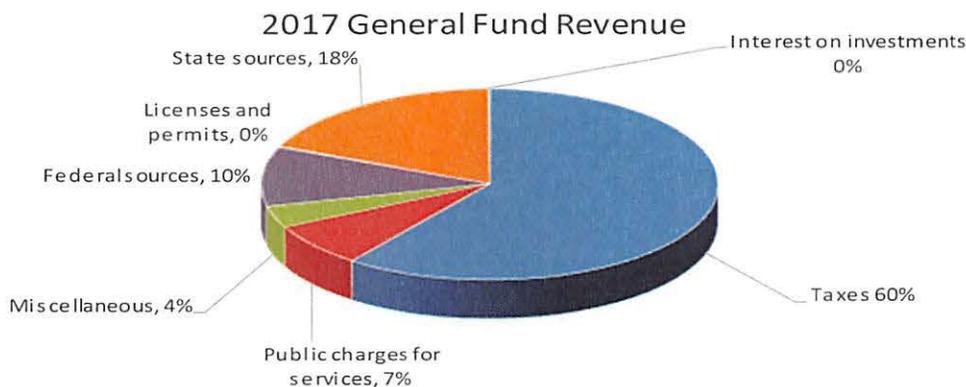
General Fund

The General Fund is the main operating fund of the County. At the end of the current year, unassigned fund balance of the general fund was \$2,679,662. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 52% of total general fund expenditures.

The County's general fund balance increased \$475,349. This increase was due to positive expenditures throughout the general fund, as well as a transfer from the Indian Lake capital projects fund for reimbursement of expenditures spent in previous years.

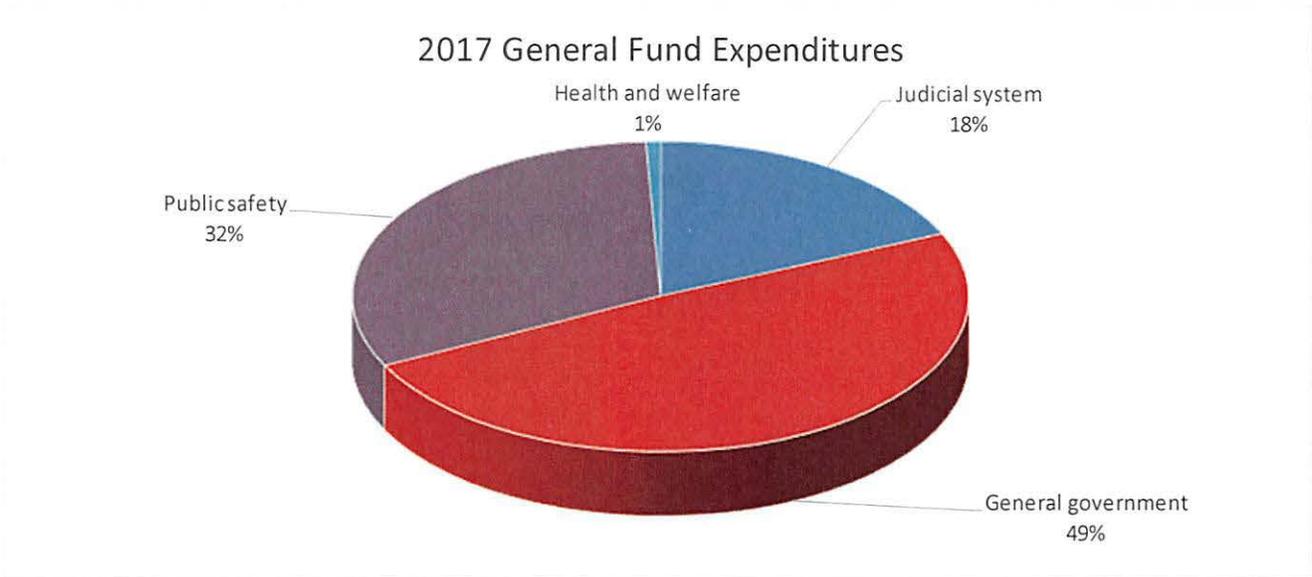
Actual revenue including transfers in was \$5,938,614 as compared with final budgeted revenue of \$5,590,376, resulted in a variance of \$348,238 or 6%.

Below is a graph illustrating the sources of revenues for the general fund:



The final expenditures including transfers out were \$5,463,265 compared with final budgeted expenditures of \$5,634,587 resulting in a positive variance of \$171,322 or 3%.

Below is a graph illustrating the classifications of expenditures for the general fund:



Proprietary funds. The County’s proprietary funds provide the same type of information found in the County’s government-wide financial statements, but in more detail.

Unrestricted net position of Tax Revolving Fund at the end of the year was \$3,129,845. The total increase in net position was \$148,026.

Unrestricted net position of the Construction Code Fund at the end of the year amounted to \$237,784. The total increase in net position was \$45,372.

Other factors concerning the finances of these funds have already been addressed in the discussion of the County’s business-type activities.

Capital Asset and Debt Administration

Capital assets. The County’s investment in capital assets for its governmental and business-type activities as of December 31, 2017 amounts to \$4,341,130 (net of accumulated depreciation). This investment in capital assets includes land, buildings, machinery and equipment, and infrastructure (highways and streets). The County’s investment in capital assets decreased \$30,491 for the year.

IRON COUNTY, MICHIGAN (net of accumulated depreciation)			
	Governmental Activities	Business-type Activities	Totals
Land	\$ 189,118	\$ -	\$ 189,118
Buildings	7,677,624	-	7,677,624
Machinery and equipment	1,825,215	45,647	1,870,862
Infrastructure	486,431	-	486,431
Subtotal	10,178,388	45,647	10,224,035
Less: Accumulated depreciation	5,873,326	9,579	5,882,905
Net Capital Assets	\$ 4,305,062	\$ 36,068	\$ 4,341,130

Long-term debt. At the end of the current fiscal year, the County had total bonded debt outstanding of \$5,705,000.

IRON COUNTY, MICHIGAN			
General Obligation Debt and Revenue Bonds			
	Governmental Activities	Business-type Activities	Totals
General Obligation Debt			
2003 Limited Tax Bond	\$ 275,000	\$ -	\$ 275,000
2015 Unlimited Tax Refunding	4,920,000	-	4,920,000
2017 Limited Tax/Special Assessment Bonds	510,000	-	510,000
Total	\$ 5,705,000	\$ -	\$ 5,705,000

The County's total debt decreased by \$117,000 (2%) during the current fiscal year.

Economic Factors and Next Year's Budgets and Rates

- The economic condition and outlook of the County has remained fairly stable based on a relatively healthy mix of manufacturing, tourism, service industry, and retail activities which support our tax base.
- Inflationary trends in our region compare favorably to national indices.

All of these factors were considered in preparing the County's budget for the 2018 fiscal year.

Contacting the County's Financial Management

This financial report is designed to provide a general overview of the County's finances for all those with an interest in the County's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to County Administrator, County of Iron, 2 South Sixth Street, Suite 7, Crystal Falls, Michigan 49920-1413.

BASIC FINANCIAL STATEMENTS

Iron County, Michigan

STATEMENT OF NET POSITION DECEMBER 31, 2017

	Governmental Activities	Business-type Activities	Total	Component Units
ASSETS				
Cash and investments	\$ 4,000,753	\$ 2,739,243	\$ 6,739,996	\$ 7,009,758
Receivables				
Property taxes	2,397,743	-	2,397,743	206,494
Delinquent taxes	-	675,311	675,311	-
Accounts, net	117,407	-	117,407	1,912,243
Special assessments	506,881	-	506,881	-
Loans	9,311	-	9,311	-
Other	-	86,321	86,321	-
Due from other governments	236,278	-	236,278	955,322
Inventories and prepaid items	89,005	-	89,005	658,734
Assets limited to use	-	-	-	1,153,514
Other assets	-	-	-	161,593
Capital assets, nondepreciable	189,118	-	189,118	512,130
Capital assets, depreciable	4,115,944	36,068	4,152,012	43,540,389
Total assets	11,662,440	3,536,943	15,199,383	56,110,177
DEFERRED OUTFLOWS OF RESOURCES				
Loss on advance refunding	-	-	-	9,709
Pension related amounts	338,417	-	338,417	3,148,038
Total deferred outflows of resources	338,417	-	338,417	3,157,747
LIABILITIES				
Accounts payable	241,083	3,648	244,731	790,176
Accrued and other current liabilities	142,073	2,222	144,295	883,670
Due to other governments	-	127,376	127,376	314,890
Accrued interest payable	20,754	-	20,754	99,486
Special deposits	-	-	-	72,201
Unearned revenues	-	-	-	213,420
Other liabilities	-	-	-	640,922
Long-term obligations				
Due within one year	672,000	-	672,000	2,246,088
Due in more than one year	5,164,549	-	5,164,549	7,814,761
Net pension liability	2,518,167	-	2,518,167	18,539,135
Other postemployment benefits	-	-	-	2,997,524
Total liabilities	8,758,626	133,246	8,891,872	34,612,273
DEFERRED INFLOWS OF RESOURCES				
Property taxes levied for subsequent year	2,133,611	-	2,133,611	206,494
Pension related amounts	118,999	-	118,999	1,165,196
Total deferred inflows of resources	2,252,610	-	2,252,610	1,371,690
NET POSITION				
Net investment in capital assets	2,060,765	36,068	2,096,833	35,889,908
Restricted	732,821	-	732,821	908,521
Unrestricted	(1,803,965)	3,367,629	1,563,664	(13,514,468)
Total net position	\$ 989,621	\$ 3,403,697	\$ 4,393,318	\$ 23,283,961

The notes to the basic financial statements are an integral part of this statement.

Iron County, Michigan

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2017

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
GOVERNMENTAL ACTIVITIES				
General government	\$ 3,689,457	\$ 157,449	\$ 731,608	\$ -
Public safety	2,588,843	658,140	412,174	-
Highway and transportation	11,279	6,915	-	-
Health and welfare	1,061,739	105,896	45,801	-
Culture and recreation	663,582	366,681	67,086	564,000
Community development	43,919	18,694	9,311	-
Interest and fiscal charges	204,745	-	-	-
Total governmental activities	<u>8,263,564</u>	<u>1,313,775</u>	<u>1,265,980</u>	<u>564,000</u>
BUSINESS-TYPE ACTIVITIES				
Delinquent tax revolving collections	75,819	254,964	-	-
Building inspection	<u>100,775</u>	<u>139,459</u>	<u>-</u>	<u>-</u>
Total business-type activities	<u>176,594</u>	<u>394,423</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 8,440,158</u>	<u>\$ 1,708,198</u>	<u>\$ 1,265,980</u>	<u>\$ 564,000</u>
Component units	<u>\$ 33,076,136</u>	<u>\$ 25,067,285</u>	<u>\$ 4,718,455</u>	<u>\$ 1,357,799</u>
General revenues				
Taxes				
Property taxes				
Other taxes				
Federal and state grants and other contributions not restricted to specific functions				
Interest and investment earnings				
Forest timber sales				
Miscellaneous				
Gain on sale of asset				
Transfers				
Total general revenues and transfers				
Change in net position				
Net position - January 1				
Net position - December 31				

The notes to the basic financial statements are an integral part of this statement.

**Net (Expense) Revenue
and Changes in Net Position**

Governmental Activities	Business-type Activities	Total	Component Units
\$ (2,800,400)	\$ -	\$ (2,800,400)	\$ -
(1,518,529)	-	(1,518,529)	-
(4,364)	-	(4,364)	-
(910,042)	-	(910,042)	-
334,185	-	334,185	-
(15,914)	-	(15,914)	-
(204,745)	-	(204,745)	-
<u>(5,119,809)</u>	<u>-</u>	<u>(5,119,809)</u>	<u>-</u>
-	179,145	179,145	-
-	38,684	38,684	-
-	<u>217,829</u>	<u>217,829</u>	<u>-</u>
<u>(5,119,809)</u>	<u>217,829</u>	<u>(4,901,980)</u>	<u>-</u>
-	-	-	<u>(1,932,597)</u>
5,198,732	-	5,198,732	854,901
652,527	-	652,527	-
274,103	-	274,103	-
13,275	-	13,275	50,193
163,625	-	163,625	-
10,557	8,881	19,438	36,843
3,838	14,688	18,526	-
48,000	(48,000)	-	-
<u>6,364,657</u>	<u>(24,431)</u>	<u>6,340,226</u>	<u>941,937</u>
1,244,848	193,398	1,438,246	(990,660)
<u>(255,227)</u>	<u>3,210,299</u>	<u>2,955,072</u>	<u>24,274,621</u>
<u>\$ 989,621</u>	<u>\$ 3,403,697</u>	<u>\$ 4,393,318</u>	<u>\$ 23,283,961</u>

Iron County, Michigan

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2017**

	General	Maintenance of Effort	Youth Camp	Indian Lake Capital Projects
ASSETS				
Cash and investments	\$ 2,421,766	\$ 418,448	\$ 97,949	\$ 12,985
Receivables				
Taxes and special charges	264,132	744,283	248,094	-
Accounts, net	36,764	-	-	-
Special assessments	-	-	-	506,881
Loans	-	-	-	-
Due from other funds	13,073	-	-	-
Due from other governments	162,940	-	-	-
Inventories and prepaid items	72,733	-	4,575	-
	<u>2,971,408</u>	<u>1,162,731</u>	<u>350,618</u>	<u>519,866</u>
Total assets	<u>\$ 2,971,408</u>	<u>\$ 1,162,731</u>	<u>\$ 350,618</u>	<u>\$ 519,866</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 111,247	\$ 53,608	\$ 1,643	\$ 2,585
Accrued and other current liabilities	107,767	-	1,430	-
Due to other funds	-	-	-	-
	<u>219,014</u>	<u>53,608</u>	<u>3,073</u>	<u>2,585</u>
Total liabilities	<u>219,014</u>	<u>53,608</u>	<u>3,073</u>	<u>2,585</u>
Deferred inflows of resources				
Property taxes levied for subsequent year	-	744,283	248,094	-
Loans receivable	-	-	-	-
Special assessments	-	-	-	506,881
	<u>-</u>	<u>744,283</u>	<u>248,094</u>	<u>506,881</u>
Total deferred inflows of resources	<u>-</u>	<u>744,283</u>	<u>248,094</u>	<u>506,881</u>
Fund balances				
Nonspendable	72,733	-	4,575	-
Restricted	-	364,840	-	-
Committed	-	-	94,876	10,400
Unassigned	2,679,661	-	-	-
	<u>2,752,394</u>	<u>364,840</u>	<u>99,451</u>	<u>10,400</u>
Total fund balances	<u>2,752,394</u>	<u>364,840</u>	<u>99,451</u>	<u>10,400</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 2,971,408</u>	<u>\$ 1,162,731</u>	<u>\$ 350,618</u>	<u>\$ 519,866</u>

The notes to the basic financial statements are an integral part of this statement.

2012 Refunding Bond Debt Service	Other Governmental Funds	Total
\$ 112,636	\$ 936,969	\$ 4,000,753
833,597	307,637	2,397,743
-	80,643	117,407
-	-	506,881
-	9,311	9,311
-	-	13,073
-	73,338	236,278
-	11,697	89,005
<u>\$ 946,233</u>	<u>\$ 1,419,595</u>	<u>\$ 7,370,451</u>

\$ -	\$ 72,000	\$ 241,083
-	32,876	142,073
-	13,073	13,073
<u>-</u>	<u>117,949</u>	<u>396,229</u>

833,597	307,637	2,133,611
-	9,311	9,311
<u>-</u>	<u>-</u>	<u>506,881</u>
<u>833,597</u>	<u>316,948</u>	<u>2,649,803</u>

-	11,697	89,005
112,636	276,099	753,575
-	696,902	802,178
<u>-</u>	<u>-</u>	<u>2,679,661</u>
<u>112,636</u>	<u>984,698</u>	<u>4,324,419</u>

<u>\$ 946,233</u>	<u>\$ 1,419,595</u>	<u>\$ 7,370,451</u>
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Iron County, Michigan

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2017**

RECONCILIATION TO THE STATEMENT OF NET POSITION

Total fund balances as shown on previous page	\$ 4,324,419
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.	4,305,062
Other long-term assets are not available to pay current period expenditures and therefore are deferred in the funds.	516,192
Some deferred outflows and inflows of resources reflect changes in long-term liabilities and are not reported in the funds.	
Deferred outflows related to pensions	338,417
Deferred inflows related to pensions	(118,999)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	
Bonds and notes payable	(5,705,000)
Compensated absences	(131,549)
Net pension liability	(2,518,167)
Accrued interest on long-term obligations	<u>(20,754)</u>
Net position of governmental activities as reported on the statement of net position (see page 10)	<u>\$ 989,621</u>

The notes to the basic financial statements are an integral part of this statement.

Iron County, Michigan

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>General</u>	<u>Maintenance of Effort</u>	<u>Youth Camp</u>	<u>Indian Lake Capital Projects</u>
REVENUES				
Taxes	\$ 3,247,086	\$ 767,730	\$ 255,749	\$ -
Special assessments	-	-	-	57,119
Federal sources	516,812	-	1,298	-
State sources	1,015,073	1,258	429	-
Intergovernmental	-	-	-	-
Licenses and permits	9,641	-	-	-
Fines and forfeits	-	-	-	-
Public charges for services	395,834	-	221,714	-
Miscellaneous	203,408	2,354	653	-
Total revenues	<u>5,387,854</u>	<u>771,342</u>	<u>479,843</u>	<u>57,119</u>
EXPENDITURES				
Current				
Judicial system	946,284	-	-	-
General government	2,545,263	-	-	53,340
Public safety	1,634,925	-	-	-
Highway and transportation	-	-	-	-
Health and welfare	40,533	759,898	-	-
Culture and recreation	95	-	458,676	-
Community development	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Capital outlay	-	-	29,331	132,073
Total expenditures	<u>5,167,100</u>	<u>759,898</u>	<u>488,007</u>	<u>185,413</u>
Excess of revenues over (under) expenditures	<u>220,754</u>	<u>11,444</u>	<u>(8,164)</u>	<u>(128,294)</u>
OTHER FINANCING SOURCES (USES)				
Long-term debt issued	-	-	-	510,000
Transfers in	550,759	-	-	-
Transfers out	(296,165)	-	-	(371,306)
Total other financing sources (uses)	<u>254,594</u>	<u>-</u>	<u>-</u>	<u>138,694</u>
Net change in fund balances	475,348	11,444	(8,164)	10,400
Fund balances - January 1	<u>2,277,046</u>	<u>353,396</u>	<u>107,615</u>	<u>-</u>
Fund balances - December 31	<u>\$ 2,752,394</u>	<u>\$ 364,840</u>	<u>\$ 99,451</u>	<u>\$ 10,400</u>

The notes to the basic financial statements are an integral part of this statement.

2012 Refunding Bond Debt Service	Other Governmental Funds	Total
\$ 856,253	\$ 236,297	\$ 5,363,115
-	-	57,119
-	-	518,110
-	279,541	1,296,301
1,380	-	1,380
-	7,400	17,041
-	5,000	5,000
-	815,286	1,432,834
206	48,408	255,029
<u>857,839</u>	<u>1,391,932</u>	<u>8,945,929</u>
-	-	946,284
-	30,846	2,629,449
-	921,667	2,556,592
-	11,033	11,033
-	261,308	1,061,739
-	100,524	559,295
-	44,112	44,112
615,000	12,000	627,000
193,775	12,198	205,973
-	158,190	319,594
<u>808,775</u>	<u>1,551,878</u>	<u>8,961,071</u>
<u>49,064</u>	<u>(159,946)</u>	<u>(15,142)</u>
-	-	510,000
-	303,665	854,424
-	(138,953)	(806,424)
-	164,712	558,000
49,064	4,766	542,858
<u>63,572</u>	<u>979,932</u>	<u>3,781,561</u>
<u>\$ 112,636</u>	<u>\$ 984,698</u>	<u>\$ 4,324,419</u>

Iron County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS FOR THE YEAR ENDED DECEMBER 31, 2017

RECONCILIATION TO THE STATEMENT OF ACTIVITIES

Net change in fund balances as shown on previous page \$ 542,858

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital assets reported as capital outlay in governmental fund statements	255,378
Depreciation expense reported in the statement of activities	(320,228)
Net book value of disposals	(1,709)

Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the statement of activities when earned. 516,192

Debt issued provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Long-term debt issued	(510,000)
Principal repaid	627,000

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds:

Accrued interest on long-term debt	1,228
Compensated absences	25,856
Net pension liability	475,893
Deferred outflows of resources related to pensions	(248,621)
Deferred inflows of resources related to pensions	<u>(118,999)</u>

Change in net position of governmental activities as reported in the statement of activities (see pages 11 - 12) \$ 1,244,848

The notes to the basic financial statements are an integral part of this statement.

Iron County, Michigan

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2017**

	<u>Tax Revolving</u>	<u>Construction Code</u>	<u>Total</u>
ASSETS			
Current assets			
Cash and investments	\$ 2,499,073	\$ 240,170	\$ 2,739,243
Receivables			
Other	86,321	-	86,321
Total current assets	<u>2,585,394</u>	<u>240,170</u>	<u>2,825,564</u>
Noncurrent assets			
Delinquent taxes receivable	675,311	-	675,311
Capital assets			
Depreciable	4,970	31,098	36,068
Total assets	<u>3,265,675</u>	<u>271,268</u>	<u>3,536,943</u>
LIABILITIES			
Current liabilities			
Accounts payable	3,484	164	3,648
Accrued and other current liabilities	-	2,222	2,222
Due to other governments	127,376	-	127,376
Total current liabilities	<u>130,860</u>	<u>2,386</u>	<u>133,246</u>
NET POSITION			
Investment in capital assets	4,970	31,098	36,068
Unrestricted	3,129,845	237,784	3,367,629
Total net position	<u>\$ 3,134,815</u>	<u>\$ 268,882</u>	<u>\$ 3,403,697</u>

The notes to the basic financial statements are an integral part of this statement.

Iron County, Michigan

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2017**

	Tax Revolving	Construction Code	Total
OPERATING REVENUES			
Charges for services	\$ 130,050	\$ 139,410	\$ 269,460
Penalties and interest on taxes	124,914	-	124,914
Total operating revenues	<u>254,964</u>	<u>139,410</u>	<u>394,374</u>
OPERATING EXPENSES			
Operation and maintenance	74,464	93,001	167,465
Depreciation	1,355	7,774	9,129
Total operating expenses	<u>75,819</u>	<u>100,775</u>	<u>176,594</u>
Operating income	<u>179,145</u>	<u>38,635</u>	<u>217,780</u>
NONOPERATING REVENUES			
Interest income	8,881	-	8,881
Gain on disposal of capital assets	-	14,688	14,688
Other nonoperating revenues	-	49	49
Total nonoperating revenues	<u>8,881</u>	<u>14,737</u>	<u>23,618</u>
Income before transfers	188,026	53,372	241,398
Transfers out	<u>(40,000)</u>	<u>(8,000)</u>	<u>(48,000)</u>
Change in net position	148,026	45,372	193,398
Net position - January 1	<u>2,986,789</u>	<u>223,510</u>	<u>3,210,299</u>
Net position - December 31	<u>\$ 3,134,815</u>	<u>\$ 268,882</u>	<u>\$ 3,403,697</u>

The notes to the basic financial statements are an integral part of this statement.

Iron County, Michigan

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS FOR THE YEAR ENDED DECEMBER 31, 2017

	Tax Revolving	Construction Code	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 255,010	\$ 139,459	\$ 394,469
Cash received from collection of taxes	1,333,052	-	1,333,052
Cash payment for taxes to other governments	(1,363,796)	-	(1,363,796)
Cash paid for employee wages and benefits	-	(20,434)	(20,434)
Cash paid to suppliers and service providers	(73,913)	(71,068)	(144,981)
Net cash provided by operating activities	<u>150,353</u>	<u>47,957</u>	<u>198,310</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers out	<u>(40,000)</u>	<u>(8,000)</u>	<u>(48,000)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition of capital assets	-	(38,870)	(38,870)
Sale of capital assets	-	20,998	20,998
Net cash flows used by capital and related financing activities	<u>-</u>	<u>(17,872)</u>	<u>(17,872)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	<u>8,881</u>	<u>-</u>	<u>8,881</u>
Change in cash and cash equivalents	119,234	22,085	141,319
Cash and cash equivalents - January 1	<u>2,379,839</u>	<u>218,085</u>	<u>2,597,924</u>
Cash and cash equivalents - December 31	<u><u>\$ 2,499,073</u></u>	<u><u>\$ 240,170</u></u>	<u><u>\$ 2,739,243</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating income	\$ 179,145	\$ 38,635	\$ 217,780
Adjustments to reconcile operating income to net cash provided by operating activities			
Depreciation	1,355	7,774	9,129
Other nonoperating revenues	-	49	49
Change in operating assets and liabilities			
Other accounts receivable	46	-	46
Delinquent taxes receivable	(54,656)	-	(54,656)
Accounts payable	548	56	604
Accrued and other current liabilities	<u>23,915</u>	<u>1,443</u>	<u>25,358</u>
Net cash provided by operating activities	<u><u>\$ 150,353</u></u>	<u><u>\$ 47,957</u></u>	<u><u>\$ 198,310</u></u>
Reconciliation of cash and cash equivalents to the statement of net position			
Cash and cash equivalents in current assets	<u><u>\$ 2,499,073</u></u>	<u><u>\$ 240,170</u></u>	<u><u>\$ 2,739,243</u></u>
Noncash capital and related financing activities			
None			

The notes to the basic financial statements are an integral part of this statement.

Iron County, Michigan

**STATEMENT OF NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2017**

	<u>Youth Camp Scholarship Fund</u>	<u>Agency Funds</u>	<u>Total</u>
ASSETS			
Cash and investments	<u>\$ 7,822</u>	<u>\$ 365,912</u>	<u>\$ 373,734</u>
LIABILITIES			
Accounts payable	-	33,582	33,582
Other liabilities	-	112,402	112,402
Due to other governments	-	219,928	219,928
Total liabilities	<u>-</u>	<u>365,912</u>	<u>365,912</u>
NET POSITION			
Restricted for scholarships	<u>\$ 7,822</u>	<u>\$ -</u>	<u>\$ 7,822</u>

The notes to the basic financial statements are an integral part of this statement.

Iron County, Michigan

STATEMENT OF CHANGES IN NET POSITION FIDUCIARY FUND FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Youth Camp Scholarship Fund</u>
ADDITIONS	
Interest on investments	\$ 15
Change in net position	15
Net position - January 1	<u>7,807</u>
Net position - December 31	<u>\$ 7,822</u>

The notes to the basic financial statements are an integral part of this statement.

Iron County, Michigan

COMBINING STATEMENT OF NET POSITION COMPONENT UNITS DECEMBER 31, 2017

	Road Commission	District Health	Medical Care Facility	Totals
ASSETS				
Cash and investments	\$ 2,471,953	\$ 917,276	\$ 3,620,529	\$ 7,009,758
Receivables				
Property taxes	206,494	-	-	206,494
Accounts	-	119,484	1,792,759	1,912,243
Due from other governments	708,186	247,136	-	955,322
Inventories and prepaid items	658,734	-	-	658,734
Assets limited to use	-	-	1,153,514	1,153,514
Other assets	-	-	161,593	161,593
Capital assets, nondepreciable	110,812	-	401,318	512,130
Capital assets, depreciable	<u>22,719,278</u>	<u>294,021</u>	<u>20,527,090</u>	<u>43,540,389</u>
Total assets	<u>26,875,457</u>	<u>1,577,917</u>	<u>27,656,803</u>	<u>56,110,177</u>
DEFERRED OUTFLOWS OF RESOURCES				
Loss on advance refunding	9,709	-	-	9,709
Pension related amounts	<u>40,492</u>	<u>-</u>	<u>3,107,546</u>	<u>3,148,038</u>
Total deferred outflows of resources	<u>50,201</u>	<u>-</u>	<u>3,107,546</u>	<u>3,157,747</u>
LIABILITIES				
Accounts payable	214,967	66,961	508,248	790,176
Accrued and other current liabilities	22,872	87,263	773,535	883,670
Due to other governments	314,890	-	-	314,890
Accrued interest payable	18,068	-	81,418	99,486
Special deposits	-	-	72,201	72,201
Unearned revenues	213,420	-	-	213,420
Other liabilities	-	-	640,922	640,922
Long-term obligations				
Due within one year	362,804	8,741	1,874,543	2,246,088
Due in more than one year	1,683,918	178,465	5,952,378	7,814,761
Net pension liability	7,200,730	3,239,298	8,099,107	18,539,135
Other postemployment benefits	<u>1,643,088</u>	<u>-</u>	<u>1,354,436</u>	<u>2,997,524</u>
Total liabilities	<u>11,674,757</u>	<u>3,580,728</u>	<u>19,356,788</u>	<u>34,612,273</u>
DEFERRED INFLOWS OF RESOURCES				
Property taxes levied for subsequent year	206,494	-	-	206,494
Pension related amounts	<u>100,968</u>	<u>148,014</u>	<u>916,214</u>	<u>1,165,196</u>
Total deferred inflows of resources	<u>307,462</u>	<u>148,014</u>	<u>916,214</u>	<u>1,371,690</u>
NET POSITION				
Net investment in capital assets	20,975,679	294,021	14,620,208	35,889,908
Restricted	-	-	908,521	908,521
Unrestricted	<u>(6,032,240)</u>	<u>(2,444,846)</u>	<u>(5,037,382)</u>	<u>(13,514,468)</u>
Total net position	<u>\$ 14,943,439</u>	<u>\$ (2,150,825)</u>	<u>\$ 10,491,347</u>	<u>\$ 23,283,961</u>

The notes to the basic financial statements are an integral part of this statement.

Iron County, Michigan

COMBINING STATEMENT OF ACTIVITIES
 COMPONENT UNITS
 FOR THE YEAR ENDED DECEMBER 31, 2017

	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position			Totals
					Road Commission	District Health	Medical Care Facility	
Road Commission	\$ 6,397,283	\$ 1,782,773	\$ 3,128,453	\$ 1,357,799	\$ (128,258)	\$ -	\$ -	\$ (128,258)
District Health	3,242,897	1,058,696	1,190,002	-	-	(994,199)	-	(994,199)
Medical Care Facility	23,435,956	22,225,816	400,000	-	-	-	(810,140)	(810,140)
Total component units	\$ 33,076,136	\$ 25,067,285	\$ 4,718,455	\$ 1,357,799	(128,258)	(994,199)	(810,140)	(1,932,597)
General revenues								
Taxes								
Property taxes					209,545	645,356	-	854,901
Interest and investment earnings					12,132	4,767	33,294	50,193
Miscellaneous					-	36,843	-	36,843
Total general revenues					221,677	686,966	33,294	941,937
Change in net position					93,419	(307,233)	(776,846)	(990,660)
Net position - January 1					14,850,020	(1,843,592)	11,268,193	24,274,621
Net position - December 31					\$ 14,943,439	\$ (2,150,825)	\$ 10,491,347	\$ 23,283,961

The notes to the basic financial statements are an integral part of this statement.

Iron County, Michigan

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Iron County, Michigan (the "County"), have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting principles and policies utilized by the County are described below:

A. REPORTING ENTITY

The County is a municipal corporation governed by an elected five member board. In accordance with GAAP, the basic financial statements are required to include the County and any separate component units that have a significant operational or financial relationship with the County. The County has identified the following component units that are required to be included in the basic financial statements in accordance with standards established by GASB Statement No. 61.

Iron County Road Commission

An elected five member board governs the Road Commission. 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.

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.

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.

B. JOINT VENTURE

Northpointe Behavioral Healthcare Systems Authority

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.

Iron County, Michigan

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2017

C. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Governmental funds include general, special revenue, debt service and capital projects funds. Proprietary funds include enterprise and internal service funds. The County has no internal service funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The County reports the following major governmental funds:

General Fund

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

Maintenance of Effort Special Projects Fund

This fund accounts for the maintenance of effort activities of the Medical Care Facility.

Youth Camp Special Projects Fund

This fund accounts for the activities related to the operations of a summer youth camp.

Indian Lake Capital Projects Fund

This fund accounts for the construction of a well and subsequent collections of assessments to finance debt retirement.

2012 Refunding Bond Debt Service Fund

This fund accounts for the activity related to the 2012 refunding bond debt issuance.

The County reports the following major enterprise funds:

Tax Revolving Fund

This fund accounts for the purchase and collection of delinquent property taxes from cities and townships of the county.

Construction Code Fund

This fund accounts for inspections for municipalities within Iron County.

Additionally, the County reports the following fund types:

- ▶ The County uses agency funds to account for assets held by the County in a trustee capacity or as an agent for other entities or individuals.
- ▶ The County uses a private purpose trust fund to account for assets held under a trust agreement.

Iron County, Michigan

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2017

D. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

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

Revenues susceptible to accrual include intergovernmental grants, intergovernmental charges for services, public charges for services and interest. Other revenues such as licenses and permits, fines and forfeits and miscellaneous revenues are recognized when received in cash or when measurable and available.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, and fees and fines, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

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 County's proprietary funds are charges to customers for services. Operating expenses for proprietary funds include the costs of services, administrative expenses, and depreciation on capital assets. 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.

E. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND NET POSITION OR FUND BALANCE

1. Cash and Investments

Cash and investments are combined in the financial statements. Cash deposits consist of demand and time deposits with financial institutions and are carried at cost. Investments are stated at fair value. Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. For purposes of the statement of cash flows, all cash deposits and highly liquid investments (including restricted assets) with a maturity of three months or less from date of acquisition are considered to be cash equivalents.

Iron County, Michigan

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2017

2. Property Taxes

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 2017 ad valorem taxes are levied and collectible on December 1, 2016. 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.

The December 1, 2017 tax levy for all of the County's extra voted millage will be recorded as taxes receivable and deferred inflows of resources and is anticipated to raise the following tax revenue for fiscal year 2018: Youth Camp \$248,094; MCF Operations \$744,283; Senior Citizens \$133,971; Health Department \$208,399; County Road Commission \$248,094; 2012 Refunded Bond Retirement \$833,597; County Ambulance \$74,428 and 911 Equipment \$99,238.

The 2016 taxable valuation of Iron County amounted to \$490,103,209 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; 2.67 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 \$494,059,357.

For fiscal year 2017, the December 2016 tax levy raised approximately \$245,000 for Youth Camp; \$736,000 for MCF Operations; \$132,000 for Senior Citizens; \$207,000 for Health Department; \$246,000 for County Road Commission; \$824,000 for 2012 Refunding Bond Debt and \$98,000 for 911 Equipment.

3. Special Assessments

Assessments against property owners for public improvements are generally not subject to full settlement in the year levied. Special assessments are placed on tax rolls on an installment basis. Revenue from special assessments recorded in governmental funds is recognized as collections are made or as current installments are placed on tax rolls. In 2017 the County assessed property owners who benefited from improvements made at Indian Lake.

4. Loans Receivable

The County has received federal and state grant funds for economic development and housing rehabilitation loan programs and has passed the funds to various businesses and individuals in the form of loans. The County records a loan receivable and expenditure when the loan has been made and the funds disbursed. No allowance for uncollectible accounts has been provided since it is believed that the amount of such allowance would not be material to the basic financial statements. In the governmental funds, the County records a deferred inflow of resources for the net amount of the receivable. As the loans are repaid, revenue is recognized. Any unspent loan proceeds are presented as restricted fund balance in the fund financial statements.

5. 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" in the fund financial statements.

The amount reported on the statement of net position for internal balances represents the residual balance outstanding between the governmental and business-type activities.

Iron County, Michigan

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2017

6. Inventories

Inventories are recorded at cost, which approximates market, using the first-in, first-out method. Inventories consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are consumed rather than when purchased.

Inventories of governmental funds in the fund financial statements are offset by nonspendable fund balance to indicate that they do not represent spendable available financial resources.

7. Prepaid Items

Payments made to vendors that will benefit periods beyond the end of the current fiscal year are recorded as prepaid items and are accounted for on the consumption method.

Prepaid items of governmental funds in the fund financial statements are offset by nonspendable fund balance to indicate that they do not represent spendable available financial resources.

8. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the County as assets with an initial, individual cost of \$5,000 or higher and an estimated useful life in excess of a year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

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

Capital assets of the County are depreciated using the straight-line method over the following estimated useful lives:

Assets	Governmental	Business-type
	Activities	Activities
	Years	
Buildings and improvements	20-50	20-50
Machinery and equipment	3-20	3-20
Vehicles	3-5	3-5
Infrastructure	40	-

9. Compensated Absences

It is the County's policy to permit employees to accumulate earned but unused vacation and sick leave benefits in accordance with employee handbook policies and/or bargaining unit agreements. All vacation and sick leave is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds in the fund financial statements only if they have matured, for example, as a result of employee resignations and retirements.

10. Deferred Outflows/Inflows of Resources

Deferred outflows of resources are a consumption of net position by the government that is applicable to a future reporting period. Deferred inflows of resources are an acquisition of net position by the government that is applicable to a future reporting period. The recognition of those outflows and inflows as expenses or expenditures and revenues are deferred until the future periods to which the outflows and inflows are applicable.

Governmental funds may report deferred inflows of resources for unavailable revenues. The County reports unavailable revenues for special assessments and loan receivables. These inflows are recognized as revenues in the government-wide financial statements.

Iron County, Michigan

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2017

11. Long-term Obligations

In the government-wide financial statements, and proprietary funds 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 statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed as incurred.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

12. Pensions

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the plan and additions to/deductions from the plan fiduciary net position have been determined on the same basis as they are reported by the plan. 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.

13. Fund Equity

Governmental Fund Financial Statements

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- ▶ **Nonspendable fund balance.** Amounts that are not in spendable form (such as inventory, prepaid items, or long-term receivables) or are legally or contractually required to remain intact.
- ▶ **Restricted fund balance.** Amounts that are constrained for specific purposes by external parties (such as grantor or bondholders), through constitutional provisions, or by enabling legislation.
- ▶ **Committed fund balance.** Amounts that are constrained for specific purposes by action of the County Board of Commissioners. These constraints can only be removed or changed by the County Board using the same action that was used to create them.
- ▶ **Assigned fund balance.** Amounts that are constrained for specific purposes by action of County management. The County Board has authorized the County Board of Commissioners to assign fund balance. Residual amounts in any governmental fund, other than the General Fund, are also reported as assigned.
- ▶ **Unassigned fund balance.** Amounts that are available for any purpose. Positive unassigned amounts are only reported in the General Fund.

The County has not adopted a fund balance spend-down policy regarding the order in which fund balance will be utilized. When a policy does not specify the spend-down policy, GASB Statement No. 54 indicates that restricted funds would be spent first, followed by committed funds, and then assigned funds. Unassigned funds would be spent last.

Iron County, Michigan

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2017

Government-Wide and Proprietary Fund Statements

Equity is classified as net position and displayed in three components:

- ▶ **Net investment in capital assets.** Amount of capital assets, net of accumulated depreciation, and capital related deferred outflows of resources less outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets and any capital related deferred inflows of resources.
- ▶ **Restricted net position.** Amount of net position that is subject to restrictions that are imposed by 1) external groups, such as creditors, grantors, contributors or laws or regulations of other governments or 2) law through constitutional provisions or enabling legislation.
- ▶ **Unrestricted net position.** Net position that is neither classified as restricted nor as net investment in capital assets.

F. USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

NOTE 2: STEWARDSHIP AND COMPLIANCE

A. BUDGETS AND BUDGETARY ACCOUNTING

The County follows these procedures in establishing the budgetary data reflected in the basic financial statements:

1. 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.
2. 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.
3. 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.
4. The general statute governing County budgetary activity is the Uniform Budgeting and Accounting Act.
5. The Iron County adopts its annual budget on a line item basis. The budget structure consists of level of detail as follows:
 - a. Resources
 - b. General appropriation and functional groups
 - c. Departmental appropriations

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

6. Annual budgets are adopted on a basis consistent with generally accepted accounts principles for the general and special revenue funds. All annual appropriations lapse at year end. The legal level of budgetary control is the activity lead in the general funds and the functional level for special revenue funds.

Iron County, Michigan

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2017

7. 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."
8. Budgets have been amended during 2017. All budget amendments are presented to the Finance Committee. In December, the Board of Commissioners approved the final amendments to the annual budget.

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.

The following expenditure accounts of the governmental funds had actual expenditures in excess of budget appropriations for the year ended December 31, 2017 as follows:

Fund	Excess Expenditures
Special Revenue Fund	
Veterans Trust	\$ 7,588
Courthouse Repair	1,697

NOTE 3: DETAILED NOTES ON ALL FUNDS

A. CASH AND INVESTMENTS

The carrying amount of the County's cash and investments totaled \$7,113,730 on December 31, 2017 as summarized below:

Petty cash and cash on hand	\$ 1,725
Deposits with financial institutions	7,112,005
	<u>\$ 7,113,730</u>

Reconciliation to the basic financial statements:

Government-wide statement of net position	
Cash and investments	\$ 6,739,996
Fiduciary fund statement of net position	
Cash and investments	373,734
	<u>\$ 7,113,730</u>

Fair Value Measurements

The County categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant observable inputs; Level 3 inputs are significant unobservable inputs. The County currently has no investments that are subject to fair value.

Deposits and investments of the County are subject to various risks. Presented below is a discussion of the County's deposits and investments and the related risks.

Iron County, Michigan

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2017

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The County does not have an additional custodial credit policy.

Deposits with financial institutions within the State of Michigan are insured by the Federal Deposit Insurance Corporation (FDIC) in the amount of \$250,000 for the combined amount of all time and savings deposits and \$250,000 for interest-bearing and noninterest-bearing demand deposits per official custodian per insured depository institution. Deposits with financial institutions located outside the State of Michigan are insured by the FDIC in the amount of \$250,000 for the combined amount of all deposit accounts per official custodian per depository institution. Deposits with credit unions are insured by the National Credit Union Share Insurance Fund (NCUSIF) in the amount of \$250,000 per credit union member.

As of December 31, 2017, \$6,180,887 of the County's deposits with financial institutions were in excess of federal depository insurance limits. No amounts were collateralized.

B. CAPITAL ASSETS

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, nondepreciable:				
Land	\$ 189,118	\$ -	\$ -	\$ 189,118
Capital assets, depreciable:				
Buildings and improvements	7,677,624	-	-	7,677,624
Machinery and equipment	1,686,158	166,766	27,709	1,825,215
Infrastructure	397,819	88,612	-	486,431
Subtotals	<u>9,761,601</u>	<u>255,378</u>	<u>27,709</u>	<u>9,989,270</u>
Less accumulated depreciation for:				
Buildings and improvements	4,452,581	160,131	-	4,612,712
Machinery and equipment	967,745	145,072	26,000	1,086,817
Infrastructure	158,772	15,025	-	173,797
Subtotals	<u>5,579,098</u>	<u>320,228</u>	<u>26,000</u>	<u>5,873,326</u>
Total capital assets, depreciable, net	<u>4,182,503</u>	<u>(64,850)</u>	<u>1,709</u>	<u>4,115,944</u>
Governmental activities capital assets, net	<u>\$ 4,371,621</u>	<u>\$ (64,850)</u>	<u>\$ 1,709</u>	4,305,062
Less: Capital related debt				<u>2,244,297</u>
Net investment in capital assets				<u>\$ 2,060,765</u>

Iron County, Michigan

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2017

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities:				
Capital assets, depreciable:				
Machinery and equipment	\$ 38,336	\$ 38,870	\$ 31,559	\$ 45,647
Less accumulated depreciation for:				
Machinery and equipment	25,699	9,129	25,249	9,579
Total capital assets, depreciable, net	<u>12,637</u>	<u>29,741</u>	<u>6,310</u>	<u>36,068</u>
Business-type activities capital assets, net	<u>\$ 12,637</u>	<u>\$ 29,741</u>	<u>\$ 6,310</u>	<u>\$ 36,068</u>

Depreciation expense was charged to functions of the County as follows:

Governmental activities	
General government	\$ 165,009
Public safety	128,557
Highway and transportation	246
Culture and recreation	26,416
Total depreciation expense - governmental activities	<u>\$ 320,228</u>
Business-type activities	
Tax revolving	\$ 1,355
Construction code	7,774
Total depreciation expense - business-type activities	<u>\$ 9,129</u>

C. INTERFUND RECEIVABLE, PAYABLES, AND TRANSFERS

Interfund receivables and payables between individual funds of the County, as reported in the fund financial statements, as of December 31, 2017 are detailed below:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Governmental funds		
General	\$ 13,073	\$ -
Friend of Court Incentive	-	1,560
Central dispatch	-	11,513
Totals	<u>\$ 13,073</u>	<u>\$ 13,073</u>

Iron County, Michigan

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2017

Interfund transfers for the year ended December 31, 2017 were as follows:

Fund	Transfer In	Transfer Out
General Fund	\$ 550,759	\$ 296,165
Central Dispatch	115,000	-
Law Library	12,000	-
Drug Court Grant Program	7,500	-
Child Care	75,000	-
Soldiers Relief	1,100	-
Courthouse Repair	56,367	-
Airport	5,000	-
Invasive Species	5,000	-
2003 Courthouse Debt Retirement	24,198	-
Human Services Agency	2,500	-
Equipment for 911	-	100,002
Alcohol Assessment	-	12,500
Plat Book	-	25,000
EDC/Revolving Loan	-	1,451
Indian Lake Capital Projects	-	371,306
Tax Revolving	-	40,000
Construction Code	-	8,000
	<u>\$ 854,424</u>	<u>\$ 854,424</u>

Interfund transfers were made for the following purposes:

Tax revenue transfer from the Equipment for 911 to the General Fund	\$ 100,002
Transfer from Indian Lake borrowing to reimburse General Fund for previous year's expenditures	371,306
Quarterly apportionments from the General Fund to Central Dispatch, Law Library, Human Services, Child Care, Soldiers Relief, Invasive Species, Courthouse Repair, and Airport Fund	271,967
Cover operational expenditures for Alcohol Assessment, Plat Book, Construction Code, and EDC/RLF Fund	46,951
Payment on GO debt from the General Fund	24,198
Delinquent Tax Revolving Fund recovered payment to General Fund	40,000
	<u>\$ 854,424</u>

D. LONG-TERM OBLIGATIONS

The following is a summary of changes in long-term obligations of the County for the year ended December 31, 2017:

	Beginning Balance	Issued	Retired	Ending Balance	Due Within One Year
Governmental activities:					
General obligation debt					
Bonds	\$ 5,822,000	\$ 510,000	\$ 627,000	\$ 5,705,000	\$ 672,000
Compensated absences	157,405	-	25,856	131,549	-
Governmental activities					
Long-term obligations	<u>\$ 5,979,405</u>	<u>\$ 510,000</u>	<u>\$ 652,856</u>	<u>\$ 5,836,549</u>	<u>\$ 672,000</u>

Total interest paid during the year on long-term debt totaled \$205,773.

Iron County, Michigan

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2017

General Obligation Debt

General obligation debt currently outstanding is detailed as follows:

	<u>Date of Issue</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Original Indebtedness</u>	<u>Balance 12/31/17</u>
General obligation bonds	8/19/03	8/1/33	4.25%	\$ 400,000	\$ 275,000
General obligation tax refunding	3/8/12	6/1/33	2.75	7,285,000	4,920,000
General obligation bonds	12/21/17	6/1/37	2.65%-4.30%	510,000	510,000
Total outstanding general obligation debt					<u>\$ 5,705,000</u>

Annual principal and interest maturities of the outstanding general obligation debt of \$5,705,000 on December 31, 2017 are detailed below:

<u>Year Ended December 31,</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2018	\$ 672,000	\$ 195,680
2019	698,000	170,128
2020	723,000	143,575
2021	754,000	114,318
2022	785,000	83,818
2023 - 2027	807,000	287,070
2028 - 2032	962,000	141,945
2033 - 2037	304,000	10,740
	<u>\$ 5,705,000</u>	<u>\$ 1,147,274</u>

E. PENSION PLAN - GENERAL COUNTY

1. Plan Description

The County participates in an agent multiple employer defined benefit pension plan administered by the Municipal Employees' Retirement System of Michigan (MERS). MERS was established as a statewide public employee pension plan by the Michigan Legislature under PA 135 of 1945 and is administered by a nine-member retirement board. MERS issues a publicly available financial report which includes the financial statements and required supplemental information of this defined benefit plan. This report may be obtained accessing the MERS website at www.mersofmich.com or in writing at 1134 Municipal Way, Lansing, Michigan 48917.

2. Benefits Provided

The plan provides certain retirement, disability, and death benefits to plan members and beneficiaries. PA 427 of 194, as amended, established and amends the benefit provisions and participants in MERS.

	<u>01-General Closed</u>	<u>02-Sheriff Closed</u>	<u>10-AFSCME Courthouse EE Closed</u>	<u>11-911 Dispatchers Closed</u>	<u>20-Sheriff & Undersheriff Closed</u>
	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

Iron County, Michigan

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2017

3. Employees Covered by Benefit Terms

At the December 31, 2017 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	13
Total	<u>91</u>

4. Contributions

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 contributions at December 31, 2017 for open divisions is shown as a percent of pay contributions and for closed divisions is shown as a monthly dollar contribution as follows.

01 - General	\$ 16,622
02 - Sheriff	4,880
10 - AFSCME Courthouse EE	9,987
11 - 911 Dispatchers	1,306
20 - Sheriff & Undersheriff	2,882

During the years ended December 31, 2017, the County's contributions to MERS totaled \$375,324, respectively.

5. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net position liability reported at December 31, 2017 was determined using a measure of the total pension liability and the pension net position as of December 31, 2016. The December 31, 2016 total pension liability was determined by an actuarial valuation performed as of December 31, 2015.

Iron County, Michigan

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2017

Changes in net pension liability during the measurement year ended December 31, 2017 are as follows:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances as of 12/31/16	\$ 8,526,205	\$ 5,532,145	\$ 2,994,060
Changes for the year			
Service cost	56,770	-	56,770
Interest on total pension liability	659,730	-	659,730
Difference between expected and actual experience	44,238	-	44,238
Employer contributions	-	375,324	(375,324)
Net investment income	-	720,096	(720,096)
Benefit payments, including employee refunds	(615,934)	(615,934)	-
Administrative expenses	-	(11,416)	11,416
Other changes	(152,627)	-	(152,627)
Net changes	(7,823)	468,070	(475,893)
Balances as of 12/31/17	\$ 8,518,382	\$ 6,000,215	\$ 2,518,167

For the years ended December 31, 2017 the County recognized pension expense of \$267,502. The County reported deferred outflows and inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 91,976	\$ -
Net differences between projected and actual earnings on pension plan investments	-	118,999
Changes in assumptions	246,441	-
Total	\$ 338,417	\$ 118,999

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

Year Ended December 31,	Expense
2018	\$ 124,254
2019	124,254
2020	19,585
2021	(48,675)
Total	\$ 219,418

Iron County, Michigan

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2017

6. Actuarial Assumptions

The total pension liability in the December 31, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

Although no specific inflation assumptions are needed for the valuation, the 2.5% long-term wage inflation assumption would be consistent with the price inflation of 3% - 4%. Mortality rates used were based on the RP-2014 Group Annuity Mortality Table of a 50% Male and 50% Female blend.

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

Long-term Expected Return on Plan Assets. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are 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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
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%

Single Discount Rate. The discount rate used to measure the total pension liability is 8.0% for 2016. 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 total pension liability.

Sensitivity of the County's net pension liability (asset) to changes in the discount rate. The following presents the Net Pension Liability of the County, calculated using the discount rate of 8.0%, as well as what the Commission's Net Pension Liability would be using a discount rate that is 1 percentage point lower (7.0%) or 1 percentage point higher (9.0%) than the current rate.

	<u>1% Decrease to Discount Rate (7%)</u>	<u>Current Discount Rate (8%)</u>	<u>1% Increase to Discount Rate (9%)</u>
Net pension liability	\$ 3,342,881	\$ 2,518,167	\$ 1,810,104

Iron County, Michigan

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2017

7. Payables to the Pension Plan

At December 31, 2017, the County reported a payable of \$29,096 for the outstanding amount of contributions to the pension plan for the year ended December 31, 2017.

F. DEFINED CONTRIBUTION PLAN DESCRIPTION

Iron County 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 contributions into a section 457 Deferred Compensation Program, 50% employer and 50% employee, up to an additional 6% (3% employer and 3% employee) for a total of 12% (9% employer and 3% employee).

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 an 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 2017 fiscal year, employer contributions relating to the defined contribution plan were \$142,014.

Forfeiture of non-vested amounts are used to reduce future employer contributions. There were forfeitures in 2017 in the amount of \$911; there were forfeitures balances available for use by the County in the amount of \$8,809.

G. FUND EQUITY

Nonspendable Fund Balance

In the fund financial statements, portions of the governmental fund balances are amounts that cannot be spent because they are either 1) not in spendable form or 2) legally or contractually required to be maintained intact. At December 31, 2017, nonspendable fund balance was as follows:

General Fund		
Nonspendable		
Inventories and prepaid items	\$	72,733
Special Revenue Funds		
Nonspendable		
Inventories and prepaid items		<u>16,272</u>
Total nonspendable fund balance	\$	<u>89,005</u>

Iron County, Michigan

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2017

Restricted Fund Balance

In the fund financial statements, portions of governmental fund balances are not available for appropriation or are legally restricted for use for a specific purpose. At December 31, 2017, restricted fund balance was as follows:

Special Revenue Funds

Restricted for

Maintenance of effort of long term care facility	\$ 364,840
Public safety equipment	1,500
Probation and correction holds	9,673
Friend of the court	10,674
Economic development loans	160,621
Community development	88,160
Senior citizen centers	1,500
Public Act 302	<u>3,048</u>

Debt Service Fund

Restricted for

Debt service	<u>113,559</u>
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Total restricted fund balance

\$ 753,575

Committed Fund Balance

In the fund financial statements, portions of government fund balances are committed by County Board action. At December 31, 2017, government fund balance was committed as follows:

Special Revenue Funds

Committed for

County youth camp	\$ 94,876
Family counseling	18,492
County parks	77,689
Register of deeds automation	148,248
Central dispatch	50,941
Correction officer training	14,939
Concealed weapon permits	13,799
Drug forfeiture	2,225
Law library	3,740
Drug court	43,178
Alcohol assessment	39,547
Human services agency	3,999
Child care	36,128
Soldiers relief	1,182
Plat books	42,909
Sheriff equipment	25,220
Courthouse repairs	54,058
Airport	9,227
Forest management	<u>95,224</u>

Capital Projects Fund

Committed for

Invasive species	16,157
Indian lake	<u>10,400</u>

Total committed fund balance

\$ 802,178

Iron County, Michigan

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2017

Minimum General Fund Balance Policy

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, 2017 budget stabilization funds in the amount of \$378,327 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. The County does not have a minimum General Fund balance policy as they use the budget stabilization funds instead.

Net Position

The County reports restricted net position at December 31, 2017 as follows:

Governmental activities

Restricted for	
Debt service	\$ 92,805
Maintenance of effort of long term care facility	364,840
Public safety equipment	1,500
Probation and correction holds	9,673
Friend of the court	10,674
Economic development loans	160,621
Community development	88,160
Senior citizen centers	1,500
Public Act 302	3,048
Total restricted net position	<u>\$ 732,821</u>

Iron County, Michigan

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2017

NOTE 4: OTHER INFORMATION

A. COMPONENT UNITS

This report contains the Iron County Road Commission (the "Commission"), the Dickinson-Iron Health District (the "District"), and the Iron County Medical Care Facility (the "Facility") which are included as component units. Financial information for the year ended December 31, 2017 is presented as a discrete column in the statement of net position and the statement of activities. Additional disclosures related to amounts reported by the units is as follows by component unit:

Iron County Road Commission

1. Cash and Investments

As of December 31, 2017, the carrying amount of the Commission's deposits and investments was \$2,471,953. All cash balances with financial institutions were fully insured.

2. Capital Assets

A summary of changes in capital assets for the year ended December 31, 2017 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, nondepreciable:				
Land	\$ 26,568	\$ -	\$ -	\$ 26,568
Construction in progress	71,351	73,232	60,339	84,244
Total capital assets, nondepreciable	<u>97,919</u>	<u>73,232</u>	<u>60,339</u>	<u>110,812</u>
Capital assets, depreciable:				
Buildings and improvements	3,339,348	-	-	3,339,348
Equipment	4,993,796	404,946	299,888	5,098,854
Infrastructure	27,541,552	1,598,276	-	29,139,828
Total capital assets, depreciable	<u>35,874,696</u>	<u>2,003,222</u>	<u>299,888</u>	<u>37,578,030</u>
Less accumulated depreciation for:				
Buildings and improvements	1,439,195	107,716	-	1,546,911
Equipment	4,340,658	279,390	299,888	4,320,160
Infrastructure	7,688,956	1,302,725	-	8,991,681
Subtotals	<u>13,468,809</u>	<u>1,689,831</u>	<u>299,888</u>	<u>14,858,752</u>
Total capital assets, depreciable, net	<u>22,405,887</u>	<u>313,391</u>	<u>-</u>	<u>22,719,278</u>
Capital assets, net	<u>\$ 22,503,806</u>	<u>\$ 386,623</u>	<u>\$ 60,339</u>	22,830,090
Less: Capital related debt				<u>1,854,411</u>
Net investment in capital assets				<u>\$ 20,975,679</u>

Iron County, Michigan

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2017

3. Long Term Obligations

The following is a summary of changes in long-term obligations of the Commission for the year ended December 31, 2017:

	<u>Beginning Balance</u>	<u>Issued</u>	<u>Retired</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
General obligation debt					
Bonds	\$ 1,575,000	\$ -	\$ 80,000	\$ 1,495,000	\$ 80,000
Notes payable	197,275	245,223	83,087	359,411	234,726
Compensated absences	178,437	13,874	-	192,311	48,078
Total long-term obligations	<u>\$ 1,950,712</u>	<u>\$ 259,097</u>	<u>\$ 163,087</u>	<u>\$ 2,046,722</u>	<u>\$ 362,804</u>

Debt currently outstanding is detailed as follows:

	<u>Date of Issue</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Original Indebtedness</u>	<u>Balance 12/31/17</u>
General obligation bonds	4/3/12	8/1/32	1.20% - 3.25%	\$ 1,880,000	\$ 1,495,000
Installment note	11/10/16	11/11/18	3.4725%	224,495	114,188
Installment note	12/19/17	12/19/19	3.3500%	245,223	245,223
Total outstanding debt					<u>\$ 1,854,411</u>

Annual principal and interest maturities of the outstanding debt of \$1,854,411 on December 31, 2017 are detailed below:

<u>Year Ended December 31,</u>	<u>Bonds Payable</u>		<u>Installment Note Payable</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 80,000	\$ 43,363	\$ 234,726	\$ 9,289
2019	85,000	41,723	124,685	2,654
2020	85,000	39,980	-	-
2021	85,000	38,238	-	-
2022	90,000	35,688	-	-
2023 - 2027	495,000	135,838	-	-
2028 - 2032	575,000	56,363	-	-
	<u>\$ 1,495,000</u>	<u>\$ 391,193</u>	<u>\$ 359,411</u>	<u>\$ 11,943</u>

Iron County, Michigan

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2017

4. 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. In 2017, the Road Commission entered into two more operating leases for equipment. The equipment is two John Deere 644K Loader 4WD. Rent expenses for the operating leases for the year ended December 31, 2017 were \$138,872. The future minimum rental commitments for the non-cancelable equipment operating leases as of December 31, 2017 are as follows.

Year Ending	Minimum Rental Commitments
2018	\$ 133,795
2019	133,795
2020	402,015
2021	47,997
2022	300,899
Total	<u>\$ 1,018,501</u>

5. Pension Plan

Plan Description

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

Benefits Provided

The plan provides certain retirement, disability, and death benefits to plan members and beneficiaries. PA 427 of 194, as amended, established and amends the benefit provisions and participants in MERS.

	01- Commissioner Non-Union Closed	10 - Union Closed	11 - Hourly Non- Union Closed	12-Non-Union after 10-14 & Union after 10/11 Open
Benefit Multiplier:	2.50% - 80% Max	2.50% - 80% Max	2.50% - 80% Max	1.70% - 80% No Max
Normal Retirement Age:	60	60	60	60
Vesting:	10 years	10 years	10 years	10 years
Early Retirement (Unreduced):	55/20	-	55/20	-
Early Retirement (Reduced)	50/25; 55/15	50/25; 55/15	50/25; 55/15	50/25; 55/15
Final Average Compensation:	3 years	5 years	3 years	5 years
COLA for Future Retirees:	2.50% (Non- Compound)	2.50% (Non- Compound)	2.50% (Non- Compound)	-
Employee Contributions:	0%	0%	0%	0%
Act 88:	Yes	Yes	Yes	Yes

Iron County, Michigan

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2017

Employees Covered by Benefit Terms

At the December 31, 2017 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	2
Active employees	17
Total	<u>66</u>

Contributions

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

The required employer contribution at December 31, 2017 for open divisions is shown as a percent of pay contribution and for closed divisions is shown as a monthly contribution as follows.

01 - Comm/Sal/Non-Union	4,899
10 - Union	29,349
11 - Hourly Non-Union	10,672
21 - Non-Union after 10-14: Union after 10/11	0.34%

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

The net position liability reported at December 31, 2017 was determined using a measure of the total pension liability and the pension net position as of December 31, 2016. The December 31, 2016 total pension liability was determined by an actuarial valuation performed as of December 31, 2015.

Changes in net pension liability during the measurement year ended December 31, 2017 are as follows:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances as of 12/31/16	\$ 12,420,687	\$ 4,842,696	\$ 7,577,991
Changes for the year			
Service cost	100,440	-	100,440
Interest on total pension liability	959,506	-	959,506
Difference between expected and actual experience	80,984	-	80,984
Employer contributions	-	900,439	(900,439)
Net investment income	-	633,114	(633,114)
Benefit payments, including employee refunds	(954,157)	(954,157)	-
Administrative expenses	-	(10,019)	10,019
Other changes	5,343	-	5,343
Net changes	<u>192,116</u>	<u>569,377</u>	<u>(377,261)</u>
Balances as of 12/31/17	<u>\$ 12,612,803</u>	<u>\$ 5,412,073</u>	<u>\$ 7,200,730</u>

Iron County, Michigan

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2017

For the years ended December 31, 2017 the Commission recognized pension expense of \$1,115,405. The Commission reported deferred outflows and inflows of resources related to pension from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 40,492	\$ -
Net differences between projected and actual earnings on pension plan investments	-	100,968
Total	<u>\$ 40,492</u>	<u>\$ 100,968</u>

There is no amount reported as deferred outflows of resources resulting from contributions subsequent to measurement date. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

<u>Year Ended December 31,</u>	<u>Expense</u>
2018	\$ 53,221
2019	12,729
2020	(76,777)
2021	(49,649)
Total	<u>\$ (60,476)</u>

The total pension liability in the December 31, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

Although no specific inflation assumptions are needed for the valuation, the 2.5% long-term wage inflation assumption would be consistent with the price inflation of 3% - 4%. Mortality rates used were based on the RP-2014 Group Annuity Mortality Table of a 50% Male and 50% Female blend.

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

Long-term Expected Return on Plan Assets. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are 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.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
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%

Iron County, Michigan

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2017

Single Discount Rate. The discount rate used to measure the total pension liability is 8.0% for 2016. 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 total pension liability.

Sensitivity of the Commission's net pension liability to changes in the discount rate. The following presents the Net Pension Liability of the Commission, calculated using the discount rate of 8.0%, as well as what the Commission's Net Pension Liability would be using a discount rate that is 1 percentage point lower (7.0%) or 1 percentage point higher (9.0%) than the current rate.

	<u>1% Decrease to Discount Rate (7%)</u>	<u>Current Discount Rate (8%)</u>	<u>1% Increase to Discount Rate (9%)</u>
Net pension liability	\$ 8,409,913	\$ 7,200,730	\$ 6,154,172

6. Other Postemployment Benefits

Plan Description. The Iron County Road Commission Retiree Medical Plan is a single employer plan administered by Iron County Road Commission. The Plan provides postemployment health care benefits and life insurance benefits, in accordance with the provision of Article 50, Section 9, and Article 51, Section 2 of the union agreement for all retirees who were hired by the Road Commission and retiree under the provided Michigan Municipal Employee's Retirement System. The postemployment health care benefits provides that the Road Commission will continue to pay the monthly hospitalization insurance plan premium for the retiree only, without specific drug and dental program, provided he/she makes application for the Medicare card, prior to the effective date of the Medicare coverage. The postemployment health care benefit is for retirees fired before February 1, 1986. Employees hired after February 1, 1986 will be eligible for health insurance coverage for one year as long as the retiree has not yet reached the age of 65. The postemployment life insurance benefits provides that the Road Commission will pay for \$8,000 of term life insurance coverage for each retiree hired before September 13, 2011. Currently, 24 retirees are eligible for these postemployment benefits. The Plan does not issue a financial report.

Funding Policy. As of December 31, 2017, the Road Commission has not established a trust to fund the OPEB calculation. The Road Commission's policy is to finance these benefits on a pay-as-you-go basis. During the year 2017, expenditures of \$167,882 were recognized for postemployment health care benefits, and \$11,198 for life insurance benefits, for total contributions in the amount of \$179,080.

Annual OPEB Cost and Net OPEB Obligation. The Road Commission's other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC), and the amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC 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 thirty years. The following table shows the components of the Road Commission's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Road Commission's net OPEB obligation.

Iron County, Michigan

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2017

	2015	2016	2017
Annual required contribution	\$ 583,126	\$ 646,180	\$ 732,320
Interest on net OPEB	26,129	37,776	49,909
Adjustment to annual required contribution	(92,325)	(150,758)	(229,638)
Annual OPEB cost (expense)	516,930	533,198	552,591
Contributions made	225,763	208,025	179,080
Change in net OPEB obligation	291,167	325,173	373,511
OPEB obligation - beginning of year	653,237	944,404	1,269,577
OPEB obligation - end of year	<u>\$ 944,404</u>	<u>\$ 1,269,577</u>	<u>\$ 1,643,088</u>

Trend Information. The County's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation for 2017 is as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/2015	\$ 516,930	44%	\$ 944,404
12/31/2016	533,198	39%	1,269,577
12/31/2017	552,591	32%	1,643,088

Funded Status and Funding Progress. The funded status of the plan as of December 31, 2014, the most recent actuarial valuation date, was as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a percentage of Covered Payroll
1/1/2009	\$ -	\$ 5,471,703	\$ 5,471,703	0%	n/a	n/a
1/1/2012	-	4,544,508	4,544,508	0%	n/a	n/a
1/1/2015	-	4,011,437	4,011,437	0%	n/a	n/a

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

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

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

Iron County, Michigan

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2017

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 post-65.

Dickinson-Iron District Health Department

1. Cash and Investments

As of December 31, 2017, the carrying amount of the District's deposits and investments was \$917,276. Cash of \$581,324 was insured, while cash of \$414,389 was uninsured.

2. Capital Assets

A summary of changes in capital assets for the year ended December 31, 2017 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, depreciable:				
Equipment	\$ 417,422	\$ 36,014	\$ 8,457	\$ 444,979
Less: Accumulated depreciation	129,503	29,912	8,457	150,958
Capital assets, net	<u>\$ 287,919</u>	<u>\$ 6,102</u>	<u>\$ -</u>	<u>\$ 294,021</u>

3. Pension plan

The District participates in an agent multiple employer defined benefit pension plan administered by the Municipal Employees' Retirement System of Michigan (MERS). MERS was established as a statewide public employee pension plan by the Michigan Legislature under PA 135 of 1945 and is administered by a nine-member retirement board. MERS issues a publicly available financial report which includes the financial statements and required supplemental information of this defined benefit plan. This report may be obtained accessing the MERS website at www.mersofmich.com or in writing at 1134 Municipal Way, Lansing, Michigan 48917.

Benefits Provided

Benefit provisions used in the December 31, 2017 valuation were as follows:

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

Employees Covered by Benefit Terms

At the December 31, 2017 valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	51
Inactive employees entitled to but not yet receiving benefits	12
Active employees	19
Total	<u>82</u>

Iron County, Michigan

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2017

Contributions

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

The required 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 contribution as follows:

01 - MNA Employee	28.07%
10 - AFSCME	6,963
11 - Non-Union	22,459
20 - Medical Director	157

During the years ended December 31, 2017, the District's contributions to MERS totaled \$453,018.

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

The net position liability reported at December 31, 2017 was determined using a measure of the total pension liability and the pension net position as of December 31, 2016. The December 31, 2016 total pension liability was determined by an actuarial valuation performed as of December 31, 2015.

Changes in net pension liability during the measurement year ended December 31, 2017 are as follows:

	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net Pension Liability (a) - (b)</u>
Balances as of 12/31/16	<u>\$ 9,380,138</u>	<u>\$ 5,811,413</u>	<u>\$ 3,568,725</u>
Changes for the year			
Service cost	87,535	-	87,535
Interest on total pension liability	729,924	-	729,924
Difference between expected and actual experience	(20,665)	-	(20,665)
Employer contributions	-	453,018	(453,018)
Employee contributions	-	9,568	(9,568)
Net investment income	-	763,883	(763,883)
Benefit payments, including employee refunds	(599,706)	(599,706)	-
Administrative expenses	-	(12,095)	12,095
Other changes	88,153	-	88,153
Net changes	<u>285,241</u>	<u>614,668</u>	<u>(329,427)</u>
Balances as of 12/31/17	<u>\$ 9,665,379</u>	<u>\$ 6,426,081</u>	<u>\$ 3,239,298</u>

Iron County, Michigan

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2017

For the years ended December 31, 2017 the District recognized pension expense of \$741,440. The District reported deferred outflows and inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 10,333
Net differences between projected and actual earnings on pension plan investments	-	137,681
Total	<u>\$ -</u>	<u>\$ 148,014</u>

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

Year Ended December 31,	Expense
2018	\$ (1,314)
2019	9,018
2020	(94,730)
2021	(60,988)
Total	<u>\$ (148,014)</u>

Actuarial Assumptions

The total pension liability in the December 31, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

Although no specific inflation assumptions are needed for the valuation, the 2.5% long-term wage inflation assumption would be consistent with the price inflation of 3% - 4%. Mortality rates used were based on the RP-2014 Group Annuity Mortality Table of a 50% Male and 50% Female blend.

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

Long-term Expected Return on Plan Assets. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are 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%

Iron County, Michigan

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2017

Single Discount Rate. The discount rate used to measure the total pension liability is 8.0% for 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 total pension liability.

Sensitivity of the District's net pension liability (asset) to changes in the discount rate. The following presents the Net Pension Liability of the Health Department, calculated using the discount rate of 8.0%, as well as what the District's Net Pension Liability would be using a discount rate that is 1 percentage point lower (7.0%) or 1 percentage point higher (9.0%) than the current rate.

	1% Decrease to Discount Rate (7%)	Current Discount Rate (8%)	1% Increase to Discount Rate (9%)
Net pension liability	\$ 4,196,905	\$ 3,239,298	\$ 2,414,160

Payables to the Pension Plan

At December 31, 2017, the District reported a payable of \$31,277 for the outstanding amount of contributions to the pension plan for the year ended December 31, 2017.

4. Defined Contribution Plan

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 eligible employees for MERS memberships hired after January 1, 2006, or who have previously not participated in MERS 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:

Employer Contributions	Required Employee Contributions
5%	0%
6%	1%
7%	2%

Defined contribution plan vesting provisions are as follows:

Years of Service Completed	Specified vesting Requirements
0	0%
1	20%
2	40%
3	60%
4	80%
5 or more	100%

During the 2017 fiscal year, employer and employee contributions relating to the defined contribution plan were \$26,089 and \$7,454 respectively. Forfeiture of non-vested amounts are used to reduce future employer contributions. There were no forfeitures in 2017; however, there were forfeiture balance available for use by the Department in the amount of \$4,919.

Iron County, Michigan

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2017

Iron County Medical Care Facility

1. Cash and Investments

As of December 31, 2017, the Facility had the following cash and cash equivalents:

	<u>Cash and Cash Equivalents</u>	<u>Assets Limited as to Use</u>
Deposits:		
County treasurer	\$ 3,079,510	\$ -
Bank	540,469	79,671
Petty cash	550	-
Money market funds	-	1,073,843
	<u> </u>	<u> </u>
Total	<u>\$ 3,620,529</u>	<u>\$ 1,153,514</u>

The Facility does not have a deposit policy for custodial credit risk. At December 31, 2017, the Facility had approximately \$1,340,000 of funds not commingled with other county deposits that were uninsured and uncollateralized. The Facility believes that, due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Facility evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

2. Capital Assets

A summary of changes in capital assets for the year ended December 31, 2017 is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, nondepreciable:				
Construction in progress	\$ -	\$ 401,318	\$ -	\$ 401,318
Capital assets, depreciable:				
Land Improvements	908,764	-	-	908,764
Buildings	26,340,657	102,438	24,474	26,418,621
Fixed equipment	3,651,752	48,212	132	3,699,832
Movable equipment	2,305,638	37,061	121,908	2,220,791
Subtotals	<u>33,206,811</u>	<u>187,711</u>	<u>146,514</u>	<u>33,248,008</u>
Less accumulated depreciation for:				
Land improvements	248,714	64,092	-	312,806
Buildings and improvements	9,014,677	782,971	24,474	9,773,174
Fixed equipment	923,862	203,483	132	1,127,213
Movable equipment	1,472,288	157,345	121,908	1,507,725
Subtotals	<u>11,659,541</u>	<u>1,207,891</u>	<u>146,514</u>	<u>12,720,918</u>
Total capital assets, depreciable, net	<u>21,547,270</u>	<u>(1,020,180)</u>	<u>-</u>	<u>20,527,090</u>
Capital assets, net	<u>\$ 21,547,270</u>	<u>\$ (618,862)</u>	<u>\$ -</u>	<u>20,928,408</u>
Less: Capital related debt				<u>6,308,200</u>
Net investment in capital assets				<u>\$ 14,620,208</u>

Iron County, Michigan

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2017

3. Long-Term Debt

	<u>Beginning Balance</u>	<u>Issued</u>	<u>Retired</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
General obligation debt					
Bonds	<u>\$ 6,642,936</u>	<u>\$ -</u>	<u>\$ 339,618</u>	<u>\$ 6,303,318</u>	<u>\$ 350,940</u>

Total interest paid during the year on long-term debt totaled \$208,286.

General obligation debt currently outstanding is detailed as follows:

	<u>Date of Issue</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Original Indebtedness</u>	<u>Balance 12/31/17</u>
General obligation bonds	7/12/12	8/1/22	3.10%	\$ 7,900,000	\$ 6,303,318

Annual principal and interest maturities of the outstanding general obligation debt of \$6,303,318 on December 31, 2017 are detailed below:

<u>Year Ended December 31,</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2018	\$ 350,940	\$ 192,739
2019	361,078	181,801
2020	371,899	170,980
2021	383,976	158,902
2022	4,835,425	146,907
	<u>\$ 6,303,318</u>	<u>\$ 851,329</u>

4. Pension Plan

The Medical Care Facility participates in an agent multiple employer defined benefit pension plan administered by the Municipal Employees' Retirement System of Michigan (MERS). MERS was established as a statewide public employee pension plan by the Michigan Legislature under PA 135 of 1945 and is administered by a nine-member retirement board. MERS issues a publicly available financial report which includes the financial statements and required supplemental information of this defined benefit plan. This report may be obtained accessing the MERS website at www.mersofmich.com or in writing at 1134 Municipal Way, Lansing, Michigan 48917.

Benefits Provided

Benefit provisions used in the December 31, 2017 valuation were as follows:

	<u>04-AFSCME <25 yrs service Open</u>	<u>40-Admin Staff & RN Group Open</u>	<u>41-SEIU Union Open</u>	<u>42-RN Employees Open</u>	<u>43 Crystal Manor Closed</u>
Benefit Multiplier:	2.0% - No Max	2.50% - 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):	55/15	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
COLA for Future Retirees:	0.00%	2.50%	0.00%	0.00%	0.00%
Employee Contributions:	5.6%	3.00%	10.62%	3.00%	4.94%
Act 88:	Yes	Yes	Yes	Yes	Yes

Iron County, Michigan

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2017

Employees Covered by Benefit Terms

At the December 31, 2017 valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	112
Inactive employees entitled to but not yet receiving benefits	27
Active employees	287
Total	<u>426</u>

Contributions

Article 9, Section 24 of the State of Michigan Constitution requires that financial benefits arising on account of employee services 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 rates as established by the MERS retirement board. The actuarially determined rate is the estimated amount to finance any unfunded accrued liability. The employer may establish contribution rates to be paid by its covered employees.

The Facility's required and actual contributions to the plan for the year ended December 31, 2017 were \$1,047,260.

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

The net position liability reported at December 31, 2017 was determined using a measure of the total pension liability and the pension net position as of December 31, 2016. The December 31, 2016 total pension liability was determined by an actuarial valuation performed as of December 31, 2015.

Changes in net pension liability during the measurement year ended December 31, 2017 are as follows:

	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net Pension Liability (a) - (b)</u>
Balances as of 12/31/16	\$ 30,147,857	\$ 20,682,318	\$ 9,465,539
Changes for the year			
Service cost	1,058,633	-	1,058,633
Interest on total pension liability	2,408,898	-	2,408,898
Changes in benefits	40,585	-	40,585
Difference between expected and actual experience	(1,096,880)	-	(1,096,880)
Employer contributions	-	996,710	(996,710)
Employee contributions	-	443,414	(443,414)
Net investment income	-	2,384,547	(2,384,547)
Benefit payments, including employee refunds	(1,131,880)	(1,131,880)	-
Administrative expenses	-	(47,003)	47,003
Net changes	<u>1,279,356</u>	<u>2,645,788</u>	<u>(1,366,432)</u>
Balances as of 12/31/17	<u>\$ 31,427,213</u>	<u>\$ 23,328,106</u>	<u>\$ 8,099,107</u>

Iron County, Michigan

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2017

For the years ended December 31, 2017 the Facility recognized pension expense of \$1,947,862. The Facility reported deferred outflows and inflows of resources related to pension from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 321,219	\$ 916,214
Net differences between projected and actual earnings on pension plan investments	792,883	-
Changes in assumptions	946,184	-
Employer contributions subsequent to the measurement date	1,047,260	-
Total	<u>\$ 3,107,546</u>	<u>\$ 916,214</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows. These amounts are exclusive of the employer contributions to the plan made subsequent to the measurement date of \$1,047,260 which will impact the net pension plan liability for the year ended December 31, 2017, rather than pension expense.

<u>Year Ended December 31,</u>	<u>Expense</u>
2018	\$ 504,037
2019	504,037
2020	425,319
2021	(154,591)
2022	(7,529)
Thereafter	(127,201)
Total	<u>\$ 1,144,072</u>

Actuarial Assumptions

The total pension liability in the December 31, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

Although no specific inflation assumptions are needed for the valuation, the 2.5% long-term wage inflation assumption would be consistent with the price inflation of 3% - 4%. Mortality rates used were based on the RP-2014 Group Annuity Mortality Table of a 50% Male and 50% Female blend.

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

Iron County, Michigan

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2017

Long-term Expected Return on Plan Assets. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are 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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
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%

Single Discount Rate. The discount rate used to measure the total pension liability is 8.0% for 2016. 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 total pension liability.

Sensitivity of the Facilities net pension liability (asset) to changes in the discount rate. The following presents the Net Pension Liability of the Facility, calculated using the discount rate of 8.0%, as well as what the Facilities Net Pension Liability would be using a discount rate that is 1 percentage point lower (7.0%) or 1 percentage point higher (9.0%) than the current rate.

	<u>1% Decrease to Discount Rate (7%)</u>	<u>Current Discount Rate (8%)</u>	<u>1% Increase to Discount Rate (9%)</u>
Net pension liability	\$ 12,110,506	\$ 8,099,107	\$ 4,745,248

5. Other Postemployment Benefits

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 benefits if they reach retirement age while working at the Facility. To postretirement obligation is expected to be paid from the Facility's General Fund.

The Facility has no obligation to make contribution in advance until the premium are due for payment (in other words, this may be financed on a pay-as-you-go basis).

For the year ended December 31, 2017 the Facility has estimated the cost of providing retiree healthcare benefits through an actuarial valuation as of December 31, 2016. The valuations compute an annual required contribution, which represents a level of fund that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The valuation's computed contribution and actual funding are summarized as follows.

Iron County, Michigan

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2017

Component	Amount
Annual required contribution	\$ 197,725
Interest on net OPEB	52,334
Adjustment to annual required contribution	(52,334)
Annual OPEB cost (expense)	197,725
Contributions made	126,913
Change in net OPEB obligation	70,812
OPEB obligation - beginning of year	1,283,624
OPEB obligation - end of year	<u>\$ 1,354,436</u>

Trend information

The Facilities annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation for the current and prior two years is as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/2015	\$ 309,993	36.43%	\$ 1,146,180
12/31/2016	322,393	57.37%	1,283,624
12/31/2017	197,725	64.19%	1,354,436

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. The schedule of funding progress, presented above in the required supplemental information, present multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

In the December 31, 2016 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 4.0 percent investment rate of return and a healthcare cost trend of 9.0 percent to 4.0 percent for the medical/drug component initially, reduced by decrements to an ultimate rate of 4.0 percent over 16 years and 4.0 percent for the dental/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. Amortization is over closed 28-year period.

Iron County, Michigan

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2017

B. CONTINGENCIES

The County participates in a number of federal and state assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. An audit under the Uniform Guidance has been conducted but final acceptance is still pending. Accordingly, the County's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the County expects such amounts, if any, to be immaterial.

From time to time, the County is party to other various pending claims and legal proceedings. Although the outcome of such matters cannot be forecast with certainty, it is the opinion of management and the County Attorney that the likelihood is remote that any such claims or proceedings will have a material adverse effect on the County's financial position or results of operations.

C. RISK MANAGEMENT

Iron County 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 ones previously stated.

The member must satisfy all deductibles before any payments are made from the member's self-insured retention 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, 2017 the County had no outstanding claims, which exceed the plan's limits and there has been no significant reduction in insurance coverage over the past three years.

D. UPCOMING ACCOUNTING PRONOUNCEMENTS

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. The Statement establishes criteria for identifying fiduciary activities and addresses financial reporting for these activities. This statement is effective for reporting periods beginning after June 15, 2018. The County is currently evaluating the impact this standard will have on the financial statements when adopted.

In June 2017, the GASB issued Statement No. 87, *Leases*. The Statement establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. This statement is effective for reporting periods beginning after December 15, 2019. The County is currently evaluating the impact this standard will have on the financial statements when adopted.

REQUIRED SUPPLEMENTARY INFORMATION

Iron County, 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, 2017**

GENERAL COUNTY

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total pension liability			
Service cost	\$ 56,770	\$ 62,655	\$ 68,015
Interest	659,730	635,176	609,763
Difference between expected and actual experience	44,238	94,310	-
Changes in assumptions	-	410,735	-
Benefit payments, including refund of member contributions	(615,934)	(596,107)	(594,309)
Other	<u>(152,627)</u>	<u>(46,390)</u>	<u>(2,833)</u>
Net change in total pension liability	(7,823)	560,379	80,636
Total pension liability - beginning	<u>8,526,205</u>	<u>7,965,826</u>	<u>7,885,190</u>
Total pension liability - ending	<u>\$ 8,518,382</u>	<u>\$ 8,526,205</u>	<u>\$ 7,965,826</u>
Plan fiduciary net position			
Contributions - employer	\$ 375,324	\$ 296,140	\$ 253,110
Net investment income	720,096	584,761	(81,936)
Benefit payments, including refunds of member contributions	(615,934)	(596,107)	(594,309)
Administrative expenses	<u>(11,416)</u>	<u>(11,556)</u>	<u>(12,182)</u>
Net change in plan fiduciary net position	468,070	273,238	(435,317)
Plan fiduciary net position - beginning	<u>5,532,145</u>	<u>5,258,907</u>	<u>5,694,224</u>
Plan fiduciary net position - ending	<u>\$ 6,000,215</u>	<u>\$ 5,532,145</u>	<u>\$ 5,258,907</u>
County's net pension liability - ending	<u>\$ 2,518,167</u>	<u>\$ 2,994,060</u>	<u>\$ 2,706,919</u>
Plan fiduciary net position as a percentage of the total pension liability	70%	65%	66%
Covered employee payroll	608,304	693,264	744,458
County's net pension liability as a percentage of covered employee payroll	414%	432%	364%
Annual weighted money-weighted rate of return net of investment expenses	13%	11%	-2%

Iron County, 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, 2017**

GENERAL COUNTY

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 322,809	\$ 296,028	\$ 253,110
Contributions in relation to the actuarially determined contribution	<u>375,324</u>	<u>296,028</u>	<u>253,110</u>
Contribution deficiency (excess)	<u>\$ (52,515)</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 608,304	\$ 693,264	\$ 744,458
Contributions as a percentage of covered payroll	62%	43%	34%

Notes to Schedule:

Actuarially determined contributions 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	10-17 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 Health Annuitant Mortality Tables (with rate multiplied by 105%), the RP-2014 Employee Mortality Tables, and the RP-2014 Juvenile Mortality Tables using 50% male and 50% female blend

Iron County, 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, 2017**

COUNTY ROAD COMMISSION - COMPONENT UNIT

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total pension liability			
Service cost	\$ 100,440	\$ 87,857	\$ 81,979
Interest	959,506	923,580	892,034
Difference between expected and actual experience	80,984	96,319	-
Changes in assumptions	-	647,163	-
Benefit payments, including refund of member contributions	(954,157)	(946,161)	(956,535)
Other	5,343	(12,133)	18,875
Net change in total pension liability	192,116	796,625	36,353
Total pension liability - beginning	<u>12,420,687</u>	<u>11,624,062</u>	<u>11,587,709</u>
Total pension liability - ending	<u>\$ 12,612,803</u>	<u>\$ 12,420,687</u>	<u>\$ 11,624,062</u>
Plan fiduciary net position			
Contributions - employer	\$ 900,439	\$ 769,702	\$ 715,164
Net investment income	633,114	501,474	(69,679)
Benefit payments, including refunds of member contributions	(954,157)	(946,161)	(956,535)
Administrative expenses	(10,019)	(9,907)	(10,334)
Net change in plan fiduciary net position	569,377	315,108	(321,384)
Plan fiduciary net position - beginning	<u>4,842,697</u>	<u>4,527,589</u>	<u>4,848,973</u>
Plan fiduciary net position - ending	<u>\$ 5,412,074</u>	<u>\$ 4,842,697</u>	<u>\$ 4,527,589</u>
County's net pension liability - ending	<u>\$ 7,200,729</u>	<u>\$ 7,577,990</u>	<u>\$ 7,096,473</u>
Plan fiduciary net position as a percentage of the total pension liability	43%	39%	39%
Covered employee payroll	\$ 894,469	\$ 830,390	\$ 785,115
County's net pension liability as a percentage of covered employee payroll	805%	913%	904%
Annual weighted money-weighted rate of return net of investment expenses	13%	11%	-2%

Iron County, 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, 2017**

COUNTY ROAD COMMISSION - COMPONENT UNIT

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 540,440	\$ 499,702	\$ 475,164
Contributions in relation to the actuarially determined contribution	<u>900,440</u>	<u>769,702</u>	<u>715,164</u>
Contribution deficiency (excess)	<u>\$ (360,000)</u>	<u>\$ (270,000)</u>	<u>\$ (240,000)</u>
Covered employee payroll	\$ 894,469	\$ 830,390	\$ 785,115
Contributions as a percentage of covered payroll	101%	93%	91%

Notes to Schedule:

Actuarially determined contributions 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	23 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 Health Annuitant Mortality Tables (with rate multiplied by 105%), the RP-2014 Employee Mortality Tables, and the RP-2014 Juvenile Mortality Tables using 50% male and 50% female blend

Iron County, 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, 2017**

DICKINSON-IRON DISTRICT HEALTH DEPARTMENT - COMPONENT UNIT

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total pension liability			
Service Cost	\$ 87,535	\$ 90,130	\$ 92,152
Interest	729,924	687,635	649,835
Difference between expected and actual experience	(20,665)	152,328	-
Changes in assumptions	-	434,793	-
Benefit payments, including refund of member contributions	(599,706)	(578,502)	(530,732)
Other	<u>88,153</u>	<u>14,605</u>	<u>25,668</u>
Net change in total pension liability	285,241	800,989	236,923
Total pension liability - beginning	<u>9,380,139</u>	<u>8,579,150</u>	<u>8,342,227</u>
Total pension liability - ending	<u>\$ 9,665,380</u>	<u>\$ 9,380,139</u>	<u>\$ 8,579,150</u>
Plan fiduciary net position			
Contributions - employer	\$ 453,018	\$ 469,455	\$ 430,584
Contributions - employee	9,568	9,517	10,388
Net investment income	763,883	603,003	(82,487)
Benefit payments, including refunds of member contributions	(599,706)	(578,502)	(530,732)
Administrative expenses	<u>(12,094)</u>	<u>(11,898)</u>	<u>(12,018)</u>
Net change in plan fiduciary net position	614,669	491,575	(184,265)
Plan fiduciary net position - beginning	<u>5,811,413</u>	<u>5,319,838</u>	<u>5,504,103</u>
Plan fiduciary net position - ending	<u>\$ 6,426,082</u>	<u>\$ 5,811,413</u>	<u>\$ 5,319,838</u>
County's net pension liability - ending	<u>\$ 3,239,298</u>	<u>\$ 3,568,726</u>	<u>\$ 3,259,312</u>
Plan fiduciary net position as a percentage of the total pension liability	66%	62%	62%
Covered employee payroll	\$ 941,525	\$ 985,911	\$ 1,026,051
County's net pension liability as a percentage of covered employee payroll	344%	362%	318%
Annual weighted money-weighted rate of return net of investment expenses	13%	11%	-2%

Iron County, 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, 2017**

DICKINSON-IRON DISTRICT HEALTH DEPARTMENT - COMPONENT UNIT

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 405,398	\$ 349,455	\$ 310,584
Contributions in relation to the actuarially determined contribution	<u>453,018</u>	<u>469,455</u>	<u>430,584</u>
Contribution deficiency (excess)	<u>\$ (47,620)</u>	<u>\$ (120,000)</u>	<u>\$ (120,000)</u>
Covered employee payroll	\$ 894,469	\$ 985,911	\$ 1,026,051
Contributions as a percentage of covered payroll	51%	48%	42%

Notes to Schedule:

Actuarially determined contributions 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 Health Annuitant Mortality Tables (with rate multiplied by 105%), the RP-2014 Employee Mortality Tables, and the RP-2014 Juvenile Mortality Tables using 50% male and 50% female blend

Iron County, 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, 2017**

MEDICAL CARE FACILITY - COMPONENT UNIT

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total pension liability			
Service cost	\$ 1,058,633	\$ 941,341	\$ 1,018,214
Interest	2,408,898	2,293,670	1,980,798
Changes in benefits	40,585	(131,532)	-
Difference between expected and actual experience	(1,096,880)	493,921	-
Changes in assumptions	-	1,468,177	-
Benefit payments, including refunds	<u>(1,131,880)</u>	<u>(986,107)</u>	<u>(862,397)</u>
Net change in total pension liability	1,279,356	4,079,470	2,136,615
Total pension liability - beginning of year	<u>30,147,857</u>	<u>26,068,387</u>	<u>23,931,772</u>
Total pension liability - ending of year	<u>\$ 31,427,213</u>	<u>\$ 30,147,857</u>	<u>\$ 26,068,387</u>
Plan fiduciary net position			
Contributions - employer	\$ 996,710	\$ 1,017,632	\$ 904,991
Contributions - employee	443,414	449,754	398,939
Net investment income	2,384,547	(318,924)	1,209,231
Benefit payments, including refunds	(1,131,880)	(986,107)	(862,397)
Administrative expenses	<u>(47,003)</u>	<u>(45,726)</u>	<u>(34,702)</u>
Net change in plan fiduciary net position	2,645,788	116,629	1,616,062
Plan fiduciary net position - beginning of year	<u>20,682,318</u>	<u>20,565,689</u>	<u>18,949,627</u>
Plan fiduciary net position - ending of year	<u>\$ 23,328,106</u>	<u>\$ 20,682,318</u>	<u>\$ 20,565,689</u>
Facilitie's net pension liability - ending	<u>\$ 8,099,107</u>	<u>\$ 9,465,539</u>	<u>\$ 5,502,698</u>
Plan fiduciary net position as a percentage of the total pension liability	74.23%	68.60%	78.89%
Covered employee payroll	\$ 12,395,120	\$ 13,167,588	\$ 12,455,857
Facility's net pension liability as a percentage of covered employee payroll	65.34%	71.89%	44.18%
Annual weighted money-weighted rate of return net of investment expenses	11%	-6%	6%

Iron County, Michigan

**EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS
SCHEDULE OF EMPLOYER CONTRIBUTIONS
(SCHEDULE IS PREPARED PROSPECTIVELY UPON IMPLEMENTATION OF GASB 68)
LAST TEN FISCAL YEARS ENDED DECEMBER 31**

MEDICAL CARE FACILITY - COMPONENT UNIT

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Actuarially determined contribution	\$ 1,047,260	\$ 994,736	\$ 1,018,208	\$ 904,991	\$ 823,690
Contributions in relation to the actuarially determined contribution	<u>1,047,260</u>	<u>994,736</u>	<u>1,018,208</u>	<u>904,991</u>	<u>823,690</u>
Contribution deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 12,395,120	\$ 13,167,588	\$ 12,455,857	\$ 11,634,239	\$ 10,372,632
Contributions as a percentage of covered payroll	8.4%	7.6%	8.2%	7.8%	7.9%

Notes to Schedule of Contributions:

Actuarial valuation information relative to the determination of contributions:

Valuation date Actuarially determined contributions rates are calculated as of December 31, two years prior to the end of the fiscal year in which the 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	22 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 Health Annuitant Mortality Tables (with rate multiplied by 105%), the RP-2014 Employee Mortality Tables, and the RP-2014 Juvenile Mortality Tables using 50% male and 50% female blend

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$ 787,274	\$ 781,748	\$ 679,863	\$ 637,649	\$ 578,455
<u>787,274</u>	<u>781,748</u>	<u>679,863</u>	<u>637,649</u>	<u>578,455</u>
<u>\$ -</u>				
\$ 10,295,019	\$ 10,182,251	\$ 9,268,253	\$ 8,655,717	\$ 8,316,046
7.6%	7.7%	7.3%	7.4%	7.0%

Iron County, Michigan

**SCHEDULE OF FUNDING PROGRESS
OTHER POSTEMPLOYMENT BENEFIT PLAN
FOR THE YEAR ENDED DECEMBER 31, 2017**

COUNTY ROAD COMMISSION

Actual Valuation Date January 1	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL)	(3) Funded Ratio (1) / (2)	(4) Unfunded Actuarial Accrued Liability (UAAL) (2) - (1)	(5) Covered Payroll	UAAL as a Percentage of Covered Payroll (4) / (5)
2009	\$ -	\$ 5,471,703	0.00%	\$ 5,471,703	Not Available	Not Available
2012	-	4,544,508	0.00%	4,544,508	Not Available	Not Available
2015	-	4,011,437	0.00%	4,011,437	Not Available	Not Available

MEDICAL CARE FACILITY

Actual Valuation Date December 31	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL)	(3) Funded Ratio (1) / (2)	(4) Unfunded Actuarial Accrued Liability (UAAL) (2) - (1)	(5) Covered Payroll	UAAL as a Percentage of Covered Payroll (4) / (5)
2010	\$ -	\$ 2,509,410	0.00%	\$ 2,509,410	Not Available	Not Available
2012	-	4,524,092	0.00%	4,524,092	Not Available	Not Available
2014	-	4,917,963	0.00%	4,917,963	Not Available	Not Available
2016	-	2,224,560	0.00%	2,224,560	Not Available	Not Available

Iron County, Michigan

**SCHEDULE OF EMPLOYER CONTRIBUTIONS
OTHER POSTEMPLOYMENT BENEFIT PLAN
FOR THE YEAR ENDED DECEMBER 31, 2017**

<u>Year Ended December 31,</u>	<u>Employer Contributions</u>	<u>Annual Required Contribution (ARC)</u>	<u>Percentage Contributed</u>
2015	\$ 112,922	\$ 309,993	36.43%
2016	184,949	322,393	57.37%
2017	126,913	197,725	64.19%

Iron County, Michigan

**GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Budget		Actual	Variance Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 3,184,600	\$ 3,199,600	\$ 3,247,086	\$ 47,486
Federal sources	529,176	541,176	516,812	(24,364)
State sources	990,781	1,005,581	1,015,073	9,492
Licenses and permits	6,400	6,400	9,641	3,241
Public charges for services	423,248	423,248	395,834	(27,414)
Miscellaneous	116,150	234,827	203,408	(31,419)
Total revenues	5,250,355	5,410,832	5,387,854	(22,978)
EXPENDITURES				
Judicial system				
Trial court	806,355	837,558	812,238	25,320
Friend of the court	149,228	148,728	133,912	14,816
Jury commission	293	293	134	159
Total judicial system	955,876	986,579	946,284	40,295
General government				
County board	169,100	99,100	84,974	14,126
Elections	8,520	34,720	40,659	(5,939)
Clerk	287,641	267,502	261,060	6,442
General county	134,700	287,368	298,126	(10,758)
County administrator	204,195	197,545	191,748	5,797
Equalization department	170,164	147,380	137,238	10,142
Prosecuting attorney	282,532	267,004	247,430	19,574
Remonumentation	53,149	65,949	65,738	211
County treasurer	193,194	186,134	175,493	10,641
Courthouse and grounds	246,459	236,459	216,346	20,113
Drain commissioner	12,050	12,050	9,845	2,205
Retirement	366,000	447,287	461,307	(14,020)
Appropriations	164,113	175,564	175,564	-
Insurance and bonds	176,300	230,011	179,735	50,276
Total general government	2,468,117	2,654,073	2,545,263	108,810
Public safety				
Sheriff	756,465	736,794	729,551	7,243
Road patrol	84,737	75,920	72,467	3,453
Community work van	22,501	22,501	21,176	1,325
Marine patrol	5,000	5,500	5,484	16
Snowmobile patrol	2,300	2,137	1,489	648
ORV patrol	8,000	10,000	9,902	98
Jail	772,523	781,654	784,882	(3,228)
Mine inspector	10,309	10,309	9,974	335
Total public safety	1,661,835	1,644,815	1,634,925	9,890

Iron County, Michigan

**GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Budget		Actual	Variance Final Budget - Positive (Negative)
	Original	Final		
Health and welfare				
Medical examiner	34,505	41,005	35,493	5,512
Veterans burials	10,500	10,500	5,040	5,460
Total health and welfare	<u>45,005</u>	<u>51,505</u>	<u>40,533</u>	<u>10,972</u>
Culture and recreation				
Parks and recreation	1,100	1,100	95	1,005
MSU extension	350	350	-	350
Total culture and recreation	<u>1,450</u>	<u>1,450</u>	<u>95</u>	<u>1,355</u>
Total expenditures	<u>5,132,283</u>	<u>5,338,422</u>	<u>5,167,100</u>	<u>171,322</u>
Excess of revenues over expenditures	<u>118,072</u>	<u>72,410</u>	<u>220,754</u>	<u>148,344</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	178,093	179,544	550,759	371,215
Transfers out	<u>(296,165)</u>	<u>(296,165)</u>	<u>(296,165)</u>	<u>-</u>
Total other financing sources (uses)	<u>(118,072)</u>	<u>(116,621)</u>	<u>254,594</u>	<u>371,215</u>
Net change in fund balance	-	(44,211)	475,348	519,559
Fund balance - January 1	<u>2,277,046</u>	<u>2,277,046</u>	<u>2,277,046</u>	<u>-</u>
Fund balance - December 31	<u>\$ 2,277,046</u>	<u>\$ 2,232,835</u>	<u>\$ 2,752,394</u>	<u>\$ 519,559</u>

Iron County, Michigan

**MAINTENANCE OF EFFORT SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 752,321	\$ 752,321	\$ 767,730	\$ 15,409
Federal sources	-	-	1,258	1,258
Miscellaneous	2,000	2,000	2,354	354
Total revenues	<u>754,321</u>	<u>754,321</u>	<u>771,342</u>	<u>17,021</u>
EXPENDITURES				
Health and welfare	<u>820,000</u>	<u>820,000</u>	<u>759,898</u>	<u>60,102</u>
Net change in fund balance	(65,679)	(65,679)	11,444	77,123
Fund balance - January 1	<u>353,396</u>	<u>353,396</u>	<u>353,396</u>	<u>-</u>
Fund balance - December 31	<u>\$ 287,717</u>	<u>\$ 287,717</u>	<u>\$ 364,840</u>	<u>\$ 77,123</u>

Iron County, Michigan

**YOUTH CAMP SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 243,300	\$ 243,300	\$ 255,749	\$ 12,449
Federal sources	1,200	1,200	1,298	98
State sources	-	-	429	429
Public charges for services	198,300	198,300	221,714	23,414
Miscellaneous	500	500	653	153
Total revenues	<u>443,300</u>	<u>443,300</u>	<u>479,843</u>	<u>36,543</u>
EXPENDITURES				
Current				
Culture and recreation	485,401	485,401	458,676	26,725
Capital outlay	3,000	33,000	29,331	3,669
Total expenditures	<u>488,401</u>	<u>518,401</u>	<u>488,007</u>	<u>30,394</u>
Net change in fund balance	(45,101)	(75,101)	(8,164)	66,937
Fund balance - January 1	<u>107,615</u>	<u>107,615</u>	<u>107,615</u>	-
Fund balance - December 31	<u>\$ 62,514</u>	<u>\$ 32,514</u>	<u>\$ 99,451</u>	<u>\$ 66,937</u>

SUPPLEMENTARY INFORMATION

Iron County, Michigan

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2017**

	Special Revenue				
	Family Counseling	Equipment for 911	County Parks	Friend of Court Incentive	Probation Surcharge
ASSETS					
Cash and investments	\$ 18,492	\$ 1,500	\$ 77,543	\$ 15,772	\$ 6,981
Receivables					
Property taxes	-	99,238	-	-	-
Accounts	-	-	701	-	-
Loans	-	-	-	-	-
Due from other governments	-	-	-	-	-
Prepaid items	-	-	41	1,560	-
Total assets	<u>\$ 18,492</u>	<u>\$ 100,738</u>	<u>\$ 78,285</u>	<u>\$ 17,332</u>	<u>\$ 6,981</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities					
Accounts payable	\$ -	\$ -	\$ 555	\$ -	\$ -
Accrued and other current liabilities	-	-	-	3,538	-
Due to other funds	-	-	-	1,560	-
Total liabilities	<u>-</u>	<u>-</u>	<u>555</u>	<u>5,098</u>	<u>-</u>
Deferred inflows of resources					
Property taxes levied for subsequent year	-	99,238	-	-	-
Loans receivable	-	-	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>99,238</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances					
Nonspendable	-	-	41	1,560	-
Restricted	-	1,500	-	10,674	6,981
Committed	18,492	-	77,689	-	-
Total fund balances	<u>18,492</u>	<u>1,500</u>	<u>77,730</u>	<u>12,234</u>	<u>6,981</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 18,492</u>	<u>\$ 100,738</u>	<u>\$ 78,285</u>	<u>\$ 17,332</u>	<u>\$ 6,981</u>

Special Revenue (continued)

Homestead Property Tax Exemption	Register of Deeds Automation	CDBG Grant	Central Dispatch	Local Corrections Officer Training	Concealed Weapon Permit	Drug Forfeiture - Prosecutor
\$ 4,311	\$ 150,283	\$ 88,160	\$ -	\$ 14,939	\$ 13,799	\$ 1,492
-	-	-	-	-	-	-
-	-	-	76,669	-	-	-
-	-	-	32,069	-	-	-
-	-	-	8,916	-	-	-
<u>\$ 4,311</u>	<u>\$ 150,283</u>	<u>\$ 88,160</u>	<u>\$ 117,654</u>	<u>\$ 14,939</u>	<u>\$ 13,799</u>	<u>\$ 1,492</u>
\$ 4,311	\$ 2,035	\$ -	\$ 22,755	\$ -	\$ -	\$ -
-	-	-	23,529	-	-	-
-	-	-	11,513	-	-	-
<u>4,311</u>	<u>2,035</u>	<u>-</u>	<u>57,797</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	8,916	-	-	-
-	-	88,160	-	-	-	-
-	148,248	-	50,941	14,939	13,799	1,492
-	148,248	88,160	59,857	14,939	13,799	1,492
<u>\$ 4,311</u>	<u>\$ 150,283</u>	<u>\$ 88,160</u>	<u>\$ 117,654</u>	<u>\$ 14,939</u>	<u>\$ 13,799</u>	<u>\$ 1,492</u>

Iron County, Michigan

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2017**

	Special Revenue (continued)				
	Drug Forfeiture - Sheriff	Law Library	Drug Court Grant Program	Senior Citizens	Alcohol Assessment
ASSETS					
Cash and investments	\$ 733	\$ 5,316	\$ 15,873	\$ 1,500	\$ 39,547
Receivables					
Property taxes	-	-	-	133,971	-
Accounts	-	-	-	-	-
Loans	-	-	-	-	-
Due from other governments	-	-	30,723	-	-
Prepaid items	-	-	-	-	-
Total assets	<u>\$ 733</u>	<u>\$ 5,316</u>	<u>\$ 46,596</u>	<u>\$ 135,471</u>	<u>\$ 39,547</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities					
Accounts payable	\$ -	\$ 1,576	\$ 310	\$ -	\$ -
Accrued and other current liabilities	-	-	3,108	-	-
Due to other funds	-	-	-	-	-
Total liabilities	<u>-</u>	<u>1,576</u>	<u>3,418</u>	<u>-</u>	<u>-</u>
Deferred inflows of resources					
Property taxes levied for subsequent year	-	-	-	133,971	-
Loans receivable	-	-	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>133,971</u>	<u>-</u>
Fund balances					
Nonspendable	-	-	-	-	-
Restricted	-	-	-	1,500	-
Committed	733	3,740	43,178	-	39,547
Total fund balances	<u>733</u>	<u>3,740</u>	<u>43,178</u>	<u>1,500</u>	<u>39,547</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 733</u>	<u>\$ 5,316</u>	<u>\$ 46,596</u>	<u>\$ 135,471</u>	<u>\$ 39,547</u>

Special Revenue (continued)

Human Services Agency	Child Care	Soldiers Relief	Veterans Trust	Public Act 302	Plat Book	Sheriff's Department Equipment	Courthouse Repair
\$ 4,080	\$ 28,542	\$ 1,182	\$ 11,256	\$ 3,048	\$ 42,909	\$ 21,947	\$ 76,471
-	-	-	-	-	-	-	-
-	-	-	-	-	-	3,273	-
-	-	-	-	-	-	-	-
-	10,546	-	-	-	-	-	-
-	1,180	-	-	-	-	-	-
<u>\$ 4,080</u>	<u>\$ 40,268</u>	<u>\$ 1,182</u>	<u>\$ 11,256</u>	<u>\$ 3,048</u>	<u>\$ 42,909</u>	<u>\$ 25,220</u>	<u>\$ 76,471</u>
\$ -	\$ 995	\$ -	\$ 11,256	\$ -	\$ -	\$ -	\$ 22,413
81	1,965	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>81</u>	<u>2,960</u>	<u>-</u>	<u>11,256</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,413</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	1,180	-	-	-	-	-	-
-	-	-	-	3,048	-	-	-
<u>3,999</u>	<u>36,128</u>	<u>1,182</u>	<u>-</u>	<u>-</u>	<u>42,909</u>	<u>25,220</u>	<u>54,058</u>
<u>3,999</u>	<u>37,308</u>	<u>1,182</u>	<u>-</u>	<u>3,048</u>	<u>42,909</u>	<u>25,220</u>	<u>54,058</u>
<u>\$ 4,080</u>	<u>\$ 40,268</u>	<u>\$ 1,182</u>	<u>\$ 11,256</u>	<u>\$ 3,048</u>	<u>\$ 42,909</u>	<u>\$ 25,220</u>	<u>\$ 76,471</u>

Iron County, Michigan

COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 DECEMBER 31, 2017

	Special Revenue (continued)				
	EDC/Revolving Loan	Airport	MDOC Inmate	Forest Management	Ambulance
ASSETS					
Cash and investments	\$ 160,743	\$ 10,204	\$ 7,817	\$ 95,449	\$ -
Receivables					
Property taxes	-	-	-	-	74,428
Accounts	-	-	-	-	-
Loans	9,311	-	-	-	-
Due from other governments	-	-	-	-	-
Prepaid items	-	-	-	-	-
Total assets	<u>\$ 170,054</u>	<u>\$ 10,204</u>	<u>\$ 7,817</u>	<u>\$ 95,449</u>	<u>\$ 74,428</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 122	\$ 669	\$ 4,778	\$ 225	\$ -
Accrued and other current liabilities	-	308	347	-	-
Due to other funds	-	-	-	-	-
Total liabilities	<u>122</u>	<u>977</u>	<u>5,125</u>	<u>225</u>	<u>-</u>
Deferred inflows of resources					
Property taxes levied for subsequent year	-	-	-	-	74,428
Loans receivable	9,311	-	-	-	-
Total deferred inflows of resources	<u>9,311</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>74,428</u>
Fund balances					
Nonspendable	-	-	-	-	-
Restricted	160,621	-	2,692	-	-
Committed	-	9,227	-	95,224	-
Total fund balances	<u>160,621</u>	<u>9,227</u>	<u>2,692</u>	<u>95,224</u>	<u>-</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 170,054</u>	<u>\$ 10,204</u>	<u>\$ 7,817</u>	<u>\$ 95,449</u>	<u>\$ 74,428</u>

<u>Capital Projects</u>	<u>Debt Service 2003 Courthouse Debt Retirement</u>	<u>Total Nonmajor Governmental Funds</u>
\$ 16,157	\$ 923	\$ 936,969
-	-	307,637
-	-	80,643
-	-	9,311
-	-	73,338
-	-	11,697
<u>\$ 16,157</u>	<u>\$ 923</u>	<u>\$ 1,419,595</u>

\$ -	\$ -	\$ 72,000
-	-	32,876
-	-	13,073
-	-	117,949

-	-	307,637
-	-	9,311
-	-	316,948

-	-	11,697
-	923	276,099
16,157	-	696,902

16,157	923	984,698
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<u>\$ 16,157</u>	<u>\$ 923</u>	<u>\$ 1,419,595</u>
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Iron County, Michigan

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Special Revenue				
	Family Counseling	Equipment for 911	County Parks	Friend of Court Incentive	Probation Surcharge
REVENUES					
Taxes	\$ -	\$ 98,170	\$ -	\$ -	\$ -
State sources	-	1,953	-	-	-
Licenses and permits	-	-	-	-	-
Fines and forfeits	-	-	-	-	-
Public charges for services	1,230	-	142,687	3,404	1,728
Miscellaneous	-	-	2,000	-	-
Total revenues	<u>1,230</u>	<u>100,123</u>	<u>144,687</u>	<u>3,404</u>	<u>1,728</u>
EXPENDITURES					
Current					
General government	-	-	-	-	506
Public safety	-	-	-	-	-
Highway and transportation	-	-	-	-	-
Health and welfare	500	-	-	-	-
Culture and recreation	-	-	97,123	-	-
Community development	-	-	-	-	-
Debt service					
Principal	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Capital outlay	-	-	16,145	-	-
Total expenditures	<u>500</u>	<u>-</u>	<u>113,268</u>	<u>-</u>	<u>506</u>
Excess of revenues over (under) expenditures	<u>730</u>	<u>100,123</u>	<u>31,419</u>	<u>3,404</u>	<u>1,222</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	-	-
Transfers out	-	(100,002)	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>(100,002)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	730	121	31,419	3,404	1,222
Fund balances - January 1	<u>17,762</u>	<u>1,379</u>	<u>46,311</u>	<u>8,830</u>	<u>5,759</u>
Fund balances - December 31	<u>\$ 18,492</u>	<u>\$ 1,500</u>	<u>\$ 77,730</u>	<u>\$ 12,234</u>	<u>\$ 6,981</u>

Special Revenue (continued)

Homestead Property Tax Exemption	Register of Deeds Automation	CDBG Grant	Central Dispatch	Local Corrections Officer Training	Concealed Weapon Permit	Drug Forfeiture - Prosecutor
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	108,654	-	-	-
-	-	-	-	-	7,400	-
-	-	-	451,798	3,670	-	-
-	17,227	6,353	10,209	-	-	2
-	17,227	6,353	570,661	3,670	7,400	2
-	5,169	-	-	-	-	-
-	-	-	699,557	750	551	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	36	-	-	-	-
-	-	-	-	-	-	-
-	10,325	-	31,412	-	-	-
-	15,494	36	730,969	750	551	-
-	1,733	6,317	(160,308)	2,920	6,849	2
-	-	-	115,000	-	-	-
-	-	-	-	-	-	-
-	-	-	115,000	-	-	-
-	1,733	6,317	(45,308)	2,920	6,849	2
-	146,515	81,843	105,165	12,019	6,950	1,490
<u>\$ -</u>	<u>\$ 148,248</u>	<u>\$ 88,160</u>	<u>\$ 59,857</u>	<u>\$ 14,939</u>	<u>\$ 13,799</u>	<u>\$ 1,492</u>

Iron County, Michigan

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Special Revenue (continued)				
	Drug Forfeiture - Sheriff	Law Library	Drug Court Grant Program	Senior Citizens	Alcohol Assessment
REVENUES					
Taxes	\$ -	\$ -	\$ -	\$ 138,127	\$ -
State sources	-	-	112,458	226	-
Licenses and permits	-	-	-	-	-
Fines and forfeits	-	5,000	-	-	-
Public charges for services	-	-	220	-	11,156
Miscellaneous	-	-	-	-	-
Total revenues	<u>-</u>	<u>5,000</u>	<u>112,678</u>	<u>138,353</u>	<u>11,156</u>
EXPENDITURES					
Current					
General government	-	14,419	-	-	277
Public safety	1,500	-	119,793	-	-
Highway and transportation	-	-	-	-	-
Health and welfare	-	-	-	138,353	-
Culture and recreation	-	-	-	-	-
Community development	-	-	-	-	-
Debt service					
Principal	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Capital outlay	-	-	-	-	-
Total expenditures	<u>1,500</u>	<u>14,419</u>	<u>119,793</u>	<u>138,353</u>	<u>277</u>
Excess of revenues over (under) expenditures	<u>(1,500)</u>	<u>(9,419)</u>	<u>(7,115)</u>	<u>-</u>	<u>10,879</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	12,000	7,500	-	-
Transfers out	-	-	-	-	(12,500)
Total other financing sources (uses)	<u>-</u>	<u>12,000</u>	<u>7,500</u>	<u>-</u>	<u>(12,500)</u>
Net change in fund balances	<u>(1,500)</u>	<u>2,581</u>	<u>385</u>	<u>-</u>	<u>(1,621)</u>
Fund balances - January 1	<u>2,233</u>	<u>1,159</u>	<u>42,793</u>	<u>1,500</u>	<u>41,168</u>
Fund balances - December 31	<u>\$ 733</u>	<u>\$ 3,740</u>	<u>\$ 43,178</u>	<u>\$ 1,500</u>	<u>\$ 39,547</u>

Special Revenue (continued)

Human Services Agency	Child Care	Soldiers Relief	Veterans Trust	Public Act 302	Plat Book	Sheriff's Department Equipment	Courthouse Repair
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	39,801	-	5,774	1,804	-	8,871	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	6,103	-	-	-	12,546	75,204	-
-	58	-	-	1	-	12	-
-	<u>45,962</u>	-	<u>5,774</u>	<u>1,805</u>	<u>12,546</u>	<u>84,087</u>	-
-	-	-	-	-	10,475	-	-
-	-	-	-	2,962	-	50,262	-
-	-	-	-	-	-	-	-
942	107,634	1,291	12,588	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	42,244	58,064
<u>942</u>	<u>107,634</u>	<u>1,291</u>	<u>12,588</u>	<u>2,962</u>	<u>10,475</u>	<u>92,506</u>	<u>58,064</u>
<u>(942)</u>	<u>(61,672)</u>	<u>(1,291)</u>	<u>(6,814)</u>	<u>(1,157)</u>	<u>2,071</u>	<u>(8,419)</u>	<u>(58,064)</u>
2,500	75,000	1,100	-	-	-	-	56,367
-	-	-	-	-	(25,000)	-	-
<u>2,500</u>	<u>75,000</u>	<u>1,100</u>	<u>-</u>	<u>-</u>	<u>(25,000)</u>	<u>-</u>	<u>56,367</u>
1,558	13,328	(191)	(6,814)	(1,157)	(22,929)	(8,419)	(1,697)
<u>2,441</u>	<u>23,980</u>	<u>1,373</u>	<u>6,814</u>	<u>4,205</u>	<u>65,838</u>	<u>33,639</u>	<u>55,755</u>
<u>\$ 3,999</u>	<u>\$ 37,308</u>	<u>\$ 1,182</u>	<u>\$ -</u>	<u>\$ 3,048</u>	<u>\$ 42,909</u>	<u>\$ 25,220</u>	<u>\$ 54,058</u>

Iron County, Michigan

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Special Revenue (continued)				
	EDC/Revolving Loan	Airport	MDOC Inmate	Forest Management	Ambulance
REVENUES					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	-	-	-	-	-
Licenses and permits	-	-	-	-	-
Fines and forfeits	-	-	-	-	-
Public charges for services	-	6,915	-	98,625	-
Miscellaneous	12,546	-	-	-	-
Total revenues	12,546	6,915	-	98,625	-
EXPENDITURES					
Current					
General government	-	-	-	-	-
Public safety	-	-	46,292	-	-
Highway and transportation	-	11,033	-	-	-
Health and welfare	-	-	-	-	-
Culture and recreation	-	-	-	3,401	-
Community development	44,076	-	-	-	-
Debt service					
Principal	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Capital outlay	-	-	-	-	-
Total expenditures	44,076	11,033	46,292	3,401	-
Excess of revenues over (under) expenditures	(31,530)	(4,118)	(46,292)	95,224	-
OTHER FINANCING SOURCES (USES)					
Transfers in	-	5,000	-	-	-
Transfers out	(1,451)	-	-	-	-
Total other financing sources (uses)	(1,451)	5,000	-	-	-
Net change in fund balances	(32,981)	882	(46,292)	95,224	-
Fund balances - January 1	193,602	8,345	48,984	-	-
Fund balances - December 31	\$ 160,621	\$ 9,227	\$ 2,692	\$ 95,224	\$ -

<u>Capital Projects</u>	<u>Debt Service 2003 Courthouse Debt Retirement</u>	<u>Total Nonmajor Governmental Funds</u>
<u>Invasive Species</u>		
\$ -	\$ -	\$ 236,297
-	-	279,541
-	-	7,400
-	-	5,000
-	-	815,286
-	-	48,408
-	-	1,391,932
-	-	30,846
-	-	921,667
-	-	11,033
-	-	261,308
-	-	100,524
-	-	44,112
-	12,000	12,000
-	12,198	12,198
-	-	158,190
-	24,198	1,551,878
-	(24,198)	(159,946)
5,000	24,198	303,665
-	-	(138,953)
5,000	24,198	164,712
5,000	-	4,766
11,157	923	979,932
<u>\$ 16,157</u>	<u>\$ 923</u>	<u>\$ 984,698</u>

Iron County, Michigan

**2012 REFUNDING BOND DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 842,000	\$ 842,000	\$ 856,253	\$ 14,253
Intergovernmental	-	-	1,380	1,380
Miscellaneous	200	200	206	6
Total revenues	<u>842,200</u>	<u>842,200</u>	<u>857,839</u>	<u>15,639</u>
EXPENDITURES				
Debt service				
Principal	615,000	615,000	615,000	-
Interest and fiscal charges	<u>193,775</u>	<u>193,775</u>	<u>193,775</u>	<u>-</u>
Total expenditures	<u>808,775</u>	<u>808,775</u>	<u>808,775</u>	<u>-</u>
Net change in fund balance	33,425	33,425	49,064	15,639
Fund balance - January 1	<u>63,572</u>	<u>63,572</u>	<u>63,572</u>	<u>-</u>
Fund balance - December 31	<u>\$ 96,997</u>	<u>\$ 96,997</u>	<u>\$ 112,636</u>	<u>\$ 15,639</u>

Iron County, Michigan

**COMBINING STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUNDS
DECEMBER 31, 2017**

	<u>General Trust and Agency</u>	<u>Flex Spending</u>	<u>Library Fund</u>	<u>Inmate Trust</u>	<u>Total</u>
ASSETS					
Cash and investments	<u>\$ 253,510</u>	<u>\$ 72,423</u>	<u>\$ 30,086</u>	<u>\$ 9,893</u>	<u>\$ 365,912</u>
LIABILITIES					
Accounts payable	\$ 33,582	\$ -	\$ -	\$ -	\$ 33,582
Other liabilities	-	72,423	30,086	9,893	112,402
Due to other governments	<u>219,928</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>219,928</u>
Total liabilities	<u>\$ 253,510</u>	<u>\$ 72,423</u>	<u>\$ 30,086</u>	<u>\$ 9,893</u>	<u>\$ 365,912</u>

ADDITIONAL INDEPENDENT AUDITORS' REPORT
FOR BASIC FINANCIAL STATEMENTS

Independent auditors' report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with *Government Auditing Standards*

To the Board of Commissioners
Iron County
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 Iron County (the "County") as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon which includes an emphasis of matter paragraph as indicated on page 2 dated June 29, 2018. The financial statements of Iron County Medical Care Facility were not audited in accordance with *Government Auditing Standards*.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the County'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2017-001 that we consider to be a significant deficiency.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as finding 2017-003.

IRON COUNTY, MICHIGAN'S RESPONSE TO FINDING

The County's response to the finding identified in our audit is described in the accompanying schedule or prior year audit findings and corrective action plan. The County'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 result of that testing, and not to provide an opinion on the effectiveness of the County'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 County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Certified Public Accountants

Iron Mountain, Michigan

June 29, 2018

FEDERAL AWARDS

Independent auditors' report on compliance for each major federal program and on internal control over compliance required by the Uniform Guidance

To the Board of Commissioners
Iron County, Michigan

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

We have audited Iron County Michigan's (the "County's") compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on the County's major federal programs for the year ended December 31, 2017. The County's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Iron County, 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 \$295,282 in federal awards which is not included in Iron County, Michigan's schedule of expenditures in federal awards during the year December 31, 2017. 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 audit financial statements, which include an audit of compliance, if required.

MANAGEMENT'S RESPONSIBILITY

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

AUDITORS' RESPONSIBILITY

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

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

OPINION ON EACH MAJOR FEDERAL PROGRAM

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2017.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2017-002 that we consider to be a significant deficiency.

The County's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of prior year audit findings and corrective action plan. The County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.



Certified Public Accountants

Iron Mountain, Michigan

June 29, 2018

Iron County, Michigan

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED DECEMBER 31, 2017

Grantor Agency/Federal Program Title	CFDA Number	Pass-Through Agency	Pass-Through Entity Identifying Number	Total Expenditures
U.S. DEPARTMENT OF AGRICULTURE				
Child Nutrition Cluster				
Special Milk Program for Children	10.556	Michigan Department of Education	N/A	\$ 1,298
Special Supplemental Food Program for Women, Infants, and Children	10.557	Michigan Department of Health and Human Services	IW 100342	223,338
Community Facilities Loans & Grants	10.766	Direct Payment	N/A	17,000
SNAP Cluster - Food Stamps	10.561	Michigan Fitness Foundation	N/A	29,664
Forest Service Schools and Roads Cluster				
Schools & Roads - Grants to States	10.665	Michigan Department of Natural Resources & Environment	N/A	<u>140,947</u>
Total U.S. Department of Agriculture				<u>412,247</u>
U.S. DEPARTMENT OF INTERIOR				
Federal Payment in Lieu of Tax	15.226	Michigan Department of Natural Resources & Environment	N/A	<u>362,191</u>
U.S. DEPARTMENT OF EDUCATION				
Special Education - Grants for Infants and Families	84.181	Dickinson-Iron Intermediate School District	N/A	<u>38,171</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Public Health Emergency Preparedness Aligned Cooperative Agreements	93.069	Michigan Department of Health and Human Services	NU90TP000528	87,823
Public Health Emergency Preparedness Aligned Cooperative Agreements	93.074	Michigan Department of Health and Human Services	NU90TP921906	28,393
Immunization Cooperative Agreements	93.268	Michigan Department of Health and Human Services	H23 CCH522556	83,731
Immunization Cooperative Agreements	93.268	Michigan Department of Health and Human Services	NH23IP000752	<u>7,637</u>
Total Immunization Cooperative Agreements				<u>91,368</u>
PPHF Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance	93.539	Michigan Department of Health and Human Services	6NH23IP000752	12,992
Child Support Enforcement (Title IV-D)	93.563	Michigan Department of Health and Human Services	CSFOC-17-36001	98,137
Child Support Enforcement (PA COOP Reimb. Title IV-D)	93.563	Michigan Department of Health and Human Services	CSPA-17-36002	16,547
Child Support Enforcement (Friends of Court Incentive Program)	93.563	Michigan Department of Health and Human Services	N/A	10,199
Total Child Support Enforcement (Title IV-D)				<u>124,883</u>
Medicaid Cluster				
Medical Assistance Program	93.778	Michigan Department of Health and Human Services	05 U05M15ADM	138,941
Family Planning Project	93.217	Michigan Department of Health and Human Services	GFPHPA050173 41	32,079
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	Michigan Department of Health and Human Services	IU529S004693	100
Block Grants for Prevention and Treatment of Substance Abuse	93.959	NorthCare Network	N/A	40,000
Maternal and Child Health Services Block Grant to the States	93.994	Michigan Department of Health and Human Services	B1MIMCHS	<u>38,154</u>
Total U.S. Department of Health and Human Services				<u>594,733</u>
U.S. DEPARTMENT OF HOMELAND SECURITY				
Federal Boating Safety Financial Assistance Program	97.012	Michigan Department of Natural Resources & Environment	Unknown	5,474
Emergency Management Performance Grants	97.042	Michigan State Police	Unknown	7,264
2015 Michigan Homeland Security Grant Program	97.067	Houghton County, Michigan	Unknown	16,744
2016 Michigan Homeland Security Grant Program	97.067	Houghton County, Michigan	Unknown	<u>3,999</u>
Total Michigan Homeland Security Grant Program				<u>20,743</u>
Total U.S. Department of Homeland Security				<u>33,481</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS				<u>\$ 1,440,823</u>

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

Iron County, Michigan

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 1: BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards for the County 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).

The schedule of expenditures of federal awards includes all federal awards of the County. Because the schedule presents only a selected portion of the operations of the County, it is not intended to and does not present the financial position, changes in net position, or cash flows of the County.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

Revenues and expenditures in the schedules are presented in accordance with the modified accrual basis of accounting and are generally in agreement with revenues and expenditures reported in the County's 2017 fund financial statements. Accrued revenue at year-end consists of federal program expenditures scheduled for reimbursement to the County in the succeeding year while unearned revenue represents advances for federal programs that exceed recorded County expenditures. Because of subsequent program adjustments, these amounts may differ from the prior year's ending balances.

The County has elected to charge a de minimis rate of 10% of modified total costs.

NOTE 3: OVERSIGHT AGENCY

The federal oversight agency for the County is as follows:

Federal - U.S. Department of Agriculture

NOTE 4: PASS THROUGH ENTITIES

Federal awards have been passed through the following entities:

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.

The County did not act as a pass-through agent for any federal monies.

Iron County, Michigan

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 5: FEDERAL REVENUE RECONCILIATION

Federal revenue per governmental fund financial statements	\$ 518,110
Federal expenditures per schedule of expenditures and federal awards	<u>1,440,823</u>
Difference	<u>(922,713)</u>
Reconciling items:	
Federal revenues reported in the component units which are included on the schedule of expenditures of federal awards:	
District Health Department	761,023
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 - Grants to States	140,947
Federal funds disbursed on behalf of Iron County by Houghton County for the following grant programs:	
Michigan Homeland Security Grant Program	<u>20,743</u>
Reconciled difference	<u><u>\$ -</u></u>

Iron County, Michigan

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED DECEMBER 31, 2017

SECTION I - SUMMARY OF AUDITORS' RESULTS

BASIC FINANCIAL STATEMENTS

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
▶ Material weakness(es) identified?	No
▶ Significant deficiency(ies) identified?	Yes
Noncompliance material to basic financial statements noted?	No

FEDERAL AWARDS

Internal control over major program:	
▶ Material weakness(es) identified?	No
▶ Significant deficiency(ies) identified?	Yes
Type of auditors' report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance?	Yes
Identification of major federal program:	

<u>CFDA Number</u>	<u>Name of Federal Program</u>
15.226	Payments in Lieu of Taxes

Audit threshold used to determine between Type A and Type B programs:	
Federal Awards	\$750,000
Auditee qualified as low-risk auditee	Yes

Iron County, Michigan

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED DECEMBER 31, 2017

SECTION II - INTERNAL CONTROL OVER FINANCIAL REPORTING

<u>FINDING NO.</u>	<u>CONTROL DEFICIENCIES</u>
2017-001	Preparation of Annual Financial Report Repeat of Finding 2016-001
Condition:	Current County staff maintains accounting records which reflect the County's financial transactions; however, preparing the County's annual financial report, including note disclosures, involves the selection and application of specific accounting principles which would require additional experience and knowledge. The County contracts with us and our knowledge of applicable accounting principles, financial statement format, and note disclosures to assist in the preparation of the annual financial report in an efficient manner. For the same reasons, the County contracts with us to compile the Michigan State Report Form F-65.
Criteria:	The preparation and review of the annual financial report, and Michigan State Report Form F-65 by staff with expertise in financial reporting is an internal control intended to prevent, detect and correct a potential omission or misstatement in the financial statements or notes or other required State Financial reports.
Cause:	County management has determined that the additional costs associated with training staff to become experienced in applicable accounting principles and note disclosures outweigh the derived benefits.
Effect:	Without our involvement, the County may not be able to completely prepare an annual financial report in accordance with accounting principles generally accepted in the United States of America.
Recommendation:	We recommend the County continue reviewing the annual financial report. While it may not be cost beneficial to train additional staff to completely prepare the report, a thorough review of this information by appropriate staff of the County is necessary to obtain a complete and adequate understanding of the County's annual financial report, and Michigan State report F-65.
Management Response:	Management believes the cost for additional staff time and training to prepare year-end closing entries and reports outweigh the benefits to be received. Management has reviewed and approved the annual financial report prior to issuance.

Iron County, Michigan

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED DECEMBER 31, 2017

SECTION III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

<u>FINDING NO.</u>	<u>UNIFORM GUIDANCE FINDINGS</u>
2017-002	Financial Reporting for Federal Awards <i>Federal CFDA - 10.556, 10.766, 10.665, 15.226, 93.563, 97.012, 97.042, 97.067</i>
Compliance Requirement:	Other
Criteria:	Having staff with expertise in federal financial reporting prepare the County's single audit report is an internal control intended to prevent, detect and correct a potential misstatement in the schedule of expenditures of federal awards, or accompanying notes to the schedule.
Condition:	Uniform Guidance requires the County to prepare appropriate financial statements, including the schedule of expenditures of federal awards. While the current staff of the County maintains financial records supporting amounts reported in the schedules of expenditures of federal awards, the County contracts with Schenck to compile the data from these records and assist in the preparation of the single audit report for the County. The Dickinson-Iron District Health Department, which is included in the Iron County's single audit report does provide a schedule of federal programs.
Cause:	The County has traditionally not provided the auditors with the schedule of expenditures of federal awards.
Effect:	The County could receive federal grant awards which are not included in the accompanying Schedule of Expenditures of Federal Awards.
Recommendation:	We recommend County personnel continue reviewing the County's single audit report. Since the County maintains federal revenue accounts, we recommend the County establish a procedure to review all revenues coded to federal revenue sources to evaluate whether the grant is required to be reported in accordance with Uniform Guidance, and provide Schenck with the supporting documentation to allow for a comprehensive evaluation of the federal revenues to ensure all federal financial assistance programs are properly reported in the County's single audit report.

Iron County, Michigan

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED DECEMBER 31, 2017

SECTION IV. COMPLIANCE AND OTHER MATTERS

FINDING NO.	COMPLIANCE FINDING
2017-003	Violation of Public Act 2 of 1968, as Amended Repeat of Finding 2016-002
Condition & Criteria:	During the fiscal year ended December 31, 2017 expenditure were incurred in excess of amounts appropriated in the amended budgets. (See footnote B for detail)
Cause:	The County did not amend the budgets in a special revenue fund where expenditures exceeded amended budgets.
Effect:	Iron County is not in compliance with the state law.
Recommendation:	We recommend the County review all funds for expenditures exceeding budgets and make appropriate amendments to the budgets.
Management Response:	The budget will be closely monitored and budget amendments will be made accordingly.

Iron County, Michigan

SCHEDULE OF PRIOR YEAR AUDIT FINDINGS AND CORRECTIVE ACTION PLAN FOR THE YEAR ENDED DECEMBER 31, 2017

PRIOR YEAR AUDIT FINDINGS

The findings noted in the 2016 Schedule of Findings and Questioned Costs have been reported to the proper federal agencies. The current status of the prior year audit findings, as provided by management, follows:

<u>Finding No.</u>	<u>Prior Year Audit Finding</u>
2016-001	Preparation of Financial Statements Management believes the cost for additional staff time and training to prepare year-end closing entries and reports outweigh the benefits to be received. Management has reviewed and approved the annual financial report prior to issuance. Finding is repeated as 2017-001.
2016-002	Violation of Public Act 2 of 1968, as Amended Finding is repeated as 2017-003.

CORRECTIVE ACTION PLAN

<u>Finding No.</u>	<u>Corrective Action Plan</u>
2017-001	Preparation of Annual Financial Report Iron County has chosen their independent auditor to prepare these financial statements and required footnote disclosures on their behalf.
2017-002	Financial Reporting for Federal Awards The Dickinson-Iron District Health Department currently prepares a draft copy of the schedule of expenditures of federal awards and will continue to do so in future years. The remainder of the federal grants received by Iron County are processed through the County. County personnel have already established a process to accumulate this information, and will prepare the schedule of expenditures for all federal grants received for 2018 and subsequent year audits.
2017-003	Violation of Public Act 2 of 1968, as Amended 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.