

Bay County,
Michigan



Year Ended
December 31,
2013

Single Audit Act
Compliance

BAY COUNTY, MICHIGAN

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**INDEPENDENT AUDITORS' REPORT ON THE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
REQUIRED BY OMB CIRCULAR A-133**

September 29, 2014

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, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We issued our report thereon dated June 30, 2014, 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 that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 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.

Rehmann Robson LLC

BAY COUNTY, MICHIGAN

**Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2013**

Federal Agency / Cluster / Program Title	CFDA Number	Passed Through	Pass-through / Grantor Number	Grant Period	Federal Expenditures
U.S. Department of Agriculture					
Child Nutrition Cluster:					
Juvenile Home-National School Breakfast	10.553	MDE	90008002	10-01-12 to 09-30-13	\$ 5,938
Juvenile Home-National School Breakfast	10.553	MDE	90008002	10-01-13 to 09-30-14	1,542
Juvenile Home-National School Lunch	10.555	MDE	90008002	10-01-12 to 09-30-13	9,232
Juvenile Home-National School Lunch	10.555	MDE	90008002	10-01-13 to 09-30-14	2,425
					<u>19,137</u>
Special Supplemental Nutrition Program for Women, Infants, and Children (WIC):					
Women, Infants & Children Supplemental Food	10.557	MDCH	IW100342	10-01-12 to 09-30-13	367,695
Women, Infants & Children Supplemental Food	10.557	MDCH	IW100342	10-01-13 to 09-30-14	115,713
					<u>483,408</u>
Total U.S. Department of Agriculture					
					<u>502,545</u>
U.S. Department of Commerce/National Oceanic Atmosphere Administration					
Blueway Water Trails	11.419	MDEQ	NA11N0S419161	07-01-13 to 06-30-14	2,194
Area of Concern Land Acquisition	11.463	MDEQ	NA11N0S4630166	10-01-11 to 09-30-14	22,284
Total U.S. Department of Commerce/National Oceanic Atmosphere Administration					
					<u>24,478</u>
U.S. Department of Housing and Urban Development					
Bay County Housing Assistance Program	14.228	MSHDA	MSC2010-0757-HOA	07-01-10 to 12-31-13	2,849
Bay County Housing Assistance Program			MSC2011-0757-HOA	03-01-13 to 09-30-15	11,525
					<u>14,374</u>
U.S. Department of Justice					
Safe Havens - Office of Violence Against Women	16.527	Direct	2012-CW-AX-K017	01-01-12 to 09-30-15	13,783
Elder Abuse - Office of Violence Against Women	16.528	Direct	2011-EW-AX-K002	01-01-12 to 09-30-14	34,304
Victims of Crime Act (VOCA)-Abuse Intervention	16.575	MSP	20745-13V12	10-01-12 to 09-30-13	48,060
Victims of Crime Act (VOCA)-Abuse Intervention	16.575	MSP	20745-14V13	10-01-13 to 09-30-14	17,301
					<u>65,361</u>
JAG Program Cluster:					
Justice Assistance Grant	16.738	Direct	2012-DJ-BX-0310	10-01-11 to 09-30-13	17,961
Justice Assistance Grant	16.738	Direct	2013-DJ-BX-0985	10-01-12 to 09-30-14	11,008
Bay Area Narcotics Enforcement Team-Prosecutor	16.738	MSP	2012-BJ-BX-0109	10-01-12 to 09-30-13	2,765
Bay Area Narcotics Enforcement Team-Prosecutor	16.738	MSP	2013-BJ-BX-0109	10-01-13 to 09-30-14	4,984
Bay Area Narcotics Enforcement Team-Sheriff	16.738	MSP	2012-BJ-BX-0109	10-01-12 to 09-30-13	6,386
Bay Area Narcotics Enforcement Team-Sheriff	16.738	MSP	2013-BJ-BX-0109	10-01-13 to 09-30-14	9,617
Formula Edward Byrne Justice Assistance Grant	16.738	MSP	2012-DJ-BX-0109	10-01-12 to 09-30-13	52,922
Formula Edward Byrne Justice Assistance Grant	16.738	MSP	2013-MU-BX-0051	10-01-13 to 09-30-14	1,649
					<u>107,292</u>
Total U.S. Department of Justice					
					<u>220,740</u>
U.S. Department of Transportation					
Highway Planning & Construction Cluster:					
Highway Planning & Construction	20.205	MDOT	2012-0002/Z5	10-01-12 to 09-30-13	118,956
Highway Planning & Construction	20.205	MDOT	2012-0002/Z8	10-01-13 to 09-30-14	30,014
Federal Transit Administration	20.205	MDOT	2012-0002/Z6	10-01-12 to 09-30-13	33,466
Federal Transit Administration	20.205	MDOT	2012-0002/Z9	10-01-13 to 09-30-14	15,991
Total U.S. Department of Transportation					
					<u>198,427</u>

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BAY COUNTY, MICHIGAN

**Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2013**

Federal Agency / Cluster / Program Title	CFDA Number	Passed Through	Pass-through / Grantor Number	Grant Period	Federal Expenditures
U.S Department of Veterans Affairs / VA Health Administration Center Veteran's Self-Directed Care	64.009	Region VII	N/A	10-01-12 to 09-30-13	\$ 17
U.S. Environmental Protection Agency Drinking Water Revolving Fund	66.468	MDEQ	7380-01	09-17-13 to 09-17-16	3,483,406
Great Lakes Program:					
Great Lakes Restoration-Beach Monitoring	66.469	MDEQ	N/A	01-01-12 to 12-31-13	3,753
Great Lakes Restoration-Beach Model	66.469	MDEQ	N/A	01-01-12 to 12-31-13	8,901
Great Lakes Restoration-Kawkawlin River - Targeted Reduction	66.469	MDEQ	N/A	01-01-13 to 12-31-15	146,724
					159,378
Public Drinking Water Supply - Non-Community	66.471	MDEQ	N/A	10-01-12 to 09-30-13	468
Beach Monitoring Program	66.472	MDEQ	N/A	10-01-12 to 09-30-13	11,340
Superfund State, Political Subdivision, and Indian Tribe Site - Specific Cooperative Agreements:					
EPI-Administration	66.802	MDCH	V00E00740	10-01-12 to 09-30-13	47,922
EPI-Administration	66.802	MDCH	V00E00740	10-01-13 to 09-30-14	3,138
					51,060
Total U.S. Environmental Protection Agency					3,705,652
U.S. Department of Health and Human Services					
Title IIID Evidence-Based MOB	93.043	Region VII	N/A	10-01-12 to 09-30-13	4,832
Title IIID Disease Prevention - Health Promotion	93.043	Region VII	N/A	10-01-11 to 09-30-12	8,745
Title IIID Disease Prevention - Health Promotion	93.043	Region VII	N/A	10-01-12 to 09-30-13	4,000
					17,577
Aging Cluster:					
Title IIIB Homemaking	93.044	Region VII	N/A	10-01-12 to 09-30-13	12,824
Title IIIB Homemaking	93.044	Region VII	N/A	10-01-13 to 09-30-14	3,981
POS Homemaking-Care Management	93.044	Region VII	N/A	10-01-12 to 09-30-13	357
POS Homemaking-Care Management	93.044	Region VII	N/A	10-01-13 to 09-30-14	108
Title IIIB Personal Care	93.044	Region VII	N/A	10-01-12 to 09-30-13	2,695
Title IIIB Personal Care	93.044	Region VII	N/A	10-01-13 to 09-30-14	578
Title IIIB Case Coordination	93.044	Region VII	N/A	10-01-12 to 09-30-13	37,574
Title IIIB Case Coordination	93.044	Region VII	N/A	10-01-13 to 09-30-14	12,939
C-1 Congregate Meals	93.045	Region VII	N/A	10-01-12 to 09-30-13	56,485
C-1 Congregate Meals	93.045	Region VII	N/A	10-01-13 to 09-30-14	19,285
C-2 Home Delivered Meals	93.045	Region VII	N/A	10-01-12 to 09-30-13	120,214
C-2 Home Delivered Meals	93.045	Region VII	N/A	10-01-13 to 09-30-14	40,887
NSIP Congregate Meals	93.053	Region VII	N/A	10-01-12 to 09-30-13	17,095
NSIP Congregate Meals	93.053	Region VII	N/A	10-01-13 to 09-30-14	5,905
NSIP Home Delivered Meals	93.053	Region VII	N/A	10-01-12 to 09-30-13	54,238
NSIP Home Delivered Meals	93.053	Region VII	N/A	10-01-13 to 09-30-14	18,173
NSIP Millage Meal Sites	93.053	Region VII	N/A	10-01-12 to 09-30-13	675
NSIP Millage Meal Sites	93.053	Region VII	N/A	10-01-13 to 09-30-14	234
					404,247

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BAY COUNTY, MICHIGAN

**Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2013**

Federal Agency / Cluster / Program Title	CFDA Number	Passed Through	Pass-through / Grantor Number	Grant Period	Federal Expenditures
U.S. Department of Health and Human Services (continued)					
National Family Caregiver Support, Title III, Part E:					
Title III E Caregiver Training	93.052	Region VII	N/A	10-01-12 to 09-30-13	\$ 10,479
Title III E Caregiver Training	93.052	Region VII	N/A	10-01-13 to 09-30-14	3,869
Title III E Caregiver Supplemental Services	93.052	Region VII	N/A	10-01-12 to 09-30-13	4,007
Title III E Caregiver Supplemental Services	93.052	Region VII	N/A	10-01-13 to 09-30-14	1,315
Title III E Kinship Care	93.052	Region VII	N/A	10-01-12 to 09-30-13	1,840
Title III E Kinship Care	93.052	Region VII	N/A	10-01-13 to 09-30-14	800
					<u>22,310</u>
Public Health Emergency Preparedness:					
Bioterrorism	93.069	MDCH	U90TP000528	10-01-12 to 06-30-13	70,064
Bioterrorism	93.069	MDCH	U90TP000528	07-01-13 to 09-30-13	29,219
Bioterrorism	93.069	MDCH	U90TP000528	10-01-13 to 06-30-14	30,832
					<u>130,115</u>
Project Grants and Cooperative Agreements for Tuberculosis Control Programs:					
TB Control	93.116	MDCH	U52CCU500499	10-01-12 to 09-30-13	76
TB Control	93.116	MDCH	U52CCU500499	10-01-13 to 09-30-14	24
					<u>100</u>
Biomonitor Persistent Toxic Substances - MI Urban Fisheaters	93.161	MDCH	1U61TS000138	10-01-12 to 09-30-13	800
Family Planning Services:					
Family Planning	93.217	MDCH	GFPHPA05017341	10-01-12 to 09-30-13	53,541
Family Planning	93.217	MDCH	GFPHPA05017341	10-01-13 to 09-30-14	17,634
					<u>71,175</u>
Immunization Cluster:					
CSHSC-Care Coordination	93.268	MDCH	H23CCH522556	10-01-12 to 09-30-13	3,500
CSHSC-Care Coordination	93.268	MDCH	H23CCH522556	10-01-13 to 09-30-14	650
Immunization Action Plan	93.268	MDCH	H23CCH522556	10-01-12 to 09-30-13	36,243
Immunization Action Plan	93.268	MDCH	H23CCH522556	10-01-13 to 09-30-14	11,972
Immunization/Vaccines	93.268	MDCH	H23CCH522556-01-4	10-01-12 to 09-30-13	109,079
					<u>161,444</u>
Immunization Billing Practice Infrastructure Enhancement	93.539	MDCH	1H23IP000568	10-01-12 to 09-30-13	9,811
Child Support Enforcement:					
Title IV-D Performance Incentive-Friend of the Court	93.563	MDHS	N/A	10-01-12 to 09-30-13	110,587
Title IV-D Performance Incentive-Friend of the Court	93.563	MDHS	N/A	10-01-13 to 09-30-14	38,597
Title IV-D Cooperative Reimburse - Friend of the Court	93.563	MDHS	CSFOC-13-09001	10-01-12 to 09-30-13	757,102
Title IV-D Cooperative Reimburse - Friend of the Court	93.563	MDHS	CSFOC-13-09001	10-01-13 to 09-30-14	258,515
Title IV-D Cooperative Reimburse - Prosecuting Attorney	93.563	MDHS	CSPA-13-09002	10-01-12 to 09-30-13	74,783
Title IV-D Cooperative Reimburse - Prosecuting Attorney	93.563	MDHS	CSPA-13-09002	10-01-13 to 09-30-14	27,361
					<u>1,266,945</u>
Grants to States for Access and Visitation Programs:					
Federal Access and Visitation Grant	93.597	SCAO	N/A	10-01-12 to 09-30-13	1,183
Federal Access and Visitation Grant	93.597	SCAO	N/A	10-01-13 to 09-30-14	495
					<u>1,678</u>
Prosecuting Attorney Title IV-E	93.658	MDHS	PROFC11-D9001	02-01-11 to 12-31-14	38,914

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BAY COUNTY, MICHIGAN

**Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2013**

Federal Agency / Cluster / Program Title	CFDA Number	Passed Through	Pass-through / Grantor Number	Grant Period	Federal Expenditures
U.S. Department of Health and Human Services (Concluded)					
Medicaid Cluster:					
Medicaid Outreach	93.778	MDCH	05U05M15ADM	10-01-12 to 09-30-13	\$ 52,388
Medicaid Outreach	93.778	MDCH	05U05M15ADM	10-01-13 to 09-30-14	13,271
POS Waiver	93.778	Region VII	N/A	10-01-12 to 09-30-13	21,746
POS Waiver	93.778	Region VII	N/A	10-01-13 to 09-30-14	7,862
CSHSC-Outreach & Advocacy	93.778	MDCH	05U05M15ADM	10-01-12 to 09-30-13	13,031
CSHSC-Outreach & Advocacy	93.778	MDCH	05U05M15ADM	10-01-13 to 09-30-14	5,000
CSHSC-Medicaid Outreach	93.778	MDCH	05U05M15ADM	10-01-12 to 09-30-13	14,123
					<u>127,421</u>
Maternal and Child Health Services Block Grant to the States:					
Local MCH	93.994	MDCH	B1MIMCHS	10-01-12 to 09-30-13	47,934
Local MCH	93.994	MDCH	B1MIMCHS	10-01-13 to 09-30-14	15,978
					<u>63,912</u>
Total U.S. Department of Health and Human Services					<u>2,316,449</u>
U.S. Department of Homeland Security					
Emergency Management Performance Grants:					
Emergency Management Assistance - Supplemental	97.042	MSP	2010-EP-00002	10-01-09 to 09-30-10	2,572
Emergency Management Assistance - Supplemental	97.042	MSP	2011-EP-00044	10-01-10 to 09-30-11	8,278
Emergency Management Assistance - Supplemental	97.042	MSP	2012-EP-00033	10-01-11 to 09-30-12	7,546
Emergency Management Assistance	97.042	MSP	2013-EP-00026-S01	10-01-12 to 09-30-13	13,365
Emergency Management Assistance	97.042	MSP	2014-EP-00023-S01	10-01-13 to 09-30-14	4,989
					<u>36,750</u>
2010 Interoperable Communications	97.055	MSP	N/A	06-01-09 to 02-28-13	661
Homeland Security Grant Program:					
2010 SHSP Region 3	97.067	MSP	N/A	08-01-10 to 04-30-13	1,173,396
2010 CITIZENS CORPS Region 3	97.067	MSP	N/A	08-01-10 to 04-30-13	26,689
2011 SHSP	97.067	ALCONA	N/A	09-01-12 to 05-30-14	10,005
					<u>1,210,090</u>
Total U.S. Department of Homeland Security					<u>1,247,501</u>
Total Expenditures of Federal Awards					<u>\$ 8,230,183</u>

See notes to schedule of expenditures of federal awards.

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, 2013. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. 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 Medical Care Facility and Bay County Housing enterprise funds and the 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, 2013, 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 OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, 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 where available.

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
MDCH	Michigan Department of Community Health
MDE	Michigan Department of Education
MDEQ	Michigan Department of Environmental Quality
MDHS	Michigan Department of Human Services
MDOT	Michigan Department of Transportation
MSP	Michigan State Police
MSHDA	Michigan State Housing Development Authority
Region VII	Region VII Area Agency on Aging
SCAO	Michigan State Court Administrative Office

BAY COUNTY, MICHIGAN

Notes to Schedule of Expenditures of Federal Awards

4. SUBRECIPIENTS

The County administers certain federal award programs through subrecipients. Those subrecipients are not considered part of the County's reporting entity. Of the federal expenditures presented in the Schedule, the County provided federal awards to subrecipients as follows:

Program Title	CFDA Number	Amount Provided to Subrecipients
2010 SHSP Region 3	97.067	\$ 983,353
2010 CITIZENS CORPS Region 3	97.067	<u>25,336</u>
		<u>\$ 1,008,689</u>

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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 29, 2014

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, 2013, 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 30, 2014. Our report includes a reference to other auditors who audited the financial statements of the Bay County Housing Fund, Medical Care Facility, Bay County Road Commission, and Bay County Department of Water and Sewer, 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.

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.

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*.

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.

A handwritten signature in black ink that reads "Rehmann Robson LLC". The signature is written in a cursive, flowing style.

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

September 29, 2014

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 Circular A-133 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, 2013. 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 fund, Medical Care Facility, Bay County Road Commission, and Bay County Department of Water and Sewer. Our audit, described below, did not include the operations of these funds and component units because they engaged other auditors to perform an audit in accordance with Circular A-133.

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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, 2013.

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 OMB Circular A-133, 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, 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Rehmann Johnson LLC". The signature is written in a cursive, flowing style.

BAY COUNTY, MICHIGAN

Schedule of Findings and Questioned Costs

For the Year Ended December 31, 2013

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? yes X no

Significant deficiency(ies) identified? yes X none reported

Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? yes X no

Significant deficiency(ies) identified? yes X none reported

Type of auditors' report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section 510(a)? yes X no

Identification of major programs:

CFDA Number

Name of Federal Program or Cluster

66.468

Capitalization Grants for Drinking Water
State Revolving Funds

93.044, 93.045, 93.053

Aging Cluster

97.067

Homeland Security Grant

Dollar threshold used to distinguish between Type A and Type B programs: \$ 300,000

Auditee qualified as low-risk auditee? X yes no

BAY COUNTY, MICHIGAN

Schedule of Findings and Questioned Costs

For the Year Ended December 31, 2013

SECTION II - FINANCIAL STATEMENT FINDINGS

None in the current year.

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, 2013

2012-SA-1 - Preparation and Reconciliation of the Schedule of Expenditures of Federal Awards

The County had erroneously included expenditures of State grant funds and excluded Federal grant funds in the initial Schedule of Expenditures of Federal Awards (SEFA). In addition, reconciliations of the Federal expenditures were not completed for every Federal grant. These issues were not identified in the current year.

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