

**ALLEGAN COUNTY
ANNUAL FINANCIAL REPORT
YEAR ENDED DECEMBER 31, 2014**



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Single Audit Act Compliance

Allegran County
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2014

Federal Agency / Cluster / Program Title	CFDA Number	Passed Through	Pass-through / Grantor Number	Federal Expenditures
U.S. Department of Agriculture				
Child Nutrition Cluster:				
Breakfast Program	10.553	MDE	03-000-8001	\$ 17,227
Lunch Program	10.555	MDE	03-000-8001	32,748
Commodities (non-cash assistance)	10.555	MDE	03-000-8001	1,942
Total U.S. Department of Agriculture				<u>51,917</u>
U.S. Department of Housing and Urban Development				
Community Development Block Grant	14.228	MEDC	MSC-2011-0766-HOA	<u>24,483</u>
U.S. Department of Justice				
Justice Assistance Grant Cluster:				
West Michigan Enforcement Team (WEMET)	16.738	CO	70834-7-WEMET-15	12,844
Edwin Byrne Memorial Justice Grant	16.738	SCAO	2014-H3675-MI-DJ	<u>12,477</u>
Total U.S. Department of Justice				<u>25,321</u>
U.S. Department of Transportation				
Capital Assistance - Section 5309 - Z24	20.500	MDOT	2007-0157/Z24	7,423
Capital Assistance - Section 5309 - P10	20.500	MDOT	2012-00028/P10	<u>54,945</u>
				<u>62,368</u>
Operating Assistance - Section 5311 (Oct 13 - Sept 14)	20.509	MDOT	2012-0028/P17	149,495
Operating Assistance - Section 5311 (Oct 14 - Sept 15)	20.509	MDOT	2012-0028/P24	22,442
RTAP Training Funds	20.509	MDOT	n/a	2,337
Capital Assistance - Section 5313(b)	20.509	MDOT	2007-0157/Z16	18,984
Capital Assistance - Section 5311 ARRA	20.509	MDOT	2012-0028/P18	803
Capital Assistance - Section 5311	20.509	MDOT	2012-0028/P12	<u>62,949</u>
				<u>257,010</u>
Transit Services Program Cluster:				
Job Access Reverse Commute - Section 5316 (Oct 13 - Sept 14)	20.516	MDOT	2012-0028/P15	38,362
Job Access Reverse Commute - Section 5316 (Oct 14 - Sept 15)	20.516	MDOT	2012-0028/P19	12,788
Capital - Section 5317 New Freedom	20.521	MDOT	2012-0028/P14	12,675
Capital - Section 5317 New Freedom	20.521	MDOT	2012-0028/P22	<u>7,067</u>
				<u>70,892</u>
Highway Safety Cluster:				
OWI Enforcement (Oct 13 - Sept 14)	20.600	MSP	PT-14-33	26,315
OWI Enforcement (Oct 14 - Sept 15)	20.600	MSP	PT-15-04	2,127
Seatbelt Enforcement	20.600	MSP	PT-15-04	476
OHSP DWI Grant (Oct 13 - Sept 14)	20.601	SCAO	AL-14-05	30,251
OHSP DWI Grant (Oct 14 - Sept 15)	20.601	SCAO	AL-15-05	<u>13,268</u>
				<u>72,437</u>
Total U.S. Department of Transportation				<u>462,707</u>

See notes to the schedule of expenditures of federal awards

Allegheny County
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2014

Federal Agency / Cluster / Program Title	CFDA Number	Passed Through	Pass-through / Grantor Number	Federal Expenditures
U.S. Environmental Protection Agency				
State Drinking Water Revolving Loan Funds Program	66.468	MDEQ	FS97548712	974
Beach Monitoring and Notification	66.472	MDEQ	CU00E99304	1,669
Brownfield Assessment and Cleanup	66.818	Direct	BF-00E00361-0	2,873
Brownfield Assessment and Cleanup	66.818	Direct	BF-00E00362-0	51,492
				<u>54,365</u>
Total U.S. Environmental Protection Agency				<u>57,008</u>
U.S. Department of Health and Human Services				
Public Health Emergency Preparedness (PHEP):				
Hospital Preparedness Program (Oct 13 - June 14)	93.069	MDCH	U90TP000528	56,503
Hospital Preparedness Program (July 14 - Sept 14)	93.069	MDCH	U90TP000528	31,457
Hospital Preparedness Program (Oct 14 - June 15)	93.069	MDCH	U90TP000528	29,613
				<u>117,573</u>
Immunization Cluster:				
Immunization Action Plan (IAP) (Oct 13 - Sept 14)	93.268	MDCH	H23 CCH522556	42,043
Immunization Action Plan (IAP) (Oct 14 - Sept 15)	93.268	MDCH	H23 CCH522556	16,395
Immunization Fixed Fees (Oct 13 - Sept 14)	93.268	MDCH	H23 CCH522556	1,100
Immunization Fixed Fees (Oct 14 - Sept 15)	93.268	MDCH	H23 CCH522556	2,100
Vaccines (non-cash assistance)	93.268	MDCH	n/a	45,755
				<u>107,393</u>
Child Support Enforcement:				
Friend of the Court Incentive Payments	93.563	MDHS	CSCOM-13-03003	152,178
Cooperative Reimbursement Program	93.563	MDHS	CSCOM-13-03003	748,429
				<u>900,607</u>
Medicaid Cluster:				
Child Special Health Care Services:				
Outreach and Advocacy (Oct 13 - Sept 14)	93.778	MDCH	05 U05M15ADM	30,001
Outreach and Advocacy (Oct 14 - Sept 15)	93.778	MDCH	05 U05M15ADM	9,999
Medicaid Outreach (Oct 13 - Sept 14)	93.778	MDCH	05 U05M15ADM	33,769
Care Coordination (Oct 13 - Sept 14)	93.778	MDCH	05 U05M15ADM	7,310
Care Coordination (Oct 14 - Sept 15)	93.778	MDCH	05 U05M15ADM	1,520
Care Coordination (Oct 13 - Sept 14)	93.778	MDCH	05 1205M15MAP	403
Care Coordination (Oct 14 - Sept 15)	93.778	MDCH	05 1205M15MAP	202
Medicaid Outreach (Oct 13 - Sept 14)	93.778	MDCH	05 U05M15ADM	62,644
Medicaid Outreach (Oct 14 - Sept 15)	93.778	MDCH	05 U05M15ADM	18,133
				<u>163,981</u>
HIV Prevention Activities (Oct 13 - Sept 14)	93.940	MDCH	U62 PS003671	477
HIV Prevention Activities (Oct 14 - Sept 15)	93.940	MDCH	U62 PS003671	1,783
				<u>2,260</u>
Substance Abuse and Mental Health Services Administration:				
Drug Free Communities Support Program	93.276	LCC	n/a	548
Maternal and Child Health Services Block Grant:				
Maternal Infant Health Plan (MIHP) - Children (Oct 14 - Sept 15)	93.994	MDCH	B1MIMCHS	4,390
Maternal Infant Health Plan (MIHP) - Women (Oct 14 - Sept 15)	93.994	MDCH	B1MIMCHS	2,194
Other - MCH (Oct 13 - Sept 14)	93.994	MDCH	B1MIMCHS	6,813
Other - MCH - Children (Oct 14 - Sept 15)	93.994	MDCH	B1MIMCHS	2,593
Other - MCH - Varied (Oct 14 - Sept 15)	93.994	MDCH	B1MIMCHS	2,194
Care Coordination (Oct 13 - Sept 14)	93.994	MDCH	B1MIMCHS	6,520
Care Coordination (Oct 14 - Sept 15)	93.994	MDCH	B1MIMCHS	2,650
Child Special Healthcare Services Oct 13 - Sept 14	93.994	MDCH	B1MIMCHS	9,190
Child Special Healthcare Services Oct 14 - Sept 15	93.994	MDCH	B1MIMCHS	3,062
				<u>39,606</u>
Total U.S. Department of Health and Human Services				<u>1,331,968</u>

See notes to the schedule of expenditures of federal awards

Allegheny County
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2014

Federal Agency / Cluster / Program Title	CFDA Number	Passed Through	Pass-through / Grantor Number	Federal Expenditures
Executive Office of the President				
High Intensity Drug Trafficking Areas Program (HIDTA)	95.001	CO	n/a	<u>6,897</u>
U.S. Department of Homeland Security				
Emergency Management Performance Program	97.042	MSP	n/a	<u>35,149</u>
Pre-Disaster Mitigation Program	97.047	MSP	n/a	<u>14,895</u>
2011 Homeland Security Grant	97.067	CV	2011-SS-00103	2,502
2011 Homeland Security Grant (non-cash assistance)	97.067	CV	2011-SS-00103	16,887
2012 Homeland Security Grant (non-cash assistance)	97.067	CV	2012-SS-00055	27,694
2013 Homeland Security Grant (non-cash assistance)	97.067	CV	2013-SS-00049	<u>5,092</u>
				<u>52,175</u>
Total U.S. Department of Homeland Security				<u>102,219</u>
Total Expenditures of Federal Awards				<u>\$ 2,062,520</u>

See notes to the schedule of expenditures of federal awards

Allegan County

Notes to the Schedule of Expenditures of Federal Awards

NOTE A – BASIS OF PRESENTATION

The Schedule of Expenditures of Federal Awards (the “Schedule”) includes the federal grant activity of the County under programs of the federal government for the year ended December 31, 2014. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of State, 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.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. 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.

NOTE C – SUBRECIPIENTS

The County had no subrecipients of federal awards during the year.

NOTE D – RECONCILIATION TO FINANCIAL STATEMENTS

Total federal sources reported in governmental funds equal \$2,062,520, which is the same amount included as expenditures in the Schedule.

Allegan County

Notes to the Schedule of Expenditures of Federal Awards

NOTE E – 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
CO	County of Ottawa, Michigan
CV	County of Van Buren, Michigan
KCMHSAS	Kalamazoo Community Mental Health and Substance Abuse Services
LCC	Lakeshore Coordinating Council
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 Department of State Police
SCAU	Michigan State Court Administrative Office
MEDC	Michigan Economic Development Corporation

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
Allegan County, 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 Allegan County, Michigan (the "County"), as of and for the year ended December 31, 2014, 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 24, 2015. Our report includes a reference to other auditors who audited the financial statements of the Allegan County Road Commission, the Allegan County Medical Care Community, and the Allegan County Community Mental Health Board, 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 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.

A handwritten signature in cursive script that reads "Gabridge & Company".

Gabridge & Company, PLC
Grand Rapids, MI
June 24, 2015

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

To the Board of Commissioners
Allegan County, Michigan

Report on Compliance for Each Major Federal Program

We have audited Allegan 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, 2014. 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 Allegan County Road Commission and the Allegan County Community Mental Health Board, both of which received certain federal awards which are not included in the schedule of expenditures of federal awards for the year ended December 31, 2014. Our audit, described below, did not include the operations of the Allegan County Road Commission or the Allegan County Mental Health Board because they both arranged for separate financial statement audits.

Management's Responsibility

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

Independent 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 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, 2014.

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



Gabridge & Company, PLC
Grand Rapids, MI
June 24, 2015

Allegan County
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2014

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued	Unmodified
Internal controls over financial reporting	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	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)?	No

Identification of Major Programs

<u>Name of Federal Program or Cluster</u>	<u>CFDA Number</u>
Child Support Enforcement	93.563
Formula Grants for Rural Areas	20.509
Dollar threshold used to distinguish between Type A and B programs?	\$300,000
Auditee qualified as a low-risk auditee?	No

SECTION II - FINANCIAL STATEMENT FINDINGS

None

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported

SECTION IV - SUMMARY OF PRIOR AUDIT FINDINGS

No matters were reported

Allegan County

Summary Schedule of Prior Audit Findings

2013-FS-01 - Preparation of Financial Statements

The County has historically relied on its independent external auditors to assist in the preparation of the government-wide financial statements and footnotes as part of its external financial reporting process. Management has determined that it can provide schedules as required for the audit eliminating this finding.

2013-FS-02 - Material Audit Adjustments

The auditors identified and proposed material adjustments (which were approved and posted by management) to adjust the County's general ledger to the appropriate balances. This finding was eliminated as management increased the resources dedicated toward reconciling the general ledger prior to commencing audit procedures.

2013-FS-03 - Preparation of Schedule of Expenditures of Federal Awards

Several errors and omissions were noted in the schedule of expenditures of federal awards, prepared in accordance with OMB Circular A-133, for purposes of the single audit. The auditors noted improvement in the process for identifying and reporting federal award activity. This finding was eliminated as management increased the resources dedicated toward preparing the schedule of expenditures of federal awards.

2013-FS-04 - Unreconciled / Unsupported Fiduciary Liabilities

The County had several fiduciary liability accounts that were either unsupported by a subledger or not reconciled to the general ledger. The County made a substantial effort to review and reconcile such balances, but due to the volume of accounts, certain balances still remain unsupported/unreconciled. However, the unsupported/unreconciled balances have improved to a level that the finding is no longer considered a material weakness or significant deficiency.

2013-FS-05 – Internal Controls over Capital Asset Accounting

The capital asset records provided by the County contained a variety of errors and omissions. Certain aspects of this condition were addressed and this has accordingly been removed as a significant deficiency.

June 24, 2015

To the Board of Commissioners
Allegan County, 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 Allegan County as of and for the year ended December 31, 2014. Our report includes a reference to other auditors. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, and OMB Circular A-133, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated April 22, 2015. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Allegan County are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year ended December 31, 2014. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting Allegan County's financial statements were:

- Management's estimate of the useful lives of depreciable capital assets is based on the length of time it is believed that those assets will provide some economic benefit in the future.
- Management's estimate of the accrued compensated absences and the related pay rates as of December 31, 2014.
- Management's estimated of the allowance for uncollectible receivable balances is based on past experience and future expectation for collection of various account balances.

- Management’s assumptions used to calculate the actuarial report and the net present value of post employment benefits, including pension benefits.

We evaluated the key factors and assumptions used to develop these estimates and determined that they are reasonable in relation to the basic financial statements taken as a whole and in relation to the applicable opinion units.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit’s financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor’s report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated June 24, 2015.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the governmental unit’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the budgetary comparison schedules, the schedule of funding progress, and management's discussion and analysis, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the combining and individual fund statements and schedules and the schedule of expenditures of federal awards, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Upcoming Changes in Accounting Standards

Generally accepted accounting principles (GAAP) are continually changing in order to promote the usability and enhance the applicability of information included in external financial reporting. While it would not be practical to include an in-depth discussion of every upcoming change in professional standards, Attachment A to this letter contains a brief overview of recent pronouncements of the Governmental Accounting Standards Board (GASB) and their related effective dates. Management is responsible for reviewing these standards, determining their applicability, and implementing them in future accounting periods.

Restriction on Use

This information is intended solely for the use of management, the Board of Commissioners, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.



Gabridge & Company, PLC
Grand Rapids, MI

ALLEGAN COUNTY

Attachment A – Upcoming Changes in Accounting Standards / Regulations

For the December 31, 2014 Audit

The following pronouncements of the Governmental Accounting Standards Board (GASB) have been released recently and may be applicable to the County in the near future. We encourage management to review the following information and determine which standard(s) may be applicable to the County. For the complete text of these and other GASB standards, visit www.gasb.org and click on the “Standards & Guidance” tab. If you have questions regarding the applicability, timing, or implementation approach for any of these standards, please contact your audit team.

GASB 68 – Accounting and Financial Reporting for Pensions

Effective 6/15/15 (your FY 2015)

This standard establishes new requirements for governments to report a “net pension liability” for the unfunded portion of its pension plan. Governments that maintain their own pension plans (either single employer or agent multiple-employer) will report a liability for the difference between the total pension liability calculated by the plan actuaries and the amount held in the pension trust fund. Governments that participate in a cost sharing plan will report a liability for their “proportionate share” of the net pension liability of the entire system.

Historically, governments have only been required to report a net pension obligation to the extent that they have not met the annual required contribution (ARC) in any given year. Upon implementation of this standard, governments will be required to report a net pension liability based on the current funded status of their pension plans. This liability would be limited to the government-wide financial statements and proprietary funds. Changes in this liability from year to year will largely be reflected on the income statement, though certain amounts will be deferred and amortized over varying periods.

GASB 68 also requires more extensive note disclosures and required supplementary information, including 10 years of historical information. The methods used to determine the discount rate (the assumed rate of return on plan assets held in trust) are mandated and must be disclosed, along with what the impact would be on the net pension liability if that rate changed by 1% in either direction. Other new disclosure requirements include details of the changes in the components of the net pension liability, comparisons of actual employer contributions to actuarially determined contributions, and ratios to put the net pension liability in context. For single-employer and agent multiple-employer plans, the information for these statements will come from the annual actuarial valuation. For cost sharing plans, this information will be derived from the financial reports of the plan itself, multiplied by the government’s proportionate share of plan.

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Attachment A – Upcoming Changes in Accounting Standards / Regulations

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While GASB 68 is only applicable to pension plans, the GASB has released exposure drafts that would implement similar requirements for other postemployment benefits (e.g., retiree healthcare) within the next few years.

GASB 69 – Government Combinations and Disposals of Government Operations

Effective 12/15/14 (your FY 2015)

This standard provides detailed requirements for the accounting and disclosure of various types of government combinations, such as mergers, acquisitions, and transfers of operations. The guidance available previously was limited to nongovernmental entities, and therefore did not provide practical examples for situations common in government-specific combinations and disposals. The accounting and disclosure requirements for these events vary based on whether a significant payment is made, the continuation or termination of services, and the legal structure of the new or continuing entity.

Given the infrequent nature of these types of events, we do not expect this standard to have any impact on the County at this time.

GASB 71 – Pension Transition for Contributions Made Subsequent to the Measurement Date

Effective with the implementation of GASB 68

This standard is an amendment to GASB 68, and seeks to clarify certain implementation issues related to amounts that are deferred and amortized at the time GASB 68 is first adopted. It applies to situations in which the measurement date of an actuarial valuation differs from the government's fiscal year.

2 CFR 200 – Uniform Guidance for Federal Awards

Cost Principles Effective 12/26/14 (your FY 2015); Single Audit Requirements Effective 12/26/14 (your FY 2016)

The Office of Management and Budget (OMB) has consolidated seven separate circulars (including administrative requirements, cost principles, and audit requirements) into a single federal regulation. The new Uniform Guidance covers all aspects of federal grants from pre-award through the single audit. While much of the guidance was simply reorganized and recodified, there were also several substantive changes to the single audit thresholds. A single audit will now only be required if total expenditures of federal awards exceed \$750,000 (up from \$500,000). The OMB has indicated that further changes to the single audit will be announced in 2015.

ALLEGAN COUNTY

Attachment A – Upcoming Changes in Accounting Standards / Regulations

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In addition, the Uniform Guidance now explicitly requires grant recipients to have sound internal controls that are consistent with the COSO framework and documented procedures for grant administration. Gabridge & Company, PLC is available to assist grant recipients in developing/documenting these policies and procedures in compliance with the new requirements.

ALLEGAN COUNTY

Attachment B – Comments and Recommendations

For the December 31, 2014 Audit

During our audit, we became aware of certain other matters that are opportunities for strengthening internal control and/or improving operating efficiency. This memorandum summarizes our comments and recommendations regarding those matters. Our consideration of the County's internal control over financial reporting is described in our report, dated June 24, 2015, issued in accordance with *Government Auditing Standards*. This memorandum does not affect that report or our report dated June 24, 2015, on the financial statements of Allegan County, Michigan.

Physical Inventory of Capital Assets and Capitalization Thresholds (Repeat Comment)

A physical inventory of capital assets has not been completed in several years. In order to properly identify additions and disposals, we recommend that a physical inventory of all capital assets owned by the County be performed periodically, with an annual assessment considered best practice. The inventory listing should be compared to the County's capital asset and insurance records, discrepancies investigated and resolved, and adjustments communicated to the finance department for update of the depreciation schedules. Finally, the existing capital assets records are based on the same level of detail as in the general ledger. This level of detail can result in several separate amounts for a single asset, making it difficult to identify and account for disposals. We recommend that each asset be included on the detail as a single, combined item with a sufficiently detailed description in order to facilitate the physical inventory process. The detail should be distributed to department heads periodically for review and comment to ensure that all additions and disposals have been properly identified.

Internal Control Over Cash Receipting at Decentralized Departments (Repeat Comment)

Management is responsible for establishing effective internal controls to safeguard the County's assets, and to prevent or detect misstatements to the financial statements. Ideally, no single individual should ever be able to authorize a transaction, record the transaction in the accounting records, and maintain custody of the assets resulting from the transaction. Effectively, proper segregation of duties is intended to prevent an individual from committing an act of fraud or abuse and being able to conceal it, or from allowing honest mistakes to go undetected.

We reviewed with management a narrative of cash receipting procedures at various departments and selected certain transactions to walk through the related controls. We noted that many decentralized departments are using ancillary software systems or receipt logs to accumulate information on daily cash receipts. However, this detail is not being provided to the Treasurer's Office along with the deposit remittance advice, nor is there any documented evidence that the subledger/log was compared to the actual bank deposit by an individual independent of the cash receipting process. This exposes the County to an increased risk that cash receipts at decentralized departments could be misappropriated and remain undetected.

ALLEGAN COUNTY

Attachment B – Comments and Recommendations

For the December 31, 2014 Audit

We understand the staffing and resource limitations, but recommend the County evaluate internal controls over cash receipting in all departments and determine whether they are designed appropriately and operating as intended. The two primary options for mitigating these risks are: (1) require that detail to support actual cash receipts (such as a report from a subsidiary ledger or log) be attached to the deposit advice and signed/dated before being remitted to the Treasurer's Office. The deposit should not be accepted by the Treasurer's Office without evidence of approval by an appropriate department head or supervisor. The detail should then be retained at the Treasurer's Office to support the cash deposit; (2) require individual departments to perform this level of independent review and approval and retain the evidence of this process at each location. Compliance with these procedures would then require periodic oversight and monitoring by an independent employee or department.

Appropriate Use of Agency Fund Types (Repeat Comment)

The County holds various funds in a fiduciary capacity in its agency funds. Such amounts should be generally supported by subsidiary ledgers which indicate the individuals or cases for which the funds are held. During our audit, subsidiary detail for accounts maintained by the Clerk for the Courts could not be supported, or the support did not agree to the general ledger. The amounts were not material individually or in the aggregate. However, we recommend that the County implement a procedure to ensure that subsidiary detail is being generated each month and reconciled to the monthly bank statement. To the extent possible, this subsidiary detail should be retained and subjected to a documented independent review and approval.

Activity for the jail commissary and inmate trust balances are being accounted for in a single agency fund line item. Based on the chart of accounts issued by the State of Michigan Department of Treasury, the activity of the commissary should be presented as an enterprise fund.