

City of Holland,
Michigan



Holland
MICHIGAN

Year Ended
June 30, 2023

Single Audit Act
Compliance

Rehmann

CITY OF HOLLAND, MICHIGAN

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

December 1, 2023

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, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated December 1, 2023, 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



CITY OF HOLLAND, MICHIGAN

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2023

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	\$ 43,084
U.S. Department of Housing and Urban Development				
Community Development Block Grants/Entitlement Cluster:				
Entitlement XXXVI 2023	14.218	Direct	B-22-MC-26-0036	83,244
Entitlement XXXVI 2022	14.218	Direct	B-21-MC-26-0036	248,475
Entitlement XXXVI 2021	14.218	Direct	B-20-MC-26-0036	214,799
Entitlement XXXV 2020	14.218	Direct	B-19-MC-26-0036	60,473
				<u>606,991</u>
COVID-19 - Community Development Block Grants State's Program	14.228	Direct	B-20-MC-26-0036	13,177
				<u>13,177</u>
Total U.S. Department of Housing and Urban Development				<u>620,168</u>
U.S. Department of Justice				
Bulletproof Vest Partnership Program 2020	16.607	Direct	n/a	5,153
				<u>5,153</u>
Edward Byrne Memorial Justice Assistance Grant Program	16.738	Direct	15PBJA-22-GG-02913JAGX	6,912
Edward Byrne Memorial Justice Assistance Grant Program	16.738	CO	JAG-70834-WEMET-2023	42,939
				<u>49,851</u>
Total U.S. Department of Justice				<u>55,004</u>
U.S. Department of Treasury				
COVID-19 - Coronavirus State & Local Fiscal Recovery Funds	21.027	Direct	n/a	1,205,496
				<u>1,205,496</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	15,550,627
				<u>15,550,627</u>
U.S. Elections Assistance Commission				
Help America Vote Act (HAVA):				
Elections Security Grant	90.404	MDOS	n/a	1,932
				<u>1,932</u>
Executive Office of the President				
High Intensity Drug Trafficking Areas Program (HIDTA)	95.001	CO	n/a	26,800
				<u>26,800</u>
Total Expenditures of Federal Awards				<u>\$ 17,503,111</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, 2023. 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 \$224,078 for the year ended June 30, 2023) 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 \$22,399,313 as of June 30, 2023.

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 Environment, Great Lakes and Energy
MDHHS	Michigan Department of Health and Human Services
MDOS	Michigan Department of State



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**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 1, 2023

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, 2023, 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 1, 2023.

Report on 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.

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. However, as described in the accompanying schedule of findings and questioned costs, we did identify certain deficiencies in internal control that we consider to be material weaknesses and 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 consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2023-001 to be a material weakness.

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 deficiency described in the accompanying schedule of findings and questioned costs as item 2023-002 to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City'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 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 Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City's responses to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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 "Rehman Lohman 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 1, 2023

Honorable Mayor
and City Council
City of Holland, Michigan

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the compliance of the **City of Holland, Michigan** (the "City") with the types of compliance requirements identified as subject to audit 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, 2023. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

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, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Independent Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.



Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the City's federal programs.

Independent Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 Independent Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

Rehmann Lobson LLC

CITY OF HOLLAND, MICHIGAN

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2023

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? X yes 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 the 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 program:

Assistance Listing Number

Name of Federal Program or Cluster

21.027

Coronavirus State and Local Fiscal Recovery Funds

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, 2023

SECTION II – FINANCIAL STATEMENT FINDINGS

2023-001 – 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 adjustments (which were approved and posted by management) to adjust the City of Holland Board of Public Works' general ledger to the appropriate balances. This included a material audit entry that was recorded related to cash and long-term debt resulting from the timing of principal payments. Additionally, there were additional entries that were the direct result of audit inquiry and request for account reconciliations to the trial balance.

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.

Recommendation. The related correcting entries have been reviewed and approved by management. Additionally, we encourage reconciliations 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, 2023

2023-002 – Timely Reconciliations

Finding Type. Significant Deficiency in Internal Control over Financial Reporting.

Criteria. Timely account reconciliations represent an important control used to detect and prevent material misstatements. Generally, accounts should be reconciled on a monthly basis.

Condition. As of the scheduled dates of our audit fieldwork (approximately 3 months after the end of the fiscal year), the City of Holland Board of Public Works had not yet fully reconciled its capital asset, accounts receivable, and accounts payable records. In addition, a significant number of adjusting entries were not yet posted by management.

Cause. This condition was caused, in part, by staffing limitations in the finance department at the City of Holland Board of Public Works, which impacted the ability to complete reconciliations for all accounts in a timely manner.

Effect. As a result of this condition, the City of Holland Board of Public Works was exposed to an increased risk that misstatements, whether caused by error or fraud, could occur and not be detected by management in a timely manner.

Recommendation. Management should establish a policy requiring all significant balance sheet accounts to be reconciled to the general ledger to be prepared on a monthly basis. Additionally, these reconciliations should be reviewed for an independent individual. In prior years, the finance department at the City of Holland Board of Public Works would prepare internal financial statements that would mirror the audited financials and were available at the start of the audit. We encourage the finance department staff to return to completing these internal financial statements prior to the start of the audit to ensure that all balances are ready and adjusted for the audit.

View of Responsible Officials. Due to findings in an earlier audit, the City of Holland Board of Public Works' finance department has made a concerted effort to complete timely reconciliations of all significant accounts. Based on the information the finance department had at year-end, the finance department had reconciled the asset, accounts receivable and accounts payable accounts. Receiving capital project information for fiscal year 2023 as late as September 2023 resulted in significant movement between accounts. As a result, the finance department has had several meetings with operations and IT staff to implement procedures and controls to prevent a recurrence of this issue.

CITY OF HOLLAND, MICHIGAN

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2023

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, 2023

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, 2023, and corrective actions to be completed.

2023-001 – Material Audit Adjustments

Auditor Description of Condition and Effect. We identified and proposed certain adjustments (which were approved and posted by management) to adjust the City of Holland Board of Public Works' general ledger to the appropriate balances. This included a material audit entry that was recorded related to cash and long-term debt resulting from the timing of principal payments. Additionally, there were additional entries that were the direct result of audit inquiry and request for account reconciliations to the trial balance. 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. Additionally, we encourage reconciliations 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, 2024

2023-002 – Timely Reconciliations

Auditor Description of Condition and Effect. As of the scheduled dates of our audit fieldwork (approximately 3 months after the end of the fiscal year), the City of Holland Board of Public Works had not yet fully reconciled its capital asset, accounts receivable, and accounts payable records. In addition, a significant number of adjusting entries were not yet posted by management. As a result of this condition, the City of Holland Board of Public Works was exposed to an increased risk that misstatements, whether caused by error or fraud, could occur and not be detected by management in a timely manner.

Auditor Recommendation. Management should establish a policy requiring all significant balance sheet accounts to be reconciled to the general ledger to be prepared on a monthly basis. Additionally, these reconciliations should be reviewed for an independent individual. In prior years, the finance department at the City of Holland Board of Public Works would prepare internal financial statements that would mirror the audited financials and were available at the start of the audit. We encourage the finance department staff to return to completing these internal financial statements prior to the start of the audit to ensure that all balances are ready and adjusted for the audit.

Corrective Action. Due to findings in an earlier audit, The City of Holland Board of Public Works' finance department has made a concerted effort to complete timely reconciliations of all significant accounts. Based on the information the finance department had at year-end, the finance department had reconciled the asset, accounts receivable and accounts payable accounts. Receiving capital project information for fiscal year 2023 as late as September 2023 resulted in significant movement between accounts. As a result, the finance department has had several meetings with operations and IT staff to implement procedures and controls to prevent a recurrence of this issue.

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

Anticipated Completion Date: June 30, 2024