

## **COMMUNICATIONS SECTION**



***County of Marquette, Michigan***  
***Report to Management***  
For the Year Ended December 31, 2014

To the Board of Commissioners  
of the County of Marquette, Michigan  
234 West Baraga Avenue  
Marquette, Michigan 49855

In planning and performing our 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 Marquette, Michigan as of and for the year ended December 31, 2014, in accordance with auditing standards generally accepted in the United States of America, we considered the County of Marquette, Michigan'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 of Marquette, Michigan's internal control. Accordingly, we do not express an opinion on the effectiveness of the County of Marquette, Michigan's internal control.

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies in internal control to be significant deficiencies:

**2014-001 – UNIFORM BUDGETING AND ACCOUNTING ACT (PA621)**

**Condition/Criteria:** Public Act 621 of 1978, Section 18 (1) as amended, provides that local governmental units shall not incur expenditures in excess of the amount appropriated. In the body of the financial statements, the Marquette County Health Department had actual expenditures and budgeted expenditures for the Governmental Funds have been shown on a functional basis. The approved budgets of these funds were adopted on an activity and/or program level. During the year

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ended December 31, 2014, the Marquette County Health Department incurred functional expenditures which were in excess of the amounts appropriated as shown within the basic financial statements.

**Cause of Condition:** Failure to amend the budgets during the year based on the level of expenditures.

**Effect:** The Marquette County Health Department is not in compliance with State law.

**Recommendation:** The Marquette County Health Department should strictly control expenditures in each governmental fund so as not to exceed the original appropriation. When this is not possible, the budget should be amended accordingly.

**Management Response – Corrective Action Plan:**

- Contact Person(s) Responsible for Correction:
  - Jim Rahoi, Finance Director
- Corrective Action Planned:
  - Management concurs and will develop a procedure to include supporting documentation and approval of all invoices.
- Anticipated Date of Completion:
  - December 31, 2015

The County of Marquette, Michigan's written response to the significant deficiencies identified in our audit has not been subjected to the audit procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

This communication is intended solely for the information and use of management, County Commissioners, and others within the County of Marquette, Michigan, and is not intended to be and should not be used by anyone other than these specified parties.

*Anderson, Tackman & Company, PLLC*

Certified Public Accountants

April 24, 2015



**ANDERSON, TACKMAN & COMPANY, PLC**

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**County of Marquette, Michigan**  
*Communication with Those Charged with Governance*  
For the Year Ended December 31, 2014

April 24, 2015

To the Board of Commissioners of the  
County of Marquette, Michigan  
234 West Baraga Avenue  
Marquette, Michigan 49855

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 Marquette, Michigan for the year ended December 31, 2014. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and OMB Circular A-133), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated October 31, 2014. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the County of Marquette, Michigan are described in Note A to the financial statements. As described in Note 21 to the financial statements, the County of Marquette, Michigan changed accounting policies related to Technical corrections, financial reporting for pension plans and government combinations and disposals of government operations by adopting Statement of Governmental Accounting Standards (GASB Statement) No. 66, *2012 Technical Corrections (an Amendment to GASB 10 and GASB 62)* in 2014. Implementing the new pronouncement had no financial statement effect on the County. We noted no transactions entered into by the County of Marquette, Michigan during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the County's financial statements were:

Management's estimate of the Other Post Employment Benefit for Retirees Health Insurance Liability is based on an actuarial performed for the County of Marquette, Michigan to determine its liability. We evaluated the key factors and assumptions used to

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develop the Other Post Employment Benefit for Retirees Health Insurance Liability in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the accrued sick and vacation is based on employee pay rates and the various subsidiary ledgers maintained for hour balances. We evaluated the key factors and assumptions used to develop the accrued employee benefit balances in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the accumulated depreciation and depreciation expense is based on historical costs and useful lives of the assets. Depreciation is calculated using the straight-line method. We evaluated the key factors and assumptions used to develop the current years depreciation expense and accumulated depreciation in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

The disclosure of Defined Benefit Retirement Plan in Note 8 to the financial statements includes significant actuarial assumptions used in calculating the valuation. Municipal Employees' Retirement System of Michigan was responsible for preparation of the annual actuarial valuation. The disclosures made in Note 8 were based on information included in their report.

The disclosure of Other Post-Employment Benefits in Note 10 to the financial statements includes significant actuarial assumptions used in the calculating the valuation. Watkins Ross was the actuarial company hired for preparation of the actuarial valuation. The disclosures made in Note 10 were based on information included in their report.

The financial statement disclosures are neutral, consistent, and clear.

*Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

*Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

*Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

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*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated April 24, 2015.

*Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the County of Marquette, Michigan’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the County of Marquette, Michigan’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

As part of obtaining reasonable assurance about whether The County of Marquette, Michigan’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Report to Management Letter as item 2014-001.

Other Matters

We applied certain limited procedures to Management’s Discussion and Analysis, Budgetary Comparison Schedules for the General Fund and any major Special Revenue Funds and Analysis of Funding Information, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the combining and individual major and nonmajor fund financial statements, which accompany the financial statements but are not RSI. With respect to this supplementary information, 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.

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Restriction on Use

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

Very truly yours,

*Anderson, Tackman & Company, PLLC*

Certified Public Accountants