

**Shiawassee County, Michigan**

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

**December 31, 2012**

Shiawassee County, Michigan

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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  
of Shiawassee County  
Corunna, Michigan

**Report on Compliance for Each Major Federal Program**

We have audited Shiawassee County's 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 Shiawassee County's major federal programs for the year ended December 31, 2012. Shiawassee County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings.

Shiawassee County's basic financial statements include the operations of the Shiawassee County Road Commission, discretely presented component unit, which expended \$817,131 in federal awards, which are not included in the Schedule of Expenditures of Federal Awards for the year ended December 31, 2012. Our single audit did not include the operations of the Shiawassee County Road Commission discretely presented component unit because the component unit engaged us to perform a separate audit and Shiawassee County Road Commission discretely presented component unit 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, 2012, the federal aid received and expended by the Road Commission was \$817,131 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.

**Management's Responsibility**

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

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each Shiawassee 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 Shiawassee 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 Shiawassee County's compliance.

## Opinion on Each Major Federal Program

In our opinion, Shiawassee 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, 2012.

## Report on Internal Control Over Compliance

Management of Shiawassee 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 Shiawassee 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 Shiawassee 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.

## Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

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 Shiawassee County as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise Shiawassee County's basic financial statements. We issued our report thereon dated May 13, 2013, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming an 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.

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.

*Abraham & Gaffney, P.C.*

ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

May 13, 2013

Shiawassee County, Michigan

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended December 31, 2012

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Pass Through Grantors Number</u>	<u>Current Year Expenditures</u>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
Passed through Michigan Department of Community Health			
Women, Infants and Children (WIC)			
FY 12-13 Regular	10.557	20130432	\$ 88,883
FY 11-12 Regular		20121178	<u>190,607</u>
			279,490
Passed through Prosecuting Attorney's Association of Michigan			
State Administrative Matching Grant for the SNAP	10.561	N/A	1,125
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>			
Passed through Michigan State Housing Development Authority			
Community Development Block Grant (CDBG) Program			
State's Program	14.228		
09-11 Housing		MSC20090814HOA	89,323
12-14 Housing		MSC20110814HOA	<u>52,324</u>
			141,647
<b>U.S. DEPARTMENT OF JUSTICE</b>			
Bulletproof Vest Partnership (Direct)			
2012 Grants	16.607	N/A	616
Passed through Michigan Department of Human Services			
BASIC Grant			
2012	16.540	78	10,874
Passed through Michigan State Police			
Edward Byrne Memorial JAG Program			
2012 HEMP Grants	16.738	N/A	1,002
2012 Meth in MI		72082-9-12-B	23
2012 MAGNET		72282-8-12-B	15,688
2012 MAGNET		72282-9-13-B	<u>18,709</u>
			35,422
Passed through Michigan Department of Community Health			
ARRA - Edward Byrne Memorial JAG Program			
09-12 MAGNET Grant	16.803	50138-1-09-B	92,511

Shiawassee County, Michigan

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

Year Ended December 31, 2012

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Pass Through Grantors Number</u>	<u>Current Year Expenditures</u>
U.S. DEPARTMENT OF TRANSPORTATION Passed through Michigan State Police Interagency Hazardous Materials Public Sector Training and Planning Grant	20.703	N/A	\$ 4,181
U.S. ENVIRONMENTAL PROTECTION AGENCY Passed through Michigan DNRE State Grants to Reimburse Operations	66.471		
FY 12-13		N/A	450
FY 11-12		N/A	1,224
			<hr/> 1,674
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES Passed through Michigan Department of Office on Services to the Aging and Valley Area Agency on Aging Title III-B Special Programs for the Aging <sup>(a)</sup>	93.044		
Grants for In-home Services, Chore, CCS, and Senior Centers		SCOA-12	40,336
Title III-C Special Programs for the Aging <sup>(a)</sup>	93.045		
2012 Nutrition Congregate		SCOA-NUTR-12	45,387
2012 Nutrition Home Delivered Meals		SCOA-NUTR-12	75,260
			<hr/> 120,647
Title III-E National Family Caregiver Support	93.052	SCOA-12	22,417
Nutrition Services Incentive Program <sup>(a)</sup>	93.053		
2012 Nutrition Congregate		SCOA-NUTR-12	12,679
2012 Nutrition Home Delivered Meals		SCOA-NUTR-11	53,979
			<hr/> 66,658
Passed through Michigan Department of Community Health Public Health Emergency Preparedness <sup>(d)</sup>	93.069		
FY 11-12 Pandemic Flu / Bioterrorism		20111376	72,991
FY 12-13 Pandemic Flu / Bioterrorism		20130432	27,289
			<hr/> 100,280

Shiawassee County, Michigan

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

Year Ended December 31, 2012

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Pass Through Grantors Number</u>	<u>Current Year Expenditures</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES - CONTINUED			
Passed through Michigan Department of Community Health - continued			
Immunization Grants	93.268		
FY 12-13 IAP, VFC/AFIX, & NE		20130432	\$ 9,155
FY 11-12 IAP, VFC/AFIX, & NE		20121178	24,274
Vaccine Supply		N/A	<u>144,417</u>
			177,846
Centers for Disease Control and Prevention			
Investigations and Technical Assistance	93.283		
FY 12-13			
BCCCP Coordination		20130432	12,822
Family Planning		20130432	371
FY 11-12			
BCCCP Coordination		20121178	10,203
Family Planning		2011178	<u>224</u>
			23,620
Medical Assistance Program			
	93.778		
FY 12-13 Outreach		20130432	8,913
FY 11-12 Outreach		20121178	26,462
FY 11-12 CSHCS		20121178	2,654
FY 11-12 Care Coordination <sup>(f)</sup>		20121178	765
FY 11-12 Case Management <sup>(f)</sup>		20121178	533
FY 12-13 CSHCS		20130432	18,319
FY 12-13 Care Coordination <sup>(f)</sup>		20130432	615
FY 12-13 Case Management <sup>(e)</sup>		20130432	<u>134</u>
			58,395
Maternal and Child Health Services			
Block Grant to the States	93.994		
FY 12-13 Local MCH		20130432	11,549
FY 11-12 Local MCH		20121178	37,994
FY 11-12 CSHCS		20121178	2,625
FY 11-12 Care Coordination <sup>(g)</sup>		20121178	335
FY 12-13 Care Coordination <sup>(g)</sup>		20130432	<u>136</u>
			52,639

Shiawassee County, Michigan

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

Year Ended December 31, 2012

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Pass Through Grantors Number</u>	<u>Current Year Expenditures</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES - CONTINUED			
Passed through Michigan Department of Human Services			
Child Support Enforcement (Title IV-D) <sup>(d)</sup>	93.563		
Cooperative Reimbursement			
Friend of the Court <sup>(b)</sup>		CS/FOC-10-78001	\$ 387,314
09-12		CS/FOC-13-78002	120,006
12-15			
Cooperative Reimbursement			
Prosecuting Attorney <sup>(b)</sup>			
09-12		CS/PA-10-78002	124,330
12-15		CS/PA-13-78002	41,126
Incentive Payments <sup>(c)</sup>			
2012 Regular		N/A	<u>108,541</u>
			781,317
Foster Care - Title IV-E	93.658		
08-12		PROFC-11-78001	12,707
U.S. DEPARTMENT OF HOMELAND SECURITY			
Passed through Michigan State Police			
Emergency Management Performance Grant	97.042		
FY 12 Regular		N/A	11,390
Passed through Michigan State Police and the City of Lansing			
08-11 HSG - SHSP <sup>(d)</sup>	97.067	N/A	<u>412,295</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE			<u><u>\$ 2,448,087</u></u>

Shiawassee County, Michigan

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended December 31, 2012

**NOTE A: BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of Shiawassee 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 OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*. 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.

Federal Awards of the Shiawassee 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. Single Audits, when applicable, are included in their report. To view copies of those reports contact the administrative offices of the component unit or the Shiawassee County Administrators office.

**NOTE B: SUMMARY OF SIGNIFICANT EXPLANATIONS OF SCHEDULE**

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

- (a) Programs considered a cluster by the U.S. Department of Health and Human Services.
- (b) Reimbursements of these contracts are 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.
- (c) 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.
- (d) Denotes program tested as a "major program".
- (e) The amounts reported on the Schedule of Expenditures of Federal Awards represent the Federal portion of the respective amounts based on the 50% of total contract expenditures per MDCH.
- (f) The amounts reported on the Schedule of Expenditures of Federal Awards represent the Federal portion of the respective amounts based on either 50% or 65.79% depending on the type of CSHCS funding of total contract expenditures per MDCH.
- (g) The amounts reported on the Schedule of Expenditures of Federal Awards represent the Federal portion of the respective amounts based on either 35% or 50% depending on the type of CSHCS funding of total contract expenditures per MDCH.

Shiawassee County, Michigan

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

Year Ended December 31, 2012

**NOTE C: RECONCILIATION TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

The following reconciles the Federal revenues reported in the December 31, 2012, basic financial statements to the expenditures of the County administered Federal programs reported on the Schedule of Expenditures of Federal Awards:

	Federal/ State Revenue	Less: State Revenue and other adjustments	Federal Expenditures
<b>PRIMARY GOVERNMENT</b>			
<b>GENERAL FUND</b>			
CRP Prosecuting Attorney	\$ 165,456	\$ -	\$ 165,456
CRP Friend of the Court	498,100	-	498,100
ADC Maintenance Assistance	184,208	(75,667)	108,541
Sheriff - Justice	1,025	-	1,025
Emergency Management	423,685	-	423,685
Other Programs	<u>2,176,691</u>	<u>(2,176,691)</u>	<u>-0-</u>
<b>TOTAL GENERAL FUND</b>	<b>3,449,165</b>	<b>(2,252,358)</b>	<b>1,196,807</b>
<b>OTHER GOVERNMENTAL FUNDS</b>			
Prosecutor's Fees	13,832	-	13,832
Friend of the Court	9,220	-	9,220
Health Department	1,706,772	(1,012,828)	693,944
Housing Rehabilitation	141,647	-	141,647
Child Care Probate	381,820	(370,946)	10,874
Emergency Management	4,181	-	4,181
MAGNET	126,908	-	126,908
Sheriff Posse	616	-	616
Other Programs	<u>126,356</u>	<u>(126,356)</u>	<u>-0-</u>
<b>TOTAL OTHER GOVERNMENTAL FUNDS</b>	<b><u>2,511,352</u></b>	<b><u>(1,510,130)</u></b>	<b><u>1,001,222</u></b>
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>5,960,517</b>	<b>(3,762,488)</b>	<b>2,198,029</b>
<b>COMPONENT UNITS</b>			
Council on Aging	398,441	(148,383)	250,058
County Airport	184,879	(184,879) <sup>(i)</sup>	-0-
Road Commission	<u>6,109,071</u>	<u>(6,109,071)<sup>(i)</sup></u>	<u>-0-</u>
<b>TOTAL COMPONENT UNITS</b>	<b><u>6,692,391</u></b>	<b><u>(6,442,333)</u></b>	<b><u>250,058</u></b>
<b>TOTAL ENTITY-WIDE</b>	<b><u>\$ 12,652,908</u></b>	<b><u>\$ (10,204,821)</u></b>	<b><u>\$ 2,448,087</u></b>

(i) The Federal Funds are audited as part of the Single Audit at the Michigan Department of Transportation (MDOT) level and per MDOT directives are not subject to Single Audit at the County level.

## Principals

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### 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  
of Shiawassee County  
Corunna, 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 Shiawassee County as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise Shiawassee County's basic financial statements and have issued our report thereon dated May 13, 2013.

#### Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Shiawassee 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 Shiawassee County's internal control. Accordingly, we do not express an opinion on the effectiveness of Shiawassee 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 Shiawassee 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 other provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instance 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 County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Abraham & Gaffney, P.C.*

ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

May 13, 2013

Shiawassee County, Michigan

SCHEDULE OF FINDINGS

Year Ended December 31, 2012

**Section I - Summary of Auditor's Results**

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**Financial Statements**

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? \_\_\_\_\_ Yes  No

Significant deficiencies identified that are not considered to be material weakness(es)? \_\_\_\_\_ Yes  None reported

Noncompliance material to financial statements noted? \_\_\_\_\_ Yes  No

**Federal Awards**

Internal control over major programs:

Material weakness(es) identified? \_\_\_\_\_ Yes  No

Significant deficiencies identified that are not considered to be material weakness(es)? \_\_\_\_\_ Yes  None reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported with Section 510(a) of Circular A-133? \_\_\_\_\_ Yes  No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
93.069	Public Health Emergency Preparedness
93.563	Child Support Enforcement (Title IV-D)
97.067	Homeland Security Grant Program

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

Auditee qualified as low-risk auditee?  Yes \_\_\_\_\_ No

**Section II - Financial Statement Findings**

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None noted.

**Section III - Federal Award Findings and Questioned Costs**

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None noted.

Shiawassee County, Michigan  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
Year Ended December 31, 2012

There were no findings disclosed for the prior year audit.