

County of  
Muskegon,  
Michigan



Year Ended  
September 30,  
2017

Single Audit Act  
Compliance

# COUNTY OF MUSKEGON, MICHIGAN

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INDEPENDENT AUDITORS' REPORT ON THE  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
REQUIRED BY THE UNIFORM GUIDANCE

March 14, 2018

Honorable Members of the  
Board of Commissioners  
of the County of Muskegon, Michigan  
Muskegon, 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 the *County of Muskegon, Michigan* (the "County") as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We issued our report thereon dated March 14, 2018, 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 basic financial statements and certain other 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.

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

COUNTY OF MUSKEGON, MICHIGAN

Schedule of Expenditures of Federal Awards  
For the Year Ended September 30, 2017

Federal Agency / Cluster / Program Title	CFDA Number	Passed Through	Pass-through / Grantor Number	Total Subawards	Federal Expenditures
<b>U.S. DEPARTMENT OF AGRICULTURE</b>					
Child Nutrition Cluster:					
National School Breakfast Program	10.553	MDE	161970/171970	\$ -	\$ 15,943
National School Lunch Program	10.555	MDE	161960/171960	-	31,885
				<u>-</u>	<u>47,828</u>
Special Supplemental Nutrition Program for Women, Infants, & Children (WIC):					
WIC Program-Resident Services, WIC Admin	10.557	MDHHS	172MI003W1003	-	1,057,127
Forest Service Schools and Roads Cluster:					
Schools and Roads - Grants to States (2015)	10.665	MDNR	n/a	6,220	6,220
Schools and Roads - Grants to States (2016)	10.665	MDNR	n/a	5,387	5,387
				<u>11,607</u>	<u>11,607</u>
U.S. Forest Service Law Enforcement Cooperative Agreement					
	10.704	Direct	16-LE-11090400-017	-	1,000
				<u>-</u>	<u>1,000</u>
			<b>Total U.S. Department of Agriculture</b>	<u>11,607</u>	<u>1,117,562</u>
<b>U.S. DEPARTMENT OF COMMERCE</b>					
NOAA Coastal Zone Management Administration	11.419	WMSRDC	752317	-	3,801
				<u>-</u>	<u>3,801</u>
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>					
Lead-Based Paint Hazard Control Program	14.900	Direct	MILHB0573-14	-	404,194
				<u>-</u>	<u>404,194</u>
<b>U.S. DEPARTMENT OF THE INTERIOR</b>					
Payments in Lieu of Taxes - National Forestry Reserve	15.226	Direct	-n/a-	-	29,108
				<u>-</u>	<u>29,108</u>
<b>U.S. DEPARTMENT OF JUSTICE</b>					
DCESP					
	16.000	MSP	42217-200018	-	160
				<u>-</u>	<u>160</u>
Crime Victim Assistance	16.575	MDHHS	E20172277-00	-	51,942
				<u>-</u>	<u>51,942</u>
Community Oriented Policing Services (COPS)	16.710	Direct	MMO-M-17-D40-0-000076	-	1,736
				<u>-</u>	<u>1,736</u>
Edward Byrne Memorial JAG Program:					
West Michigan Enforcement Team Ottawa County	16.738	CO	70834-8-WEMET-17	-	14,000
60th District Court Sobriety Court Program	16.738	MSC SCAO	SCAO-2016-07298	-	70,000
				<u>-</u>	<u>84,000</u>
				<u>-</u>	<u>84,000</u>
			<b>Total U.S. Department of Justice</b>	<u>-</u>	<u>137,838</u>
<b>U.S. DEPARTMENT OF TRANSPORTATION</b>					
Federal Transit Cluster:					
Section 5309 Capital Investment Grants:					
Facility Development	20.500	Direct	MI-04-0069-01	-	73,251
				<u>-</u>	<u>73,251</u>
Section 5307 Formula Grants:					
Capital Assistance	20.507	Direct	MI-90-X670-02	-	95,732
Capital Assistance	20.507	Direct	MI-2016-027-00	-	1,260,820
Capital Assistance	20.507	Direct	MI-2017-022-00	-	920,926
Congestion Mitigation & Air Quality (CMAQ) Improvement	20.507	Direct	MI-95-X094-02	-	206,379
				<u>-</u>	<u>2,483,857</u>
Section 5339 Bus and Bus Facilities Formula Program:					
Terminal Equipment	20.526	MDOT	2012-0138-P018	-	17,785
				<u>-</u>	<u>17,785</u>
			<b>Total Federal Transit Cluster</b>	<u>-</u>	<u>2,574,893</u>
Transit Services Programs Cluster:					
Section 5310/5317 New Freedom Program:					
Bus Stop Improvements	20.513	MDOT	2012-0138/P013R1	-	2,541
Enhanced Mobility	20.513	MDOT	2017-0104-P01	-	120,000
				<u>-</u>	<u>122,541</u>

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COUNTY OF MUSKEGON, MICHIGAN

**Schedule of Expenditures of Federal Awards**  
For the Year Ended September 30, 2017

Federal Agency / Cluster / Program Title	CFDA Number	Passed Through	Pass-through / Grantor Number	Total Subawards	Federal Expenditures
<b>U.S. DEPARTMENT OF TRANSPORTATION (CONCLUDED)</b>					
Highway Safety Cluster:					
Strategic Traffic Enforcement Program	20.600	MSP	PT-17-25	\$ -	\$ 51,170
Alcohol Impaired Driving Countermeasures	20.601	MSP	AL-17-13	-	3,612
National Priority Safety Program	20.616	MSP	PS-17-03	-	1,005
			Total Highway Safety Cluster	-	55,787
Hazardous Materials Emergency Preparedness Grant	20.703	MSP	HM-HMP-0471-15-01-01	-	1,469
			Total U.S. Department of Transportation	-	2,754,690
<b>U.S. ENVIRONMENTAL PROTECTION AGENCY</b>					
Environmental Quality Great Lakes Beach Water Monitoring	66.472	MDEQ	CU-OOE99307-0	12,863	12,863
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>					
Public Health Emergency Preparedness Programs:					
Hospital Preparedness 10/01/16 - 6/30/17	93.069	MDHHS	U90TP000528	-	105,424
PHEP Ebola Virus Disease Phase II 7/01/17 - 9/30/17	93.069	MDHHS	U90TP000528	-	1,630
				-	107,054
Hospital Preparedness Program (HPP) and PHEP Aligned Cooperative Agreements:					
Hospital Preparedness 7/01/17 - 9/30/17	93.074	MDHHS	NU90TP921906	-	33,502
Immunization Cooperative Agreements:					
Immunization Grants - Immunization Action Plan (IAP)	93.268	MDHHS	NH23IP000752	-	30,839
Immunization Grants - Immunization Action Plan (IAP)	93.268	MDHHS	NH23IP000752	-	10,100
Vaccines (non-cash assistance)	93.268	MDHHS	n/a	-	151,141
				-	192,080
ZIKA Virus Community Support	93.323	MDHHS	NU50CK000369	-	10,000
ZIKA Virus Mosquito Surveillance	93.323	MDHHS	NU50CK000369	-	10,000
				-	20,000
PPHF Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure Immunization Action Plan					
	93.539	MDHHS	6NH23IP000752	-	52,067
Child Support Enforcement (Title IV-D):					
Cooperative Reimbursement Program - Friend of the Court	93.563	MDHHS	CSCOM17-61003	-	2,810,412
Child Support Incentives	93.563	MDHHS	CSCOM17-61003	-	252,280
				-	3,062,692
Procedural Action to Self Sufficiency (PASS)	93.564	MDHHS	HHS-2016-ACF-OCSE-FD-1172	-	74,373
State Access and Visitation Program	93.597	MSC SCAO	SCAO-2017-025	-	3,500
Medicaid Cluster:					
Medical Assistance Program (Medicaid):					
Children's Special Health Care Services (CSHCS):					
Outreach & Advocacy	93.778	MDHHS	1705MI5ADM	-	56,500
CSHCS Medicaid Elevated Blood Lead Case Mgmt	93.778	MDHHS	1705MI5MAP	-	181
				-	56,681

continued...

COUNTY OF MUSKEGON, MICHIGAN

**Schedule of Expenditures of Federal Awards**  
For the Year Ended September 30, 2017

Federal Agency / Cluster / Program Title	CFDA Number	Passed Through	Pass-through / Grantor Number	Total Subawards	Federal Expenditures
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (CONCLUDED)</b>					
HIV Prevention Activities - Health Department Based	93.940	MDHHS	U62PS003671	\$ -	\$ 1,000
Maternal and Child Health Services Block Grant to the States:					
Public Health Functions & Infrastructure	93.994	MDHHS	B04MC30620	-	105,826
Enabling Services Women (fiscal 2016)	93.994	MDHHS	B04MC29348	-	50,000
Enabling Services Women (fiscal 2017)	93.994	MDHHS	B04MC30620	-	10,000
Enabling Services Children	93.994	MDHHS	B04MC29348	-	15,000
Infant Safe Sleep Program	93.994	MDHHS	B04MC30620	-	22,500
Childhood Lead Poisoning Prevention Program	93.994	MDHHS	B04MC30620	-	20,000
				<u>-</u>	<u>223,326</u>
Total U.S. Department of Health and Human Services				<u>-</u>	<u>3,826,275</u>
<b>CORPORATION FOR NATIONAL &amp; COMMUNITY SERVICE</b>					
AmeriCorps Planning Grant	94.006	MDHHS	MACF17-61000	-	70,577
<b>EXECUTIVE OFFICE OF THE PRESIDENT</b>					
High Intensity Drug Trafficking Areas Programs	95.001	MSP/CO	-n/a-	-	3,272
<b>U.S. DEPARTMENT OF HOMELAND SECURITY</b>					
Emergency Management Performance Grant	97.042	MSP	EMC-2017-EP-00001	-	26,734
Homeland Security Grant Program	97.067	WMSRDC	EMW-2015-SS-00333	-	146,730
Total U.S. Department of Homeland Security				<u>-</u>	<u>173,464</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>				<u>\$ 24,470</u>	<u>\$ 8,533,644</u>

concluded

See notes to schedule of expenditures of federal awards.

# COUNTY OF MUSKEGON, MICHIGAN

## Notes to Schedule of Expenditures of Federal Awards

### 1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the County of Muskegon, Michigan (the "County") under programs of the federal government for the year ended September 30, 2017. 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.

The County's reporting entity is defined in Note 1 of the County's Comprehensive Annual Financial Report. The County's financial statements include the operations of the Muskegon County Road Commission, a discretely presented component unit, and HealthWest, a major special revenue fund, which received federal awards that are not included in the Schedule for the year ended September 30, 2017, as these entities were separately audited.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

### 3. RECONCILIATION TO FINANCIAL STATEMENTS

A reconciliation of the amounts presented in the Schedule to the amounts presented in the financial statements is as follows:

Federal revenue as reported in the financial statements:	
Governmental funds	\$ 8,742,242
Enterprise funds:	
Grants and contributions - federal	2,570,921
Capital contributions - federal	598,461
Component units - included in capital grants and contributions	70,577
Amounts expended directly by the Michigan Department of Transportation for the benefit of the County of Muskegon	(471,948)
Amounts received under a vendor relationship	(194,458)
Amounts audited by other auditors	<u>(2,782,151)</u>
Federal expenditures as reported on the Schedule	<u>\$ 8,533,644</u>

# COUNTY OF MUSKEGON, MICHIGAN

## Notes to Schedule of Expenditures of Federal Awards

### 4. 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
MDE	Michigan Department of Education
MDEQ	Michigan Department of Environmental Quality
MDHHS	Michigan Department of Health and Human Services
MDNR	Michigan Department of Natural Resources
MDOT	Michigan Department of Transportation
MSP	Michigan State Police
MSC SCAO	Michigan Supreme Court, State Court Administrative Office
WMSRDC	West Michigan Shoreline Regional Development Corporation

### 5. OTHER FEDERAL REVENUE

The County is an indirect beneficiary of federal funds that are expended directly by the Michigan Department of Transportation. These expenditures (which totaled \$471,948 for the year ended September 30, 2017) are not presented on the Schedule, as they will be included in the single audit for the State of Michigan.



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 14, 2018

Honorable Members of the  
Board of Commissioners  
of the County of Muskegon, Michigan  
Muskegon, 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 the *County of Muskegon, Michigan* (the "County"), as of and for the year ended September 30, 2017, 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 14, 2018. Our report includes a reference to other auditors who audited the financial statements of the Muskegon County Road Commission (a discretely presented component unit) and HealthWest (a major special revenue fund), 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 Muskegon County Road Commission 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.



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

March 14, 2018

Honorable Members of the  
Board of Commissioners  
of the County of Muskegon, Michigan  
Muskegon, Michigan

Report on Compliance for Each Major Federal Program

We have audited the compliance of the *County of Muskegon, 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 programs for the year ended September 30, 2017. The County's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

The County's basic financial statements include the operations of the Muskegon County Road Commission (a discretely presented component unit) and HealthWest (a major special revenue fund), which received federal awards that are not included in the schedule of federal awards. Our audit, described below, did not include the operations of the Muskegon County Road Commission or HealthWest, as those entities engaged other auditors to perform their 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 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, 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 September 30, 2017.

#### 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 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.



# COUNTY OF MUSKEGON, MICHIGAN

## Schedule of Findings and Questioned Costs For the Year Ended September 30, 2017

### SECTION I - SUMMARY OF AUDITORS' RESULTS

#### Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?        yes   X   no

Significant deficiency(ies) identified?        yes   X   none reported

Noncompliance material to financial statements noted?        yes   X   no

#### Federal Awards

Internal control over major programs:

Material weakness(es) identified?        yes   X   no

Significant deficiency(ies) identified?        yes   X   none reported

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

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

Identification of major programs:

#### CFDA Number

#### Name of Federal Program or Cluster

10.557

Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)

93.563

Child Support Enforcement

Dollar threshold used to distinguish between Type A and Type B programs:

\$ 750,000

Auditee qualified as low-risk auditee?

       yes   X   no

# COUNTY OF MUSKEGON, MICHIGAN

## Schedule of Findings and Questioned Costs For the Year Ended September 30, 2017

### SECTION II - FINANCIAL STATEMENT FINDINGS

None noted.

# COUNTY OF MUSKEGON, MICHIGAN

## Schedule of Findings and Questioned Costs For the Year Ended September 30, 2017

### SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None noted.

# COUNTY OF MUSKEGON, MICHIGAN

## ■ Summary Schedule of Prior Audit Findings For the Year Ended September 30, 2017

### 2016-001 - Material Audit Adjustment and Prior Period Adjustment

Adjustments were necessary to record the activity for certain transactions previously being accounted for in an agency fund to the General Fund for amounts that were deemed not fiduciary in nature. In addition, a prior period adjustment was made to correct for unbilled receivables and revenue for September 2015 that were omitted from the prior fiscal year. This issue has been corrected during the current year.

