

Isabella County,
Michigan



Year Ended
September 30,
2019

Single Audit Act
Compliance

ISABELLA COUNTY, MICHIGAN

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

March 12, 2020

Board of Commissioners
Isabella County
Mt. Pleasant, 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 *Isabella County, Michigan* (the "County") as of and for the year ended September 30, 2019 and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We issued our report thereon dated March 12, 2020, which contained unmodified opinions on those financial statements. 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 Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



ISABELLA COUNTY, MICHIGAN

Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2019

Federal Agency / Cluster / Program Title	CFDA Number	Passed Through	Pass-through / Grantor Number	Federal Expenditures
U.S. Department of Agriculture				
Supplemental Nutrition Assistance Program (SNAP) Cluster: State Administrative Matching Grant for the SNAP	10.561	PAAM	-n/a-	\$ 653
Emergency Watershed Protection Program 2017 Flooding Chippewa River Streambank Restoration	10.923	Direct	NR185D21XXXXC001	757,970
Total U.S. Department of Agriculture				<u>758,623</u>
U.S. Department of Health and Human Services				
Special Programs for the Aging: Title III, Part D	93.043	RVIIAAA	-n/a-	2,923
Aging Cluster: Title III, Part B: Case Coordination and Support	93.044	RVIIAAA	-n/a-	29,753
Title III, Part C-1: Congregate Meals	93.045	RVIIAAA	-n/a-	33,266
Meal Event	93.045	RVIIAAA	-n/a-	9,042
Home Delivered Meals	93.045	RVIIAAA	-n/a-	48,864
				<u>91,172</u>
Nutrition Services Incentive Program (NSIP): Congregate Meals	93.053	RVIIAAA	-n/a-	10,520
Home Delivered Meals	93.053	RVIIAAA	-n/a-	25,609
				<u>36,129</u>
Total Aging Cluster				<u>157,054</u>
National Family Caregiver Support:				
Title III, Part E Caregiver Training	93.052	RVIIAAA	-n/a-	12,666
Supplemental Funds	93.052	RVIIAAA	-n/a-	2,618
Kinship Care Funds	93.052	RVIIAAA	-n/a-	1,046
				<u>16,330</u>
Child Support Enforcement (Title IV-D):				
Friend of the Court	93.563	MDHHS	CS/FOC-17-37001	385,764
Friend of the Court - supplemental	93.563	MDHHS	CS/FOC-17-37001	7,902
Prosecuting Attorney	93.563	MDHHS	CS/PA-17-37002	21,755
Title IV-D Incentive Payments FY 2019	93.563	MDHHS	-n/a-	70,765
				<u>486,186</u>
Title IV-E Foster Care	93.658	MDHHS	PROFC-17-37001	22,445
Medicaid Cluster	93.778	RVIIAAA	-n/a-	5,763
Total U.S. Department of Health and Human Services				<u>690,701</u>

Continued...

ISABELLA COUNTY, MICHIGAN

Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2019

Federal Agency / Cluster / Program Title	CFDA Number	Passed Through	Pass-through / Grantor Number	Federal Expenditures
U.S. Department of Homeland Security 2019 Boating Safety Financial Assistance	97.012	MDNR	-n/a-	\$ 5,100
Emergency Management Performance Grants: 2018 - 2019 Regular	97.042	MSP	-n/a-	6,966
Homeland Security Grant Program: 2017 HSGP - Planning	97.067	WMRMC	-n/a-	9,173
2017 HSGP - Planning	97.067	WMSRDC	-n/a-	9,475
				<u>18,648</u>
Total U.S. Department of Homeland Security				<u>30,714</u>
Total Expenditures of Federal Awards				\$ <u>1,480,038</u>
				concluded

See notes to schedule of expenditures of federal awards.

ISABELLA COUNTY, MICHIGAN

Notes to Schedule of Expenditures of Federal Awards

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Isabella County, Michigan (the "County") under programs of the federal government for the year ended September 30, 2019. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the County, it is not intended to and does not present the financial position, changes in net position or cash flows of the County.

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

2. 10% DE MINIMIS COST RATE

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

3. RECONCILIATION TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

	Intergovernmental Revenue	Less State Revenue	Federal Expenditures
Primary Government			
General Fund:			
Homeland security	\$ 18,648	\$ -	\$ 18,648
Prosecutor - CRP	21,755	-	21,755
Foster Care	22,445	-	22,445
Emergency management grant	6,966	-	6,966
Marine safety	5,100	-	5,100
USDA drain repair grant	3,274	-	3,274
Other programs	3,421,002	3,420,349	653
Total general fund	3,499,190	3,420,349	78,841
Special revenue funds:			
Commission on Aging	583,780	401,710	182,070
Indigent Defense	633,007	633,007	-
Nonmajor special revenue funds:			
Friend of the Court	509,404	44,973	464,431
Tribal Contribution	20,500	20,500	-
Child Care	742,210	742,210	-
E-911	219,976	219,976	-
Other	56,753	56,753	-
Total special revenue funds	2,765,630	2,119,129	646,501

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ISABELLA COUNTY, MICHIGAN

Notes to Schedule of Expenditures of Federal Awards

	Intergovernmental Revenue	Less State Revenue	Federal Expenditures
Component Unit			
Drainage District:			
USDA drain repair grant	\$ 754,696	\$ -	\$ 754,696
Total	<u>\$ 7,019,516</u>	<u>\$ 5,539,478</u>	<u>\$ 1,480,038</u> concluded.

4. PASS-THROUGH AGENCIES

Pass-through Agency Abbreviation	Pass-through Agency Name
MDHHS	Michigan Department of Health and Human Services
MDNR	Michigan Department of Natural Resources
MSP	Michigan State Police
PAAM	Prosecuting Attorneys Association of Michigan
RVIAAA	Region VII Area Agency on Aging
WMSRDC	West Michigan Shoreline Regional Development Commission
WWRMC	West Michigan Regional Medical Consortium



**Independent Auditors' Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

March 12, 2020

Board of Commissioners
Isabella County
Mt. Pleasant, 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 *Isabella County, Michigan* (the "County"), as of and for the year ended September 30, 2019, 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 12, 2020. Our report includes a reference to other auditors who audited the financial statements of Isabella County Road Commission, Isabella County Transportation Commission, and the Isabella County Medical Care Facility, 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. The financial statements of the Isabella County Medical Care Facility were not audited in accordance with *Government Auditing Standards*.

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 County’s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Rehmann Lobson LLC". The signature is written in a cursive style with a loop at the end of the word "Lobson".

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

March 12, 2020

Board of Commissioners
Isabella County
Mt. Pleasant, Michigan

Report on Compliance for the Major Federal Program

We have audited the compliance of *Isabella County, Michigan* (the "County") with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the County's major federal program for the year ended September 30, 2019. The County's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

The County's basic financial statements include the operations of the Isabella County Road Commission and Isabella County Transportation Commission, which the Transportation Commission received \$1,348,827 in federal awards, and which are not included in the schedule of expenditures of federal awards for the year ended September 30, 2019. The Road Commission did not receive any federal awards. Our audit, described below, did not include the operations of the Isabella County Road Commission and Isabella County Transportation Commission because they arranged for separate audits.

Management's Responsibility

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

Independent Auditors' Responsibility

Our responsibility is to express an opinion on compliance for the County's major federal program 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 the major federal program. However, our audit does not provide a legal determination of the County's compliance.

Opinion on the 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 its major federal program for the year ended September 30, 2019.

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 the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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

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

Purpose of this Report

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



ISABELLA COUNTY, MICHIGAN

Schedule of Findings and Questioned Costs For the Year Ended September 30, 2019

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

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

Unmodified

Internal control over financial reporting:

Material weakness(es) identified? yes x no

Significant deficiency(ies) identified? yes X none reported

Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? yes X no

Significant deficiency(ies) identified? yes X none reported

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

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

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>	<u>Type of Report</u>
10.923	Emergency Watershed Protection	Unmodified

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

Auditee qualified as low-risk auditee? yes x no

ISABELLA COUNTY, MICHIGAN

Schedule of Findings and Questioned Costs For the Year Ended September 30, 2019

SECTION II - FINANCIAL STATEMENT FINDINGS

None Noted.

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ISABELLA COUNTY, MICHIGAN

■ Summary Schedule of Prior Audit Findings For the Year Ended September 30, 2019

There were no audit findings reported for the fiscal year ended September 30, 2018.

