

Bay County,
Michigan



Year Ended
December 31,
2022

Single Audit Act
Compliance

Rehmann

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BAY COUNTY, MICHIGAN

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

September 28, 2023

Board of Commissioners
Bay 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 **Bay County, Michigan** (the "County") as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We issued our report thereon dated September 28, 2023, which contained unmodified opinions on those financial statements. Our report includes a reference to other auditors. Our audit was conducted for the purpose of forming opinions on the financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Rehmann Lobson LLC



BAY COUNTY, MICHIGAN

Schedule of Expenditures of Federal Awards

For the Year Ended December 31, 2022

Federal Agency / Cluster / Program Title	Assistance Listing Number	Passed Through	Pass-through / Grantor Number	Grant Period	Total Subawards	Federal Expenditures
U.S. Department of Agriculture						
Child Nutrition Cluster:						
Juvenile Home-National School Breakfast	10.553	MDE	90008002	10-01-21 to 09-30-22	\$ -	\$ 4,590
Juvenile Home-National School Breakfast	10.553	MDE	90008002	10-01-22 to 09-30-23	-	2,174
Juvenile Home-Supply Chain Assistance	10.555	MDE	220910	07-1-22 to 6-30-2023	-	2,415
Juvenile Home-National School Lunch	10.555	MDE	90008002	10-01-21 to 09-30-22	-	9,377
Juvenile Home-National School Lunch	10.555	MDE	90008002	10-01-22 to 09-30-23	-	5,127
					<u>-</u>	<u>23,683</u>
Special Supplemental Nutrition Program for Women, Infants, and Children (WIC):						
Women, Infants & Children Supplemental Food	10.557	MDHHS	IW100342	10-01-21 to 09-30-22	-	417,711
Women, Infants & Children Supplemental Food	10.557	MDHHS	IW100342	10-01-22 to 09-30-23	-	139,236
Women, Infants & Children Breastfeeding Peer Counseling	10.557	MDHHS	W500342	10-01-21 to 09-30-22	-	27,325
Women, Infants & Children Breastfeeding Peer Counseling	10.557	MDHHS	W500342	10-01-22 to 09-30-23	-	9,483
					<u>-</u>	<u>593,755</u>
Total U.S. Department of Agriculture						
					<u>-</u>	<u>617,438</u>
U.S. Department of Justice						
COVID-19 - Coronavirus Emergency Supplemental Funding Program	16.034	Direct	2020-VD-BX-0770	01-20-20 to 01-31-23	-	288
COVID-19 - Victims of Crime Act (VOCA)-Abuse Intervention	16.575	MDHHS	CVA 20745-16V15	10-01-21 to 09-30-22	-	65,060
Edward Byrne Memorial Justice Assistance Grant (JAG) Program:						
Justice Assistance Grant	16.738	Direct	15PBJA-21-GG-01573-JAGX	10-01-20 to 09-30-22	10,478	20,453
Edward Byrne Memorial Justice Assistance Grant (JAG)	16.738	MSP	2015-MU-BX-0964	10-01-21 to 09-30-22	-	57,224
Edward Byrne Memorial Justice Assistance Grant (JAG)	16.738	MSP	2015-MU-BX-0964	10-01-22 to 09-30-23	-	10,343
					<u>10,478</u>	<u>88,020</u>
Total U.S. Department of Justice						
					<u>10,478</u>	<u>153,368</u>
U.S. Department of Transportation						
Highway Planning and Construction Cluster:						
Highway Planning & Construction	20.205	MDOT	2015-0002/Z1	10-01-21 to 09-30-22	-	161,562
Highway Planning & Construction	20.205	MDOT	2015-0002/Z4	10-01-22 to 09-30-23	-	43,720
					<u>-</u>	<u>205,282</u>
Highway Safety Cluster:						
Traffic Enforcement Seat Belt/Impaired Driving	20.600	OHSP	PT-22-34	10-01-21 to 09-30-22	-	11,969
Traffic Enforcement Seat Belt/Impaired Driving	20.600	OHSP	PT-23-04	10-01-22 to 09-30-23	-	4,725
					<u>-</u>	<u>16,694</u>
Total U.S. Department of Transportation						
					<u>-</u>	<u>221,976</u>

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BAY COUNTY, MICHIGAN

Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2022

Federal Agency / Cluster / Program Title	Assistance Listing Number	Passed Through	Pass-through / Grantor Number	Grant Period	Total Subawards	Federal Expenditures
U.S. Department of Treasury						
COVID - 19 - Coronavirus Relief Fund:						
Coronavirus Relief Fund Local Health Dept Testing	21.019	MDHHS	SLT0040	10-01-22 to 09-30-23	\$ -	\$ 126,920
ARPA Title IIIB Homemaking	21.019	Region VII	20161841	10-01-21 to 09-30-22	-	4,613
ARPA Title IIIB Homemaking	21.019	Region VII	20161841	10-01-22 to 09-30-23	-	13,250
ARPA Congregate Meals	21.019	Region VII	20161841	10-01-21 to 09-30-22	-	53,000
ARPA Congregate Meals	21.019	Region VII	20161841	10-01-22 to 09-30-23	-	46,432
ARPA Home Delivered Meals	21.019	Region VII	20161841	10-01-21 to 09-30-22	-	59,890
ARPA Home Delivered Meals	21.019	Region VII	20161841	10-01-22 to 09-30-23	-	89,257
ARPA Caregiver Services	21.019	Region VII	20161841	10-01-21 to 09-30-22	-	20,644
ARPA Caregiver Services	21.019	Region VII	20161841	10-01-22 to 09-30-23	-	8,360
					<u>-</u>	<u>422,366</u>
COVID - 19 - Coronavirus State and Local Fiscal Recovery Funds:						
Bay Future Small Business Hospitality	21.027	Direct	N/A	03-1-2021 to 12-31-2026	1,050,000	1,050,000
Bay Community Foundation	21.027	Direct	N/A	03-1-2021 to 12-31-2026	687,500	687,500
Bay Future Talent Attraction	21.027	Direct	N/A	03-1-2021 to 12-31-2026	581,500	581,500
Bay Future Small Business Support	21.027	Direct	N/A	03-1-2021 to 12-31-2026	4,667	4,667
Boys and Girls Club	21.027	Direct	N/A	03-1-2021 to 12-31-2026	-	138,938
Bay County Sheriff Department	21.027	Direct	N/A	03-1-2021 to 12-31-2026	-	122,943
Household Assistance Program	21.027	Direct	N/A	03-1-2021 to 12-31-2026	-	421,480
Bay County Revenue Recovery	21.027	Direct	N/A	03-1-2021 to 12-31-2026	-	2,100,000
Bay County Animal Control Study	21.027	Direct	N/A	03-1-2021 to 12-31-2026	-	24,500
Bay County Administrative Cost	21.027	Direct	N/A	03-1-2021 to 12-31-2026	-	92,387
					<u>2,323,666</u>	<u>5,223,915</u>
Total U.S. Department of Treasury					<u>2,323,666</u>	<u>5,646,281</u>
U.S. Environmental Protection Agency						
Nonpoint Source Implementation:						
Kawkawlin River Watershed Septic System Mapping and Replacement	66.460	MDEQ	C9955474-20	10-01-21 to 09-30-22	-	127,468
Kawkawlin River Watershed Septic System Mapping and Replacement	66.460	MDEQ	C9955474-20	10-01-22 to 09-30-23	-	24,553
					<u>-</u>	<u>152,021</u>
Drinking Water Revolving Fund Cluster:						
Drinking Water State Revolving Fund:						
Noncommunity Type II Public Drinking Water Supply PRG A	66.468	MDEQ	FS975487-17	10-01-21 to 09-30-22	-	182
Superfund State, Political Subdivision, and Indian Tribe Site - Specific Cooperative Agreements:						
EPI-Administration	66.802	MDHHS	V00E00740	10-01-21 to 09-30-22	-	54,361
EPI-Administration	66.802	MDHHS	V00E00740	10-01-22 to 09-30-23	-	16,999
					<u>-</u>	<u>71,360</u>
Total U.S. Environmental Protection Agency					<u>-</u>	<u>223,563</u>

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BAY COUNTY, MICHIGAN

Schedule of Expenditures of Federal Awards

For the Year Ended December 31, 2022

Federal Agency / Cluster / Program Title	Assistance Listing Number	Passed Through	Pass-through / Grantor Number	Grant Period	Total Subawards	Federal Expenditures
U.S. Department of Health and Human Services						
Aging Cluster:						
Title IIIB Case Coordination	93.044	Region VII	20161841	10-01-21 to 09-30-22	\$ -	\$ 61,012
Title IIIB Case Coordination	93.044	Region VII	20161841	10-01-22 to 09-30-23	-	24,217
					<u>-</u>	<u>85,229</u>
C-1 Congregate Meals	93.045	Region VII	20161841	10-01-21 to 09-30-22	-	81,984
C-1 Congregate Meals	93.045	Region VII	20161841	10-01-22 to 09-30-23	-	14,163
C-2 Home Delivered Meals	93.045	Region VII	20161841	10-01-21 to 09-30-22	-	114,205
C-2 Home Delivered Meals	93.045	Region VII	20161841	10-01-22 to 09-30-23	-	15,202
C-2 Home Delivered Meals CAA	93.045	Region VII	20161841	10-01-21 to 09-30-22	-	39,724
					<u>-</u>	<u>265,278</u>
NSIP Congregate Meals	93.053	Region VII	20161841	10-01-21 to 09-30-22	-	21,558
NSIP Congregate Meals	93.053	Region VII	20161841	10-01-22 to 09-30-23	-	7,194
NSIP Home Delivered Meals	93.053	Region VII	20161841	10-01-21 to 09-30-22	-	94,809
NSIP Home Delivered Meals	93.053	Region VII	20161841	10-01-22 to 09-30-23	-	31,566
NSIP Millage Meal Sites	93.053	Region VII	20161841	10-01-21 to 09-30-22	-	842
NSIP Millage Meal Sites	93.053	Region VII	20161841	10-01-22 to 09-30-23	-	294
					<u>-</u>	<u>156,263</u>
Total aging cluster					<u>-</u>	<u>506,770</u>
National Family Caregiver Support, Title III, Part E:						
Title IIIE Caregiver Training	93.052	Region VII	20161841	10-01-21 to 09-30-22	-	9,221
Title IIIE Caregiver Training	93.052	Region VII	20161841	10-01-22 to 09-30-23	-	5,879
Title IIIE Caregiver Supplemental Services	93.052	Region VII	20161841	10-01-21 to 09-30-22	-	5,765
Title IIIE Caregiver Supplemental Services	93.052	Region VII	20161841	10-01-22 to 09-30-23	-	1,660
Title IIIE Kinship Care	93.052	Region VII	20161841	10-01-22 to 09-30-23	-	2,542
					<u>-</u>	<u>25,067</u>
Public Health Emergency Preparedness:						
Bioterrorism	93.069	MDHHS	U90TP000528	10-01-21 to 06-30-22	-	80,163
Bioterrorism	93.069	MDHHS	U90TP000528	07-01-22 to 09-30-22	-	31,052
Bioterrorism	93.069	MDHHS	U90TP000528	10-01-22 to 06-30-23	-	30,741
					<u>-</u>	<u>141,956</u>
Project Grants and Cooperative Agreements for						
Tuberculosis Control Programs:						
TB Control	93.116	MDHHS	U52CCU500499	10-01-21 to 09-30-22	-	2,308
TB Control	93.116	MDHHS	U52CCU500499	10-01-22 to 09-30-23	-	102
					<u>-</u>	<u>2,410</u>
Family Planning Services:						
Family Planning	93.217	MDHHS	GFPHPA05017341	10-01-21 to 09-30-22	-	95,522
Family Planning	93.217	MDHHS	GFPHPA05017341	10-01-22 to 09-30-23	-	34,978
					<u>-</u>	<u>130,500</u>

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BAY COUNTY, MICHIGAN

Schedule of Expenditures of Federal Awards

For the Year Ended December 31, 2022

Federal Agency / Cluster / Program Title	Assistance Listing Number	Passed Through	Pass-through / Grantor Number	Grant Period	Total Subawards	Federal Expenditures
U.S. Department of Health and Human Services (concluded)						
Immunization Cooperative Agreements:						
COVID - 19 - Covid Immunization	93.268	MDHHS	NH23IP922635	10-01-21 to 09-30-22	\$ -	\$ 89,845
COVID - 19 - Covid Immunization	93.268	MDHHS	NH23IP922635	10-01-22 to 09-30-23	-	20,502
Immunization Action Plan	93.268	MDHHS	H23CCH522556	10-01-21 to 09-30-22	-	34,803
Immunization Action Plan	93.268	MDHHS	H23CCH522556	10-01-22 to 09-30-23	-	11,599
Immunization/Vaccines	93.268	MDHHS	H23CCH522556-01-4	10-01-21 to 09-30-22	-	104,757
Immunization-VFCA	93.268	MDHHS	H23CCH522556	10-01-21 to 09-30-22	-	500
					-	262,006
Epidemiology and Laboratory Capacity for Infectious Diseases:						
COVID - 19 - ELC Covid 19 Contact Tracing Testing Coordination	93.323	MDHHS	NU50CK000510	10-01-21 to 09-30-22	-	271,478
COVID - 19 - ELC Covid 19 Infection Prevention	93.323	MDHHS	NU50CK000510	10-01-21 to 09-30-22	-	24,863
					-	296,341
Bay County Medical Care Facility:						
COVID - 19 - HRSA CARES Act Provider Relief Funds Period 4	93.498	Direct	N/A	01-01-20 to 12-30-22		1,560,779
Child Support Enforcement:						
IV-D Performance Incentive - Friend of the Court	93.563	MDHHS	CSFOC17-09001	10-01-21 to 09-30-22	-	102,057
IV-D Performance Incentive - Friend of the Court	93.563	MDHHS	CSFOC17-09001	10-01-22 to 09-30-23	-	32,979
IV-D Cooperative Reimburse - Friend of the Court	93.563	MDHHS	CSFOC17-09001	10-01-21 to 09-30-22	-	820,133
IV-D Cooperative Reimburse - Friend of the Court	93.563	MDHHS	CSFOC17-09001	10-01-22 to 09-30-23	-	279,649
IV-D Cooperative Reimburse - Prosecuting Attorney	93.563	MDHHS	CSPA17-09002	10-01-21 to 09-30-22	-	73,981
IV-D Cooperative Reimburse - Prosecuting Attorney	93.563	MDHHS	CSPA17-09002	10-01-22 to 09-30-23	-	25,640
					-	1,334,439
Grants to States for Access and Visitation Programs:						
Federal Access and Visitation Grant	93.597	SCAO	SCAO-2020-013	10-01-21 to 09-30-22	-	1,200
Federal Access and Visitation Grant	93.597	SCAO	SCAO-2021-051	10-01-22 to 09-30-23	-	495
					-	1,695
Grant for Legal Representation:						
Child Parent Legal Representation	93.658	MDHHS	E20213215-00	10-01-21 to 09-30-22	-	44,295
Child Parent Legal Representation	93.658	MDHHS	E20213215-01	10-01-22 to 09-30-23	-	19,877
					-	64,172
Medicaid Cluster:						
CSHSC - Care Coordination	93.778	MDHHS	05U05M15ADM	10-01-21 to 09-30-22	-	5,136
CSHSC - Care Coordination	93.778	MDHHS	05U05M15ADM	10-01-22 to 09-30-23	-	2,290
CSHSC - Outreach & Advocacy	93.778	MDHHS	05U05M15ADM	10-01-21 to 09-30-22	-	15,495
CSHSC - Outreach & Advocacy	93.778	MDHHS	05U05M15ADM	10-01-22 to 09-30-23	-	5,164
CSHSC - Medicaid Elevated Blood Level	93.778	MDHHS	05205M15MAP	10-01-21 to 09-30-22	-	1,209
CSHSC - Medicaid Elevated Blood Level	93.778	MDHHS	05205M15MAP	10-01-22 to 09-30-23	-	403
Medicaid Outreach	93.778	MDHHS	05U05M15ADM	10-01-21 to 09-30-22	-	28,949
Medicaid Outreach	93.778	MDHHS	05U05M15ADM	10-01-22 to 09-30-23	-	10,070
POS Waiver	93.778	Region VII	20161841	10-01-21 to 09-30-22	-	32,353
POS Waiver	93.778	Region VII	20161841	10-01-22 to 09-30-23	-	11,381
					-	112,450
Maternal and Child Health Services Block Grant to the States:						
CSHSC - Care Coordination	93.994	MDHHS	B1MIMCHS	10-01-21 to 09-30-22	-	4,272
CSHSC - Care Coordination	93.994	MDHHS	B1MIMCHS	10-01-22 to 09-30-23	-	1,640
MCH Childhood Lead Poisoning Education and Outreach	93.994	MDHHS	B1MIMCHS	10-01-21 to 09-30-22	-	10,769
MCH Childhood Lead Poisoning Education and Outreach	93.994	MDHHS	B1MIMCHS	10-01-22 to 09-30-23	-	4,999
Local MCH - Enabling Services Child	93.994	MDHHS	B1MIMCHS	10-01-21 to 09-30-22	-	18,152
Local MCH - Enabling Services Child	93.994	MDHHS	B1MIMCHS	10-01-22 to 09-30-23	-	15,978
					-	55,810
Total U.S. Department of Health and Human Services						
					-	4,494,395

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BAY COUNTY, MICHIGAN

Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2022

Federal Agency / Cluster / Program Title	Assistance Listing Number	Passed Through	Pass-through / Grantor Number	Grant Period	Total Subawards	Federal Expenditures
U.S. Department of Homeland Security						
Emergency Management Performance Grants:						
Emergency Management Assistance	97.042	MSP	EMC-2022-EP-00001	10-01-21 to 09-30-22	\$ -	\$ 23,708
Emergency Management Assistance	97.042	MSP	N/A	10-01-22 to 09-30-23	-	8,129
					<u>-</u>	<u>31,837</u>
Homeland Security Grant Program:						
2019 HSP Operation Stonegarden	97.067	MSP	EMW-2019-SS-00021-S01	09-01-19 to 12-31-22	-	36,611
2020 HSP Operation Stonegarden	97.067	MSP	EMW-2020-SS-00021-S01	09-01-20 to 07-31-23	-	20,072
2021 HSP Operation Stonegarden	97.067	MSP	EMW-2021-SS-00021-S01	09-01-21 to 07-31-24	-	57,759
2019 SHSP	97.067	MIDLAND	R3-2019-80-0004	09-01-19 to 09-30-22	-	22,362
					<u>-</u>	<u>136,804</u>
Total U.S. Department of Homeland Security					<u>-</u>	<u>168,641</u>
Total Expenditures of Federal Awards					<u>\$ 2,334,144</u>	<u>\$ 11,525,662</u>

concluded

See notes to schedule of expenditures of federal awards.

BAY COUNTY, MICHIGAN

Notes to Schedule of Expenditures of Federal Awards

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Bay County, Michigan (the "County") under programs of the federal government for the year ended December 31, 2022. 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 financial statements. The County's financial statements include the operations of the Bay County Department of Water and Sewer and the Bay County Road Commission discretely presented component units, which neither received federal awards for the year ended December 31, 2023.

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 or other applicable guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented when available.

2. 10% DE MINIMIS COST RATE

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

3. PROVIDER RELIEF FUNDS

The County received amounts from the U.S. Department of Health and Human Services (HHS) through the Provider Relief Fund (PRF) program (Assistance Listing Number 93.498) during the year ended December 31, 2021. The County incurred eligible expenditures and had eligible lost revenues and therefore recognized revenue totaling \$1,560,779, which included \$73,868 in ARP Rural Payments, for the year ended December 31, 2021, in the financial statements. In accordance with the compliance supplement addendum, the PRF lost revenue recognized on the schedule are based on the reporting to HHS for the period ending December 31, 2022 (Period 4 funding), as required under the PRF program.

BAY COUNTY, 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
MDE	Michigan Department of Education
MDEQ	Michigan Department of Environmental Quality
MDHHS	Michigan Department of Health and Human Services
MDOT	Michigan Department of Transportation
MIDLAND	Midland County, Michigan
MSP	Michigan State Police
OHSP	Michigan Office of Highway Safety Planning
Region VII	Region VII Area Agency on Aging
SCAO	Michigan State Court Administrative Office



**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***

June 30, 2023

Board of Commissioners
Bay City, 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 **Bay County, Michigan** (the "County"), as of and for the year ended December 31, 2022, 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 30, 2023. Our report includes a reference to other auditors who audited the financial statements of the Bay County Road Commission component unit and Bay County Department of Water and Sewer component unit, 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.

Report on 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) as a basis for designing 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs, as item 2022-001 that we consider to be a material weakness.

Report on 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 financial statements. 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*.

The County's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the County's response to the finding identified in our audit and described in the accompanying schedule of findings and questioned costs. The County's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

Rehmann Lobson LLC

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

September 28, 2023

Board of Commissioners
Bay City, Michigan

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the compliance of **Bay County** (the "County") with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended December 31, 2022. The County's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Independent Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the County and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the County's compliance with the compliance requirements referred to above.



Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the County's federal programs.

Independent Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the County's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the County's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the County's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the County's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the County's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 Independent Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

Rehmann Johnson LLC

BAY COUNTY, MICHIGAN

Schedule of Findings and Questioned Costs

For the Year Ended December 31, 2022

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

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

Internal control over financial reporting:

Material weakness(es) identified? X yes no
 Significant deficiency(ies) identified? yes X none reported

Noncompliance material to financial noted? yes X no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? yes X no
 Significant deficiency(ies) identified? yes X none reported

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

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

<u>Assistance Listing Number</u>	<u>Name of Federal Program or Cluster</u>	<u>Type of Report</u>
21.027	Coronavirus State and Local Fiscal Recovery Funds	Unmodified
93.498	Provider Relief Fund	Unmodified

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

Auditee qualified as low-risk auditee? X yes no

BAY COUNTY, MICHIGAN

Schedule of Findings and Questioned Costs

For the Year Ended December 31, 2022

SECTION II – FINANCIAL STATEMENT FINDINGS

2022-001 - Audit adjustments

Finding Type: Material Weakness in Internal Control over Financial Reporting

Criteria. Management is responsible for maintaining its accounting records in accordance with generally accepted accounting principles (GAAP).

Condition. During the audit, we identified material adjustments which needed to be made in order to reach proper year-end balances.

- Pension investments were not recorded at fair market value therefore overstating assets by \$172,027,653.
- County investments had an error in fair market value therefore overstating assets by \$186,759. The Treasurer's office adjusted and corrected the difference.
- Property taxes receivable and related deferred inflows for animal services was understated by \$1,929,785 due to the County using the incorrect millage rate to calculate the millage rate at year-end. Mosquito control, 911 central dispatch and senior citizens were also understated by \$77,438, \$148,321 and \$120,069, respectively.

Library

- Investments were not recorded at fair market value therefore overstating assets by \$518,329.

Cause. This condition was the result of internal controls not detecting all the adjustments necessary to properly record year-end balances.

Effect. As a result of this condition, the County's accounting records were initially misstated by amounts material to the financial statements.

Recommendation. We recommend that the County prepare, review, and reconcile all year-end schedules that are used in financial reporting and record any necessary adjusting entries prior to the start of the audit process.

View of Responsible Officials. Management agrees with the adjustments proposed by its auditors, and they have been posted in the County's records. A process will be put in place to identify and record any necessary adjusting entries prior to the commencement of fieldwork.

BAY COUNTY, MICHIGAN

Schedule of Findings and Questioned Costs

For the Year Ended December 31, 2022

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None in the current year.

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BAY COUNTY, MICHIGAN

Summary Schedule of Prior Audit Findings

For the Year Ended December 31, 2022

Nothing reported in the prior year.

