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# COMMITTEE OF THE WHOLE MEETING

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August 2, 2017



# KALAMAZOO COUNTY GOVERNMENT

In the Pursuit of Extraordinary Governance...

## BOARD OF COMMISSIONERS NOTICE AND AGENDA FOR COMMITTEE OF THE WHOLE MEETING August 2, 2017

**PLEASE BE ADVISED** that the Kalamazoo County Board of Commissioners has scheduled a Committee of the Whole meeting on **Wednesday, August 2, 2017 at 4:00 p.m.** in the Board of Commissioners Room, second floor, County Administration Building, 201 West Kalamazoo Avenue, Kalamazoo, Michigan, for the purpose of considering the following items:

	<i>Projected Time for Presentation &amp; Discussion</i>
1. Review of Transfers and Disbursements (Item I.) – <i>Ms. Amanda Morse</i>	4:00 – 4:05 p.m.
2. Senior Millage Discussion – <i>Mr. Jim Rutherford</i>	4:05 – 4:50 p.m.
3. 2016 Audit Wrap Up – <i>Ms. Amanda Morse</i>	4:50 – 5:00 p.m.
4. We Are Kalamazoo County Government Video – <i>Ms. Tracie Moored</i>	5:00 – 5:10 p.m.
5. Any other items	
6. Closed Session	
7. Adjournment	

MEETINGS OF THE KALAMAZOO COUNTY BOARD OF COMMISSIONERS ARE OPEN TO ALL WITHOUT REGARD TO RACE, SEX, COLOR, AGE, NATIONAL ORIGIN, RELIGION, HEIGHT, WEIGHT, MARITAL STATUS, POLITICAL AFFILIATION, SEXUAL ORIENTATION, GENDER IDENTITY OR DISABILITY. KALAMAZOO COUNTY WILL PROVIDE NECESSARY REASONABLE AUXILIARY AIDS AND SERVICES, SUCH AS SIGNERS FOR THE HEARING IMPAIRED AND AUDIO TAPES OF PRINTED MATERIALS BEING CONSIDERED AT THE MEETING/HEARING, TO INDIVIDUALS WITH DISABILITIES AT THE MEETING/HEARING UPON FOUR (4) BUSINESS DAYS' NOTICE TO THE COUNTY. INDIVIDUALS WITH DISABILITIES REQUIRING AUXILIARY AIDS OR SERVICES SHOULD CONTACT THE COUNTY BY WRITING OR CALLING:

KALAMAZOO COUNTY GOVERNMENT | 201 West Kalamazoo Avenue | Kalamazoo, Michigan 49007 | (269)384-8111



# KALAMAZOO COUNTY GOVERNMENT

In the Pursuit of Extraordinary Governance...

## RECOMMENDED TRANSFERS AND DISBURSEMENTS AUGUST 2, 2017

### DISBURSEMENTS

#### CLAIMS

Claims	\$2,381,571.01
Claims Requiring Disclosure:	\$0.00
<b>Total Current Claims:</b>	<b>\$2,381,571.01</b>

#### RELEASE OF FUNDS

<b>Total Release of Funds:</b>	<b>\$0.00</b>
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### TRANSFERS

DEPARTMENT/ACCOUNT	DECREASE	INCREASE
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# KALAMAZOO COUNTY GOVERNMENT

In the Pursuit of Extraordinary Governance...

## MEMORANDUM

DATE: July 26, 2017

TO: Kalamazoo County Board of Commissioners

FROM: Tracie Moored, County Administrator

SUBJECT: Senior Millage Presentation

At the time of printing of the Board packets, the presentation for the Senior Millage had not been finalized. Staff is working diligently to have a complete proposal for your review at our Committee of the Whole meeting on August 2, 2017.

Thank you for your patience.

C: Lisa Henthorn, Deputy County Administrator – External Services  
Amanda Morse, Deputy County Administrator – Internal Services  
Jim Rutherford, Director Health and Community Services

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**OFFICE OF THE ADMINISTRATOR**

201 West Kalamazoo Avenue | Kalamazoo, MI 49007

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ITEM 3.

Rehmann Robson

2330 East Paris Ave. SE  
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rehmann.com

## INDEPENDENT AUDITORS' COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

June 28, 2017

To the Honorable Members of the Board of Commissioners  
County of Kalamazoo, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the *County of Kalamazoo, Michigan* (the "County") as of and for the year ended December 31, 2016, and have issued our report thereon dated June 28, 2017. We did not audit the financial statements of the Kalamazoo County Transportation Authority, the Central County Transportation Authority, the Kalamazoo County Road Commission, the Kalamazoo County Public Housing Commission, or the Kalamazoo County Consolidated Dispatch Authority. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion on the financial statements and this report, insofar as they relate the Kalamazoo County Transportation Authority, the Central County Transportation Authority, the Kalamazoo County Road Commission, the Kalamazoo County Public Housing Commission, and the Kalamazoo County Consolidated Dispatch Authority, are based solely on the report of other auditors. Professional standards require that we advise you of the following matters relating to our audit.

### Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated November 17, 2016, our responsibility, as described by professional standards, is to form and express opinions about whether the financial statements that have been prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of the County solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also 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 for the purpose of identifying other matters to communicate to you.

We have provided our findings regarding internal control over financial reporting and compliance noted during our audit in a separate letter to you dated June 28, 2017. In addition, we noted certain other matters which are included in Attachment A to this letter.

### Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our engagement letter and in our meeting about planning matters on March 24, 2017.

### Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, and our firm has complied with all relevant ethical requirements regarding independence.

### Qualitative Aspects of the County's Significant Accounting Practices

#### *Significant Accounting Policies*

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the County is included in Note 1 to the financial statements.

There have been no initial selections of accounting policies and no changes in significant accounting policies or their application during the year, other than the prior period restatements described in Note 17 to the financial statements.

No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

#### *Significant Accounting Estimates*

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on 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 markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements were:

- Management's estimate of the useful lives of depreciable capital assets is based on the length of time it is believed that those assets will provide some economic benefit in the future.
- Management's estimate of the accrued compensated absences is based on current hourly rates and policies regarding payment of sick and vacation banks.
- Management's estimate of the allowance for uncollectible receivable balances is based on past experience and future expectation for collection of various account balances.
- Management's estimate of the insurance claims incurred but not reported is based on information provided by the entity's third party administrators and subsequent claims activity.
- The assumptions used in the actuarial valuations of the pension and other postemployment benefits plans are based on historical trends and industry standards.

- Management's estimate of the fair value of certain investments (primarily those that are not traded on a national or international exchange) is based on a variety of factors including the purchase price, changes in the financial condition and prospects of the issuer, calculations of the total enterprise value using discounted cash flow projections, trading comparables of securities of comparable companies engaged in similar businesses, estimates of liquidation value, the existence of restrictions on transferability, prices received in recent significant placements of securities of the same issuer, and other analytical data relating to the investment.

We evaluated the key factors and assumptions used to develop these estimates and determined that they are reasonable in relation to the basic financial statements taken as a whole and in relation to the applicable opinion units.

#### Significant Difficulties Encountered During the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

#### Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit. In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures.

During our audit, we worked together with management to determine the necessary adjustments to properly report leases receivable related to debt held for the benefit of other municipalities, special assessments receivable in the drainage districts, long-term insurance liabilities in an internal service fund, and capital assets in the drainage districts. We further worked with management to properly classify certain of the County's component units (with respect to blending vs. discrete presentation), the effects of which resulted in prior period restatements (which are described more fully in Note 17 to the financial statements), as did the impact of certain of the adjustments indicated above. These adjustments, while quantitatively significant, were largely limited to matters only relevant to the preparation of year-end general purpose external financial statements, and did not significantly affect the County's internal financial reporting process.

The schedule of adjustments passed is included with management's written representations in Attachment C to this letter, and summarizes uncorrected financial statement misstatements whose effects in the current and prior periods, as determined by management, are immaterial, both individually and in the aggregate, to the financial statements taken as a whole and each applicable opinion unit.

#### Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the County's financial statements or the auditors' report. No such disagreements arose during the course of the audit.

**Representations Requested from Management**

We have requested certain written representations from management, which are included in Attachment C to this letter.

**Management's Consultations with Other Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

**Other Significant Matters, Findings, or Issues**

In the normal course of our professional association with the County, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the County's auditors.

**Other Information in Documents Containing Audited Financial Statements**

Our responsibility for the supplementary information accompanying the financial statements, as described by professional standards, is to evaluate the presentation of the supplementary information in relation to the financial statements as a whole and to report on whether the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole. We made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

**Upcoming Changes in Accounting Standards**

Generally accepted accounting principles (GAAP) are continually changing in order to promote the usability and enhance the applicability of information included in external financial reporting. While it would not be practical to include an in-depth discussion of every upcoming change in professional standards, Attachment B to this letter contains a brief overview of recent pronouncements of the Governmental Accounting Standards Board (GASB) and their related effective dates. Management is responsible for reviewing these standards, determining their applicability, and implementing them in future accounting periods.

This information is intended solely for the use of the governing body and management of the County of Kalamazoo, Michigan and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



**COUNTY OF KALAMAZOO, MICHIGAN****Attachment A - Comments and Recommendations**

For the December 31, 2016 Audit

During our audit, we became aware of certain other matters that are opportunities for strengthening internal control and/or improving operating efficiency. This memorandum summarizes our comments and recommendations regarding those matters. Our consideration of the County's internal control over financial reporting is described in our report, dated June 28, 2017, issued in accordance with *Government Auditing Standards*. This memorandum does not affect that report or our report dated June 28, 2017, on the financial statements of the County of Kalamazoo, Michigan.

*Estimate of Claims Incurred But Not Reported ("IBNR") for Workers' Compensation*

The County has a reserve for workers' compensation recorded on the general ledger; however, the recorded liability consists of known claims only, and does not include a component for IBNR.

We recommend that the County engage an actuary or specialist to assist with a calculation of workers' compensation IBNR, and record the liability in its accounting records, if significant.

**Management's Response**

Management concurs with this recommendation. We are currently working to engage an actuary or specialist to assist with a calculation of workers' compensation IBNR, and will record the liability in its accounting records, if significant.

*Budgetary Control*

The State of Michigan Uniform Budget Manual requires that an annual budget be prepared for the General Fund and all special revenue funds. The budget must include amounts appropriated for expenditures and to meet liabilities for the ensuing fiscal year in each fund, and include estimated revenues by source in each fund for the ensuing fiscal year. Currently, the County does not include the budget for several grant special revenue funds in the annual budget process; rather, the budgets are approved when the grant funds are initially accepted.

We recommend that the County adopt budgets for all special revenue funds prior to the commencement of the fiscal year, and adopt amendments, if necessary, as additional information regarding funding sources amounts becomes available.

**Management's Response**

Management concurs with this recommendation. The County will adopt budgets for all special revenue funds prior to the commencement of the fiscal year, and adopt amendments, if necessary, as additional information regarding funding sources amounts becomes available.

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**COUNTY OF KALAMAZOO, MICHIGAN****Attachment B - Upcoming Changes in Accounting Standards / Regulations**  
For the December 31, 2016 Audit

The following pronouncements of the Governmental Accounting Standards Board (GASB) have been released recently and may be applicable to the County in the near future. We encourage management to review the following information and determine which standard(s) may be applicable to the County. For the complete text of these and other GASB standards, visit [www.gasb.org](http://www.gasb.org) and click on the "Standards & Guidance" tab. If you have questions regarding the applicability, timing, or implementation approach for any of these standards, please contact your audit team.

**GASB 74 ■ Postemployment Benefit Plans Other than Pension Plans**  
*Effective 06/15/2017 (your FY 2017)*

This standard requires the calculation of a net other postemployment benefit (OPEB) liability based on an actuarial valuation of retiree healthcare and similar benefits administered by an OPEB trust. It mirrors the new accounting and financial reporting requirements of GASB 67 for pension plans.

**GASB 75 ■ Postemployment Benefits Other than Pensions**  
*Effective 06/15/2018 (your FY 2018)*

This standard builds on the requirements of GASB 74 by requiring employers that provide other postemployment benefits (OPEB) to recognize a net OPEB liability on their statements of net position. It mirrors the new accounting and financial reporting requirements of GASB 68 for pension benefits.

**GASB 80 ■ Blending Requirements for Certain Component Units**  
*Effective 06/15/2017 (your FY 2017)*

This standard is an amendment to GASB 14, *The Financial Reporting Entity*, and requires blending component units incorporated as not-for-profit corporations in which the government is the sole corporate member. We do not expect this standard to have any significant effect on the County.

**GASB 81 ■ Irrevocable Split-Interest Agreements**  
*Effective 12/15/2017 (your FY 2017)*

This standard addresses the accounting for split-interest agreements for which the government serves as the intermediary and/or the beneficiary. It requires governments to record assets, liabilities, and deferred inflows of resources at the inception of the agreement when serving as intermediary, or when the government controls the present service capacity of a beneficial interest. We do not expect this standard to have any significant effect on the County.

**GASB 82 ■ Pension Issues**  
*Effective 06/15/2017 (your FY 2017)*

This standard is an amendment to GASB 67/68 to clarify several issues related to pensions. We do not expect this standard to have any significant effect on the County.

**COUNTY OF KALAMAZOO, MICHIGAN****■ Attachment B - Upcoming Changes in Accounting Standards / Regulations**  
For the December 31, 2016 Audit**GASB 83 ■ Certain Asset Retirement Obligations**  
*Effective 06/15/2019 (your FY 2019)*

This standard addresses accounting and financial reporting for certain asset retirement obligations--legally enforceable liabilities associated with the retirement of a tangible capital asset. We do not expect this standard to have any significant effect on the County.

**GASB 84 ■ Fiduciary Activities**  
*Effective 12/15/2019 (your FY 2019)*

This standard establishes new criteria for determining how to report fiduciary activities in governmental financial statements. The focus is on whether the government is controlling the assets, and who the beneficiaries are. Under this revised standard, certain activities previously reported in agency funds may be reclassified in future periods. Due to the number of specific factors to consider, we will continue to assess the degree to which this standard may impact the County.

**GASB 85 ■ Omnibus 2017**  
*Effective 06/15/2018 (your FY 2018)*

This standard includes a variety of small technical revisions to previously issued GASB statements. We do not expect this standard to have any significant effect on the County.

**GASB 86 ■ Certain Debt Extinguishment Issues**  
*Effective 06/15/2018 (your FY 2018)*

This standard provides guidance for reporting the in-substance defeasance of outstanding debt obligations using existing resources. Qualifying transactions will remove both the assets placed into trust and the related debt obligation from the government's statement of net position. We do not expect this standard to have any significant effect on the County.

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COUNTY OF KALAMAZOO, MICHIGAN

■ Attachment C - Management Representations

For the December 31, 2016 Audit

The following pages contain the written representations that we requested from management.



# KALAMAZOO COUNTY GOVERNMENT

In the Pursuit of Extraordinary Governance...

June 28, 2017

Rehmann Robson  
2330 East Paris Ave. SE  
Grand Rapids, MI 49546

This representation letter is provided in connection with your audit of the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the *County of Kalamazoo, Michigan* (the "County"), as of and for the year ended December 31, 2016, and the related notes to the financial statements, for the purpose of expressing opinions on whether the basic financial statements present fairly, in all material respects, the financial position, results of operations, and cash flows, where applicable, and the respective budgetary comparison for the General Fund and the major special revenue fund of the County in conformity with accounting principles generally accepted for governments in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm that, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves as of June 28, 2017:

## Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated November 17, 2016, for the preparation and fair presentation of the financial statements of the various opinion units referred to above in accordance with U.S. GAAP. We have reviewed, approved, and taken responsibility for the financial statements and related notes.
2. We have reviewed and approved the various adjusting journal entries that were proposed by you for recording in our books and records and reflected in the financial statements.
3. We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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## OFFICE OF ADMINISTRATION

201 West Kalamazoo Avenue | Kalamazoo, MI 49007

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Rehmann Robson  
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4. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
5. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
6. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP. For the purposes of this letter, related parties mean members of the governing body; board members; administrative officials; immediate families of administrative officials, board members, and members of the governing body; and any companies affiliated with or owned by such individuals.
7. All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.
8. The effects of uncorrected misstatements summarized in the attached schedule and aggregated by you during the current engagement are immaterial, both individually and in the aggregate, to the applicable opinion units and to the financial statements as a whole.
9. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.
10. With regard to items reported at fair value:
  - a. The underlying assumptions are reasonable and they appropriately reflect management's intent and ability to carry out its stated courses of action.
  - b. The measurement methods and related assumptions used in determining fair value are appropriate in the circumstances and have been consistently applied.
  - c. The disclosures related to fair values are complete, adequate, and in conformity with U.S. GAAP.
  - d. There are no subsequent events that require adjustments to the fair value measurements and disclosures included in the financial statements.
11. All component units, as well as joint ventures with an equity interest, are included and other joint ventures and related organizations are properly disclosed.
12. All funds and activities are properly classified.
13. All funds that meet the quantitative criteria in GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, and GASB Statement No. 37, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments: Omnibus*, for presentation as major are identified and presented as such and all other funds that are presented as major are considered important to financial statement users.
14. All components of net position and fund balance classifications have been properly reported.
15. All revenues within the statement of activities have been properly classified as program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
16. All expenses have been properly classified in or allocated to functions and programs in the statement of activities, and allocations, if any, have been made on a reasonable basis.

17. All interfund and intra-entity transactions and balances have been properly classified and reported.
18. Deposit and investment risks have been properly and fully disclosed.
19. Capital assets, including infrastructure assets, are properly capitalized, reported, and if applicable, depreciated.
20. All required supplementary information is measured and presented within the prescribed guidelines.
21. We believe that the actuarial assumptions and methods used to measure pension and other postemployment benefit liabilities and costs for financial accounting purposes are appropriate in the circumstances.
22. In connection with the correction of various errors and reclassifications, as discussed in Note 17 to the financial statements, the County has determined that restatements of beginning net position of governmental activities, business-type activities and component units is sufficient to inform financial statement users, and accordingly, no revised and reissued financial statements for fiscal year 2015 or any previous fiscal years are necessary. Also, the County has evaluated the underlying cause of this error and determined that it does not affect any other areas of the financial statements.

#### Information Provided

23. We have provided you with:
  - a. Access to all information, of which we are aware that is relevant to the preparation and fair presentation of the financial statements of the various opinion units referred to above, such as records, documentation, meeting minutes, and other matters;
  - b. Additional information that you have requested from us for the purpose of the audit; and
  - c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
24. All transactions have been recorded in the accounting records and are reflected in the financial statements.
25. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
26. We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
  - a. Management;
  - b. Employees who have significant roles in internal control; or
  - c. Others where the fraud could have a material effect on the financial statements.
27. We have no knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, vendors, regulators, or others.
28. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

29. We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.
30. There have been no communications from regulatory agencies concerning noncompliance with or deficiencies in accounting, internal control, or financial reporting practices.
31. The government has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
32. We have disclosed to you all guarantees, whether written or oral, under which the government is contingently liable.
33. We have identified and disclosed to you the laws, regulations, and provisions of contracts and grant agreements that could have a direct and material effect on financial statement amounts, including legal and contractual provisions for reporting specific activities in separate funds.
34. There are no:
  - a. Violations or possible violations of laws or regulations, or provisions of contracts or grant agreements whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency, including applicable budget laws and regulations.
  - b. Unasserted claims or assessments that our lawyer has advised are probable of assertion and must be disclosed in accordance with GASB-62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.
  - c. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by GASB-62.
35. The government has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset or future revenue been pledged as collateral, except as disclosed to you.
36. We have complied with all aspects of grant agreements and other contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
37. We have disclosed to you all significant estimates and material concentrations known to management that are required to be disclosed in accordance with GASB-62. Significant estimates are estimates at the balance sheet date that could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets or geographic areas for which events could occur that would significantly disrupt normal finances within the next year.

#### **Supplementary Information in Relation to the Financial Statements as a Whole**

38. With respect to the supplementary information accompanying the financial statements:
  - a. We acknowledge our responsibility for the presentation of the supplementary information in accordance with accounting principles generally accepted in the United States of America.
  - b. We believe the supplementary information, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America.

Rehmann Robson  
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- c. The methods of measurement or presentation have not changed from those used in the prior period.
- d. We believe the significant assumptions or interpretations underlying the measurement or presentation of the supplementary information, and the basis for our assumptions and interpretations, are reasonable and appropriate in the circumstances.

#### **Required Supplementary Information**

39. With respect to the required supplementary information accompanying the financial statements:
- a. We acknowledge our responsibility for the presentation of the required supplementary information in accordance with accounting principles generally accepted in the United States of America.
  - b. We believe the required supplementary information, including its form and content, is measured and fairly presented in accordance with accounting principles generally accepted in the United States of America.
  - c. The methods of measurement or presentation have not changed from those used in the prior period.
  - d. We believe the significant assumptions or interpretations underlying the measurement or presentation of the required supplementary information, and the basis for our assumptions and interpretations, are reasonable and appropriate in the circumstances.

#### **Uniform Guidance (2 CFR 200)**

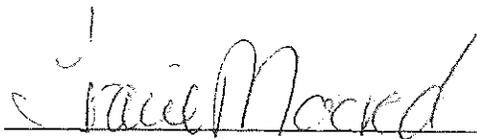
40. With respect to federal awards, we represent the following to you:
- a. We are responsible for understanding and complying with and have complied with the requirements of the Uniform Guidance.
  - b. We are responsible for the preparation and presentation of the schedule of expenditures of federal awards in accordance with the Uniform Guidance.
  - c. We believe the schedule of expenditures of federal awards, including its form and content, is fairly presented in accordance with the Uniform Guidance.
  - d. The methods of measurement or presentation have not changed from those used in the prior period.
  - e. We believe the significant assumptions or interpretations underlying the measurement or presentation of the schedule of expenditures of federal awards, and the basis for our assumptions and interpretations, are reasonable and appropriate in the circumstances.
  - f. We are responsible for including the auditor's report on the schedule of expenditures of federal awards in any document that contains the schedule and that indicates that the auditor has reported on such information.
  - g. When the schedule of expenditures of federal awards is not presented with the audited financial statements, management will make the audited financial statements readily available

to the intended users of the schedule of expenditures of federal awards no later than the date of issuance by the entity of the schedule of expenditures of federal awards and the auditor's report thereon.

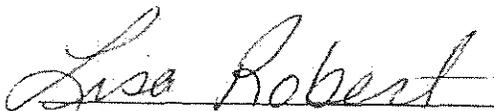
- h. We have, in accordance with the Uniform Guidance, identified in the schedule of expenditures of federal awards, expenditures made during the audit period for all awards provided by federal agencies in the form of grants, federal cost-reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, food commodities, direct appropriations, and other assistance.
- i. We are responsible for complying with the requirements of laws, regulations, and the provisions of contracts and grant agreements related to each of our federal programs and have identified and disclosed to you the requirements of laws, regulations, and the provisions of contracts and grant agreements that are considered to have a direct and material effect on each major federal program; and we have complied, in all material respects, with these requirements.
- j. We have provided to you our interpretations of any compliance requirements that have varying interpretations.
- k. We are responsible for establishing and maintaining effective internal control over compliance requirements applicable to federal programs that provide reasonable assurance that we are managing our federal awards in compliance with laws, regulations, and the provisions of contracts and grant agreements that could have a material effect on our federal programs. Also, no changes have been made in the internal control system to the date of this letter that might significantly affect internal control, including any corrective action taken with regard to significant deficiencies, including material weaknesses, reported in the schedule of findings and questioned costs.
- l. We have made available to you all contracts and grant agreements (including amendments, if any) and any other correspondence with federal agencies or pass-through entities relating to federal programs.
- m. We have received no requests from a federal agency to audit one or more specific programs as a major program.
- n. We have identified and disclosed to you all amounts questioned and any known noncompliance with the requirements of federal awards, including the results of other audits or program reviews. We also know of no instances of noncompliance occurring subsequent to the end of the period audited.
- o. We have charged costs to federal awards in accordance with applicable cost principles, including amounts claimed or used for matching determined in accordance with relevant guidelines in the Uniform Guidance.
- p. We have made available to you all documentation related to the compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements.
- q. Federal program financial reports and claims for advances and reimbursements are supported by the books and records from which the basic financial statements have been prepared (and are prepared on a basis consistent with the schedule of expenditures of federal awards).

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- r. The copies of federal program financial reports provided to you are true copies of the reports submitted, or electronically transmitted, to the respective federal agency or pass-through entity, as applicable.
- s. We have monitored subrecipients to determine if they have expended pass-through assistance in accordance with applicable laws and regulations and have met the requirements of the Uniform Guidance.
- t. We have issued management decisions timely after the receipt of subrecipients' auditor reports that identified noncompliance with laws, regulations, or the provisions of contracts or grant agreements, and have ensured that the subrecipients have taken the appropriate and timely corrective action on findings.
- u. We have considered the results of subrecipients' audits and have made any necessary adjustments to our own books and records.
- v. We are responsible for and have accurately prepared the summary schedule of prior audit findings to include all findings required to be included by the Uniform Guidance, and we have provided you with all information on the status of the follow-up on prior audit findings by federal awarding agencies and pass-through entities, including all management decisions.
- w. We have disclosed to you the findings received and related corrective actions taken for previous audits, attestation engagements, and internal or external monitoring that directly relate to the objectives of the compliance audit, including findings received and corrective actions taken from the end of the period covered by the compliance audit to the date of the auditor's report.
- x. We are responsible for and have accurately completed the appropriate sections of the Data Collection Form as required by the Uniform Guidance, and we are responsible for preparing and implementing a correction action plan for each audit finding.
- y. We have disclosed all contracts or other agreements with service organizations and disclosed to you all communications from these service organizations relating to noncompliance at the organizations.
- z. We have reviewed, approved, and taken responsibility for the financial statements and related notes.
- aa. We have disclosed to you the nature of any subsequent events that provide additional evidence with respect to conditions that existed at the end of the reporting period that affect noncompliance during the reporting period.



Tracie Moored, Administrator/Controller



Lisa Robert, Interim Director of Finance and Internal Services

## COUNTY OF KALAMAZOO, MICHIGAN

**Schedule of Adjustments Passed (SOAP)**

For the December 31, 2016 Audit

In accordance with generally accepted auditing standards, we have prepared the following schedule of proposed audit adjustments, which we believe are immaterial both individually and in the aggregate. We are providing this schedule to both management and those charged with governance to receive their assurance that they agree that the amounts listed below are not material to the financial statements, either individually or in the aggregate, and do not need to be recorded.

	Effect of Passed Adjustment - Over(Under)Statement				
	Assets	Liabilities	Beginning Equity	Revenues	Expenses/Expenditures
<b>General fund / governmental activities</b>					
Effect of adjusting balance held with third party to actual, correcting for an amount not previously expensed (corrected in 2016)	\$ -	\$ -	\$ 166,000	\$ -	\$ 166,000
<b>Governmental activities</b>					
Prior year underaccrual for holiday compensated absences (corrected in 2016)	-	-	219,234	-	219,234
<b>Cumulative effect of items noted</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 385,234</u>	<u>\$ -</u>	<u>\$ 385,234</u>
<b>Misstatement as a percentage of total assets - governmental activities</b>	0.00%	0.00%	0.19%	0.00%	0.19%