

City of Holland,
Michigan



Holland
MICHIGAN

Year Ended
June 30, 2021

Single Audit Act
Compliance

Rehmann

CITY OF HOLLAND, MICHIGAN

Table of Contents

	<u>Page</u>
Independent Auditors' Report on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance	1
Schedule of Expenditures of Federal Awards	2
Notes to Schedule of Expenditures of Federal Awards	3
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 <i>Government Auditing Standards</i>	5
Independent Auditors' Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by the Uniform Guidance	7
Schedule of Findings and Questioned Costs	9
Summary Schedule of Prior Audit Findings	12
Corrective Action Plan	13



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

December 3, 2021

Honorable Mayor
and City Council
City of Holland, 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 **City of Holland, Michigan** (the "City") as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated December 3, 2021, 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 Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Rehmann Lobson LLC

Rehmann is an independent member of Nexia International.



CITY OF HOLLAND, MICHIGAN

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

Federal Agency / Cluster / Program Title	Assistance Listing Number	Passed Through	Pass-through / Grantor Number	Federal Expenditures
U.S. Department of Agriculture				
WIC Farmers' Market Nutrition Program	10.572	MDHHS	MM#4454	\$ 39,708
U.S. Department of Housing and Urban Development				
Community Development Block Grant Entitlement Cluster:				
Entitlement XXXVII 2021	14.218	Direct	B-20-MC-26-0036	70,353
Entitlement XXXVI 2020	14.218	Direct	B-19-MC-26-0036	60,787
Entitlement XXXV 2019	14.218	Direct	B-18-MC-26-0036	76,033
Entitlement XXXIV 2018	14.218	Direct	B-17-MC-26-0036	71,804
Entitlement XXXIII 2017	14.218	Direct	B-16-MC-26-0036	26,280
				<u>305,257</u>
COVID-19 - Community Development Block Grant States Program	14.228	Direct	B-20-MC-26-0036	216,543
Total U.S. Department of Housing and Urban Development				<u>521,800</u>
U.S. Department of Justice				
COVID-19 - Coronavirus Emergency Supplemental Program	16.034	MSP	2020-VD-BX-0434	32,538
Bulletproof Vest Partnership Program	16.607	Direct	n/a	1,965
Edward Byrne Memorial Justice Assistance Grant	16.738	CO	JAG-70834-WEMET-2021	48,852
Total U.S. Department of Justice				<u>83,355</u>
U.S. Department of Transportation				
National Highway Safety Cluster:				
National Priority Safety Programs	20.616	MSP	CP-20-01-OHSP	530
U.S. Department of Treasury				
COVID-19 - Coronavirus Relief Fund:				
Coronavirus Relief Local Government Grant	21.019	MDT	n/a	100,942
First Responder Hazard Pay Premiums Program	21.019	MDT	n/a	105,000
Public Safety/Public Health Payroll Reimbursement	21.019	MDT	n/a	751,844
Total U.S. Department of Treasury				<u>957,786</u>
U.S. Department of Environmental Protection Agency				
Clean Water State Revolving Fund Cluster:				
Capitalization Grants for Clean Water State Revolving Funds	66.458	MDEGLE	5690-01	4,514,514
U.S. Elections Assistance Commission				
Help America Vote Act (HAVA):				
Elections Security Grant	90.404	MDOS	n/a	3,798
Executive Office of the President				
High Intensity Drug Trafficking Areas Programs (HIDTA)	95.001	CO	n/a	8,290
U.S. Department of Homeland Security				
COVID-19 - Disaster Grants Public Assistance	97.036	Direct	174329	9,953
Total Expenditures of Federal Awards				<u>\$ 6,139,734</u>

See notes to schedule of expenditures of federal awards.

CITY OF HOLLAND, MICHIGAN

Notes to Schedule of Expenditures of Federal Awards

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the City of Holland, Michigan (the "City") under programs of the federal government for the year ended June 30, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the net position, changes in net position, or cash flows of the City.

Expenditures reported on the Schedule are reported on the accrual basis of accounting, which is described in Note 1 to the City's financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance or other applicable guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

2. 10% DE MINIMIS COST RATE

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

3. OTHER FEDERAL REVENUE

The City is an indirect beneficiary of federal funds that are expended directly by the Michigan Department of Transportation. These expenditures (which totaled \$1,301,928 for the year ended June 30, 2021) are not presented on the Schedule, as they will be included in the single audit for the State of Michigan.

4. CLEAN WATER STATE REVOLVING LOAN

The outstanding balance on the Clean Water State Revolving Loan was \$4,334,107 as of June 30, 2021.

5. PASS-THROUGH ENTITIES

The City receives certain federal grants as subawards from non-federal entities. Pass-through entities, where applicable, have been identified in the Schedule with an abbreviation, defined as follows:

Pass-through Entity Abbreviation	Pass-through Entity Name
CO	County of Ottawa, Michigan
MDEGLE	Michigan Department of Environmental, Great Lakes and Energy
MDHHS	Michigan Department of Health and Human Services
MDOS	Michigan Department of State
MSP	Michigan State Police
MDT	Michigan Department of Treasury



This page intentionally left blank.

**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***

December 3, 2021

Honorable Mayor
and City Council
City of Holland, 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 the **City of Holland, Michigan** (the "City"), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 3, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City'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 City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City'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.

Rehmann is an independent member of Nexia International.



Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs, as item 2021-001 that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City of Holland, Michigan's Response to Finding

The City's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The City'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 City'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.

A handwritten signature in black ink that reads "Rehmann Lobson LLC". The signature is written in a cursive, flowing style.

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

December 3, 2021

Honorable Mayor
and City Council
City of Holland, Michigan

Report on Compliance for Each Major Federal Program

We have audited the compliance of the **City of Holland, Michigan** (the "City") with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2021. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Independent Auditors' Responsibility

Our responsibility is to express an opinion on compliance for the City'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 the City'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 the City's compliance.

Rehmann is an independent member of Nexia International.



Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control Over Compliance

Management of the City 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 the City'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 the City'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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Rehmann Johnson LLC". The signature is written in a cursive, flowing style.

CITY OF HOLLAND, MICHIGAN

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2021

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

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

Unmodified

Internal control over financial reporting:

Material weakness(es) identified? X yes no

Significant deficiency(ies) identified? yes X none reported

Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? yes X no

Significant deficiency(ies) identified? yes X none reported

Type of auditors' report issued on compliance for each major program:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

yes X no

Identification of major programs:

Assistance Listing Number

Name of Federal Program or Cluster

21.019

COVID-19 - Coronavirus Relief Fund

66.458

Capitalization Grants for Clean Water Revolving Funds

Dollar threshold used to distinguish between Type A and Type B programs:

\$ 750,000

Auditee qualified as low-risk auditee?

yes X no

CITY OF HOLLAND, MICHIGAN

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2021

SECTION II – FINANCIAL STATEMENT FINDINGS

2021-001 - Material Audit Adjustments

Finding Type. Material Weakness in Internal Control over Financial Reporting.

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

Condition. We identified and proposed certain material adjustments (which were approved and posted by management) to adjust the City of Holland Board of Public Works' general ledger to the appropriate balances. These entries related to multiple areas including cash, long-term debt and interest expense related to bond refundings; and capital assets, depreciation and contributed capital for contributions received and recognized.

Cause. This condition was caused by various oversights in recording adjustments for those areas noted above and certain reconciliations not being completed in a timely manner.

Effect. As a result of this condition, the City of Holland Board of Public Works' accounting records were initially misstated by amounts material to the financial statements.

Recommendations. The related correcting entries have been reviewed and approved by management of the City of Holland Board of Public Works. Additionally, we encourage reconciliations of the City of Holland Board of Public Works to be completed and reviewed in a timely basis in order to identify issues throughout the year, not just at the time of the audit.

View of Responsible Officials. The City of Holland Board of Public Works recognizes the issues identified during the audit and has implemented additional control and review processes to prevent reoccurrence.

CITY OF HOLLAND, MICHIGAN

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2021

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.



CITY OF HOLLAND, MICHIGAN

Summary Schedule of Prior Audit Findings

For the Year Ended June 30, 2021

No matters were reported.





Corrective Action Plan

Pursuant to federal regulations, Uniform Administrative Requirements Section 200.511, the following is the finding as noted in the City of Holland, Michigan's Single Audit report for the year ended June 30, 2021, and corrective actions to be completed.

2021-001 – Material Audit Adjustments

Auditor Description of Condition and Effect. We identified and proposed certain material adjustments (which were approved and posted by management) to adjust the City of Holland Board of Public Works' general ledger to the appropriate balances. These entries related to multiple areas including cash, long-term debt and interest expense related to bond refundings; and capital assets, depreciation and contributed capital for contributions received and recognized. As a result of this condition, the City of Holland Board of Public Works' accounting records were initially misstated by amounts material to the financial statements.

Auditor Recommendation. The related correcting entries have been reviewed and approved by management of the City of Holland Board of Public Works. Additionally, we encourage reconciliations of the City of Holland Board of Public Works to be completed and reviewed in a timely basis in order to identify issues throughout the year, not just at the time of the audit.

Corrective Action. The City of Holland Board of Public Works recognizes the issues identified during the audit and has implemented additional control and review processes to prevent reoccurrence.

Responsible Person. Charles Warren, City of Holland Board of Public Works Finance Director

Anticipated Completion Date: June 30, 2022