



# Calhoun County

## Administrative Services Department

### Purchasing Division

*"Building A Better County Through Responsive Leadership"*

315 West Green Street  
Marshall, MI 49068  
269/781-0815 (Voice)  
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Bradley J. Wilcox  
Assistant County Administrator

**TO:** Potential Bidders

**DATE:** October 8, 2014

**RE:** Questions and Responses - RFP#125-14: Auditing Services

The following information represents a list of proposer's questions, and the corresponding replies from the County, which were received by the Calhoun County Purchasing Department on or before October 6, 2014, in accordance with instructions stated in RFP#125-14, Sec. 2.4 "Inquiries". All respondents to the County solicitation will be responsible for this information when submitting a proposal for Auditing Services. Questions and the corresponding responses that add to, alter, or change in any way, the requirements and specifications contained in RFP#125-14 may become part of the final contractual documents upon the award of an agreement.

Vendor questions are italicized, and are numbered followed by the corresponding response by the County in **bold** text. In instances where more than one vendor asked a question and the question was essentially the same, the typed question is a combination of the written inquiries.

- 1. Why are you bidding? Have you been happy with current auditors? What is the reason for the change in auditors?*

**The current agreement expires on 12/31/14 for the County and Road Department and the current agreement for the Treasurer's Delinquent Tax Revolving Fund and Land Bank expires on 12/31/15. In accordance with County Purchasing Policy #405, contracts exceeding \$20,000 will be formally bid.**

- 2. How many days and how many people were on site to conduct the audit of the County? The DTR funds? The Land Bank? How many auditors were onsite for fieldwork for each of the prior year audits, and for how many days?*

**County (including single audit): 2 -3 staff on-site for approximately 4 – 5 weeks.**

**DTR and Land Bank: 2 staff on-site for 2 – 3 days.**

3. *Can you disclose the approximate audit fees and hours for each of the prior year audits (Financial Statement Audit, A133 Audit, Land Bank Audit and Delinquent Tax Revolving Fund Audit) and in total? What is the current all-inclusive audit fee for the County (including the single audit), Land Bank, and Delinquent Tax Revolving Fund?*

**County (including A133 Audit): \$55,000 – includes additional \$2,000 for work at the Road Department.**

**DTR: \$8,900**

**Land Bank: \$4,000**

4. *When was the timing of fieldwork for the prior year audits?*

**County: Fieldwork began on March 24, 2014.**

**DTR and Land Bank: Early to mid-February.**

5. *Historically how many journal entries are identified by the auditors? How many adjusting journal entries were made during the prior year audits? How many Audit Journal Entries did auditors have last year for the County, DTR funds, Land Bank?*

**County: 2011- 18; 2012- 48; 2013- 29. These numbers include journals prepared by the auditors and journals prepared by the County. Several of the entries prepared by the County relate to the government-wide statements and that were not complete at the beginning of fieldwork.**

**DTR: 2011- 23; 2012- 23; 2013- 22.**

**Land Bank: 2011- 5; 2012- 3; 2013- 12.**

6. *Was there a management letter(s) issued related to the prior year audits? If so, what was the nature of any management letter comments?*

**Management letters are attached, pursuant to Attachments A, B, and C.**

7. *Who maintains the general ledger, and what general ledger software is used?*

**The Finance Department maintains the general ledger via New World Logos network-based financial system.**

8. *Are the financial statements and footnotes prepared by Calhoun County staff, or is this something the auditors have prepared in years past?*

**The auditors have prepared the financial statements and footnotes, with most of the information for the footnotes provided by the Finance Department.**

9. *What factors will be most important to Calhoun County when making the decision on which proposal to select?*

**Referencing RFP page 20, section 3.7, page 26, section 4.9, and page 31, section 5.9 all titled "Proposal Evaluation Criteria", will provide you with the criteria utilized by the County in the evaluation of proposals.**

10. *Will pre-bid meetings be scheduled?*

**Specifications contained in RFP#125-14 for Auditing Services do not include a pre-bid meeting prior to the submission of proposals on October 20. All inquiries by potential bidders are addressed within the process outlined in sec. 2.4 "Inquiries".**

11. *The RFP includes the option to bid on 2 additional audits for the Land Bank and the DTRF. If we are interested in proposing on the County and these entities can we submit 1 combined proposal with separate fee quotes or should we prepare a separate proposal for each entity?*

**One combined proposal with separate fee quotes for each will be accepted.**

12. *Page 16 #3.2.9 requires the auditor to "issue an opinion on....." a variety of items. Please expand on what is being looked for here as this appears to be over and above "normal" audit procedures.*

*Section 3.2.9 the auditor shall determine and issue an opinion on whether the following systems are in substantial compliance with appropriate accounting and control standards: .... Is this referring to a separately issued report on these items or is the standard "Report on Internal Control over Financial Reporting and on compliance and other matters based on an audit of the financial statements performed in accordance with government auditing standards" (prior year single audit report page 6) sufficient to cover this requirement?*

**No separately issued report is necessary. Normal audit procedures performed in accordance with government auditing standards is sufficient.**

13. *Do your current auditors perform decentralized receipt and disbursement departmental testing such as at the courts, Sheriff, building department, etc. at the County?*

**Receipt and disbursement testing can all be performed at the County Building. Auditors will have access to the general ledger where supporting documentation for revenue collections and accounts payable is stored.**

14. *Who maintains capital asset records and depreciation schedules annually at the County, DTR funds, Land Bank?*

**The Finance Department maintains the capital asset records and depreciation schedules for the County, DTR funds, and the Land Bank. The Land Bank keeps records of the Land Bank properties.**

15. *How much in Federal expenditures is anticipated in this year (i.e., is it comparable to 2013 or are there anticipated to be any new significant Federal programs?)*

**Amount anticipated to be comparable to 2013.**

16. *Has the County's retirement system been completely transferred over to MERS in 2013 and the Pension Trust Fund discontinued?*

**Yes.**

17. *We assume the County books all accruals and provides detailed reconciliations on all material accounts for each of the 3 entities under this RFP, is that correct?*

**County: Yes**

**DTR and Land Bank: Yes**

18. *Who prepares the F-65?*

**The County Finance Department.**

19. *Does the Land Bank expect Federal funds to go up enough to require a Single Audit during the years under bid?*

**At this time, we believe it to be possible in future years.**

20. *Will the DTRF need a single audit?*

**No.**

***This concludes the question and answer period, as outlined in RFP#125-14 Auditing Services.***

## INDEPENDENT AUDITORS' COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

June 26, 2014

To the Board of Commissioners  
Calhoun County

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 Calhoun, Michigan* (the "County") as of and for the year ended December 31, 2013, and have issued our report thereon dated June 26, 2014. Professional standards require that we provide you with the following information related to our audit.

### Our Responsibility Under Auditing Standards Generally Accepted in the United States of America and OMB Circular A-133

As stated in our engagement letter dated February 13, 2014, our responsibility, as described by professional standards, is to express opinions about whether the financial statements 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 responsibilities.

In planning and performing our audit, we considered the County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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. Also, in accordance with OMB Circular A-133, we examined, on a test basis, evidence about the County's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* applicable to each of its major federal programs for the purpose of expressing an opinion on the County's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on the County's compliance with those requirements.

### 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.

#### 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 our meeting about planning matters on April 9, 2014.

#### Significant Results of the Audit

##### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the County are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the County during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

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

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

##### *Difficulties Encountered in Performing the Audit*

We were unable to perform the audit of the Road Department component of the County audit in a timely basis. This was an issue with the audit last year as well. Accordingly, this delayed the completion of the audit. The County is evaluating options to ensure that this is not an ongoing issue.

*Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The material misstatements detected as a result of audit procedures and corrected by management are described in the Schedule of Findings and Questioned Costs issued in connection with the Single Audit.

*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.

*Disagreements with Management*

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

*Management Representations*

We have requested certain representations from management that are included in the attached management representation letter dated June 26, 2014.

*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 entity'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 governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

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

Very truly yours,



# CALHOUN COUNTY

## Attachment A - Comments and Recommendations

For the December 31, 2013 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 26, 2014, issued in accordance with *Government Auditing Standards*. This memorandum does not affect that report or our report dated June 26, 2014, on the financial statements of Calhoun County.

### Other Matters

*Written Policies and Procedures* - The County presently does not have certain formal written procedures for its accounting practices, such as centralized and decentralized cash receipts, purchasing, accounts payable, payroll, budgeting, as well as for the administration of federal awards that address the fourteen areas of compliance over its federally funded operating and capital grants. Even though the County operates under the specifications of these compliance areas, we recommend that these policies and procedures be reduced to written form in order to have a reference guide for training purposes, as well as a resource for the sometimes complex compliance requirements of federal grant programs, and to comply with the new Compliance Supplement effective for the year 2015 which says that grantees of federal funds must have written policies and procedures, which includes the compliance areas for federal awards.

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## CALHOUN COUNTY

### Attachment B - Upcoming Changes in Accounting Standards

For the December 31, 2013 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 67 ■ Financial Reporting for Pension Plans**

*Effective 06/15/2014 (your FY 2014)*

This standard establishes the requirements for pension plans administered by trusts to report on their operations, including setting new uniform requirements for actuarial valuations of the total pension liability, and reporting various 10-year trend data as required supplementary information. The financial statements of pension plans will not change substantially as a result of GASB 67, though the additional note disclosures and required supplementary information will be significant. Additionally, actuarial valuations conducted in accordance with GASB 67 will have to match the government's fiscal year, or be rolled forward to that date by the actuary.

Because the County does not maintain its own pension trust fund, we do not expect GASB 67 to have any significant impact on the County at this time.

#### **GASB 68 ■ Accounting and Financial Reporting for Pensions**

*Effective 06/15/2015 (your FY 2015)*

This standard establishes new requirements for governments to report a "net pension liability" for the unfunded portion of its pension plan. Governments that maintain their own pension plans (either single employer or agent multiple-employer) will report a liability for the difference between the total pension liability calculated in accordance with GASB 67 and the amount held in the pension trust fund. Governments that participate in a cost sharing plan will report a liability for their "proportionate share" of the net pension liability of the entire system.

Historically, governments have only been required to report a net pension obligation to the extent that they have not met the annual required contribution (ARC) in any given year. Upon implementation of this standard, governments will be required to report a net pension liability based on the current funded status of their pension plans. This liability would be limited to the government-wide financial statements and proprietary funds. Changes in this liability from year to year will largely be reflected on the income statement, though certain amounts will be deferred and amortized over varying periods.

## CALHOUN COUNTY

### Attachment B - Upcoming Changes in Accounting Standards

For the December 31, 2013 Audit

GASB 68 also requires more extensive note disclosures and required supplementary information, including 10 years of historical information. The methods used to determine the discount rate (the assumed rate of return on plan assets held in trust) are mandated and must be disclosed, along with what the impact would be on the net pension liability if that rate changed by 1% in either direction. Other new disclosure requirements include details of the changes in the components of the net pension liability, comparisons of actual employer contributions to actuarially determined contributions, and ratios to put the net pension liability in context. For single-employer and agent multiple-employer plans, the information for these statements will come from the annual actuarial valuation. For cost sharing plans, this information will be derived from the financial reports of the plan itself, multiplied by the government's proportionate share of plan.

GASB 67 and 68 are only applicable to pension plans. However, the GASB has announced its intent to issue similar standards for other postemployment benefits (e.g., retiree healthcare) on a two year delay from these standards.

#### **GASB 69 ■ Government Combinations and Disposals of Government Operations**

*Effective 12/15/2014 (your FY 2014)*

This standard provides detailed requirements for the accounting and disclosure of various types of government combinations, such as mergers, acquisitions, and transfers of operations. The guidance available previously was limited to nongovernmental entities, and therefore did not provide practical examples for situations common in government-specific combinations and disposals. The accounting and disclosure requirements for these events vary based on whether a significant payment is made, the continuation or termination of services, and the legal structure of the new or continuing entity.

Given the infrequent nature of these types of events, we do not expect this standard to have any impact on the County at this time.

#### **GASB 70 ■ Nonexchange Financial Guarantees**

*Effective 06/15/2014 (your FY 2014)*

This standard addresses the accounting and disclosure of situations in which one government offers a financial guarantee on behalf of another government, not-for-profit organization, private entity, or individual without directly receiving equal or approximately equal value in exchange (a nonexchange transaction). A government that extends a nonexchange financial guarantee will be required to recognize a liability when qualitative factors and/or historical data indicate that it is "more likely than not" that the government will be required to make a payment on the guarantee. It further requires governments to disclose any outstanding financial guarantees in the notes to the financial statements.

We do not expect GASB 70 to have any significant impact on the County at this time.

## CALHOUN COUNTY

### Attachment B - Upcoming Changes in Accounting Standards For the December 31, 2013 Audit

#### **GASB 71 ■ Pension Transition for Contributions Made Subsequent to the Measurement Date** *Effective with the Implementation of GASB 68*

This standard is an amendment to GASB 68, and seeks to clarify certain implementation issues related to amounts that are deferred and amortized at the time GASB 68 is first adopted. It applies to situations in which the measurement date of an actuarial valuation differs from the government's fiscal year.

#### **2 CFR 200 ■ Uniform Guidance for Federal Awards** *Cost Principles Effective 12/26/2014; Single Audit Requirements Effective 12/26/2015 (your FY 2016)*

The Office of Management and Budget (OMB) has consolidated seven separate circulars (including administrative requirements, cost principles, and audit requirements) into a single federal regulation. The new Uniform Guidance covers all aspects of federal grants from pre-award through the single audit. While much of the guidance was simply reorganized and recodified, there were also several substantive changes to the single audit thresholds. A single audit will now only be required if total expenditures of federal awards exceed \$750,000 (up from \$500,000). The OMB has indicated that further changes to the single audit will be announced in 2015.

In addition, the Uniform Guidance now explicitly requires grant recipients to have sound internal controls that are consistent with the COSO framework and documented procedures for grant administration. Rehmann is available to assist grant recipients in developing/documenting these policies and procedures in compliance with the new requirements.





**AUDIT COMMUNICATION LETTER**

May 22, 2014

Board of Directors  
Calhoun County Land Bank Authority  
Marshall, Michigan

We have audited the financial statements of the Calhoun County Land Bank Authority, a component unit of the County of Calhoun, Michigan, for the years ended December 31, 2013 and 2012, and have issued our report thereon dated May 22, 2014. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter to you dated November 12, 2013. Professional standards also require that we communicate to you the following information related to our audits.

**Planned Scope and Timing of Audit**

We performed the audit according to the planned scope and timing previously communicated to you in our engagement letter.

**Significant Items**

*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Calhoun County Land Bank Authority are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the governmental unit 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 estimate affecting the financial statements was the valuation of properties held for sale (inventory). Management's estimate of the fair value of those properties is based on market activity of similar properties sold in Calhoun County, specifically properties bought and sold by the Authority. We evaluated the key factors and assumptions used to develop the valuation of inventory in determining that it is reasonable 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 disclosure affecting the financial statements was:

The disclosure of property held for other organizations described in Note 9 to the financial statements. The disclosure provides details about the agreements the Authority has with three local not-for-profit organizations, including the values reported in the financial statements and accounting treatment of future sales.

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.

*Significant Audit Adjustments*

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 the financial statements taken as a whole

*Disagreements with Management*

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

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated May 22, 2014.

*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 applications of an accounting principle to the Authority'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 factors. To our knowledge, there were no such consultations with other accountants.

**Other Matters**

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 Authority's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Directors of the Calhoun County Land Bank Authority and the County Board of the Commissioners of Calhoun County, Michigan and is not intended to be and should not be used by anyone other than these specified parties.

We appreciate the opportunity to be of service to the Calhoun County Land Bank Authority Board Members.

*Stewart Beauvais & Whipple, P.C.*  
Certified Public Accountants



## AUDIT COMMUNICATION LETTER

May 2, 2014

Ms. Christine Schauer  
County Treasurer  
County of Calhoun, Michigan  
Marshall, Michigan

We have audited the financial statements of the 100% Delinquent Tax Revolving Fund an Enterprise Fund (DTR Fund) of the County of Calhoun, Michigan, for the year ended December 31, 2013, and have issued our report thereon dated May 2, 2014. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, 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 November 12, 2013.

### Significant Items

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the 100% Delinquent Tax Revolving Fund are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the governmental unit 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 basic 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. There were no accounting estimates that significantly affect the financial statements.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements is the disclosure of restricted net position and the operational segments composing the balance.

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 the financial statements taken as a whole.

*Disagreements with Management*

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

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated May 2, 2014.

*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 applications of an accounting principle to the DTR Fund'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 factors. To our knowledge, there were no such consultations with other accountants.

*Other Matters*

With respect to the supplementary information accompanying the financial statements, 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 the financial statements themselves.

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 DTR Fund's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the management of the 100% Delinquent Tax Revolving Fund and the County Board of the Commissioners of Calhoun County, Michigan and is not intended to be and should not be used by anyone other than these specified parties.

We appreciate the opportunity to be of service to the Treasurer's Department of Calhoun County.

*Stewart Beauvais & Whipple, P.C.*  
Certified Public Accountants