IRON COUNTY ROAD COMMISSION

BASIC FINANCIAL STATEMENTS

For the Year Ended December 31, 2017

IRON COUNTY

BOARD OF COUNTY ROAD COMMISSIONERS

2017

Chris Scholander
Chairman

Ernest Schmidt
Vice - Chairman

Sue Clisch Commissioner	Dan Germic Commissioner	Charles Battan Commissioner

Douglas Tomasoski
Superintendent/Manager

Lisa Powell, CPA
Finance Director/Clerk

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Additional Supplementary Information:

Compliance Reports:

ANDERSON, TACKMAN & COMPANY, PLC
Certified Public Accountants

Kristine P. Berhow, CPA, Principal
Brandy M. Olson, CPA, Principal
Kathleen A. Ciantar, CPA, Principal

"A Regional Firm With Offices in Michigan and Wisconsin"

Alan M. Stotz, CPA
Alaina R. Kreis, CPA

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Iron County Road Commission (a component unit of the County of Iron, Michigan), which comprise the respective financial position of the governmental activities and each major fund, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Iron County Road Commission's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

901 LUDINGTON STREET ESCANABA, MICHIGAN 49829 (906)786-3111 FAX (906)786-8940

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Iron County Road Commission, as of December 31, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of changes in net pension liability and related ratios for MERS, schedule of employer contributions for MERS, schedule of funding progress for OPEB and budgetary comparison information on pages 4-9 and 36–40 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Iron County Road Commission's basic financial statements. The analysis of changes in fund balances, analysis of revenues and the analysis of expenditures are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedules listed as additional supplementary information, as listed in the table of contents, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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 is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 22, 2018, on our consideration of the Iron County Road Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Iron County Road Commission's internal control over financial reporting and compliance.

Anderson, Tackman + Company P.L.C.

Anderson, Tackman & Company, PLC
Certified Public Accountants

June 22, 2018

Management's Discussion and Analysis

Using This Annual Report

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

Reporting the Road Commission as a Whole

The statement of position and the statement of activities reports information about the road commission as a whole and the road commission's net position at year end. The reader can think of the road commission's net position (the difference between assets and liabilities) as one way to measure the road commission's financial health or financial position. Over time, increases or decreases in the road commission's net position are one indicator of whether its financial health is improving or deteriorating.

These statements include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources using the accrual basis of accounting, which is similar to the accounting method, used by most private-sector companies. All of the year's revenues and expenses are taken into account regardless of when cash is received or paid.

Reporting the Road Commission's Major Fund

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

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

The Road Commission as a Whole

The Road Commission's net position increased approximately 0.6% from $14.85 million to $14.94 million for the year ended December 31, 2017.

Net position increased during the current year with an increase in current assets and cash of $505,883 and an increase in infrastructure additions for road projects funded by state and federal funds of $326,284. Current liabilities increased $206,710 and deferred inflow increased $100,968. This lead to the increase in net position of $93,419.

The overall investment in capital assets category increased $1,260,024 as a result of capital asset additions exceeding current depreciation plus debt payments on capital assets.

Net position for the year ending December 31, 2017 and 2016, is summarized as follows:

	Governmental Activities	
	2017	2016
Current and Other Assets	$ 4,045,367	$ 3,539,484
Capital Assets	22,830,090	22,503,806
Total Assets	$ 26,875,457	$ 26,043,290
Deferred Outflow - Pension Plan	$ 40,492	$ 531,751
Deferred Loss on Refunding	9,709	10,390
Total Deferred Outflow of Resources	$ 50,201	$ 542,141
Current Liabilities	$ 1,147,021	$ 940,311
Long-term Liabilities	10,527,736	10,590,585
Total Liabilities	$ 11,674,757	$ 11,530,896
Deferred Inflow - Pension Plan	$ 100,968	$ -
Unavailable Revenue - Property Taxes	206,494	204,515
Total Deferred Outflow of Resources	$ 307,462	$ 204,515
Net Position:		
Net Investment in Capital Assets	$ 20,975,679	$ 20,731,531
Restricted	-	-
Unrestricted	(6,032,240)	(5,881,511)
Total Net Position	$ 14,943,439	$ 14,850,020

A summary of changes in net position for the year ending December 31, 2017 and 2016 are as follows:

	Governmental Activities	
	2017	2016
Program Revenues:		
State Trunkline Maintenance Contract	$ 1,766,958	$ 1,449,393
License and Permits	15,815	6,590
MTF	3,128,453	2,237,684
Capital Grants, Contributions & Road Improvements	1,357,799	2,610,336
General Revenues:		
Taxes	209,545	202,860
Interest Income	12,132	11,723
Gain on disposal of equipment	-	-
Total Revenues	$ 6,490,702	$ 6,518,586
Program Expenses:		
Primary Roads:		
Maintenance	770,160	1,485,656
Local Roads:		
Maintenance	1,584,689	1,128,855
State Trunkline Maintenance	1,371,092	1,294,284
State Trunkline Non-maintenance	279,351	78,416
Equipment Expenses	96,707	(98,260)
Administrative	345,037	322,340
Capital Outlay	(10,620)	200,809
Compensated Absences	13,873	24,438
Other Postemployment Benefits & Pension Expenses	588,477	632,963
Interest Expense	48,343	47,031
Infrastructure Depreciation	1,310,174	1,149,628
Total Expenses	$ 6,397,283	$ 6,266,160
Increases in Net Position	$ 93,419	$ 252,426

The Road Commission's Fund

The Road Commission's general operations fund is used to control the expenditures of Michigan Transportation Fund monies distributed to the county which are earmarked by law for road and highway purposes, infrastructure improvement projects and the State Trunkline Maintenance contract expenditure reimbursement.

For the year ended December 31, 2017, the fund balance of the general operations fund of $3,064,364 shows an increase of $451,620 as compared to a decrease of $535,812 in the fund balance for the year ended December 31, 2016. Total revenues were $6,490,702 in 2017, a decrease of $205,903 as compared to last year. Projects vary on a year to year basis and we feel the revenue is consistent with the prior year.

Total expenditures were $6,284,305 in 2017, a decrease of $1,172,607 as compared to last year. Federal projects differed this year from last.

Budgetary Highlights

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

The final amended budgeted revenues for 2017 were higher than the prediction because of an increase in projects due to weather related incidents, the increase in the MTF funds and permit income.

The final amended budgeted expenditures for 2017 were higher than the original budgeted expenditures by $386,046. The increase in budgeted expenditures was due to an increase in weather related projects.

Capital Asset and Debt Administration

Capital Assets

A summary of capital assets for the year ending December 31, 2017 and 2016 is as follows:

	2017	2016
Capital Assets Not Being Depreciated:		
Land and Improvements	26,568	26,568
Construction in Progress	84,244	71,351
Other Capital Assets:		
Buildings and Improvements	3,339,348	3,339,348
Road Equipment	4,909,869	4,804,811
Other Equipment	188,985	188,985
Infrastructure and Improvements	29,139,828	27,541,551
Total Capital Assets at Historical Cost	37,688,842	35,972,614
Total Accumulated Depreciation	(14,858,752)	(13,468,808)
Total Net Capital Assets	$ 22,830,090	$ 22,503,806
Current year's Major additions incldued the following:		
Various Road Projects	$ 1,596,945	$ 2,708,306
Bridge Projects	1,331	52,646
Trucks/Equipment	404,946	562,766

Debt

The Road Commission has limited debt obligations. Bonds issued in prior years have been paid currently. The Road Commission has long-term debt in the amount of $3,689,809 which represents bonds and installment payable, compensated absences, and other post-employment benefits. More detailed information about the road commission's long-term liabilities is presented in Note 10 to the financial statements.

Economic Factors and Next Year's Budget

The Board of County Road Commissions considered many factors when setting the fiscal year 2018 budget. Changes in overall revenues for 2018 compared to 2017 are expected to increase with the MTF funding increase and several General Fund distributions that have been announced. Cash reserves should remain stable or slightly increase. Operating costs for fuel, bituminous, cold patch, gravel and steel products are anticipated to fluctuate in 2018 with the uncertainty on the cost of fuel prices and construction materials. The Road Commission's main source of funding, MTF, is stable with an expected increase in the future with the increases in road funding.

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

Contacting the Road Commission's Financial Management

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

IRON COUNTY ROAD COMMISSION
STATEMENT OF NET POSITION
December 31, 2017

ASSETS	
Cash and equivalents	$ 2,471,953
Accounts Receivable:	
Taxes Receivable	206,494
Michigan Transportation Fund	473,727
State Trunkline Maintenance	229,036
State Transportation Department - Other	1,264
Due on County Road Agreements	3,288
Due on Special Assessment	730
Other	141
Inventories:	
Road Material	557,771
Equipment, Parts and Materials	76,958
Prepaid Items	24,005
Capital Assets - (Not Depreciated)	110,812
Capital Assets (Net of Accumulated Depreciation)	22,719,278
Total Assets	26,875,457
DEFERRED OUTFLOW OF RESOURCES	
Deferred outflow - pension plan	40,492
Deferred loss on refunding	9,709
Total Deferred Outflow of Resources	50,201
Total Assets and Deferred Outflows of Resources	$ 26,925,658
LIABILITIES	
Current liabilities:	
Accounts payable	$ 214,967
Accrued Liabilities	22,872
Unearned Revenue	213,420
Advances from State	314,891
Interest Payable	18,068
Bonds Payable	80,000
Installment Loan Payable	234,726
Vested Employee Benefits	48,078
Noncurrent Liabilities:	
Bonds Payable	1,415,000
Installment Loan Payable	124,685
Other Postemployment Benefits	1,643,088
Pension Liability	7,200,730
Vested Employee Benefits	144,233
Total Liabilities	11,674,757
DEFERRED INFLOW OF RESOURCES	
Deferred inflow - pension plan	100,968
Unavailable Revenue-Property Taxes	206,494
Total Deferred Inflow of Resources	307,462
NET POSITION	
Net Investment in Capital Assets	20,975,679
Unrestricted	(6,032,240)
Total Net Position	14,943,439
Total Liabilities, Deferred Inflows of Resources, and Net Position	$ 26,925,658

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

IRON COUNTY ROAD COMMISSION
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2017

Program Expenses:	
Primary Road Maintenance	$ 770,160
Local Road Maintenance	1,584,689
State Trunkline Maintenance	1,371,092
State Trunkline Non-Maintenance	279,351
Net Equipment Expense	96,707
Net Administrative Expense	345,037
Net Capital Outlay	(10,620)
Compensated Absences	13,873
Other Postemployment Benefits & Pension Expense	588,477
Interest Expense	48,343
Infrastructure Depreciation	1,310,174
Total Program Expenses	6,397,283
Program Revenues:	
Charges for Services:	
Charges for Services	1,766,958
License and Permits	15,815
Operating Grants and Contributions:	
State Grants	3,128,453
Capital Grants and Contributions:	
Federal Grants	295,282
State Grants	222,782
Contributions from Local Units	839,735
Total Program Revenues	6,269,025
Net Program Revenues	(128,258)
General Revenue:	
Taxes	209,545
Investment Earnings	12,132
Total General Revenues	221,677
Change in Net Position	93,419
Net Position:	
Beginning of Year	14,850,020
End of Year	$ 14,943,439

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

IRON COUNTY ROAD COMMISSION
BALANCE SHEET
December 31, 2017

	Governmental Fund Type General Operating Fund
ASSETS	
Cash and equivalents	$ 2,471,953
Accounts Receivable:	
Taxes Receivable	206,494
Michigan Transportation Fund	473,727
State Trunkline Maintenance	229,036
State Transportation Department - Other	1,264
Due on County Road Agreements	3,288
Due on Special Assessement	730
Other	9,850
Inventories:	
Road Material	557,771
Equipment, Parts and Materials	76,958
Prepaid Items	24,005
Total Assets	$ 4,055,076
LIABILITIES AND FUND EQUITY	
Liabilities:	
Accounts Payable	$ 214,967
Accrued Liabilities	40,940
Unearned Revenue	213,420
Advances from State	314,891
Total Liabilities	784,218
Deferred Inflows of Resources:	
Unavailable Revenue-Property Taxes	206,494
Fund Equity:	
Fund Balance	
Nonspendable:	
Inventory	634,729
Prepaid Items	24,005
Restricted for Road Operations	2,405,630
Total Fund Equities	3,064,364
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND EQUITIES	$ 4,055,076

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

IRON COUNTY ROAD COMMISSION
RECONCILIATION OF THE BALANCE SHEET FUND BALANCE
TO THE STATEMENT OF NET POSITION
December 31, 2017

Total Governmental Fund Balance		$ 3,064,364
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		22,830,090
Deferred outflow of resources related to recording of net pension liability.		40,492
Deferred inflow of resources related to recording of net pension liability.		(100,968)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		
Bonds Payable	(1,495,000)	
Installment Loans Payable	(359,411)	
Other Postemployment Benefits	(1,643,088)	
Net Pension Liability	(7,200,730)	
Compensated Absences	(192,310)	(10,890,539)
Net Position of Governmental Activities		$ 14,943,439

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

IRON COUNTY ROAD COMMISSION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
For the Year Ended December 31, 2017

	General Operating Fund
Revenues:	
Taxes	$ 209,545
License and Permits	15,815
Federal Sources	295,282
State Sources	3,351,235
Contributions from Local Units	839,735
Charges for Services	1,766,958
Interest and Rents	12,132
Total Revenues	6,490,702
Expenditures:	
Public Works	6,023,897
Capital Outlay	48,978
Debt Service	211,430
Total Expenditures	6,284,305
Excess of Revenues Over (Under) Expenditures	206,397
Other Financing Sources (Uses):	
Loan Proceeds	245,223
Net Change in Fund Balance	451,620
Fund Balance - January 1, 2017	2,612,744
Fund Balance - December 31, 2017	$ 3,064,364

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

IRON COUNTY ROAD COMMISSION
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2017

Net Change in Fund Balance - Total Governmental Funds	$	451,620
Amounts reported for governmental activities in the statement are different because:		
Governmental funds report capital outlays and infrastructure costs as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		326,284
Repayment of bonds payable is an expenditure in governmental funds, but reduces the long-term liabilities in the statement of net position.		163,087
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.		(602,349)
Loan proceeds are reported as financing sources in government funds and thus contribute to the change in fund balance. In the government-wide statements, however, issuing debt increases long-term liabilities in the statement of net position and does not affect the statement of activities.		(245,223)
Change in Net Position of Governmental Activities	$	93,419

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

Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-Wide and Fund Financial Statements

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

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

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

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

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

D. Assets, Liabilities, and Net Position or Equity

Cash, Cash Equivalents and Investments

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

Receivables

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

Inventories

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

Prepaid Items

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

Property Taxes

The property tax is levied on each December 1 on the taxable valuation of property located in the county as of the preceding December 31. The 2017 taxable valuation of Iron County amounted to $494,059,357 on which ad valorem taxes of .5 (1/2) mills were levied for the Road Commission for snow removal and road construction purposes for a total of $247,030 less the portion retained by cities. The taxes receivable at December 31, 2017 amounted to $206,494.

The County's 2016 ad valorem tax was levied and collectible on December 1, 2016. It is the county's policy to recognize revenues from the current tax levy in the subsequent year when the proceeds of the levy are budgeted and made available for financing operations. The 2016 tax levy for the Road Commission operations was recorded as revenue during the fiscal year ended December 31, 2017 totaling $209,545 for all taxes received.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

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

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

Depreciation

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

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

Deferred Outflows of Resources

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

Deferred Inflows of Resources

In addition to liabilities, the statement of net position and/or governmental funds balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position/fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Road Commission has pension plan items and unavailable revenues related to property taxes levied during the year that qualify for reporting in this category.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Long-Term Obligations

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

Vested Employee Benefits (Vacation and Sick Leave)

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

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

Road Commission employment policies provide that each full-time employee shall earn sick leave with pay at the rate of eight (8) hours for each month of employment in which the employee is compensated for at least eighteen (18) days, with unlimited accumulation. Upon permanent separation from employment, employees shall be paid for all accumulated sick leave at the employee's prevailing rate of pay up to a maximum of 720 hours and at 50% of the employee's prevailing rate of pay for the remaining hours up to a maximum of 2,080 hours. Employees hired on or after September 13, 2011 will not be paid for any unused sick leave at the end of service. Those employees with unused sick leave will be capped at 1,040 hours. Any sick leave earned in excess of 1,040 hours in any calendar year will be paid at the employee's rate of pay on December 31 of that year.

Pension and Other Postemployment Benefit Costs

The Road Commission offers both pension and retiree healthcare benefits to retirees. For OPEB, the Road Commission receives an actuarial valuation to compute the annual required contribution (ARC) necessary to fund the obligation over the remaining amortization period. In the governmental fund, OPEB costs are recognized as contributions are made. For the government-wide statements, the Road Commission reports OPEB at the full accrual cost equal to the current year required contribution, adjusted for interest and "adjustment to the ARC" on the beginning of year underpaid amount, if any. For the purpose of measuring the Net Pension Liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Municipal Employees Retirement System (MERS) of Michigan and additions to/deductions from MERS' fiduciary net position have been determined on the same basis as they are reported by MERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and affect the disclosure of contingent assets and liabilities at the date of the financial statements. These estimates and assumptions also affect the reported amounts of revenue and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Procedures

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

NOTE 3 - CASH AND DEPOSITS

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

Fiancial Statement Presentation:	
Cash and Equivalents	$ 2,471,953
Composition of Balances:	
Imprest Cash	$ 200
Cash and Equivalents:	
Checking Accounts	647,579
Held By County Treasurer	1,824,174
Total	$ 2,471,953

NOTE 3 - CASH AND DEPOSITS (Continued)

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

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

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

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

Credit Risk. State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations with a maximum maturity of 270 days. As of December 31, 2017, the Road Commission did not hold any commercial paper.

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure the Road Commission's deposits may not be returned. As of December 31, 2017, the Road Commission held a bank balance of $773,373 in a checking account of which $202,998 was insured.

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

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

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

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

NOTE 4 – FUND BALANCE CLASSIFICATIONS

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

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

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

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

NOTE 5 - CAPITAL ASSETS

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

	Balance at 01/01/17	Additions	Disposals	Balance at 12/31/17
Capital assets not being depreciated:				
Land and Improvements	$ 26,568	$ -	$ -	$ 26,568
Constuction in progress	71,351	73,232	(60,339)	84,244
Subtotal	97,919	73,232	(60,339)	110,812
Capital assets being depreciated:				
Buildings and Improvements	3,339,348	-	-	3,339,348
Road equipment	4,804,811	404,946	(299,888)	4,909,869
Shop equipment	94,582	-	-	94,582
Engineers' equipment	25,958	-	-	25,958
Office equipment	68,445	-	-	68,445
Infrastructure - Roads	23,856,575	1,596,945	-	25,453,520
Infrastructure - Bridges	3,684,977	1,331	-	3,686,308
Total depreciable capital assets	35,874,696	2,003,222	(299,888)	37,578,030
Less accumulated depreciation:				
Buildings	1,439,195	107,716	-	1,546,911
Road equipment	4,163,269	276,643	(299,888)	4,140,024
Shop equipment	86,187	1,444	-	87,631
Engineers' equipment	25,373	319	-	25,692
Office equipment	65,829	984	-	66,813
Infrastructure - Roads	7,242,688	1,230,051	-	8,472,739
Infrastructure - Bridges	446,268	72,674	-	518,942
Total accumulated depreciation	13,468,809	1,689,831	(299,888)	14,858,752
Net capital assets being depreciated	22,405,887	313,391	-	22,719,278
Capital assets, net	$22,503,806	$ 386,623	$ (60,339)	$22,830,090

Depreciation was charged to the following programs: Infrastructure - $1,302,725; Equipment - $309,497; Administrative - $5,588 and Indirect - $72,021.

NOTE 6 - EMPLOYEE RETIREMENT AND BENEFITS

Plan Description: The Road Commission participates in the Municipal Employees Retirement System (MERS) of Michigan. MERS is an agent multiple-employer, statewide public employee pension plan established by the Michigan Legislature under PA 135 of 1945 and administered by a nine member Retirement Board. MERS is a nonprofit organization that was granted independence from the State of Michigan pursuant to Public Act 220 of 1996, effective August 15, 1996. MERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained by accessing the MERS Website at www.mersofmich.com or in writing to MERS at 1134 Municipal Way, Lansing, Michigan 48917.

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

Divisions - For the 2016 Valuation

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

Employees Covered by Benefit Terms

At the December 31, 2016 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
	66

NOTE 6 - EMPLOYEE RETIREMENT AND BENEFITS (continued)

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

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

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

Net Pension Liability

The Road Commission's net pension liability reported at December 31, 2017 was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as December 31, 2016. Update procedures were used to roll forward the total pension liability to the measurement date.

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

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

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

Mortality rates used were based on the RP-2014 Health Annuitant Mortality Table (with rates multiplied by 105%), the RP-2014 Employee Mortality Tables, and the RP-2014 Juvenile Mortality Tables using a 50% Male and 50% Female blend. For disabled retirees, the regular mortality table is used with a 10-year set forward in ages to reflect the higher expected mortality rates of disabled members.

The actuarial assumptions used in valuation were based on the results of the most recent actuarial experience study covering the period from January 1, 2009, through December 31, 2013.

NOTE 6 - EMPLOYEE RETIREMENT AND BENEFITS (continued)

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

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

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

Discount Rate. The discount rate used to measure the total pension liability is 8.00% 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 the total pension liability.

NOTE 6 - EMPLOYEE RETIREMENT AND BENEFITS (continued)

Changes in the Net Pension Liability:

	Increases (Decreases)		
	Total Pension Liability	**Plan Fiduciary Net Position**	**Net Pension Liability**
Balances at December 31, 2016	$ 12,420,687	$ 4,842,696	$ 7,577,991
Service cost	100,440	-	100,440
Interest on total pension liability	959,506	-	959,506
Changes in benefits	-	-	-
Difference between expected and actual experience	80,984	-	80,984
Changes in assumptions	-	-	-
Employer contributions	-	900,439	(900,439)
Employee contributions	-	-	-
Net investment income	-	633,114	(633,114)
Benefit payments, including employer refunds	(954,157)	(954,157)	
Administrative expense	-	(10,019)	10,019
Other changes	5,343	-	5,343
Net Changes	192,116	569,377	(377,261)
Balances as of December 31, 2017	12,612,803	5,412,073	7,200,730

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

	1% Decrease (7.00%)	**Current Discount Rate (8.00%)**	**1% Increase (9.00%)**
Net pension liability at 12/31/17		$ 7,200,730	
Change in net pension liability at 12/31/17	$ 1,209,183		$ (1,046,558)

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

NOTE 6 - EMPLOYEE RETIREMENT AND BENEFITS (continued)

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

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 40,492	$ -
Changes in assumptions	-	
Net difference between projected and actual earnings on pension plan investments		100,968
Contribution subsequent to the measurement date *	-	-
Total	$ 40,492	$ 100,968

* There is no amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date as measurement date and year end are both December 31, 2017.

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

Year Ended December 31:	
2018	$ 53,221
2019	12,729
2020	(76,777)
2021	(49,649)

NOTE 7 – OTHER POST-EMPLOYMENT BENEFITS

Plan Description – The Iron County Road Commission Retiree Medical Plan is a single employer plan administered by Iron County Road Commission. The Plan provides post-employment health care benefits and life insurance benefits, in accordance with the provision of Article 50, Section 9, and Article 51, Section 2 of the union agreement for all retirees who were hired by the Road Commission and retire under the provided Michigan Municipal Employees' Retirement System. The post-employment health care benefit provides that the Road Commission will continue to pay the monthly hospitalization insurance plan premium for the retiree only, without the specific drug and dental program, provided he/she makes application for the Medicare card, prior to the effective date of Medicare coverage. The post-employment health care benefit is for retirees hired 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 post-employment life insurance benefit provides that the Road Commission will pay for $8,000 of term life insurance coverage for each retiree hired before September 13, 2011. Currently, 24 retirees are eligible for these post-employment benefits. The Plan does not issue a stand alone financial report.

Funding Policy – As of December 31, 2017, the Road Commission has not established a trust to fund the OPEB obligation. The Road Commission's policy is to finance these benefits on a pay-as-you-go basis. During the year 2017, expenditures of $167,882 were recognized for post-employment 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 annual OPEB cost (expense) is calculated based on the annual required contribution (ARC) of the employer. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the Road Commission's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Road Commission's annual net OPEB obligation to the Retiree Medical Plan:

	2015	2016	2017
Annual Required Contribution	$ 583,126	$ 646,180	$ 732,320
Amount Contributed			
Payments of Current Premiums	(225,763)	(208,025)	(179,080)
Increase in Net OPEB Obligation	$ 357,363	$ 438,155	$ 553,240
Adjustment for Interest and Amortization	26,129	37,776	49,909
Adjustment to ARC	(92,325)	(150,758)	(229,638)
OPEB Obligation - Beginning of Year	653,237	944,404	1,269,577
OPEB Obligation - End of Year	$ 944,404	$ 1,269,577	$ 1,643,088

NOTE 7 – OTHER POST-EMPLOYMENT BENEFITS (continued)

The Road Commission's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2017 is as follows:

	2015	2016	2017
Annual OPEB Costs	516,930	533,198	552,591
Percentage Contributed	44%	39%	32%
Net OPEB Obligation	944,404	1,269,577	1,643,088

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

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

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

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

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

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

NOTE 7 – OTHER POST-EMPLOYMENT BENEFITS (continued)

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

NOTE 8 - FEDERAL GRANTS

The Michigan Department of Transportation (MDOT) requires that all road commissions report all federal and state grants pertaining to their county. During the year ended December 31, 2017, the federal aid received and expended by the Road Commission was $295,282 for contracted projects. Contracted projects are defined as projects performed by private contractors paid for and administrated by MDOT (they are included in MDOT's single audit). Local force account projects are projects where the road commissions perform the work and would be subject to single audit requirements if they expended $750,000 or more.

NOTE 9 - STATE EQUIPMENT PURCHASE ADVANCE

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

NOTE 10 - LONG-TERM DEBT

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

Changes in Long-Term Debt

	Balance 1/1/17	Additions	Deletions	Balance 12/31/17	Amounts Due Within One Year
Bond Payable:					
MTF Refunding Bonds - 2012	$ 1,575,000	$ -	$ 80,000	$ 1,495,000	$ 80,000
Installment Payable:					
2016 Tandem Axle Truck	197,275	-	83,087	114,188	114,188
2017 Tandem Axle Truck	-	245,223	-	245,223	120,538
Vested Employee Benefits Payable:					
Vacation Benefits (1)	23,378	1,433	-	24,811	6,203
Sick Leave Benefits (1)	155,059	12,440	-	167,499	41,875
Other Post Employment Benefits (1)	1,269,577	373,511	-	1,643,088	
Total	$ 3,220,289	$ 632,607	$ 163,087	$ 3,689,809	$ 362,804

(1) Shown at net addition/deletion

NOTE 10 - LONG-TERM DEBT (continued)

Debt service requirements on long-term debt at December 31, 2017 are as follows:

Year Ending	Bonds Payable			Installment Payable		
December 31	Principal	Interest	Total	Principal	Interest	Total
2018	$ 80,000	$ 43,363	$ 123,363	$ 234,726	$ 9,289	$ 244,015
2019	85,000	41,723	126,723	124,685	2,654	127,339
2020	85,000	39,980	124,980			-
2021	85,000	38,238	123,238			-
2022	90,000	35,688	125,688			-
2023-2027	495,000	135,838	630,838			-
2028-2032	575,000	56,363	631,363			-
Total	$ 1,495,000	$ 391,192	$ 1,886,192	$ 359,411	$ 11,943	$ 371,354

Bond Payable – Michigan Transportation Fund Refunding Bonds, Series 2012

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

Installment Payable – 2016 Tandem Axle Truck

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

Installment Payable – 2017 Tandem Axle Truck

On December 19, 2017, the Road Commission obtained an installment loan for a tandem axle truck in the amount of $245,223. Quarterly payments are due March 19th, June 19th, September 19th and December 19th for a term of 2 years with a variable interest rate 3.350%. Final payment is due on December 19, 2019.

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 in 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.

NOTE 10 - LONG-TERM DEBT (continued)

The future minimum rental commitments for the non-cancelable equipment operating leases as of December 31, 2017 are as follows.

For the Year Ending December 31	
2018	$ 133,795
2019	133,795
2020	402,015
2021	47,997
2022	300,899
Total	$ 1,018,501

NOTE 11 - COMMITMENTS AND CONTINGENCIES

Grants - The Road Commission has received significant financial assistance from state and federal agencies in the form of various grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreement and are subject to audit by the grantor agency. Any disallowed claims resulting from such audits could become a liability of the applicable fund of the Road Commission. In the opinion of management, any such disallowed claims would not have a material effect on any of the financial statements included herein or on the overall financial position of the Road Commission at December 31, 2017.

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

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

NOTE 11 - COMMITMENTS AND CONTINGENCIES (continued)

The Iron County Road Commission was a member of the County Road Association Self-Insurance Fund (CRASIF) from January 1, 2017 to December 31, 2017. CRASIF is a self-insured group fund formed under the Worker's Disability Compensation Act of 1969, as amended, and, authorized to operate by the State of Michigan's Workers' Compensation Agency. The Fund provides workers' compensation coverage for the road commission. All pending or threatening litigation, claims and assessments against Iron County Road Commission related to employee injuries arising out of, and, in the course of employment during this time period are the legal responsibility of CRASIF and not the road commission. Therefore, the Iron County Road Commission has no pending or threatening workers' compensation litigation, claims or assessments from January 1, 2017 to December 31, 2017.

As of December 31, 2017, the Road Commission had no outstanding claims, which exceeded the plan's limits and there has been no significant reduction in insurance coverage over the past three years.

NOTE 12 – FUTURE CHANGES IN ACCOUNTING PRINCIPLE

In June 2017, the Governmental Accounting Standards Board issued GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, which will enhance the note disclosures and schedules of required supplementary information for Other Postemployment Benefit Plans (OPEB). GASB Statement No. 75 establishes standards for governmental employer recognition, measurement, and presentation of information about OPEB plans. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. GASB Statement No. 75 will be effective for fiscal years beginning after June 15, 2017. The Commission is currently evaluating the impact these standards will have on the financial statements when adopted.

In June 2017, the Governmental Accounting Standards Board issued GASB Statement No. 87, *Leases*, which improves accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The Commission is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the Commission's financial statements for fiscal years beginning after December 31, 2019.

Required Supplementary Information

IRON COUNTY ROAD COMMISSION

Required Supplementary Information

SCHEDULE OF NET PENSION LIABILITY AND RELATED RATIOS

For the Year Ended December 31, 2017
(Schedule is prepared prospectively upon implementation of GASB 68)

	2017	2016	2015
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	12,420,687	11,624,062	11,587,709
Total pension liability - ending	$ 12,612,803	$ 12,420,687	$ 11,624,062
Plan fiduciary net position			
Contributions - employer	$ 900,439	$ 769,702	$ 715,164
Contributions - employee	-	-	-
Net investment income	633,114	501,474	(69,679)
Benefit payments, including refunds of member contributions	(954,157)	(946,161)	(956,535)
Administrative expense	(10,019)	(9,907)	(10,334)
Net change in plan fiduciary net position	569,377	315,108	(321,384)
Plan fiduciary net position - beginning	4,842,696	4,527,589	4,848,973
Plan fiduciary net position - ending	$ 5,412,073	$ 4,842,697	$ 4,527,589
Commission's net pension liability - ending	$ 7,200,730	$ 7,577,992	$ 7,096,473
Plan fiduciary net position as a percentage of the total pension liability	43%	39%	39%
Covered - employee payroll	$ 894,469	$ 830,390	$ 785,115
Commission's net pension liability as a percentage of covered-employee payroll	805%	913%	904%
Annual money-weighted rate of return, net of investment expense	13%	11%	-2%

IRON COUNTY ROAD COMMISSION

Required Supplementary Information

SCHEDULE OF EMPLOYER CONTRIBUTIONS FOR MUNICIPAL EMPLOYEE'S RETIREMENT SYSTEM

For the Year Ended December 31, 2017
(Schedule is prepared prospectively upon implementation of GASB 68)

	2017	2016	2015
Actuarially determined contribution	$ 540,440	$ 475,164	$ 499,702
Contributions in relation to the actuarially determined contribution	$ 900,440	715,164	769,702
Contribution deficiency (excess)	$ (360,000)	$ (240,000)	$ (270,000)
Covered employee payroll	$ 894,469	$ 744,458	$ 830,390
Contributions as a percentage of covered employee payroll	101%	96%	93%

Notes to Schedule:

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

Actuarial cost method	Entry age
Amortization method	Option A, Level Dollar Contribution, Closed
Remaining amortization period	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.
Mortality	Assumptions were based on the RP-2014 Healthy Annuitant Mortality Tables (with rate multiplied by 105%), the RP-2014 Employee Mortality Tables, and the RP-2014 Juvenile Mortality Tables using a 50% male and 50% female blend.

IRON COUNTY ROAD COMMISSION

Required Supplementary Information

SCHEDULE OF FUNDING PROGRESS FOR OTHER POSTEMPLOYMENT BENEFITS

December 31, 2017

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

IRON COUNTY ROAD COMMISSION

Required Supplementary Information

BUDGETARY COMPARISON SCHEDULE
STATEMENT OF REVENUES - BUDGET AND ACTUAL

For the Year Ended December 31, 2017

	Original Budget	Final Amended Budget	Actual	Variance Favorable (Unfavorable)
Taxes	$ 200,000	$ 209,540	$ 209,545	$ 5
Licenses and Permits:				
Permits	6,000	14,610	15,815	1,205
Federal Sources:				
Surface Tran. Program (STP)	460,000	201,716	295,282	93,566
State Sources:				
Michigan Transportation Fund:				
Engineering	10,000	10,000	10,000	-
Primary Road	1,900,000	2,200,000	2,098,649	(101,351)
Local Road	900,000	960,000	923,198	(36,802)
Local Bridge	-	-	-	-
Snow Removal	95,000	96,606	96,606	-
Special General Fund Allocation	-	15,836	15,836	-
Economic Development Fund:				
Forest Road "E" Funds	213,430	213,427	213,427	-
IC NRG	-	-	-	-
Rural Primary	-	(6,481)	(6,481)	-
Contributions from Local Units:				
Townships and others	595,000	839,734	839,735	1
Charges for Services:				
Trunkline Maintenance	1,300,000	1,500,000	1,459,007	(40,993)
Trunkline Non-Maintenance	80,000	278,087	279,351	1,264
STL Overhead	100,000	89,887	-	-
State Other Overhead	-	23,040	-	(23,040)
Handling Charge	-	3,035	-	(3,035)
Salvage & Timber Sales	2,000	6,519	28,600	22,081
Interest and Rents	10,000	10,778	12,132	1,354
Loan Proceeds	240,000	240,000	245,223	-
Sale of Fixed Assets	-	18,999		
Gain on Disposal of Equipment	1,000	0	-	
Total Operating Revenue	6,112,430	6,925,333	$ 6,735,925	$ (85,745)
Fund Balance - January 1, 2017	2,612,744	2,612,744		
Total Budget	$ 8,725,174	$ 9,538,077		

IRON COUNTY ROAD COMMISSION

Required Supplementary Information

BUDGETARY COMPARISON SCHEDULE
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL

For the Year Ended December 31, 2017

	Original Budget	Final Amended Budget	Actual	Variance Favorable (Unfavorable)
Primary Road				
Preservation and Non-motorized	$ 724,000	$ 557,202	$ 640,178	$ (82,976)
Maintenance	925,000	925,000	918,412	6,588
Structure Maintenance	6,000	6,857	-	6,857
Local Road				
Preservation	595,000	844,149	877,314	(33,165)
Maintenance	1,000,000	1,115,000	1,493,032	(378,032)
Structure Maintenance	3,000	2,743	2,773	(30)
State Trunkline Maintenance	1,300,000	1,500,000	1,371,092	128,908
State Trunkline Non-Maintenance	80,000	279,106	279,351	(245)
Equipment Expense - Net	(357,570)	(557,570)	96,707	(654,277)
Administrative Expense - Net	250,000	250,000	344,503	(94,503)
Capital Outlay - Net	90,000	105,411	48,978	56,433
Distributive Expense - Net	1,250,000	1,258,747	-	1,258,747
Other	-	-	535	(535)
Debt Service				
Principal	192,000	163,087	163,087	-
Interest	55,000	48,744	48,343	401
Total Expenditures	6,112,430	6,498,476	$ 6,284,305	$ 214,171
Fund Balance - January 1, 2017	2,612,744	2,612,744		
Total Budget	$ 8,725,174	$ 9,111,220		

Additional Supplementary Information

IRON COUNTY ROAD COMMISSION

ANALYSIS OF CHANGES IN FUND BALANCES

For the Year Ended December 31, 2017

	Primary Road Fund	Local Road Fund	County Road Commission	Total
Total Revenue	$2,590,784	$1,889,337	$2,255,803	$6,735,925
Total Expenditures	1,719,748	2,618,228	1,946,329	6,284,305
Excess of Revenues Over (Under) Expenditures	871,036	(728,891)	309,474	451,620
Other Financing Sources (Uses):				
Optional Transfers In (Out)	(854,169)	854,169	-	-
Total Other Financing Sources (Uses)	(854,169)	854,169	-	-
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	16,867	125,278	309,474	451,620
Fund Balance - January 1, 2017	2,072,362	28,453	511,929	2,612,744
Interfund Transfer	-	-	-	-
Fund Balance - December 31, 2017	$2,089,229	$ 153,731	$ 821,403	$3,064,364

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

IRON COUNTY ROAD COMMISSION

ANALYSIS OF REVENUES

For the Year Ended December 31, 2017

	Primary Road Fund	Local Road Fund	County Road Commission	Total
Taxes	$ -	$ -	$ 209,545	209,545
Licenses and Permits	-	-	15,815	15,815
Federal Sources:				
Surface Tran. Program (STP)	295,282	-	-	295,282
Bridge	-	-	-	-
Primary Road Non-Motorized	-	-	-	-
State Sources:				
Michigan Transportation Fund:				
Engineering	6,945	3,055	-	10,000
Snow Removal	-	96,606	-	96,606
Local Bridge	-	-	-	-
Winter Maintenance Appropriation	-	-	-	-
General Fund Appropriation	-	-	15,836	15,836
Allocation	2,098,649	923,198		3,021,847
Economic Development Fund:				
Rural Primary	(6,481)	-	-	(6,481)
Forest Road	186,805	26,622	-	213,427
Iron County Natural Resource Grant	-	-	-	-
Contributions from Local Units				
Townships	-	839,735	-	839,735
Other	-	-	-	-
Charges for Services:				
Trunkline Maintenance	-	-	1,459,007	1,459,007
Trunkline Non-Maintenance	-	-	279,351	279,351
Salavage and Timber Sales	-	-	28,600	28,600
State Overhead	-	-	-	-
Handling Charge	-	-	-	-
Interest and Rents	9,584	121	2,426	12,132
Other Financing Sources				
Inst. Purch./Leases	-	-	245,223	245,223
Total Revenues	$2,590,784	$1,889,337	$2,255,803	$ 6,735,925

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

IRON COUNTY ROAD COMMISSION

ANALYSIS OF EXPENDITURES

For the Year Ended December 31, 2017

	Primary Road Fund	Local Road Fund	County Road Commission	Total
Primary Road				
Heavy Maintenance	$ 640,178	$ -	$ -	$ 640,178
Maintenance	918,412	-	-	918,412
Local Road				
Heavy Maintenance	-	877,314	-	877,314
Maintenance	-	1,495,805	-	1,495,805
State Trunkline Maintenance	-	-	1,371,092	1,371,092
State Trunkline Non-Maintenance	-	-	279,351	279,351
Equipment Expense - Net	24,057	37,172	35,478	96,707
Administrative Expense - Net	136,566	207,937	-	344,503
Capital Outlay - Net	-	-	48,978	48,978
Other	535	-	-	535
Debt Service				
Debt Principal Payments	-	-	163,087	163,087
Interest Expense	-	-	48,343	48,343
Total Expenditures	$1,719,748	$2,618,228	$1,946,329	$ 6,284,305

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

ANDERSON, TACKMAN & COMPANY, PLC
Certified Public Accountants

Kristine P. Berhow, CPA, Principal
Brandy M. Olson, CPA, Principal
Kathleen A. Ciantar, CPA, Principal

"A Regional Firm With Offices in Michigan and Wisconsin"

Alan M. Stotz, CPA
Alaina R. Kreis, CPA

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and major fund of the Iron County Road Commission (a component unit of Iron County, Michigan) as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Iron County Road Commission's basic financial statements, and have issued our report thereon dated June 22, 2018.

Internal Control over Financial Reporting

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

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

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

901 LUDINGTON STREET ESCANABA, MICHIGAN 49829 (906)786-3111 FAX (906)786-8940

Compliance and Other Matters

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

Purpose of this Report

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

Anderson, Tackman & Company P.L.C.

Anderson, Tackman & Company, PLC
Certified Public Accountants

June 22, 2018