

Van Buren County, Michigan

**SUPPLEMENTARY INFORMATION
TO FINANCIAL STATEMENTS
(FEDERAL AWARDS)**

September 30, 2018

Van Buren County, Michigan

TABLE OF CONTENTS

September 30, 2018

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE	1-3
SUPPLEMENTARY INFORMATION	
Schedule of Expenditures of Federal Awards	4
Notes to Schedule of Expenditures of Federal Awards	5-6
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 <i>GOVERNMENT AUDITING STANDARDS</i>	7-8
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	9-10
CORRECTIVE ACTION PLAN	11
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS	12

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

To the Board of Commissioners
Van Buren County
Paw Paw, Michigan

Report on Compliance for Each Major Federal Program

We have audited Van Buren 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 September 30, 2018. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

The County's basic financial statements include the operations of the Van Buren County Road Commission, discretely presented component unit, which expended \$744,637 in federal awards, which are not included in the Schedule of Expenditures of Federal Awards for the year ended September 30, 2018. The Van Buren County Road Commission did not have a single audit required because the Michigan Department of Transportation (MDOT) requires that road commissions report all federal and state grants pertaining to their county whether it is subject to single audit at their level or not. During the year ended December 31, 2017, the federal aid received and expended by the Van Buren County Road Commission was \$744,637 for contracted projects and \$0 for negotiated projects. Contracted projects are defined as projects performed by private contractors paid for and administered by MDOT. The contracted federal projects are not subject to single audit requirements by the road commissions, as they are included in MDOT's single audit. Negotiated projects are defined as projects performed by road commission employees or private contractors paid for and administered by the road commission which are subject to single audit requirements, if the amount expended is \$750,000 or more.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County'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, Van Buren County, Michigan, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2018.

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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

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

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 Van Buren County, Michigan, as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We did not audit the financial statements of the Van Buren County Road Commission, which represents 88 percent, 95 percent, and 95 percent, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units, or the Van Buren County Public Transit Fund which represents 22 percent, 29 percent, and 63 percent, respectively, of the assets, net position, and revenues of the business-type activities. We issued our report thereon dated March 27, 2019, which contained unmodified opinions on those financial statements based on our audit and the reports of 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 the 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 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 schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Maney Costeiran PC

March 27, 2019

Van Buren County, Michigan

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended September 30, 2018

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Pass-Through Grantors Number</u>	<u>Expenditures</u>
U.S. DEPARTMENT OF JUSTICE			
Direct Programs			
Bulletproof Vest Partnership Program	16.607	N/A	\$ 3,222
Drug Court Discretionary Grant Program	16.585		
Family Treatment Court		2012-DC-BX-0070	<u>120,957</u>
TOTAL U.S. DEPARTMENT OF JUSTICE			124,179
U.S. DEPARTMENT OF TRANSPORTATION			
Passed through Michigan Department of Transportation			
Formula Grants for Rural Areas			
Operating Assistance - Section 5311	20.509	2012-0176/P3	346,347
Operating Assistance - Section 5311		2012-0176/P10	(5,068)
Operating Assistance - Section 5311		2012-0176/P14	(6,345)
Capital Grant - Section 5311		2012-0176/P9	62,966
Capital Grant - Section 5311		2012-0176/P15	197,131
Rural Transportation Assistance Program		N/A	<u>3,207</u>
			598,238
Passed through Michigan Department of State Police			
State and Community Highway Safety	20.600	PT-15-09	16,464
Interagency Hazardous Materials Public Sector			
Training and Planning Grants	20.703	HM-HMP-0439-14-01-00	<u>31,965</u>
TOTAL U.S. DEPARTMENT OF TRANSPORTATION			646,667
U.S. ENVIRONMENTAL PROTECTION AGENCY			
Direct Program			
Brownfields Assessment and Cleanup Cooperative Agreements	66.818		
EPA Petroleum Assessment		N/A	72,029
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Direct Program			
Substance Abuse and Mental Health Services			
Projects of Regional and National Significance	93.243		
Program Year 2017-18		1H79TI080292-01	129,468
Passed through Michigan Department of Human Services			
Title IV-D, Child Support Enforcement ^(c)	93.563		
Cooperative Reimbursement Program ^(a)		CSCOM17-80003	1,137,417
Federal Incentive Payments ^(b)		N/A	<u>107,591</u>
			1,245,008
U.S. DEPARTMENT OF HOMELAND SECURITY			
Direct Program			
Homeland Security Grant Program ^(c)			
2015 Homeland Security Grant Program	97.067	EMW-2015-SS-00033	147,125
2016 Homeland Security Grant Program		EMW-2016-SS-00010	554,205
2017 Homeland Security Grant Program		EMW-2017-SS-00013	<u>44,340</u>
			<u>745,670</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ <u>2,963,021</u>

Van Buren County, Michigan

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended September 30, 2018

NOTE A: BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Van Buren County, Michigan, and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic financial statements, which are reconciled in Note C. The County has elected not to use the 10 percent de minimus indirect rate allowed under the Uniform Guidance.

Federal awards of the Van Buren County Road Commission are excluded from the accompanying Schedule of Expenditures of Federal Awards. This component unit's audit report is issued under separate cover. To view copies of those reports, contact the administrative offices of the component unit or the Van Buren County Clerk's office.

NOTE B: SUMMARY OF SIGNIFICANT EXPLANATIONS OF SCHEDULE

The following descriptions identified below as (a) - (c) represent explanations that cross reference to amounts on the Schedule of Expenditures of Federal Awards:

- (a) Reimbursement of these contracts is passed through the State Department of Human Services (DHS). The amounts reported on the Schedule of Expenditures of Federal Awards represent the Federal portion of the respective amounts based on 66% of Title IV-D eligible expenditures for the applicable grants. The entire amount paid by DHS for the reimbursed expenditures is considered Federal.
- (b) The reimbursements for the IV-D Incentive Payments Program are based on support payments collected. Expenditures have been reported to the extent of earned revenues and are 100% Federal.
- (c) Denotes programs tested as "major programs".

NOTE C: RECONCILIATION TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The following reconciles the intergovernmental revenues reported in the September 30, 2018, basic financial statements to the expenditures of the County administered federal programs reported on the Schedule of Expenditures of Federal Awards:

	<u>Federal/ State/Local Revenue</u>	<u>Less: State/Local Revenue</u>	<u>Federal Award Expenditures</u>
PRIMARY GOVERNMENT			
GENERAL FUND			
Cooperative Reimbursement Program	\$ 1,137,417	\$ -	\$ 1,137,417
IV-D Incentive	107,591	-	107,591
Substance Abuse and Mental Health Services	129,468	-	129,468
State and Community Highway Safety	16,464	-	16,464
Family Treatment Court	120,957	-	120,957
Emergency Management	31,965	-	31,965
Other Programs	<u>6,192,449</u>	<u>6,192,449</u>	<u>-0-</u>
TOTAL GENERAL FUND	7,736,311	6,192,449	1,543,862

Van Buren County, Michigan

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

Year Ended September 30, 2018

NOTE C: RECONCILIATION TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

	<u>Federal/ State/Local Revenue</u>	<u>Less: State/Local Revenue</u>	<u>Federal Award Expenditures</u>
PRIMARY GOVERNMENT - CONTINUED			
SPECIAL REVENUE FUNDS			
Homeland Security Grants	\$ 745,670	\$ -	\$ 745,670
Bulletproof Vest Partnership Program	3,222	-	3,222
Other Funds	<u>1,465,115</u>	<u>1,465,115</u>	<u>-0-</u>
TOTAL SPECIAL REVENUE FUNDS	2,214,007	1,465,115	748,892
ENTERPRISE FUNDS			
Public Transit	<u>1,137,090</u>	<u>538,852</u>	<u>598,238</u>
TOTAL PRIMARY GOVERNMENT	11,087,408	8,196,416	2,890,992
COMPONENT UNITS			
Brownfield Redevelopment Authority	<u>72,029</u>	<u>-</u>	<u>72,029</u>
TOTAL REPORTING ENTITY	<u><u>\$ 11,159,437</u></u>	<u><u>\$ 8,196,416</u></u>	<u><u>\$ 2,963,021</u></u>

NOTE D: SUBRECIPIENTS

No Federal Awards were passed through by the County to any subrecipients during the year.

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

To the Board of Commissioners
Van Buren County
Paw Paw, 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 Van Buren County, Michigan (the County), as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated March 27, 2019. We did not audit the financial statements of the Van Buren County Road Commission, which represents 88 percent, 95 percent, and 95 percent, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units, or the Van Buren County Public Transit Fund which represents 22 percent, 29 percent, and 63 percent, respectively, of the assets, net position, and revenues of the business-type activities. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts included for the Van Buren County Public Transit Fund and the Van Buren County Road Commission, are based solely on the reports of the other 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 of 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, and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as 2018-001 that we consider to be a material weakness.

Compliance and Other Matters

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

County's Response to the Finding

The County's response to the finding identified in our audit is described in the accompanying corrective action plan. The County's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the 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.

Maney Costeiran PC

March 27, 2019

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended September 30, 2018

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? X Yes No

Significant deficiency(ies) identified? Yes X No

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 auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance 2 CFR 200.516(a)? Yes X No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
93.563	Cooperative Reimbursement Program
97.067	Homeland Security Grant Program

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? Yes X No

Section II - Financial Statement Findings

2018-001 MATERIAL JOURNAL ENTRIES PROPOSED BY AUDITORS

Condition: Material journal entries for the proper recognition of property taxes receivable and related unavailable revenue, drain debt activity, and amounts due from other governmental units were proposed by the auditors. These misstatements were not detected by the County's internal control over financial reporting. These entries were brought to the attention of management and were subsequently recorded in the County's general ledger. A similar issue was noted and reported in our audit comments last year.

Criteria: Auditing standards emphasize that management is responsible for establishing, maintaining, and monitoring internal controls, and for the fair presentation in the financial statements of financial position, results of operations, and cash flows (where applicable), including the notes to the financial statements, in conformity with U.S. generally accepted accounting principles.

Cause: Management did not properly identify the misstatements and record the necessary adjustments.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

Year Ended September 30, 2018

Section II - Financial Statement Findings - Continued

2018-001 MATERIAL JOURNAL ENTRIES PROPOSED BY AUDITORS - CONTINUED

Effect: The County's financial reports contained material misstatements that were not otherwise identified by management.

Recommendation: We recommend that the County take steps to ensure that material journal entries are not necessary at the time future audit analysis is performed.

Section III - Federal Award Findings and Questioned Costs

None noted.



OFFICE OF COUNTY ADMINISTRATOR

219 EAST PAW PAW STREET, SUITE 303, PAW PAW, MICHIGAN 49079-1492
(269) 657-8253, FAX (269) 657-8252

CORRECTIVE ACTION PLAN

Year Ended September 30, 2018

2018-001 MATERIAL JOURNAL ENTRIES PROPOSED BY AUDITORS

County personnel responsible for resolution: Ryan Post, Finance Director

Corrective action plan response: The finance director will work with administrative personnel in the affected departments to ensure that proper journal entries are made at year end.

Anticipated completion date: September 30, 2019

Van Buren County, Michigan

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

Year Ended September 30, 2018

FINDINGS/NONCOMPLIANCE

Control Deficiencies and Material Weaknesses Related to Internal Controls Over the Financial Statements.

2017-001 MATERIAL JOURNAL ENTRIES PROPOSED BY AUDITORS

Condition: Material journal entries for the proper recognition of property taxes receivable and related unavailable revenue, drain debt activity, and amounts due from other governmental units were proposed by the auditors. These misstatements were not detected by the County's internal control over financial reporting. These entries were brought to the attention of management and were subsequently recorded in the County's general ledger.

Resolution: Issues such as this are reevaluated each year and if there are entries necessary it is noted at that time. A similar issue was noted during the current audit and reported in the schedule of findings and questioned costs as finding 2018-001. As it relates to 2017, we consider this issue resolved.

2017-002 PENSION CENSUS DATA

Condition: During our testing of the pension census data, we noted that the birth date and hire date submitted to the actuary for one of the employees selected for testing was incorrect.

Resolution: This issue was not noted during the current audit. We consider this issue resolved.

Findings Related to Compliance with Requirements Applicable to the Financial Statements.

None noted.

Findings Related to Compliance with Requirements Applicable to Federal Awards and Internal Control Over Compliance in Accordance with the Uniform Guidance.

None noted.