

Stephenson, Gracik & Co., P.C.
Certified Public Accountants & Consultants

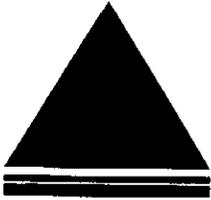
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IOSCO COUNTY
TAWAS CITY, MICHIGAN

SINGLE AUDIT REPORTS
YEAR ENDED DECEMBER 31, 2015

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June 23, 2016

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

Board of Commissioners
Iosco County
Tawas 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 Iosco County as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise Iosco County's basic financial statements and have issued our report thereon dated June 23, 2016. Our report includes a reference to other auditors who audited the financial statements of Iosco Medical Care Facility and Iosco County Road Commission, as described in our report on Iosco County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of Iosco Medical Care Facility were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Iosco County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Iosco County's internal control. Accordingly, we do not express an opinion on the effectiveness of Iosco 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 were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs, that we consider to be material weaknesses 2015-001 and 2015-002.

Board of Commissioners
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June 23, 2016
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Compliance and Other Matters

As part of obtaining reasonable assurance about whether Iosco County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2015-004 and 2015-005.

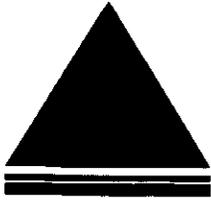
Iosco County's Response to Findings

Iosco County's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Iosco 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 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.

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June 23, 2016

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

Board of Commissioners
Iosco County
Tawas City, Michigan

Report on Compliance for Each Major Federal Program

We have audited Iosco County's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Iosco County's major federal programs for the year ended December 31, 2015. Iosco County's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Iosco County's basic financial statements include the operations of Iosco County Road Commission, which received \$1,819,544 in federal awards which is not included in Iosco County's schedule of expenditures of federal awards during the year ended December 31, 2015. Our audit, as described below, did not include the operations of Iosco County Road Commission because the federal awards were for contracted projects. These contracted projects fall under the single audit requirements of the Michigan Department of Transportation.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Iosco County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Iosco County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Iosco County's compliance.

Basis for Qualified Opinion on Community Development Block Grant CFDA #14.228

As described in the accompanying schedule of findings and questioned costs, Iosco County did not comply with requirements regarding CFDA #14.228 Community Development Block Grant as described in finding numbers 2015-004 for cash management and 2015-005 for reporting. Compliance with such requirements is necessary, in our opinion, for Iosco County to comply with the requirements applicable to that program.

Board of Commissioners
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Qualified Opinion on Community Development Block Grant CFDA #14.228

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, losco County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on Community Development Block Grant CFDA #14.228 for the year ended December 31, 2015.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, losco 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 other major federal programs identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs for the year ended December 31, 2015.

losco County's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. losco County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of losco County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered losco County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of losco County's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified one deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2015-003 that we consider to be a material weakness.

losco County's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. losco County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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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.

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

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 losco County as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise losco County's basic financial statements. We issued our report thereon dated June 23, 2016, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the 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.

Stephenson, Gracik & Co., P.C.

IOSCO COUNTY
Tawas City, Michigan

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended December 31, 2015

Findings - Financial Statements Audit

2014-001 Financial Statement Preparation

Historically the County has relied on its independent external auditors to assist in the preparation of financial statements, related footnotes, and the Schedule of Expenditures of Federal Awards as part of its external financial reporting process. Accordingly, the County's ability to prepare financial statements in accordance with GAAP is based in part, on its external auditors, who cannot by definition be considered a part of the County's internal controls. The County has evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that is in its best interests to outsource the task to its external auditors, and to carefully review the draft financial statements, related notes, and the Schedule of Expenditures of Federal Awards prior to approving them and accepting responsibility for their content and presentation. This comment was initially reported in 2008.

This situation still exists. See the current year finding 2015-001 for details.

2014-002 Housing Commission Collection Policy

There was no written, formal collection policy for Housing Commission loan receivables. This comment was initially reported in 2014.

This Housing Commission adopted a collection policy in 2015. However, they did not enforce the policy. See the current year finding 2015-002 for details.

2014-003 Signed Delinquent Tax Roll Affidavit

For the settlement process of the 2013 taxes, the County did not require the local taxing units to submit an affidavit for the delinquent tax roll.

This situation has been corrected.

Findings and Questioned Costs - Major Federal Award Programs Audit

There were no findings or questioned costs related to the major federal award program audit for the year ended December 31, 2014.

IOSCO COUNTY
Tawas City, Michigan

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2015

Summary of Auditors' Results

1. The auditors' report expresses unmodified opinions on the financial statements of losco County.
2. Two material weaknesses in internal control relating to the audit of the financial statements are reported in the 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*.
3. Two instances of noncompliance material to the financial statements of losco County, which are required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. One material weakness relating to the audit of internal control over major federal award programs is reported in the Independent Auditors' Report on Compliance For Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance.
5. The auditors' report on compliance for the #14.228 Community Development Block Grant expresses a qualified opinion; the report on the remaining programs is unmodified.
6. Audit findings relative to the major federal award programs for losco County are reported in this schedule.
7. The programs tested as major programs included: CFDA #11.307 Economic Development Administration - Economic Adjustment Grant for Military Base Closures, CFDA #14.228 Community Development Block Grant, and CFDA #97.067 Homeland Security Grant Program.
8. The threshold used for distinguishing between Type A and B programs was \$750,000.
9. losco County does not qualify as a low-risk auditee.

Findings - Financial Statement Audit

2015-001

Financial Statement Preparation

Condition and Criteria: Accounting principles require personnel of the County have the knowledge to review and determine the financial report and the Schedule of Expenditures of Federal Awards is a complete presentation in accordance with Generally Accepted Accounting Principles. losco County's personnel prepare various financial information throughout the year to assess operations and the financial condition of the County. However, prior to the closing of the year end, various entries material to the financial statements were proposed by the external auditors. Also, the County relies on the external auditors to assist in preparing the annual financial report and Schedule of Expenditures of Federal Awards in accordance with Generally Accepted Accounting Principles.

Effect: As a result, the County is considered to have a material weakness, since reporting errors or omissions could occur in the preparation of the annual financial report and Schedule of Expenditures of Federal Awards that would be departures from Generally Accepted Accounting Principles and the County would not be in a position to detect the errors or omissions.

Cause: The County has in the past evaluated the cost vs. benefit of correcting this finding and deemed it in its best interests to outsource the task to its external auditors.

IOSCO COUNTY
Tawas City, Michigan

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2015

Findings - Financial Statement Audit (Continued)

2015-001 Financial Statement Preparation (Continued)

Context: Iosco County has individuals on staff to review the financial report and Schedule of Expenditures of Federal Awards to ensure they are accurate, and the financial information reflects the recording of the proposed entries. However, the individuals do not review and determine that the financial report and Schedule of Expenditures of Federal Awards is a complete presentation in accordance with Generally Accepted Accounting Principles.

Auditor's Recommendation: We recommend the County continue to re-evaluate the cost vs. benefit considerations involved with remedying this situation.

Views of Responsible Officials and Planned Corrective Actions: The County has evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interests of the County to outsource this task to its external auditors, and to carefully review the draft financial statements and notes and the Schedule of Expenditures of Federal Awards prior to approving them and accepting responsibility for their content and presentation.

2015-002 Housing Commission Collection Policy

Condition and Criteria: Currently the County Housing Commission is not enforcing its written, formal collection policy for Housing Commission loan receivables. In addition, several other inaccurate records were kept on Housing Commission loans and at times proper, official documents on the loans were not filed.

Effect: There are several extremely delinquent loans for which little or no action has been enforced. In addition, Housing Commission loan records are not accurate.

Cause: The Housing Commission Board did not adopt the policy until October 2015 and did not require its director to enforce the policy. There has been little oversight or review in monitoring the activities of the Housing Commission by the Board.

Context: Delinquent housing loan receivables are material to the Housing Commission funds of Iosco County.

Auditor's Recommendation: We recommend that the Housing Commission Board enforce its written collection policy and that the Housing Commission Board take an active role in reviewing and monitoring the activities of the Housing Commission

Views of Responsible Officials and Planned Corrective Actions: The Iosco County Board of Commissioners will require the Housing Commission Board to enforce its formal collection policy and to take an active role in reviewing and monitoring the activities of the Housing Commission.

IOSCO COUNTY
Tawas City, Michigan

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2015

Findings and Questioned Costs - Major Federal Award Programs Audit

2015-003

Community Development Block Grant - Lack of Proper Control Environment

CFDA No. 14.228, Grant No. MSC-2013-0337-HO - Year ended July 31, 2016

Material Weakness: Iosco County is considered to have a material weakness in internal control over its major program because its Housing Commission Board and Director were unaware of grant compliance requirements.

Condition and Criteria: The Iosco County Housing Commission Board and its Director were not aware of the requirements of the grant agreement or the developer's agreement associated with the grant. A sound system of internal control includes a proper control environment. A strong control environment requires an oversight body and management with the proper knowledge and expertise to ensure the compliance requirements of the program are met.

Effect: The Iosco County Housing Commission was not compliant with its grant agreement requirements or its developer agreement requirements as discussed in findings 2015-004 and 2015-005.

Cause: This is the first rental rehabilitation grant the Iosco County Housing Commission has had in years and as such the Director and Board were not familiar with its requirements. In addition, they did not educate themselves on the requirements of this type of grant.

Context: There were three draws on this grant for the year totaling \$165,250.

Questioned Costs: None

Auditor's Recommendation: We recommend that the Iosco County Housing Commission Board and Director immediately educate themselves on the requirements of this grant and also on any future grants and their requirements.

Views of Responsible Officials and Planned Corrective Actions: The Iosco County Housing Commission Board and its Director will educate themselves on the requirements of this grant and all future grants.

2015-004

Community Development Block Grant - Cash Management

CFDA No. 14.228 Grant No. MSC-2013-0337-HO - Year ended July 31, 2016

Condition and Criteria: The Iosco County Housing Commission requested funds from the grantor and disbursed them to the developer as an advance. However, the work was not performed on the project for several months. The grant agreement requires conformance with the requirements of 24 CFR 570.489 (c) to assure that no funds are requested until funds are needed for payment of eligible costs and to minimize the time elapsing between the transfer of funds by the State and the disbursement for CDBG activities.

Effect: The Iosco County Housing Commission was not in compliance with its grant agreement in regards to cash management.

IOSCO COUNTY
Tawas City, Michigan

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2015

Findings and Questioned Costs - Major Federal Award Programs Audit (Continued)

2015-004 Community Development Block Grant - Cash Management (Continued)

Cause: The Iosco County Housing Commission Director was not aware of the cash management requirements.

Context: There were two advance draws on this grant for the year totaling \$159,800, for which the funds were not expended within 60 days of the draw.

Questioned Costs: None

Auditor's Recommendation: We recommend that the Iosco County Housing Commission educates itself on the requirements of its grant agreements and strictly adheres to them.

Views of Responsible Officials and Planned Corrective Actions: Effective immediately, the Iosco County Housing Commission will monitor its developers more closely and will not issue cash advances to developers in the future.

2015-005 Community Development Block Grant - Reporting

CFDA No. 14.228, Grant No. MSC-2013-0337-HO - Year ended July 31, 2016

Condition and Criteria: The Iosco County Housing Commission submitted two grant draw requests that were marked as reimbursements that were actually advances. In addition, the developer agreement that the Iosco County Housing Commission used on the project required job reports tracked on an hourly basis to be submitted by the developer. The Housing Commission did not enforce this portion of the agreement.

Effect: The developer received cash advances that were not spent within the required time frame. In addition, no job reports were submitted to the County for the project prior to audit.

Cause: The director incorrectly marked the draw request and no other individual reviews the draws. The director and Housing Commission Board did not carefully read the developer agreement and as such were not aware of the requirement for the job reports.

Context: There were two advance draws on this grant for the year totaling \$159,800, for which the funds were not expended within 60 days of the draw.

Questioned Costs: None

Auditor's Recommendation: We recommend that the Iosco County Housing Commission Board and director carefully read any agreements signed with developers and strictly enforce those agreements. In addition, we recommend that the director carefully review all draw requests prior to submission to ensure they are accurate.

Views of Responsible Officials and Planned Corrective Actions: The Iosco County Housing Commission and its director will carefully read and strictly enforce all future developer agreements. In addition, the director will carefully review all draw requests prior to submission for accuracy.

IOSCO COUNTY, MICHIGAN
Tawas City, Michigan

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2015

<u>Federal Grantor or Pass Through Grantor Program Title/Grantor's Number</u>	<u>Federal CFDA Number</u>	<u>Current Year Expenditures</u>	<u>Expenditures to Subrecipients</u>
<u>U.S. Department of Agriculture</u>			
Passed through the Michigan Department of Natural Resources:			
Schools & Roads - Grants to States National Forest Revenue 2014	10.665	\$ 8,419	\$ 8,419
Schools & Roads - Grants to States National Forest Revenue 2015		<u>115,767</u>	<u>115,767</u>
		124,186	124,186
Rural Business Enterprise Fund Grant	10.769	<u>41,099</u>	<u>0</u>
Total U.S. Department of Agriculture		<u>165,285</u>	<u>124,186</u>
<u>U.S. Department of Interior</u>			
Passed through the Michigan Department of Natural Resources:			
Schools & Roads - Grants to States Oil/Gas Royalties	10.665	4,176	0
Payment in Lieu of Taxes	15.226	<u>115,150</u>	<u>0</u>
Total U.S. Department of Interior		<u>119,326</u>	<u>0</u>
<u>U.S. Department of Commerce</u>			
Economic Development Administration - Economic Adjustment Grant for Military Base Closures	11.307	<u>4,018,330</u>	<u>0</u>
<u>U.S. Department of Housing and Urban Development</u>			
Passed through Michigan Economic Development Corporation:			
Community Development Block Grant Revolving Loan Fund	14.228	<u>9,945</u>	<u>9,945</u>
Passed through Michigan State Housing Development Authority:			
Community Development Block Grant MSC-2011-0337-HOA	14.228	60,783	0
Community Development Block Grant MSC-2013-0337-HO		165,250	0
Community Development Block Grant Program Income		45,011	0
ICHRRLP Revolving Loan Fund		<u>34,794</u>	<u>0</u>
		305,838	0
Total U.S. Department of Housing and Urban Development		<u>315,783</u>	<u>9,945</u>

The accompanying notes are an integral part of this schedule.

IOSCO COUNTY, MICHIGAN
Tawas City, Michigan

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2015

<u>Federal Grantor or Pass Through Grantor Program Title/Grantor's Number</u>	<u>Federal CFDA Number</u>	<u>Current Year Expenditures</u>	<u>Expenditures to Subrecipients</u>
<u>U.S. Department of Health and Human Services</u>			
Child Support Enforcement:			
Passed through the Michigan Department of Human Services:			
Child Support Enforcement Incentive Payment	93.560	\$ 37,709	\$ 0
Passed through the Michigan Department of Human Services:			
Prosecuting Attorney CSPA-13-35002	93.563	51,929	0
Friend of the Court Title IV-D CSFOC-13-35001		<u>281,084</u>	<u>0</u>
		<u>333,013</u>	<u>0</u>
Passed through the Michigan Department of Human Services:			
Foster Care Title IV-E PROFC-14-35002	93.658	<u>7,514</u>	<u>0</u>
Total U.S. Department of Health and Human Services		<u>378,236</u>	<u>0</u>
<u>U.S. Department of Homeland Security</u>			
Passed through the Michigan Department of Natural Resources:			
2015 Marine Safety Program Grant Agreement	97.012	<u>6,800</u>	<u>0</u>
Passed through Michigan State Police:			
Emergency Management Performance Grant EMW-2015-EP-00029-S01	97.042	9,020	0
Emergency Management Performance Grant EMW-2014-EP-00023-S01		<u>587</u>	<u>0</u>
		<u>9,607</u>	<u>0</u>
Passed through Michigan State Police:			
Operation Stone Garden EMW-2013-SS-00049	97.067	<u>26,790</u>	<u>0</u>
Passed through Michigan Region 3 Homeland Security Planning Board:			
2014 State Homeland Security Grant Program EMW-2014-SS-00059	97.067	310,525	245,760
2013 State Homeland Security Grant & Citizens Corps Program EMW-2013-SS-00049		<u>17,697</u>	<u>0</u>
		<u>328,222</u>	<u>245,760</u>
Total U.S. Department of Homeland Security		<u>371,419</u>	<u>245,760</u>
Total Federal Awards		<u>\$ 5,368,379</u>	<u>\$ 379,891</u>

The accompanying notes are an integral part of this schedule.

IOSCO COUNTY
Tawas City, Michigan

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2015

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal award activity of Iosco County under programs of the federal government for the year ended December 31, 2015. 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 Iosco County, it is not intended to and does not present the financial position, changes in net position or cash flows of Iosco County.

2. Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance or OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, depending when the award was granted.

Iosco County has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

3. Reconciliation to Financial Statements

Federal revenue presented in the financial statements	\$ 1,157,155
Amounts due from the State of Michigan that will be recognized as revenue for the year ended December 31, 2016 because they are considered unavailable in the governmental funds.	
#93.563 Child Support Enforcement	6,424
#93.568 Foster Care Title IV-E	944
Accounts receivable for year ended December 31, 2014, received more than 60 days after year end and recognized as federal revenue in the fiscal year ended December 31, 2015	
#93.563 Child Support Enforcement	(34,394)
#93.568 Foster Care Title IV-E	(3,214)
Loans receivable for the year ended December 31, 2015 not recognized as federal revenue but recognized as federal award expenditures.	
#10.769 Rural Business Enterprise Fund Grant	2,667
Revolving Loan Fund Capital Base	
#11.307 Economic Adjustment Grant for Military Base Closures	4,004,371
Loan disbursements, write-offs, and administrative expenses made for the year ended December 31, 2015 not recognized as federal revenue, but recognized as federal award expenditures.	
#11.307 Economic Adjustment Grant for Military Base Closures	13,959
#14.228 CDBG Revolving Loan Fund	8,934
Cash balances and admin expenses in revolving loan funds required to be included in the Schedule of Expenditures of Federal Awards per the compliance supplements but, not included as federal revenue in the financial statements.	
#10.769 Rural Business Enterprise Fund Grant	38,432

The accompanying notes are an integral part of this schedule.

IOSCO COUNTY
Tawas City, Michigan

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2015

3. Reconciliation to Financial Statements (Continued)

Loan repayments and interest revenue in revolving loan funds recognized as mortgage repayment and interest revenue but required to be reported on the Schedule of Expenditures of Federal Awards.

#14.228 ICHRRLP Revolving Loan Fund	\$ 34,794
#14.228 CDBG Revolving Loan Fund passed through the Michigan Economic Development Corporation	9,945

Federal Awards passed through the County to other local units of government required to be included on the Schedule of Expenditures of Federal Awards but not recognized as revenue to the County.

#10.665 Mineral Management	4,176
#10.665 Forest Service	124,186

Federal revenue expended per the Schedule of Expenditures of Federal Awards	\$ <u>5,368,379</u>
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The accompanying notes are an integral part of this schedule.