

CITY OF HOLLAND, MICHIGAN

FEDERAL AWARDS

SINGLE AUDIT ACT COMPLIANCE

FOR THE YEAR ENDED JUNE 30, 2010

CITY OF HOLLAND, MICHIGAN
SINGLE AUDIT ACT COMPLIANCE
TABLE OF CONTENTS

| | <u>PAGE</u> |
|--|--------------------|
| Independent Auditors' Report on the Schedule of Expenditures of Federal Awards | 1 |
| Schedule of Expenditures of Federal Awards | 2-3 |
| 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> | 4-5 |
| Independent Auditors' Report on Compliance with Requirements that Could Have a Direct and Material Effect on Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133 | 6-7 |
| Notes to Schedule of Expenditures of Federal Awards | 8 |
| Schedule of Findings and Questioned Costs | 9-10 |

**INDEPENDENT AUDITORS' REPORT ON THE SCHEDULE
OF EXPENDITURES OF FEDERAL AWARDS**

December 16, 2010

The 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 as of and for the year ended June 30, 2010, and have issued our report thereon dated December 16, 2010. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133, Audits of States, Local Governments, and Nonprofit Organizations and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



CITY OF HOLLAND, MICHIGAN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2010

| FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE | CFDA NUMBER | AGENCY OR PASS- THROUGH NUMBER | AWARD AMOUNT | FEDERAL EXPENDITURES |
|---|----------------|-----------------------------------|-----------------|-------------------------|
| U.S. Department of Agriculture | | | | |
| Passed-through the Michigan Department of Community Health: | | | | |
| WIC Farmers' Market Nutrition Program: | | | | |
| Project Fresh Agreement | 10.572 | MM#4454 | \$ 18,414 | \$ 18,414 |
| Total U.S. Department of Agriculture | | | | 18,414 |
| U.S. Department of Housing and Urban Development | | | | |
| Direct funding: | | | | |
| Community Development Block Grants - Entitlement Grants Cluster: | | | | |
| Entitlement XXVI | 14.218 | B-09-MC-26-0036 | 433,762 | 369,420 |
| Entitlement XXV | 14.218 | B-08-MC-26-0036 | 385,467 | 16,582 |
| Entitlement XXIV | 14.218 | B-07-MC-26-0036 | 351,859 | 5,633 |
| ARRA - CDBG-R Recovery 2009 | 14.253 | B-09-MY-26-0036 | 91,835 | 17,663 |
| Total direct funding | | | | 409,298 |
| Passed-through the Michigan State Housing Development Authority: | | | | |
| Community Development Block Grants - State's Program: | | | | |
| Neighborhood Stabilization Program - NSP | 14.228 | NSP-2009-0300-CFR | 404,000 | 109,079 |
| Home Investment Partnership Program: | | | | |
| Rental Rehab/Homebuyer | 14.239 | M-2006-0030 | 173,792 | 54,993 |
| Total passed-through Michigan State Housing Development Authority | | | | 164,072 |
| Total U.S. Department of Housing and Urban Development | | | | 573,370 |
| U.S. Department of Justice | | | | |
| Direct funding: | | | | |
| ARRA - Edward Byrne Memorial Justice Assistance Grant | 16.804 | 2009-SB-B9-1527 | 69,478 | 19,959 |
| Bulletproof Vest Partnership Program | 16.607 | 2006B Grant | 5,025 | 421 |
| Bulletproof Vest Partnership Program | 16.607 | 2008 Grant | 6,291 | 2,399 |
| Total direct funding | | | | 22,779 |
| Passed-through the Michigan Department of Management and Budget: | | | | |
| Edward Byrne Memorial Formula Grant Program: | | | | |
| ADAA/WEMET XXIII Grant (10/09-9/10) | 16.579 | 70834-2-10-B | 112,929 | 90,630 |
| HIDTA Grant | 16.579 | n/a | 45,000 | 2,127 |
| Total passed-through Michigan Department of Management and Budget | | | | 92,757 |
| Passed-through Grand Valley State University: | | | | |
| Anti-Gang Initiative | | | | |
| Project Safe Neighborhood Grant (1/08-8/10) | 16.744 | 2007-PG-BX-0009 | 30,000 | 10,698 |
| Total U.S. Department of Justice | | | | 126,234 |
| U.S. Department of Transportation | | | | |
| Direct funding: | | | | |
| Federal Transit Formula Grants: | | | | |
| Section 5307 prior year (capital grant) | 20.507 | M-90-X561 | 25,000 | 10,494 |
| Section 5307 prior year (capital grant) | 20.507 | M-90-X504 | 773,683 | 49,014 |
| Section 5307 prior year (capital grant) | 20.507 | M-03-0236 | 1,554,303 | 376 |
| Total direct funding | | | | 59,884 |

CITY OF HOLLAND, MICHIGAN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONCLUDED)
FOR THE YEAR ENDED JUNE 30, 2010

| FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE | CFDA NUMBER | AGENCY OR PASS- THROUGH NUMBER | AWARD AMOUNT | FEDERAL EXPENDITURES |
|---|----------------|-----------------------------------|-----------------|-------------------------|
| U.S. Department of Transportation | | | | |
| Passed-through the Michigan Department of State Police, Office of Highway Safety Planning: | | | | |
| State and Community Highway Safety: | | | | |
| Safe Communities (10/08-9/09) | 20.600 | PT-09-02 | \$ 190,711 | \$ 67,401 |
| Electronic Crash, Capture and Submission (11/08-9/09) | 20.600 | TR-09-06 | 73,500 | 66,159 |
| Safe Communities (10/09 - 9/10) | 20.600 | PT-10-16 | 167,971 | 122,963 |
| Passed-through Ottawa County Sheriff's Department | | | | |
| State and Community Highway Safety: | | | | |
| Safe Communities (10/08 - 9/09) | 20.600 | PT-09-17 | 13,956 | 4,121 |
| Underage Drinking (10/09 - 9/10) | 20.600 | JJ-10-11 | 14,167 | 3,356 |
| Total State and Community Highway Safety | | | | 264,000 |
| Passed-through Michigan Department of Transportation | | | | |
| Highway Construction and Planning: | | | | |
| | 20.205 | 09-5593 | n/a | 43,947 |
| Total U.S. Department of Transportation | | | | 367,831 |
| U.S. Department of Homeland Security | | | | |
| Direct funding: | | | | |
| Assistance to Firefighters Grant: | | | | |
| Fire Personal Protective Equipment (1/09 - 1/10) | 97.044 | EMW-2008-FO-05802 | 111,681 | 41,439 |
| Homeland Security Grant Program: | | | | |
| Urban Area Security Training | 97.067 | 2007-GE-T7-0029 | 5,000 | 5,000 |
| Hazardous Materials Training | 97.067 | n/a | 402 | 402 |
| Total direct funding | | | | 46,841 |
| Passed-through Michigan State Police: | | | | |
| Disaster Grants - Public Assistance (Presidentially Declared Disasters) | | | | |
| | 97.036 | n/a | n/a | 34,456 |
| Total U.S. Department of Homeland Security | | | | 81,297 |
| Total Expenditures of Federal Awards | | | | \$ 1,167,146 |

See accompanying notes to this schedule.

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 16, 2010

The 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, as of and for the year ended June 30, 2010, which collectively comprise the City of Holland, Michigan's basic financial statements and have issued our report thereon dated December 16, 2010. We conducted our audit in accordance with 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Holland, Michigan's internal control over financial reporting as a basis for designing our auditing procedures 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 of Holland, Michigan's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Holland, Michigan's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Holland, Michigan'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 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the City of Holland, Michigan in a separate letter dated December 16, 2010.

This report is intended solely for the information and use of City Council, management, federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Lehmann Johnson".

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM
AND OUR INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133**

December 16, 2010

The Honorable Mayor and City Council
City of Holland, Michigan

Compliance

We have audited the compliance of the City of Holland, Michigan with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. The City of Holland, Michigan's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City of Holland, Michigan's management. Our responsibility is to express an opinion on the City of Holland, Michigan's compliance based on our audit.

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 of Holland, Michigan'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. Our audit does not provide a legal determination on the City of Holland, Michigan's compliance with those requirements.

In our opinion, the City of Holland, Michigan complied, in all material respects, with the 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, 2010.

Internal Control Over Compliance

Management of the City of Holland, Michigan is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City of Holland, Michigan's 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, 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 entity'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.

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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of City Council, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

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

CITY OF HOLLAND, MICHIGAN

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2010

1. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards programs of the City of Holland, Michigan (the "City"). Federal awards received directly from federal agencies, as well as federal awards passed through other government agencies, are included on this schedule.

The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

The City of Holland, Michigan reporting entity is defined in Note I of the City's basic financial statements.

2. SUBRECIPIENT

Effective July 1, 2007, the Macatawa Area Express Transportation Authority (the "Authority") became an independent entity and is no longer a department of the City. All federal funds received by the City on behalf of the Authority were immediately passed through to the Authority upon receipt. The City passed-through Federal Transit Formula Grants from the U.S. Department of Transportation, Catalog of Domestic Federal Awards (CFDA) number 20.507 in the amount of \$59,884 to the Authority during the year ended June 30, 2010.

3. OTHER FEDERAL GRANTS EXPENDED

The City also expended federal funds that were passed-through and administered by the Michigan Department of Transportation (MDOT). These pass-through monies, which will be included in the State of Michigan's single audit, are as follows:

| <u>PROJECT NAME</u> | <u>CFDA NUMBER</u> | <u>CONTRACT NUMBER</u> | <u>AMOUNT EXPENDED</u> |
|--|------------------------|----------------------------|----------------------------|
| 7 th St. Resurfacing, River to Lincoln | 20.106 | 09-5134 Fed Item HH5866 | \$ 474,280 |
| 7 th /9 th St.; Columbia Traffic Signals | 20.106 | 08-5290 Fed Item RR6461 | 23,901 |
| 40 th St., Washington to Lincoln (ARRA) | 20.106 | 09-5743 Fed Item JJ-3869 | 276,976 |
| | | | \$ 775,157 |

CITY OF HOLLAND, MICHIGAN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010

SECTION I – SUMMARY OF AUDITORS’ RESULTS

Financial Statements

Type of auditors’ report issued: *Unqualified*

Internal controls over financial reporting:
 Material weakness(es) identified? _____ yes X no

Significant deficiency(s) 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(s) identified? _____ yes X none reported

Type of auditor’s report issued on compliance for major programs: *Unqualified*

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section 510(a)? _____ yes X no

Identification of Major Programs

| <u>CFDA Number(s)</u> | <u>Name of Federal Program or Cluster</u> |
|--|---|
| 14.218, 14.253 | Community Development Block Grant – Entitlement Cluster |
| Dollar threshold used to distinguish between Type A and Type B programs: | <u> \$ 300,000 </u> |
| Auditee qualified as low-risk auditee? | <u> X </u> yes _____ no |

CITY OF HOLLAND, MICHIGAN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010

SECTION II – FINANCIAL STATEMENT FINDINGS

None

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None

SECTION IV – PRIOR YEAR FINDINGS

Finding 2009-1 The City failed to file Form HUD-60002 at the completion of its program year ending June 30, 2009. This finding was corrected.