

Bay County,
Michigan



Year Ended
December 31,
2015

Single Audit Act
Compliance

BAY COUNTY, MICHIGAN

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Independent Auditors' Report on the Schedule of Expenditures of Federal Awards
Required by the Uniform Guidance

September 8, 2016

Board of Commissioners of
Bay County
Bay City, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of *Bay County, Michigan* (the "County") as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We issued our report thereon dated June 29, 2016, which contained unmodified opinions on those financial statements. Our report includes a reference to other auditors. Our audit was conducted for the purpose of forming opinions on the financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



BAY COUNTY, MICHIGAN

**Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2015**

Federal Agency / Cluster / Program Title	CFDA Number	Passed Through	Pass-through / Grantor Number	Grant Period	Total Subawards	Federal Expenditures
U.S. Department of Agriculture						
Child Nutrition Cluster:						
Juvenile Home-School Breakfast Program	10.553	MDE	90008002	10-01-14 to 09-30-15	\$ -	\$ 5,799
Juvenile Home-School Breakfast Program	10.553	MDE	90008002	10-01-15 to 09-30-16	-	2,052
Juvenile Home-National School Lunch Program	10.555	MDE	90008002	10-01-14 to 09-30-15	-	9,106
Juvenile Home-National School Lunch Program	10.555	MDE	90008002	10-01-15 to 09-30-16	-	3,197
					<u>-</u>	<u>20,154</u>
Special Supplemental Nutrition Program for Women, Infants, and Children (WIC):						
Women, Infants & Children Supplemental Food	10.557	MDHHS	IW100342	10-01-14 to 09-30-15	-	347,141
Women, Infants & Children Supplemental Food	10.557	MDHHS	IW100342	10-01-15 to 09-30-16	-	115,713
Women, Infants & Children Breastfeeding Peer Counseling	10.557	MDHHS	W500342	10-01-14 to 09-30-15	-	11,250
Women, Infants & Children Breastfeeding Peer Counseling	10.557	MDHHS	W500342	10-01-15 to 09-30-16	-	3,861
					<u>-</u>	<u>477,965</u>
Total U.S. Department of Agriculture						
					<u>-</u>	<u>498,119</u>
U.S. Department of Housing and Urban Development						
Bay County Housing Assistance Program	14.228	MSHDA	MSC2011-0757-HOA	03-01-13 to 09-30-15	37,205	43,304
U.S. Department of Interior						
Saginaw Bay Shoreline Phragmites Management-USFWS	15.662	Direct	F13AC00389	06-01-13 to 12-30-16	-	1,360
U.S. Department of Justice						
Safe Havens - Office of Violence Against Women	16.527	Direct	2012-CW-AX-K017	01-01-12 to 09-30-16	23,368	54,846
Elder Abuse - Office of Violence Against Women	16.528	Direct	2011-EW-AX-K002	01-01-12 to 09-30-16	31,440	112,437
Victims of Crime Act (VOCA)-Abuse Intervention	16.575	MDHHS	CVA 20745-15V14	10-01-14 to 09-30-15	-	46,468
Victims of Crime Act (VOCA)-Abuse Intervention	16.575	MDHHS	CVA 20745-16V15	10-01-15 to 09-30-16	-	16,442
					<u>-</u>	<u>62,910</u>
JAG Program Cluster:						
Justice Assistance Grant	16.738	Direct	2014-DJ-BX-1033	10-01-13 to 09-30-15	8,532	8,532
Justice Assistance Grant	16.738	Direct	2015-DJ-BX-1514	10-01-14 to 09-30-16	7,475	15,149
Bay Area Narcotics Enforcement Team-Prosecutor	16.738	MSP	2013-MU-BX-0051	10-01-14 to 09-30-15	-	3,799
Bay Area Narcotics Enforcement Team-Prosecutor	16.738	MSP	2015-MU-BX-0964	10-01-15 to 09-30-16	-	5,907
Bay Area Narcotics Enforcement Team-Sheriff	16.738	MSP	2013-MU-BX-0051	10-01-14 to 09-30-15	-	7,218
Bay Area Narcotics Enforcement Team-Sheriff	16.738	MSP	2015-MU-BX-0964	10-01-15 to 09-30-16	-	11,536
Formula Edward Byrne Justice Assistance Grant	16.738	MSP	2014-H3675-MI-DJ	10-01-14 to 09-30-15	-	40,441
Formula Edward Byrne Justice Assistance Grant	16.738	MSP	2015-MU-BX-0964	10-01-15 to 09-30-16	-	14,643
					<u>16,007</u>	<u>107,225</u>
Total U.S. Department of Justice						
					<u>70,815</u>	<u>337,418</u>
U.S. Department of Transportation						
Highway Planning and Construction Cluster:						
Highway Planning & Construction	20.205	MDOT	2015-0002/Z1	10-01-14 to 09-30-15	-	113,721
Highway Planning & Construction	20.205	MDOT	2015-0002/Z4	10-01-15 to 09-30-16	13,512	40,943
Federal Transit Administration	20.205	MDOT	2012-0002/Z9	10-01-14 to 09-30-15	33,572	33,573
					<u>47,084</u>	<u>188,237</u>

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BAY COUNTY, MICHIGAN

Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2015

Federal Agency / Cluster / Program Title	CFDA Number	Passed Through	Pass-through / Grantor Number	Grant Period	Total Subawards	Federal Expenditures
U.S. Department of Transportation (concluded)						
Highway Planning and Construction Cluster:						
Alcohol Traffic Safety & Drunk Driving Prevention Incentive	20.601	SCAO	AL-15-05 #3060	10-01-14 to 09-30-15	\$ -	\$ 63,708
Alcohol Traffic Safety & Drunk Driving Prevention Incentive	20.601	SCAO	AL-16-05 #5285	10-01-15 to 09-30-16	-	20,784
Traffic Enforcement Seat Belt	20.616	OHSP	PT-15-38	10-01-14 to 09-30-15	-	4,934
Traffic Enforcement Impaired Driving	20.616	OHSP	PT-15-38	10-01-14 to 09-30-15	-	9,963
					<u>-</u>	<u>99,389</u>
Total U.S. Department of Transportation					<u>47,084</u>	<u>287,626</u>
U.S. Environmental Protection Agency						
Drinking Water Revolving Fund	66.468	MDEQ	7380-02	09-17-13 TO 09-17-16	-	216,258
Drinking Water Revolving Fund	66.468	MDEQ	7380-03	09-17-13 TO 09-17-16	-	3,594,030
					<u>-</u>	<u>3,810,288</u>
Great Lakes Program:						
Great Lakes Restoration-Kawkawlin River - Targeted Reduction	66.469	MDEQ	GL-00E01124	01-01-13 to 03-31-17	88,658	487,655
Beach Monitoring Program	66.472	MDEQ	CU00E99306	10-01-15 to 09-30-16	-	6,614
Superfund State, Political Subdivision, and						
Indian Tribe Site - Specific Cooperative Agreements:						
EPI-Administration	66.802	MDHHS	V00E00740	10-01-14 to 09-30-15	-	42,662
EPI-Administration	66.802	MDHHS	V00E00740	10-01-15 to 09-30-16	-	13,749
					<u>-</u>	<u>56,411</u>
Total U.S. Environmental Protection Agency					<u>88,658</u>	<u>4,360,968</u>
U.S. Department of Health and Human Services						
Title IIID Evidence-Based MOB	93.043	Region VII	20161841	10-01-14 to 09-30-15	-	3,221
Title IIID Evidence-Based MOB	93.043	Region VII	20161841	10-01-15 to 09-30-16	-	1,611
					<u>-</u>	<u>4,832</u>
Aging Cluster:						
Title IIIB Homemaking	93.044	Region VII	20161841	10-01-14 to 09-30-15	-	4,568
Title IIIB Homemaking	93.044	Region VII	20161841	10-01-15 to 09-30-16	-	1,482
POS Homemaking-Care Management	93.044	Region VII	20161841	10-01-14 to 09-30-15	-	37
Title IIIB Case Coordination	93.044	Region VII	20161841	10-01-14 to 09-30-15	-	40,912
Title IIIB Case Coordination	93.044	Region VII	20161841	10-01-15 to 09-30-16	-	16,498
C-1 Congregate Meals	93.045	Region VII	20161841	10-01-14 to 09-30-15	-	54,525
C-1 Congregate Meals	93.045	Region VII	20161841	10-01-15 to 09-30-16	-	18,295
C-2 Home Delivered Meals	93.045	Region VII	20161841	10-01-14 to 09-30-15	-	123,780
C-2 Home Delivered Meals	93.045	Region VII	20161841	10-01-15 to 09-30-16	-	41,355
NSIP Congregate Meals	93.053	Region VII	20161841	10-01-14 to 09-30-15	-	19,663
NSIP Congregate Meals	93.053	Region VII	20161841	10-01-15 to 09-30-16	-	6,484
NSIP Home Delivered Meals	93.053	Region VII	20161841	10-01-14 to 09-30-15	-	71,469
NSIP Home Delivered Meals	93.053	Region VII	20161841	10-01-15 to 09-30-16	-	22,808
NSIP Millage Meal Sites	93.053	Region VII	20161841	10-01-14 to 09-30-15	-	997
NSIP Millage Meal Sites	93.053	Region VII	20161841	10-01-15 to 09-30-16	-	327
					<u>-</u>	<u>423,200</u>
National Family Caregiver Support, Title III, Part E:						
Title IIIE Caregiver Training	93.052	Region VII	20161841	10-01-14 to 09-30-15	-	9,693
Title IIIE Caregiver Training	93.052	Region VII	20161841	10-01-15 to 09-30-16	-	4,559
Title IIIE Caregiver Supplemental Services	93.052	Region VII	20161841	10-01-14 to 09-30-15	-	4,887
Title IIIE Caregiver Supplemental Services	93.052	Region VII	20161841	10-01-15 to 09-30-16	-	180
Title IIIE Kinship Care	93.052	Region VII	20161841	10-01-14 to 09-30-15	-	400
Title IIIE Kinship Care	93.052	Region VII	20161841	10-01-15 to 09-30-16	-	2,381
					<u>-</u>	<u>22,100</u>

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BAY COUNTY, MICHIGAN

Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2015

Federal Agency / Cluster / Program Title	CFDA Number	Passed Through	Pass-through / Grantor Number	Grant Period	Total Subawards	Federal Expenditures
U.S. Department of Health and Human Services (continued)						
Public Health Emergency Preparedness:						
Bioterrorism	93.069	MDHHS	U90TP000528	10-01-14 to 06-30-15	-	\$ 66,104
Bioterrorism	93.069	MDHHS	U90TP000528	07-1-15 to 09-30-15	-	27,629
Bioterrorism	93.069	MDHHS	U90TP000528	10-01-15 to 09-30-16	-	31,356
Ebola Virus Disease (EVD)	93.069	MDHHS	U90TP000528	10-01-15 to 09-30-16	-	2,280
EVD Active Monitoring	93.069	MDHHS	3U90TP00528-0351	12-22-14 to 06-30-15	-	550
					-	<u>127,919</u>
Project Grants and Cooperative Agreements for Tuberculosis Control Programs:						
TB Control	93.116	MDHHS	U52CCU500499	10-01-14 to 09-30-15	-	76
TB Control	93.116	MDHHS	U52CCU500499	10-01-14 to 09-30-16	-	24
					-	<u>100</u>
Family Planning Services:						
Family Planning	93.217	MDHHS	GFPHPA05017341	10-01-14 to 09-30-15	-	29,450
Family Planning	93.217	MDHHS	GFPHPA05017341	10-01-15 to 09-30-16	-	10,048
					-	<u>39,498</u>
Advanced Nursing Education Grant Program						
Advanced Nursing Education Grant Program	93.247	SVSU	D09HP26945	07-01-14 to 06-30-15	-	51,404
Advanced Nursing Education Grant Program	93.247	SVSU	D09HP26945	07-01-15 to 06-30-16	-	109,679
					-	<u>161,083</u>
Immunization Cluster:						
Immunization Action Plan	93.268	MDHHS	H23CCH522556	10-01-14 to 09-30-15	-	36,460
Immunization Action Plan	93.268	MDHHS	H23CCH522556	10-01-15 to 09-30-16	-	12,139
Immunization/Vaccines	93.268	MDHHS	H23CCH522556-01-4	10-01-14 to 09-30-15	-	131,254
Immunization - VFCA	93.268	MDHHS	H23CCH522556	10-01-14 to 09-30-15	-	3,900
Immunization - VFCA	93.268	MDHHS	H23CCH522556	10-01-15 to 09-30-16	-	700
					-	<u>184,453</u>
Immunization Action Plan						
Immunization Action Plan	93.539	MDHHS	H231P000752	10-01-14 to 09-30-15	-	6,867
Immunization Action Plan	93.539	MDHHS	H231P000752	10-01-15 to 09-30-16	-	1,655
					-	<u>8,522</u>
Child Support Enforcement:						
IV-D Performance Incentive - Friend of the Court	93.563	MDHHS	CSFOC-13-09001	10-01-14 to 09-30-15	-	108,446
IV-D Performance Incentive - Friend of the Court	93.563	MDHHS	CSFOC-13-09001	10-01-15 to 09-30-16	-	36,559
IV-D Cooperative Reimburse - Friend of the Court	93.563	MDHHS	CSFOC-13-09001	10-01-14 to 09-30-15	-	755,468
IV-D Cooperative Reimburse - Friend of the Court	93.563	MDHHS	CSFOC-13-09001	10-01-15 to 09-30-16	-	252,214
IV-D Cooperative Reimburse - Prosecuting Attorney	93.563	MDHHS	CSPA-13-09002	10-01-14 to 09-30-15	-	83,634
IV-D Cooperative Reimburse - Prosecuting Attorney	93.563	MDHHS	CSPA-13-09002	10-01-15 to 09-30-16	-	24,294
					-	<u>1,260,615</u>
Grants to States for Access and Visitation Programs:						
Federal Access and Visitation Grant	93.597	SCAO	SCAO-2015-010	10-01-14 to 09-30-15	-	550
Federal Access and Visitation Grant	93.597	SCAO	SCAO-2016-008	10-01-15 to 09-30-16	-	550
					-	<u>1,100</u>
Medicaid Cluster:						
CSHSC - Outreach & Advocacy	93.778	MDHHS	05U05M15ADM	10-01-14 to 09-30-15	-	15,000
CSHSC - Outreach & Advocacy	93.778	MDHHS	05U05M15ADM	10-01-15 to 09-30-16	-	5,000
CSHSC - Medicaid Outreach	93.778	MDHHS	05U05M15ADM	10-01-14 to 09-30-15	-	22,139
Medicaid Outreach	93.778	MDHHS	05U05M15ADM	10-01-14 to 09-30-15	-	41,499
Medicaid Outreach	93.778	MDHHS	05U05M15ADM	10-01-15 to 09-30-16	-	9,369
POS Waiver	93.778	Region VII	20161841	10-01-14 to 09-30-15	-	35,378
POS Waiver	93.778	Region VII	20161841	10-01-15 to 09-30-16	-	13,256
					-	<u>141,641</u>
Prevention Health & Health Services Block Grant						
Building Healthy Communities	93.991	MDHHS	2B01OT009028	10-01-14 to 09-30-15	-	23,559

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BAY COUNTY, MICHIGAN

Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2015

Federal Agency / Cluster / Program Title	CFDA Number	Passed Through	Pass-through / Grantor Number	Grant Period	Total Subawards	Federal Expenditures
U.S. Department of Health and Human Services (concluded)						
Maternal and Child Health Services Block Grant to the States:						
Local MCH - Infant	93.994	MDHHS	B1MIMCHS	10-01-14 to 09-30-15	-	\$ 23,967
Local MCH - Infant	93.994	MDHHS	B1MIMCHS	10-01-15 to 09-30-16	-	7,989
Local MCH - Maternal	93.994	MDHHS	B1MIMCHS	10-01-14 to 09-30-15	-	23,967
Local MCH - Maternal	93.994	MDHHS	B1MIMCHS	10-01-15 to 09-30-16	-	7,989
Family Planning	93.994	MDHHS	B1MIMCHS	10-01-14 to 09-30-15	-	15,171
Family Planning	93.994	MDHHS	B1MIMCHS	10-01-15 to 09-30-16	-	3,531
					<u>-</u>	<u>82,614</u>
Total U.S. Department of Health and Human Services					<u>-</u>	<u>2,481,236</u>
U.S. Department of Homeland Security						
Emergency Management Performance Grants:						
Emergency Management Assistance	97.042	MSP	EMW-2015-EP-00029	10-01-14 to 09-30-15	-	17,467
Emergency Management Assistance	97.042	MSP	EMC-2016-EP-00001	10-01-15 to 09-30-16	-	6,170
					<u>-</u>	<u>23,637</u>
Homeland Security Grant Program:						
2013 SHSP	97.067	ALCONA	EMW-2013-SS-00049	09-01-13 to 05-31-15	-	104,604
Total U.S. Department of Homeland Security					<u>-</u>	<u>128,241</u>
Total Expenditures of Federal Awards					<u>\$ 243,762</u>	<u>\$ 8,138,272</u>

concluded

BAY COUNTY, MICHIGAN

Notes to Schedule of Expenditures of Federal Awards

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Bay County, Michigan (the "County") under programs of the federal government for the year ended December 31, 2015. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the County, it is not intended to and does not present the financial position, changes in net position or cash flows of the County.

The County's reporting entity is defined in Note 1 of the County's Comprehensive Annual Financial Report. The County's financial statements include the operations of the Bay County Housing enterprise fund, Bay County Department of Water and Sewer and Bay County Road Commission discretely-presented component units, which received federal awards that are not included in the Schedule for the year ended December 31, 2015, as these entities were separately audited.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting, which is described in Note 1 to the County's financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented.

For purposes of charging indirect costs to federal awards, the County has not elected to use the 10 percent de minimis cost rate as permitted by §200.414 of the Uniform Guidance.

The County prepares their annual Central Service Indirect Cost Allocation Plan (CAP) in accordance with the requirements of 2 CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the Federal award(s) to which they apply. Under the Federal regulations, local units of government that are not considered Major Local Government must retain the CAP on file for audit purposes and are not required to submit the CAP to their Federal cognizant agency for approval unless specifically requested to do so (Appendix V to Part 200, paragraph D).

BAY COUNTY, MICHIGAN

Notes to Schedule of Expenditures of Federal Awards

3. PASS-THROUGH AGENCIES

The County receives certain federal grants as subawards from non-federal entities. Pass-through entities, where applicable, have been identified in the Schedule with an abbreviation, defined as follows:

Pass-through Agency Abbreviation	Pass-through Agency Name
ALCONA	Alcona County, Michigan
MDE	Michigan Department of Education
MDEQ	Michigan Department of Environmental Quality
MDHHS	Michigan Department of Health and Human Services
MDOT	Michigan Department of Transportation
MSHDA	Michigan State Housing Development Authority
MSP	Michigan State Police
OHSP	Office of Highway Safety Planning
Region VII	Region VII Area Agency on Aging
SCAO	Michigan State Court Administrative Office
SVSU	Saginaw Valley State University



**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***

September 8, 2016

To the Board of Commissioners of
Bay County
Bay City, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of *Bay County, Michigan* (the "County"), as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated June 29, 2016. Our report includes a reference to other auditors who audited the financial statements of the Bay County Housing enterprise fund, Bay County Road Commission component unit, and Bay County Department of Water and Sewer component unit, as described in our report on the County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2015-001 to be a material weakness.

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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free of 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*.

Bay County, Michigan's Response to Findings

The County's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. 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 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.

The image shows a handwritten signature in black ink that reads "Lehmann Lobson LLC". The signature is written in a cursive, flowing style.

Independent Auditors' Report on Compliance for Each Major Federal Program
and Internal Control over Compliance Required by the Uniform Guidance

September 8, 2016

To the Board of Commissioners of
Bay County
Bay City, Michigan

Report on Compliance for Each Major Federal Program

We have audited *Bay County, Michigan's* (the "County") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended December 31, 2015. The County's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. The County's basic financial statements include the operations of the Bay County Housing enterprise fund, Bay County Road Commission component unit, and Bay County Department of Water and Sewer component unit. These components received \$2,329,789 in federal awards which are not included in the schedule during the year ended December 31, 2015. Our audit, described below, did not include the operations of the Bay County Housing enterprise fund, Bay County Road Commission component unit, and the Bay County Department of Water and Sewer component unit because they engaged other auditors to perform an audit in accordance with the Uniform Guidance.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contract, and grants applicable to its federal programs.

Independent Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the requirement of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2015.

Report on Internal Control Over Compliance

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

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

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

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



BAY COUNTY, MICHIGAN

Schedule of Findings and Questioned Costs For the Year Ended December 31, 2015

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?	<u> X </u> yes	<u> </u> no
Significant deficiency(ies) identified?	<u> </u> yes	<u> X </u> none reported
Noncompliance material to financial statements noted?	<u> </u> yes	<u> X </u> no

Federal Awards

Internal control over major programs:

Material weakness(es) identified?	<u> </u> yes	<u> X </u> no
Significant deficiency(ies) identified?	<u> </u> yes	<u> X </u> none reported

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

 yes X no

Identification of major programs and type of auditors' report issued on compliance for each major program:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>	<u>Type of Report</u>
93.563	Child Support Enforcement	Unmodified
66.469	Great Lakes Restoration-Kawkawlin River Targeted Reduction	Unmodified

Dollar threshold used to distinguish between Type A and Type B programs:

 \$ 750,000

Auditee qualified as low-risk auditee? X yes no

BAY COUNTY, MICHIGAN

Schedule of Findings and Questioned Costs

For the Year Ended December 31, 2015

SECTION II - FINANCIAL STATEMENT FINDINGS

2015-001 - Material Audit Adjustments

Finding Type. Material Weakness in Internal Control over Financial Reporting.

Criteria. Management is responsible for maintaining its accounting records in accordance with generally accepted accounting principles (GAAP).

Condition. During our audit, we identified and proposed material adjustments (which were approved and posted by management) to adjust the Drain Commission (a Component Unit of Bay County) general ledger to the appropriate balances. These adjustments included entries to beginning equity, capital assets, and capital costs.

Cause. This condition was the result of the Drain Commission's (a Component Unit of Bay County) staff turnover which changed the processes for making adjustments to the general ledger and reconciling certain balance sheet accounts to their underlying detail.

Effect. As a result of this condition, the financial information was initially misstated by amounts that were deemed to be material to the Drain Commission (a Component Unit of Bay County). Correcting entries were subsequently posted by management to the County's records and the appropriate balances are presented in the audited financial statements.

Recommendation. Management has already taken appropriate corrective action by posting correcting journal entries. However, we strongly recommend that the County assess the controls in place over financial reporting of the Drain Commission (a Component Unit of Bay County) to maintain the County's books and records (as a whole) in accordance with GAAP.

View of Responsible Officials. Management has also taken the corrective action of adding an additional layer of financial review from the Bay County Finance Department to the Drain Commission (a Component Unit of Bay County) as to more adequately monitor the Drain Commission's financial transactions.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None in the current year.



BAY COUNTY, MICHIGAN

■ Summary Schedule of Prior Audit Findings For the Year Ended December 31, 2015

No matters were reported.

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