Macomb County, Michigan

Federal Awards
Supplemental Information
December 31, 2013

Contents

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

Independent Auditor's Report

To the Board of Commissioners
Macomb 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 Macomb County, Michigan (the "County") as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We issued our report thereon dated June 27, 2014 which contained unmodified opinions on those basic financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. We have not performed any procedures with respect to the audited financial statements subsequent to June 27, 2014.

The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Plante & Moran, PLLC

June 27, 2014

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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*

Independent Auditor's Report

To the Board of Commissioners
Macomb 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 Macomb County, Michigan (the "County") as of and for the year ended December 31, 2013, 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 27, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Macomb County, Michigan'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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control that we consider to be a material weakness and other deficiencies that we consider to be significant deficiencies.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as Finding 2013-002 to be a material weakness.

To the Board of Commissioners
Macomb County, Michigan

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as Findings 2013-001 and 2013-003 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Macomb County, Michigan'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.*

Macomb County, Michigan's Responses to Findings

The Macomb County, Michigan's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Macomb County, Michigan's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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.

Plante & Moran, PLLC

June 27, 2014

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Report on Compliance for Each Major Federal Program;
Report on Internal Control Over Compliance

Independent Auditor's Report

To the Board of Commissioners
Macomb County, Michigan

Report on Compliance for Each Major Federal Program

We have audited Macomb County, Michigan's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2013. Macomb County, Michigan's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Macomb County, Michigan'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 Macomb County, Michigan'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 Macomb County, Michigan's compliance.

To the Board of Commissioners
Macomb County, Michigan

Opinion on Each Major Federal Program

In our opinion, Macomb County, Michigan complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2013.

Report on Internal Control Over Compliance

Management of Macomb County, Michigan 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 Macomb County, Michigan'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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be amaterial weakness and other deficiencies that we consider to be significant deficiencies.

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 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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as Finding 2013-004 to be a material weakness.

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as Finding 2013-005 to be a significant deficiency.

To the Board of Commissioners
Macomb County, Michigan

Macomb County, Michigan's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs and/or corrective action plan. Macomb County, Michigan's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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.

Plante & Moran, PLLC

June 27, 2104

Macomb County, Michigan

Schedule of Expenditures of Federal Awards
Year Ended December 31, 2013

Federal Agency/Pass-through Entity/Program Title	Federal CFDA Number		Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE:			
Passed through State Department of Community Health:			
WIC - Special Supplemental Nutrition For Infants And Children	10.557		1,719,628
WIC - Breastfeeding Peer Counselor	10.557		41,872
Passed Through State Department of Education:			
Head Start - Children Meals Program	10.558		403,254
National School Lunch - After School Snack	10.555	(1)	15,958
National School Breakfast	10.553	(1)	52,295
National School Lunch	10.555	(1)	82,025
USDA Commodities - Food Donations	10.555	(1)	19,429
TEFAP Surplus Food Distribution Emergency Food Assist. -Admin	10.568	(2)	156,682
TEFAP - Commodities	10.569	(2)	920,868
Passed through State Department of Labor And Economic Growth:			
Food Assistance & Employment Training - Operations	10.561	(3)	153,927
Food Assistance & Employment Training - Support Services	10.561	(3)	260
Total U.S. Department of Agriculture			3,566,198
NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION:			
Direct program:			
Clinton River Spillway Habitat Restoration Planning and Design	11.463		245,299
Total National Oceanic and Atmospheric Administration			245,299
U.S. DEPARTMENT OF HUD:			
Direct programs:			
Neighborhood Stabilization Program-3 (B-11-UN-26-0003)	14.218	(4)	1,770,440
Neighborhood Stabilization Program-1 (B-08-UN-26-0003)	14.218	(4)	222,464
Community Development Block Grant (B-11-UC-26-0005)	14.218	(4)	465,642
Community Development Block Grant (B-12-UC-26-0005)	14.218	(4)	900,752
HUD Homeless	14.235		19,199
Home Investment Partnership # M-11-DC-26-0209	14.239		112,438
Home Investment Partnership # M-010-DC-26-0209	14.239		714,772
Home Investment Partnership # M-08-Dc-26-0209	14.239		201,174
Home Investment Partnership # M-09-DC-26-0209	14.239		1,294,671
Hud Grants Passed through other than State:			
CSA Chore Services - Cities	14.218	(4)	111,424
Total U.S. Department of HUD			5,812,976

Federal Agency/Pass-through Entity/Program Title	Federal CFDA Number		Federal Expenditures
U.S. DEPARTMENT OF JUSTICE:			
Direct programs:			
Drug Forfeitures	16.922		1,595,048
JAG #2012-DJ-BX-0275	16.738	(5)	9,984
JAG #2011-DJ-BX-2601	16.738	(5)	11,627
JAG #2010-DJ-BX-1104	16.738	(5)	1,324
2009 COPS Technology Grant	16.710		500,000
Passed through State Family Independence Agency -			
Juvenile Accountability Incentive Block Grant	16.523		38,568
Passed Through State Department Of Community Health:			
Anti-drug Abuse	16.738	(5)	61,120
Street Level Enforcement Team	16.738	(5)	70,104
Domestic Violence Victim Advocate	16.575		157,397
Total U.S. Department of Justice			2,445,172
OFFICE OF NATIONAL DRUG CONTROL POLICY:			
Michigan Department of State Police -			
High Intensity Drug Trafficking Area Program (HIDTA)	07.000		90,000
Total Office of National Drug Control Policy			90,000
U.S. DEPARTMENT OF LABOR:			
Passed through State Department of Energy, Labor, And Economic Growth:			
Wagner - Peyser - 7A - Employment Services	17.207	(6)	1,476,934
Workforce Investment Act - Adult	17.258	(7)	4,519,863
Workforce Investment Act - Dislocated Workers	17.278	(7)	3,104,692
Workforce Investment Act - Youth	17.259	(7)	2,938,974
WIA Statewide Activities - Mich Works Services Center	17.258	(7)	59,957
WIA Statewide Activities - Mich Works Services Center	17.259	(7)	64,118
WIA Statewide Activities - Mich Works Services Center	17.278	(7)	65,064
WIA Statewide - Capacity Building	17.258	(7)	25,130
WIA Statewide - Capacity Building	17.259	(7)	26,910
WIA Statewide - Capacity Building	17.278	(7)	33,552
Trade Adjustment Assistance	17.245		2,339,898
WIA - Local Admin	17.258	(7)	194,534
WIA - Local Admin	17.259	(7)	209,651
WIA - Local Admin	17.278	(7)	244,634
Trade Adjustment Assistance - Survey Equipment	17.245		24,700
WIA Dislocated Worker State Adjustment	17.278	(7)	1,817,900
Emergency Unemployment Compensation	17.225		927,854
WIA DW NEG -OJT	17.277		201,803
Trade Adjustment Assistance - Employer Based Training Foundation	17.245		444,742
Trade Adjustment Assistance - 2002	17.245		809,479
ARRA - SESP - Macomb Solar	17.275		188,210
ARRA - WIA - SESP - Macomb Advanced Energy Storage	17.275		257,077
Passed through State Office Of Services To The Aging:			
Senior Comm Service Employment Program	17.235		663,297
Direct programs:			
Aging Worker Initiative	17.268		47,895
Job Innovation Accelerator Challenge	17.268		219,265
Total U.S. Department of Labor			20,906,133

Federal Agency/Pass-through Entity/Program Title	Federal CFDA Number		Federal Expenditures
U.S. DEPARTMENT OF TRANSPORTATION:			
Passed through Michigan Department of State Police:			
Drive Michigan Safety Task Force PT-12-14	20.600	(8)	211,245
Hazardous Materials Emerg Preparedness	20.703		9,792
Passed through Michigan Department of Transportation:			
Highway Planning and Construction Cluster	20.205	(9)	2,883,967
Macomb Orchard Trail Phase II & III	20.205	(9)	13,164
Passed through State Department of Energy, Labor, and Economic Growth -			
Road Construction Apprenticeship Readiness (MSC11-RCAR4)	20.205	(9)	197
Total U.S. Department of Transportation			3,118,365
U.S. SMALL BUSINESS CENTER:			
SBA Incubator II	59.Unknown		34,070
Total U.S. Small Business Center			34,070
U.S. ENVIRONMENTAL PROTECTION AGENCY:			
Passed through Michigan Department of Environmental Quality:			
Beach Monitoring and Notification	66.472		8,804
Great Lakes Restoration Initiative - Beach Modeling	66.469		41,821
Non-Community (TYPE II) Water Supply Requirements	66.471		2,188
State Clean Water Revolving Fund Loan #5487-01	66.458		1,782,690
Passed through Michigan Department of Agriculture:			
Clean Sweep Pesticide Collection Program	66.469		9,366
Great Lakes Restoration Initiative - Rapid Water Testing	66.469		31,594
Direct programs:			
Lake St. Clair Coastal Marshland Restoration	66.469		725,577
Great Lakes Restoration Initiative - Household Hazardous Waste	66.469		23,683
Great Lakes Restoration Initiative - Illicit Discharge Elimination	66.469		37,265
Total U.S. Environmental Protection Agency			2,662,988
U. S. DEPARTMENT OF ENERGY:			
Passed Through Michigan Family Independence Agency:			
Weatherization	81.042		241,360
ARRA - Weatherization	81.042		628,550
Total U.S. Department of Energy			869,910

Macomb County, Michigan

Schedule of Expenditures of Federal Awards (Continued)
Year Ended December 31, 2013

Federal Agency/Pass-through Entity/Program Title	Federal CFDA Number		Federal Expenditures
U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES:			
Direct program:			
Head start	93.600		6,815,256
Passed through Area Agency On Aging 1-B:			
Senior Citizen Chore Services	93.044	(10)	62,548
Title III Outreach/Resource Advocacy	93.044	(10)	73,154
Legal Assistance	93.044	(10)	31,526
Home Injury Control	93.044	(10)	15,055
Evidence Based Disease Prevention/Health Promotion	93.043		7,200
Congregate Nutrition Programs	93.045	(10)	322,754
Home Delivered Meals	93.045	(10)	685,047
Home Delivered Meals - NSIP	93.053	(10)	264,060
Congregate Nutrition Program - NSIP	93.053	(10)	54,435
Dementia Adult Day Services	93.044	(10)	19,334
Passed through State Department Of Community Health:			
MITURN Homeless Project	93.150		65,200
Bioterrorism - Focus A Program #1590	93.069		266,870
Macomb Homeless Project - (PATH)	93.150		38,200
Supported Employment	93.958		59,658
Detroit Metro Learning Collaborative	93.994		3,512
Family Planning - General Services	93.217		140,302
Immunizations - IAP	93.268		329,370
Cities Readiness Initiative	93.069		164,100
AIDS / HIV Prevention	93.940		70,282
Integrated Healthcare	93.958		127,003
Local Mch Program - Family Planning	93.994		189,488
Medicaid Outreach Activities Reimbursement	93.778	(11)	49,927
Alcohol/Drug Abuse Mental Health Block Grant	93.959		3,388,519
OBRA Assessment	93.778	(11)	324,749
Fetal Infant Mortality Review	93.994		4,051
FDA Tobacco Retailer Inspections	93.058		8,038
Adjusted Value of Federally Funded Vaccines	93.268		1,565,204
CSHCS Outreach Advocacy	93.778	(11)	113,000
Passed through State Family Independence Agency:			
Cooperative Reimbursement Program-Incentive	93.563		1,019,676
Prosecuting Attorney - Child Support Enforcement	93.563		724,741
Friend Of The Court - IV D Program	93.563		4,328,245
CAA Administration	93.569		179,289
General Community Programming	93.569		1,003,618
LIHEAP-LCA Deliverable Fuels	93.568		19,726
CSBG - Discretionary EITC	93.569		20,000
Passed through State Department of Energy, Labor, and Economic Growth:			
Workfirst TANF - Jobs Education and Training	93.558	(12)	4,191,866
Workfirst TANF - JET - Supportive Services	93.558	(12)	25,000
DHS Chafee Funding Foster Care Summer	93.674		75,935
TANF - Refugee	93.558	(12)	228,333
Passed through State Court Administrative Office:			
Access And Visitation Grant	93.597		11,610
Total U.S. Department of Health And Human Services			27,085,881

Schedule of Expenditures of Federal Awards (Continued)
Year Ended December 31, 2013

Federal Agency/Pass-through Entity/Program Title	Federal CFDA Number		Federal Expenditures
U.S. DEPARTMENT OF HOMELAND SECURITY:			
Passed through Michigan Department of State Police:			
Emergency Management Performance Grant - 2013	97.042		35,281
Emergency Management Performance Grant - 2012	97.042		6,926
Emergency Management Performance Grant - 2011 Supplemental	97.042		8,962
Emergency Management Performance Grant - 2010 Supplemental	97.042		3,226
2010 Citizen Corps. Program	97.067	(13)	12,113
2010 Homeland Security Grant - SHSP	97.067	(13)	844,236
2010 Homeland Security Grant - UASI	97.067	(13)	9,342,692
2010 Operation Stonegarden	97.067	(13)	131,591
2010 Emergency Operations Center	97.052		250,000
2011 Homeland Security Grant - SHSP	97.067	(13)	145,896
2011 Homeland Security Grant - UASI	97.067	(13)	3,104,024
2011 Homeland Sec - Operation Stonegarden	97.067	(13)	36,335
2011 Homeland Sec. - Citizens Corps Prgm	97.067	(13)	21,865
2012 Homeland Security Grant - SHSP	97.067	(13)	69,291
2012 Homeland Security Grant - UASI	97.067	(13)	874,896
Passed through United Way:			
Emergency Food & Shelter	97.024		162,245
Total U.S. Department of Homeland Security			15,049,579
Total federal awards			**$ 81,886,571**

(1)	Denotes the Child Nutrition Cluster	$ 169,707
(2)	Denotes the Food Distribution Cluster	1,077,550
(3)	Denotes the Supplemental Nutrition Assistance Program Cluster	154,187
(4)	Denotes the Community Development Block Grant Entitlement Cluster	3,470,722
(5)	Denotes the Justice Assistance Grant Cluster	154,159
(6)	Denotes the Employment Services Cluster	1,476,934
(7)	Denotes the Workforce Investment Act Cluster	13,304,979
(8)	Denotes the Highway Safety Cluster	211,245
(9)	Denotes the Highway Planning and Construction Cluster	2,897,328
(10)	Denotes the Aging Cluster	1,527,913
(11)	Denotes the Medicaid Cluster	487,676
(12)	Denotes the TANF Cluster	4,445,199
(13)	Denotes the Homeland Security Cluster	14,582,939

Note 1 - Basis of Presentation and Significant Accounting Policies

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Macomb County, Michigan under programs of the federal government for the year ended December 31, 2013. Expenditures reported on the Schedule are reported on the same basis of accounting as the basic financial statements, although the basis for determining when federal awards are expended is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. In addition, expenditures reported on the Schedule are recognized following the cost principles contained in OMB Circular A-87, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Because the Schedule presents only a selected portion of the operations of Macomb County, Michigan, it is not intended to, and does not, present the financial position, changes in net position, or cash flows, if applicable, of Macomb County, Michigan. Pass-through entity identifying numbers are presented where available.

Note 2 - Noncash Assistance

The value of the noncash assistance received was determined in accordance with the provisions of OMB Circular A-133.

Summary of Noncash Assistance - The grantee received the following noncash assistance during the year ended December 31, 2013 that is included on the schedule of expenditures of federal awards:

Federal Program	CFDA Number	Description	Amount
USDA Commodities (Food Donations)	10.555	Food donations	$ 19,429
TEFAP Commodities	10.569	Food donations	920,868
		Total	$ 940,297

Note 3 - Subrecipient Awards

Of the federal expenditures presented in the schedule, federal awards were provided to subrecipients as follows:

Federal Program Title	CFDA Number	Amount Provided to Subrecipients
Food Assistance & Employment Training	10.561	$ 127,363
Community Development Block Grant Entitlement Cluster	14.218	1,272,140
Justice Assistance Grant Cluster	16.738	9,984
Workforce Investment Cluster	17.258/17.259/17.278	1,731,280
Drive Michigan Safety Task Force	20.600	145,996
SBA Incubator	59.Unknown	24,570
Alcohol/Drug Abuse Mental Health Block Grant	93.959	2,813,534
TANF Cluster	93.558	757,625
DHS Chafee Funding Foster Care Summer	93.674	26,916
Homeland Security Cluster	97.067	12,321,822
Total		$ 19,231,230

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? __X__ Yes ______ No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? __X__ Yes ______ None reported

Noncompliance material to financial statements noted? ______ Yes __X__ No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? __X__ Yes ______ No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? __X__ Yes ______ None reported

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

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

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
17.258, 17.259, 17.278	WIA Cluster
17.275	Program of Competitive Grants for Worker Training and Placement in High Growth and Emerging Industry Sectors
81.042	Weatherization Assistance for Low Income Persons
93.600	Head Start
93.563	Child Support Enforcement
97.067	Homeland Security
14.218	Community Development Block Grant Entitlement Cluster
20.205	Highway Planning and Construction Cluster

Dollar threshold used to distinguish between type A and type B programs: $2,456,597

Auditee qualified as low-risk auditee? ______ Yes __X__ No

Section II - Financial Statement Audit Findings

Reference Number	Finding
2013-001	**Finding Type** - Significant deficiency

Criteria - The County is required to present its comprehensive annual financial report (CAFR) in accordance with generally accepted accounting principles (GAAP) as applicable to governmental entities.

Condition - Instances of non-GAAP accounting methods were identified during the course of the financial statement audit, including appropriate capitalization of costs related to infrastructure and presentation of the related grant revenue, revenue recognition for property taxes levied for a future year and other inappropriate deferred inflow treatment on the full accrual basis, appropriate valuation of alternative investments, recognition of special assessment accounts receivable and unearned revenue, and recognition of debt related to the Oakland Macomb Interceptor project.

Context - These adjustments were significant but did not rise to the level of being material for any opinion unit. The more significant adjustments related to unusual matters or the first time implementation of a new accounting standard.

Cause - These related to unusual or newly occuring transactions that the County was not previously accustomed to addressing.

Effect - The unusual nature of these matters gave rise to the misstatement of certain balances at the onset of the financial statement audit. The potential effect is that a significant misstatement could go undetected in the financial statements.

Recommendation - We recommend that the County review the accounting principles applied to significant transaction cycles to ensure that they are in accordance with GAAP.

Views of Responsible Officials and Planned Corrective Actions - The items listed above were discovered and corrected during the course of the 2013 audit. Thorough discussion with the departments impacted by these items, changes have occurred. Financial data will be requested earlier to assure the accuracy of the information being reported. In-depth review of accounting principles will be conducted and applied to significant transaction cycles to ensure that they are in accordance with GAAP.

Section II - Financial Statement Audit Findings (Continued)

Reference Number	Finding
2013-002	**Finding Type** - Material weakness

Criteria - In order to protect against unintentional or intentional corruption or loss of data, the County should have appropriate controls over information technology.

Condition - Certain individuals with administrative access also had the ability to post journal entries in IFAS (the County's main general ledger system) and Information Consulting Solutions (the financial accounting system used by the Drainage District component unit) for more than half of the year under audit. In addition, certain key environmental controls were not present in either system.

Context - An appropriate system of internal controls over information technology helps to ensure the integrity of data and protect it from unintentional or intentional misstatements, in addition to aiding in the operational efficiency of the County.

Cause - Appropriate controls were not in place in these two systems for a majority of the year to sufficiently address segregation of duties and environmental controls.

Effect - Lack of appropriate controls could result in loss of data, business interruption, or manipulation of financial statement data resulting in potentially material errors in the financial statements.

Recommendation - We recommend that the County and Drainage District implement environmental controls to mitigate the risk of data loss due to hardware damage or malfunction. We also recommend that the County and Drainage District limit those with administrative access to the system from the ability to post journal entries to the financial records. Finally, we recommend that the County and Drainage District institute a system of periodic review of IT controls, including segregation of duties, environmental controls, and backup systems in order to provide appropriate safeguards over data.

Views of Responsible Officials and Planned Corrective Actions - The security profiles of the individuals who had the ability to post journal entries in the County's main general ledger system were changed in 2013 to remove journal entry posting capabilities. Discussions were held with officials of the Drainage District component unit to explore the administrative changes necessary to ensure compliance with this finding. The county completed construction of a new data center that will ensure network redundancy.

Section II - Financial Statement Audit Findings (Continued)

Reference Number	Finding
2013-003	**Finding Type** - Significant deficiency

Criteria - GAAP requires all expenditures and expenses to be recorded in the various funds at the time they are incurred. To the extent that such items are not paid before year end, an accounts payable liability should be recorded.

Condition - The County's procedures to record accounts payable in the Martha T. Berry Fund did not consistently identify unpaid obligations at year end.

Context - Some of the items were for service periods that crossed over the year-end, in which case an allocation of the expense to accounts payable would be required. The net impact of the errors identified would result in an increase of expenses of approximately $96,000.

Cause - Lack of an effective review of services performed before year end and invoices received after year end to ensure that all significant items have been recorded in the appropriate period.

Effect - At year end the County's liabilities for Martha T. Berry Fund were understated by the amount of unrecorded accounts payable items. The lack of an effective review could result in potentially significant errors in the financial statements.

Recommendation - We recommend that the County perform a more detailed search for unrecorded liabilities at year end for the Martha T. Berry Fund.

Views of Responsible Officials and Planned Corrective Actions - Methods of review were put in place for a thorough analysis of accounts payable and other potential unrecorded liabilities at year end. This included notifications to departments as well as review by finance staff of documents sent to the finance department for processing. The item listed above pertained to a department that is responsible for entering its own accounts payable and retaining all documents. Finance management will again discuss this issue with the department and stress the importance of performing a detailed search of unrecorded liabilities at year end.

Section III - Federal Program Audit Findings

Reference Number	Finding
2013-004	**Program Name** - Drug Forfeitures (CFDA 16.922), Head Start - Children Meals (CFDA 10.558), Dementia Adult Day Services (CFDA 93.044), Community Development Block Grant Entitlement Cluster (CFDA 14.218)

Pass-through Entity - State Department of Education (for Head Start - Children Meals only, CFDA 10.558), Area Agency on Aging 1-B (for Dementia Adult Day Services only, CFDA 93.044)

Finding Type - Material weakness

Criteria - OMB Circular A-133 requires organizations to properly reflect federal expenditures in the schedule of expenditures of federal awards (SEFA).

Condition - The original SEFA required adjustments related to expenditures and other transactions that occurred at year end, resulting in revisions to correct the SEFA. The expenditures presented on the SEFA for Head Start - Children Meals (CFDA 10.558) were adjusted by $49,128, as a result of the initial SEFA being overstated. Additionally, expenditures of $287,174 related to Drug Forfeitures (CFDA 16.922) and $19,334 related to Dementia Adult Day Services (CFDA 93.044) were omitted from the SEFA before being properly adjusted. Also, expenditures of $1,992,904 related to the Community Development Block Grant Entitlement Cluster (CFDA 14.218) were assigned an in-accurate CFDA number. The adjustments were made as a result of either expenditures that were related to a subsequent period that were included on the SEFA or as a result of expenditures not identified and reported on the SEFA at the correct amount or under the correct CFDA number.

Questioned Costs - None

Context - The adjustments made to the expenditures reported on the schedule of expenditures of federal awards did directly affect major program determination.

Cause and Effect - Internal control procedures over determining which expenditures should be reported on the SEFA did not operate effectively. This resulted in the County's schedule of expenditures of federal awards provided to the auditors being inaccurate on a program and total expenditure basis.

Recommendation - Internal control procedures should be initiated and enforced to ensure the proper expenditures are reported in the schedule of expenditures of federal awards.

Section III - Federal Program Audit Findings (Continued)

Reference Number	Finding
2013-004 (Cont'd)	**Views of Responsible Officials and Planned Corrective Actions** - Finance discovered these expenditure omissions and corrected them during the 2013 audit. Requests for information will be required from departments earlier to allow for thorough review and analysis to assure all expenditures are captured. Finance has also implemented an additional comparative analysis process. CFDA numbers will be thoroughly reviewed to assure the correct number is being used.

Reference Number	Finding
2013-005	**Program Name** - Child Support Enforcement (CFDA 93.563)

Pass-through Entity - State Family Independence Agency

Finding Type - Significant deficiency

Criteria - Per A-87, whereby employees are expected to work solely on a single federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semiannually and will be signed by the employee or supervisory official having first-hand knowledge of the work performed by the employee.

Condition - There are 11 employees that spent 100 percent of their time on child support enforcement activities. As per A-87, the County did obtain certifications that the employees spent 100 percent of their time on child support activities but these certifications were done for the entire 12-month period. The minimum frequency of semiannually was not met.

Questioned Costs - None

Context - 11 employees worked solely on the Child Support Enforcement grant. These employees did not have semiannual certifications stating that they worked solely on the grant. However, the County did maintain certifications that these employeed did work entirely on the grant for the 12-month period resulting on no questioned costs.

Cause and Effect - The County did not have controls in place to ensure that certifications were prepared at least semiannually.

Section III - Federal Program Audit Findings (Continued)

Reference Number	Finding
2013-005 (Cont'd)	**Recommendation** - The County should implement controls to ensure that payroll certifications for employees who spend 100 percent of their time on child support activities are performed, at least semianually. **Views of Responsible Officials and Planned Corrective Actions** - The department has been notified of this requirement to assure certifications are prepared at least semiannually and signed by the employee or supervisory official having first-hand knowledge of the work performed by the employee.

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1201 E. 10th Street
Jeffersonville, Indiana 47132

Re: County of Macomb, Michigan
Status of Prior Audit Findings (December 2012)
December 31, 2013 OMB Circular Audit A-133

2012-01: Lack of Internal Controls over Financial Reporting

The County is required to present its comprehensive annual financial report (CAFR) in accordance with generally accepted accounting principles (GAAP) as applicable to governmental entities. Instances of non-GAAP accounting methods were identified during the course of the financial statement audit, including appropriate capitalization of costs related to infrastructure, allocation of the net OPEB liability to all funds with eligible employees or retirees, revenue recognition for special assessments on the modified and full-accrual bases, revenue recognition for accounts receivable collected outside the County's period of availability, and appropriate valuation of alternative investments.

Status: These have all been corrected.

2012-02: Lack of Appropriate Segregation of Duties and Controls over IT Systems

In order to protect against unintentional or intentional corruption or loss of data, the County should have appropriate controls over information technology. Certain individuals with administrative access also have the ability to post journal entries in IFAS (the County's main general ledger system) and Information Consulting Solutions (the financial accounting system used by the Drainage District component unit). In addition, certain key environmental controls are not present in either system.

Status: The security profiles of the individuals who had the ability to post journal entries in the county's main general ledger system have been changed to remove journal entry posting capabilities. Officials at the Drainage District Component Unit continue to explore and evaluate the administrative changes necessary to ensure compliance with this finding. The County opened a new data center that in 2013 will ensure network redundancy.

2012-03: Lack of Appropriate Recognition of Expenditures and Expenses in the Period Incurred

GAAP requires all expenditures and expenses to be recorded in the various funds at the time they are incurred. To the extent that such items are not paid before year end, an accounts payable liability should be recorded. The County's procedures to record accounts payable did not consistently identify the County's unpaid obligations at year end.

Status: Methods of review have been put into place to ensure a more thorough review of accounts payable and other potential unrecorded liabilities at year-end. This will include notifications to departments as well as filling a professional position in the Finance department that will review documents sent to the Finance Department for processing to further ensure that expenses are charged to the proper periods.

2012-04: Preparation of the Schedule of Expenditures of Federal Awards (SEFA) (repeat finding)

PROGRAM: Workforce Investment Act Cluster - Includes ARRA (CFDA 17.258/17.259/17.260/17.278), Drug Forfeiture (CFDA 16.922), and Highway Safety Cluster - Includes ARRA (CFDA 20.205)

The SEFA included adjustments related to expenditures and other transactions that occurred at year end, resulting in revisions to correct the SEFA. The expenditures presented on the SEFA for WIA Cluster (CFDA 17.258/17.259/17.278/17.260) was adjusted by $1,817,900, as a result of the initial SEFA being overstated. Additionally, expenditures of $3,085,148 related to the Highway Safety Cluster (CFDA 20.205) and $60,069 related to Federal Forfeitures (CFDA 16.922) were omitted from the SEFA. The adjustments were made as a result of either expenditures that were related to a subsequent period that were included on the SEFA or as a result of expenditures not identified and reported on the SEFA.

Status: The Department of Roads was previously reviewed under a separate audit resulting in the omission of this program on the County's SEFA. The Highway Safety Cluster is now combined with all other federal programs on the County SEFA. In addition, the staff responsible for the Federal Forfeitures has been notified that these expenditures must be included on the SEFA. The reporting period of the Workforce Investment Act Cluster was changed during the 2012 audit. The amounts reported on the initial documents presented to the auditors represented the expenditures for the fiscal period used in prior years. The staff responsible for preparing the documents for the SEFA are now aware of the appropriate time period. This finding is partially resolved in that the 2013 audit identified adjustments at year end which affected the federal expenditures relative to Federal drug forfeiture funds. The finding has been included in the 2013 report as a repeat finding.

2012-05: Suspended and Debarred Parties (repeat finding)

PROGRAM: Community Development Block Grant Entitlement Cluster - Includes ARRA (CFDA 14.218/14.253) and Homeland Security (CFDA 97.067)

The County did not receive the required suspension and debarment certifications for certain subawards and contracts made under the CDBG Entitlement Grant and all subawards and one contract made under the Homeland Security Grant.

Status: A letter was sent to all departments in the county instructing them to conduct a review of the Suspension and Debarment list to assure vendors and sub recipients are not included on this list. Steps are in place to begin including a written certification from vendors and sub recipients that they are not suspended or disbarred from participating the Federally funded programs.

2012-06: Subrecipient Monitoring

PROGRAM: Homeland Security (CFDA 97.067)

The County passed through approximately $1.5 million to various communities during fiscal year 2012. The County did not communicate that the funds were federal and that the communities are subject to OMB Circular A-133 requirements. Subsequently, as a result of the audit findings, the County sent out a communication to all communities informing them that they were in receipt of federal funds awarded under CFDA # 97.067.

Status: A letter was been sent to all departments in the county instructing them they must notify in writing to all sub-recipients that the funding source for the expenditures are from federal grants. This may require them to obtain a single audit in accordance with Circular A-133. Steps are in place to begin including this language in future contracts.

County of Macomb, Michigan
Federal Awards Corrective Action Plan
December 31, 2013

Federal Audit Clearing House
1201 E. 10th Street
Jeffersonville, Indiana 47132

Finding Number	Responsible Person	Management Views	Corrective Action	Anticipated Completion Date
2013-004	Tom Gaeschke	Management agrees with the finding and the recommendation	Finance discovered these expenditure omissions and corrected them during the 2013 audit. Requests for information will be required from departments earlier to allow for thorough review and analysis to assure all expenditures are captured. Finance has also implemented an additional comparative analysis process. CFDA numbers will be thoroughly reviewed to assure the correct number is being used.	June 2014
2013-005	Suzy Caporuscio	Management agrees with the finding and the recommendation	The department has been notified of this requirement to assure certifications are prepared at least semiannually and signed by the employee or supervisory official having first-hand knowledge of the work performed by the employee.	June 2014

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June 27, 2014

To the Macomb County Board
of Commissioners
County of Macomb, Michigan

We have audited the financial statements of the County of Macomb (the "County") as of and for the year ended December 31, 2013 and have issued our report thereon dated June 27, 2014. Professional standards require that we provide you with the following information related to our audit which is divided into the following sections:

Section I - Required Communications with Those Charged with Governance

Section II - Legislative and Other Updates

Section I includes information that current auditing standards require independent auditors to communicate to those individuals charged with governance. We will report this information annually to the Board of Commissioners of the County. Section II presents updates on current legislative and accounting matters impacting the County.

In addition to the comments and recommendations in this letter, our observations and comments regarding the County's internal control, including any significant deficiencies or material weaknesses that we identified, have been reported to you in the 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*. This report is included in the supplemental schedule of expenditures of federal awards and we recommend that the matters we have noted there receive your careful consideration.

We would like to take this opportunity to thank the County's staff for the cooperation and courtesy extended to us during our audit. Their assistance and professionalism are invaluable.

This report is intended solely for the use of the Board of Commissioners and management of the County and is not intended to be and should not be used by anyone other than these specified parties.

To the Macomb County Board
of Commissioners
County of Macomb, Michigan

June 27, 2014

We welcome any questions you may have regarding the following communications and we would be willing to discuss any of these or other questions that you might have at your convenience.

Very truly yours,

Plante & Moran, PLLC

David W. Herrington

David W. Herrington

Lisa C. Manetta

Lisa C. Manetta

To the Macomb County Board
of Commissioners
County of Macomb, Michigan

June 27, 2014

Section I - Required Communications with Those Charged with Governance

Our Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated January 17, 2014, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities. Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement.

As part of our audit, we considered the internal control of the County. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

Our audit of the County of Macomb's financial statements has also been conducted in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. Under *Government Auditing Standards*, we are obligated to communicate certain matters that come to our attention related to our audit to those responsible for the governance of the County, including compliance with certain provisions of laws, regulations, contracts, grant agreements, certain instances of error or fraud, illegal acts applicable to government agencies, and significant deficiencies in internal control that we identify during our audit. Toward this end, we issued a separate letter dated June 27, 2014 regarding our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on April 28, 2014.

To the Macomb County Board
of Commissioners
County of Macomb, Michigan

June 27, 2014

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the County are described in Note 1 to the financial statements.

As described in Note 14, the County adopted the provisions of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Accordingly, the accounting change has been retrospectively applied to prior periods presented as if the policy has always been used.

As described in Note 1, the County has a December 31 fiscal year end but reports numerous funds on a September 30 basis. No authoritative accounting principles have been issued that would specifically allow different year ends to be utilized for funds within a primary government. However, management believes that the discussion in GASB Statement No. 14, which allows component units to be included on a different year end than the primary government, is analogous and that the standard is relevant to the County's circumstances and would support the inclusion of funds with a year end other than December 31. We discussed the accounting for this treatment with management and believe the method selected is acceptable in this circumstance.

We noted no transactions entered into by the County during the year for which there is a lack of authoritative guidance or consensus.

There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

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.

Management's estimate of the OPEB liability is based on the annual required contribution as calculated by an actuary and is allocated to different funds based on their relative number of active employees. Management's estimate of potential property tax refunds as a result of appeals to the Michigan tax tribunal (MTT) is based on historical collections from the type of entity involved (i.e., governmental agency versus private individual). Management's estimate of claims liability for litigation ongoing at year end is based on evaluation of the unique circumstances of the individual case, historical outcomes of similar cases, and advice of legal counsel. Management's estimate of workers' compensation claims at year end is based on evaluation of the unique circumstances of the individual case and advice of the claims administrator. We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

The Macomb County Employees' Retirement System and the County Retiree Health Care Plan hold investments in non-traditional investment vehicles (common collective trusts, venture capital, and limited partnerships) which are not actively traded on an open market. The County has valued these investments based on market values provided by the investment custodians. We have performed tests of the estimates by reviewing the audited financial statements of the non-traditional investment vehicles to satisfy ourselves as to the reasonableness in relation to the financial statements.

The disclosures in the financial statements 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.

Disagreements with Management

For the purpose 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.

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.

None of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole. The attached schedules summarize uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Significant Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the County, and business plans and strategies that may affect the risks of material misstatement with management each year prior to retention as the County's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition of our retention.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated June 27, 2014.

Other Information in Documents Containing Audited Financial Statements

Our responsibility for other information in documents containing the entity's financial statements and report does not extend beyond the financial statements. We do not have an obligation to determine whether or not such other information is properly stated. However, we read the introductory and statistical sections of the County's Comprehensive Annual Financial Report and nothing came to our attention that caused us to believe that such information, or its manner of presentation, is materially inconsistent with the information or manner of its presentation appearing in the financial statements.

Section II - Legislative and Other Updates

New Pension Standards

Beginning with the County's December 31, 2014 year end, two new accounting standards issued by the Governmental Accounting Standards Board (GASB) will significantly impact the County's financial statements. GASB Statement No. 67, *Financial Reporting for Pension Plans,* and GASB Statement No. 68, *Accounting and Financial Reporting for Pensions,* significantly revise the current accounting and reporting requirements for pensions, both from an employer perspective as well as from a plan perspective.

Employers providing defined benefit pensions to its employees must now recognize their unfunded pension benefit obligation as a liability for the first time, and must more comprehensively and comparably measure the annual costs of pension benefits. The Statements also enhance accountability and transparency through revised and expanded note disclosures and required supplementary information (RSI). As a result of implementing these two new standards, the County's net pension asset will be replaced by a net pension liability, resulting in a significant impact to the County's governmental and business-type activities. In addition, the County will also have to determine if the annual required contributions should be calculated using the assumption stipulated by GASB Statement No. 67 or if the actuary should continue to calculate the funding requirements using the same assumptions used in recent years.

Significant coordination between the County, the actuary, and Plante & Moran, PLLC will be required in order to implement these pronouncements effectively. Statement No. 67 is required to be adopted for the County's December 31, 2014 year end and GASB Statement No. 68 one year later. We are happy to work with the County over the next two years to ensure smooth implementations of the new standards. We would also encourage County personnel to view the free webinars available on Plante & Moran, PLLC's website, if you have not already so.

Revenue Sharing

The State's FY 2013-2014 budget agreement brought forth many changes to each of the three categories with the most dramatic change to the newly titled Category 3: Unfunded Accrued Liability Plan. Category 3 is the only remaining deadline for the 2013-2014 State budget year. Below are the new requirements for Category 3:

Category 3 - Unfunded Accrued Liability Plan (UALP) - Due Date 6/1/2014

If the most recent audited financial report includes unfunded accrued liabilities for employee pensions or other postemployment benefits, a plan to lower all unfunded accrued liabilities must be completed with the following elements:

- Listing of all previous actions taken to reduce unfunded accrued liabilities. This should include an estimated cost savings.
- Detailed plan of how the previous actions will continue to be implemented and maintained
- A list of additional actions that could be taken
- In the event that no actions have been taken to reduce the liabilities, an explanation as to why this is the case and what potential actions could be taken
- Note that any actuarial assumption changes and issuance of debt do not qualify as a new proposal
- The plan shall be readily available in the clerk's office or posted on a publicly accessible website. In addition, the entity should certify with the Department of Treasury that the plan is publicly available.
- If there are no unfunded accrued liabilities, the unit must certify to the Department of Treasury by the deadline and explain why none exist.

Governor Snyder's 2014-2015 Proposed Budget Plans for Revenue Sharing

Governor Snyder's 2014-2015 budget proposal was announced in early February 2014. The revenue sharing "pot" available to counties for 2014-2015 would total $211.2 million and would be distributed as follows:

Amount	Description
$169.0 M	County revenue sharing
$ 42.2 M	County incentive program

Incentive Program Best Practices - There are two best practice "paths" a county could take to meet the requirements under this standard. (1) If a county so chooses, it could continue to comply with the three existing best practices: accountability and transparency, consolidation of services, and unfunded accrued liability requirements. (2) Under the new budget plan, there would be an alternative second option to the existing County Incentive Program best-practice compliance requirements. A county would have to comply with all four of these new standards below and certify as such by October 1, 2014:

<u>Best Practices Under Alternative #2</u>

1. Have an unrestricted fund balance equal to or greater than 6 percent of the most recently adopted General Fund expenditures

2. Make defined benefit pension contributions that are equal to or greater than the annual required contribution amounts determined by actuarial valuation or indicate you have no DB pension plans

3. Pre-fund postemployment benefit plans at levels that are equal to or greater than the annual required contribution amounts determined by the actuarial valuation or indicate you have no DB-type OPEB plans

4. Have a general obligation bond or credit rating that is at least AA- or the equivalent of that rating from two out of three rating agencies (Fitch, Moody's, and S&P)

The proposed budget also calls for the 74 eligible counties to receive the maximum allowed funding under the statutory provisions.

We will continue to keep you updated on any significant changes to this proposal.

<u>Retro-pay Prohibition - Proposed Changes</u>

Public Act 54 of 2011, which was signed by the governor on June 7, 2011, prohibits retroactive pay on an expired contract and calls for employees working under an expired agreement to bear the cost of any increased healthcare costs until a new contract is in effect. During that period, the public employer is authorized to make payroll deductions necessary to pay the increased cost of maintaining those benefits.

The Legislature has been working over the past two years to pass a bill to amend PA 54 of 2011 to allow those who are eligible to negotiate contracts under PA 312 of 1969 to be exempt from PA 54. HB 5097 of 2013 and Senate Bill 850 of 2014 have been introduced to provide for exceptions to the retro-pay prohibition for public safety personnel. The passing of this legislation would mean that police, fire, and emergency medical personnel would be eligible to receive retroactive increases in compensation after expiration of their collective bargaining agreement and would also be exempt from having to pay the increased cost of benefits during the time without a contract.

New Rules Governing Management of Federal Programs

In December 2013, the Office of Management and Budget (OMB) issued long-awaited reforms to the compliance requirements that must be followed by non-federal entities receiving federal funding. All entities receiving federal dollars will need to understand the changes made as a result of these reforms and may be required to make some changes to your internal procedures, processes, and controls.

These reforms impact three key areas of federal grants management:

1. **Audit Requirements** - For fiscal years beginning on or after January 1, 2015, the threshold for obtaining a federal awards audit will increase from the current threshold of $500,000 of annual federal spending to $750,000. There will also be significant changes to the criteria for qualifying as a low-risk auditee and a reduction in the number of major programs required to be tested for some clients.

   The County has historically been well above the new higher $750,000 threshold.

2. **Cost Principles** - Effective December 26, 2014, the grant reforms related to cost principles go into effect. Not only were certain changes made to allowable costs under this new guidance, but there were significant changes in the area of time and effort reporting and indirect costs.

3. **Administrative Requirements** - Also effective December 26, 2014, non-federal entities receiving federal funding must adhere to new rules related to administering federal awards. Most notably, these requirements may impact the County's procurement systems, including maintaining written conflict of interest policies and disclosures.

These revisions are clearly the most significant change to occur to federal grants management in recent history. Entities receiving federal funding will need to carefully digest these changes. Plante & Moran, PLLC has many experts in these rules who can assist you in understanding the changes and how they impact the County. As we continue to delve into these new rules, we will keep you informed and updated.

To the Macomb County Board
of Commissioners
County of Macomb, Michigan

June 27, 2014

EVIP-like Requirements Tied to Act 51 Monies (Public Act 506 of 2012)

A new reporting requirement by MDOT will be due each September 30, starting in 2014. This requirement is a result of Public Act 506 of 2012 which places EVIP-like limitations on pension and healthcare benefits paid to transportation employees. For the purposes of this act, "transportation employee" means an employee paid in whole or in part through Act 51 revenues or who is engaged in work funded through Act 51 revenues.

The act requires local units receiving Act 51 money for the construction or maintenance of roads to comply with one of the following conditions by September 30, 2014:

1. Develop and publicize a transportation employee compensation plan that the local agency intends to implement with any new, modified, or extended employment contracts or agreements. This compensation plan must include all of the following:

    - For new employee hires, the employer contribution toward retirement plans must be capped at 10 percent of base salary.

    - Defined benefit pension plans may use a maximum multiplier of 1.5 percent of final average compensation if postemployment healthcare is provided and 2.25 percent if postemployment healthcare is not provided.

    - For defined benefit pension plans, the final average compensation must be calculated using a minimum of three years of compensation and must not include more than 240 hours of paid leave. Overtime hours cannot be used in calculating final average compensation.

    - The employer contribution for healthcare coverage for new employee hires is capped at 80 percent of the employee's premium or must be competitive with the new state preferred provider organization health plan on a per-employee basis.

2. Comply with Public Act 152 of 2011, which requires public employers to place hard caps on the amounts they contribute toward healthcare costs with an option to elect an 80 percent contribution cap rather than a hard cap. These hard caps are adjusted annually for inflation. The caps in 2012 were $5,000 for single coverage, $11,000 for individual and spousal coverage, and $15,000 for family coverage. See below for a discussion of Senate Bill 542 that proposes changes to the individual and spousal coverage limit from $11,000 to $13,455.

3. Certify that the local road agency does not offer medical benefits to its transportation employees or elected public officials.

If a local unit receiving Act 51 money does not certify that it complies with one of the above criteria by September 30 of each year, the Department of Transportation may withhold Act 51 distributions until compliance is established.

Act 506 also requires local road agencies to maintain a searchable website (accessible to the public) that includes the current budget, the number of active transportation employees by job classification and wage rate, a financial performance dashboard, the names and contact information of the governing body, and a copy of the annual certification provided to MDOT.

For our communities that are already complying with the requirements of Public Act 152 of 2011, we do not expect this new legislation to have a significant impact on operations since it essentially just creates a new reporting requirement; however, please contact your audit team if you would like to talk through the details of the act and your community's compliance.

Pension Obligation Bonds and Other Postemployment Benefits Obligation Bonds

Michigan Public Act 329 of 2012 was passed on October 17, 2012 with immediate effect. The act allows communities that meet certain criteria to issue bonds to fund all or a portion of their unfunded pension and Other Post-Employment Benefits (OPEB) liabilities. The bonds are called Pension Obligation Bonds or Other Postemployment Benefits Obligation Bonds and are collectively referred to as "Benefit Bonds."

These bonds are subject to federal taxation but are tax exempt by the State of Michigan and must be issued prior to December 31, 2014. The bonds are issued by ordinance or resolution and do not require a vote of the people.

Municipalities must meet all of the following key requirements (the act also states additional requirements) in order to be eligible to issue benefit bonds:

- Prior to issuance, the municipality must obtain approval from the State Department of Treasury. In addition, the municipality must publish a notice of intent to issue the security.

- Be assigned a credit rating of AA rating or higher by one of the nationally recognized rating agencies (Standard & Poor's, Moody's, or Fitch)

- The issued security shall be rated investment grade by a nationally recognized rating agency

- The property taxes necessary to meet the debt service obligation may not exceed the limit authorized by law

- Have a legal capacity to issue the obligation as these Bonds are not exempt from legal debt limitations

- Relative to the pension plan, have partial or complete cessation of accruals to a defined benefit plan or have closed the defined benefit plan to new or certain existing employee groups and implemented a defined contribution plan (this requirement does not apply to the retiree healthcare or OPEB plan)

- The municipality shall covenant with bond holders and the State that it will not, after the issuance of Benefit Bonds and while the Bonds are outstanding, rescind any action taken for the cessation of accruals to a defined benefit plan or complete closure of defined benefit plans for new and existing employees.

Potential Change in Audited Financial Statement Due Date

Senate Bill 949 of 2014 was recently introduced. Among other things, the bill changes the due date for audits.

- The audit deadline would be moved to 150 days from 180 days (effective for fiscal years ending after June 30, 2014).

- If the deadline cannot be met, the State can move in and either perform or contract for and charge the local unit for the audit services

- There would be a requirement that budgets conform to the Uniform Chart of Accounts

- The biennial audit exception for units with a population under 4,000 would be removed

- Very specific language is added to say a unit cannot adopt or operate under a deficit budget, nor incur an operating deficit. If a unit is operating under a deficit, the State is to be notified. In that situation, a deficit elimination plan is due to the State within 90 days. Failure to comply will allow the State to withhold state funds as is necessary to gain compliance.

Amendments to Public Act 152 of 2011 (Healthcare Limitations)

On December 11, 2013, legislation was passed (formerly SB 541-545) in an effort to clarify PA 152 of 2011. These amendments are effective immediately. SB 542 and 543 have perhaps the most direct financial impact on communities.

SB 542: This bill modified the current law which allows employers to opt between a percentage-based cap or a dollar-limit (hard cap) on employee health insurance premiums. The bill increases the dollar-cap for individual and spouse coverage from the current limit under PA 152 of $11,000 to $13,455. This applies for all medical plan coverage years beginning in calendar year 2013 according to the current language. The $13,455 cap is increased annually for any changes in medical CPI on an annual basis. Please keep in mind that if your coverage year began after January 1, 2013, this could have resulted in an unanticipated additional cost of $2,455 per employee. Several communities have questioned this aspect but it does not appear to have been addressed in the bill.

Currently, PA 152 excludes elected officials from the number of employees in the dollar cap formula. This would no longer be the case; they would become part of that calculation.

SB 543: This bill applies only to those public employers that adopt the 80/20 percentage-based option. It clarifies that all public employers (excluding the State) have to have support of a 2/3 vote by the governing body prior to the start of each medical benefit plan coverage year. If this does not occur the public employer would then have to follow the hard cap requirement.

Michigan's Public Pension Systems - Impact of PA 347 of 2012

In December 2012, Governor Rick Snyder signed Public Act 347 of 2012 into law. This legislation makes some significant changes that will impact all public retirement systems in Michigan. Amending Public Act 314 of 1965, these new rules are meant to provide greater flexibility to these systems as to how funds are invested while at the same time imposing additional requirements aimed at transparency and accountability. These changes, which went into effect in March 2013, are summarized below:

Changes to Allowable Investment Vehicles

Generally, rather than making it more restrictive, the new rules raise the maximums for several investment categories, such as real estate and global equities. As an example, the limitations within the “basket clause” are increasing by 10 percentage points, with most plans now allowed to invest between 15 percent and 20 percent within this section, depending upon plan size. Monitoring under these new limitations will continue to be important. Toward this end, plans will need to ensure their investment consultants, advisors, and managers are "on board" with the changes.

Spending Limitations

This act limits the amount of spending on professional training, education, and travel. Under the legislation, the retirement system's board of trustees would be required to adopt an annual budget for professional training and education, including travel. This budget will be capped at the lesser of $150,000 or an amount equal to $12,000 multiplied by the number of board members, with professional training, education, and travel costs not to exceed $30,000 for any one board member.

Additional Documentation and Reporting Requirements

Additional transparency reporting requirements for retirement systems, investment fiduciaries, and investment service providers are being imposed by this new public act. First, the legislation would require the publication by the plan of a Summary Annual Report (SAR). Although similar reporting requirements exist in the old legislation, this act requires more detailed reporting than what we are used to.

The SAR would include several additional disclosures, including the following: names of investment service providers, the system's itemized budget (including professional training, education, and travel), disclosure of the system's investment returns, and numerous pieces of information from the system's most recent annual actuarial valuation report. The system is required to make its SAR available to plan participants and citizens via posting to its website if the system has a website or, alternatively, would require the plan sponsor to post it to their website.

In addition, investment service providers are now required to give the investment fiduciary a complete written disclosure of all fees or other compensation associated with its relationship with the retirement system. This disclosure would be required both before providing any investment services as well as on an annual ongoing basis. Finally, financial records of the system must be retained for a minimum six-year period.

<u>Occupancy Rate - WPW Case</u>

Legislation has been introduced (Senate Bill 114) that would increase property tax dollars by preventing permanent reductions in taxable value that would occur under the old act when occupancy rates declined. Communities have seen the detrimental impact of a tax reduction loophole created by a Michigan Supreme Court decision in 2002 (WPW Acquisition Company vs. City of Troy). The prior legislation allowed for an increase and decrease of certain commercial property's taxable value based on their occupancy rates. This seemed to make sense as it reflected ups and downs in the market. However, there was a glitch in actually applying the provisions for an increase. Communities were not being allowed to increase the value beyond the Proposal A limits of 5 percent or the rate of inflation even when occupancy significantly increased. Under the newly proposed act, values can increase beyond the Proposal A limits if a loss had been previously allowed because of a decrease in occupancy rate, or if the value of new construction was reduced because of a below-market occupancy rate.

To the Macomb County Board
of Commissioners
County of Macomb, Michigan

June 27, 2014

Client: **County of Macomb**
Opinion Unit: **Discretely Presented Component Units**
Y/E: **12/31/2013**

SUMMARY OF UNRECORDED POSSIBLE ADJUSTMENTS

The pretax effect of misstatements and classification errors identified would be to increase (decrease) the reported amounts in the financial statement categories identified below:

Ref. #	Description of Misstatement	Current Assets	Long-term Assets	Current Liabilities	Long-term Liabilities	Equity	Revenue	Expenses	Net Income Statement Impact
FACTUAL MISSTATEMENTS:									
A1	To adjust public works debt balances for SRF drawdowns in FY 2013	$ 686,213			$ 686,213				
JUDGMENTAL ADJUSTMENTS:									
B1	None								
PROJECTED ADJUSTMENTS									
C1	None								
		-	$ -	$ -	-	$ -	$ -	$ -	$ -
	Total	**$ 686,213**	**$ -**	**$ -**	**$ 686,213**	**$ -**	**$ -**	**$ -**	**$ -**
PASSED DISCLOSURES									
D1	None								

Client: **County of Macomb**
Opinion Unit: **General Fund**
Y/E: **12/31/2013**

SUMMARY OF UNRECORDED POSSIBLE ADJUSTMENTS

The pretax effect of misstatements and classification errors identified would be to increase (decrease) the reported amounts in the financial statement categories identified below:

Ref. #	Description of Misstatement	Current Assets	Long-term Assets	Current Liabilities	Long-term Liabilities	Equity	Revenue	Expenses	Net Income Statement Impact
FACTUAL MISSTATEMENTS:									
A1	To record the fund named, MSU Extension - September, into the General Fund in accordance with GASB No. 54	$ 337,967		$ 2,278		$ 350,027	$ 42,030	$ 56,368	$ (14,338)
JUDGMENTAL ADJUSTMENTS:									
B1	None								
PROJECTED ADJUSTMENTS									
C1	None								
		-	$ -	-	$ -	-	-	-	-
	Total	**$ 337,967**	**$ -**	**$ 2,278**	**$ -**	**$ 350,027**	**$ 42,030**	**$ 56,368**	**$ (14,338)**
PASSED DISCLOSURES									
D1	None								

To the Macomb County Board
of Commissioners
County of Macomb, Michigan

June 27, 2014

Client: **County of Macomb**
Opinion Unit: **Community Mental Health**
Y/E: **12/31/2013**

SUMMARY OF UNRECORDED POSSIBLE ADJUSTMENTS

The pretax effect of misstatements and classification errors identified would be to increase (decrease) the reported amounts in the financial statement categories identified below:

Ref. #	Description of Misstatement	Current Assets	Long-term Assets	Current Liabilities	Long-term Liabilities	Equity	Revenue	Expenses	Net Income Statement Impact
FACTUAL MISSTATEMENTS:									
A1	To record allowance for uncollectible receivable outstanding since 2006 and currently under dispute with a lawsuit filed	$ (152,321)						$ 152,321	$ (152,321)
JUDGMENTAL ADJUSTMENTS:									
B1	None								
PROJECTED ADJUSTMENTS									
C1	None								
		-	$ -	$ -	$ -	$ -	$ -	-	-
	Total	**$ (152,321)**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ 152,321**	**$ (152,321)**
PASSED DISCLOSURES									
D1	None								

Client: **County of Macomb**
Opinion Unit: **Martha T. Berry**
Y/E: **12/31/2013**

SUMMARY OF UNRECORDED POSSIBLE ADJUSTMENTS

The pretax effect of misstatements and classification errors identified would be to increase (decrease) the reported amounts in the financial statement categories identified below:

Ref. #	Description of Misstatement	Current Assets	Long-term Assets	Current Liabilities	Long-term Liabilities	Equity	Revenue	Expenses	Net Income Statement Impact
FACTUAL MISSTATEMENTS:									
A1	To record additional accounts payable at December 31, 2013			$ 95,968				$ 95,968	$ (95,968)
JUDGMENTAL ADJUSTMENTS:									
B1	None								
PROJECTED ADJUSTMENTS									
C1	None								
		$ -	$ -	-	$ -	$ -	$ -	-	-
	Total	**$ -**	**$ -**	**$ 95,968**	**$ -**	**$ -**	**$ -**	**$ 95,968**	**$ (95,968)**
PASSED DISCLOSURES									
D1	None								

To the Macomb County Board
of Commissioners
County of Macomb, Michigan

June 27, 2014

Client: **County of Macomb**
Opinion Unit: **Aggregate Remaining Fund Info**
Y/E: **12/31/2013**

SUMMARY OF UNRECORDED POSSIBLE ADJUSTMENTS

The pretax effect of misstatements and classification errors identified would be to increase (decrease) the reported amounts in the financial statement categories identified below:

Ref. #	Description of Misstatement	Current Assets	Long-term Assets	Current Liabilities	Long-term Liabilities	Equity	Revenue	Expenses	Net Income Statement Impact
FACTUAL MISSTATEMENTS:									
A1	None								
JUDGMENTAL ADJUSTMENTS:									
B1	None								
PROJECTED ADJUSTMENTS									
C1	None								
		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
	Total	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**

PASSED DISCLOSURES

D1 Sheriff Grants Fund shows a $1,393,533 transfer out which should be presented as capital outlay, as it represents a reimbursing transfer for the cost of the COMTEC operations center used by the sheriff's department for dispatch services