

CITY OF HOLLAND, MICHIGAN

FEDERAL AWARDS

SINGLE AUDIT ACT COMPLIANCE

FOR THE YEAR ENDED JUNE 30, 2011

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
Notes to Schedule of Expenditures of Federal Awards	4-5
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>	6-7
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	8-9
Schedule of Findings and Questioned Costs	10-11

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

December 14, 2011

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, 2011, and have issued our report thereon dated December 14, 2011. 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, 2011

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM OR CLUSTER 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	\$ 15,080	\$ 15,080
U.S. Department of Commerce				
Passed-through Ottawa County:				
Public Safety Interoperable Communications Grant Program:				
Public Safety Interoperable Communications	11.555	2007-GS-H7-0043	9,280	7,580
U.S. Department of Housing and Urban Development				
Direct funding:				
Community Development Block Grants - Entitlement Grants Cluster:				
Entitlement XXV	14.218	B-08-MC-26-0036	385,467	20,583
Entitlement XXVI	14.218	B-09-MC-26-0036	436,823	34,102
Entitlement XXVII	14.218	B-10-MC-26-0036	385,012	186,932
ARRA - CDBG-R Recovery 2009	14.253	B-09-MY-26-0036	91,835	74,172
Total direct funding				315,789
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	243,222
Total U.S. Department of Housing and Urban Development				559,011
U.S. Department of the Interior				
Passed-through Michigan Department of History:				
Historic Preservation Fund Grants-in-Aid:				
Certified Local Government Program	15.904	n/a	500	500
U.S. Department of Justice				
Direct funding:				
JAG Program Cluster:				
ARRA - Edward Byrne Memorial Justice Assistance Grant	16.804	2009-SB-B9-1527	69,478	25,066
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2009-DJ-BX-1479	16,908	9,059
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2009 Grant	7,350	7,350
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2010-DJ-BX-0942	15,791	15,791
				57,266
Bulletproof Vest Partnership Program	16.607	2008 Grant	6,291	3,892
Total direct funding				61,158
Passed-through the Michigan Department of Management and Budget:				
Edward Byrne Memorial Formula Grant Program:				
ADAA/WEMET XXIII Grant	16.579	70834-2-10-B	22,299	22,299
ADAA/WEMET XXIV Grant	16.579	70834-3-11-B	104,730	89,235
HIDTA Grant	16.579	n/a	45,000	5,383
Total passed-through Michigan Department of Management and Budget				116,917
Total U.S. Department of Justice				178,075
U.S. Department of Transportation				
Direct funding:				
Federal Transit Formula Grants:				
Section 5307 prior year (capital grant)	20.507	MI-90-X504	751,117	96,730
Section 5307 prior year (capital grant)	20.507	MI-03-0236	1,554,303	26,014
Section 5307 prior year (capital grant)	20.507	MI-04-0010	247,500	23,707
Total direct funding				146,451

Continued...

CITY OF HOLLAND, MICHIGAN

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONCLUDED)

FOR THE YEAR ENDED JUNE 30, 2011

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM OR CLUSTER TITLE	CFDA NUMBER	AGENCY OR PASS- THROUGH NUMBER	AWARD AMOUNT	FEDERAL EXPENDITURES
U.S. Department of Transportation (Concluded)				
Passed-through the Michigan Department of State Police, Office of Highway Safety Planning:				
State and Community Highway Safety:				
Safe Communities	20.600	PT-11-11	\$ 87,987	\$ 44,615
Safe Communities	20.600	PT-10-16	167,971	43,603
Passed-through Ottawa County Sheriff's Department:				
State and Community Highway Safety:				
Underage Drinking	20.600	JJ-11-03	10,997	3,491
Underage Drinking	20.600	JJ-10-11	14,167	10,597
Total State and Community Highway Safety				102,306
Passed-through Michigan Department of Transportation:				
ARRA - Highway Construction and Planning	20.205	RR7142 & RR7143	57,338	57,338
Total U.S. Department of Transportation				306,095
U.S. Department of Energy				
Passed-through Ottawa County:				
Energy Efficiency and Conservation Block Grant	81.128	DE-EE0000751	29,101	29,101
Passed-through Michigan Department of Energy, Labor and Economic Growth:				
Energy Efficiency and Conservation Block Grant	81.128	BES-10-045	113,000	112,998
Total U.S. Department of Energy				142,099
U.S. Department of Homeland Security				
Direct funding:				
Assistance to Firefighters Grant:				
Fire Personal Protective Equipment	97.044	EMW-2009-FO-03410	123,377	122,786
Total Expenditures of Federal Awards				\$ 1,331,226

See accompanying notes to this schedule.

CITY OF HOLLAND, MICHIGAN

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2011

1. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") 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 in the Schedule.

The information in the 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 the Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net assets or cash flows of the City.

The City of Holland, Michigan reporting entity is defined in Note 1 of the City's basic financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified 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 OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Revenues are recognized when the qualifying expenditures have been incurred and all grant requirements have been met. Pass-through entity identifying numbers are presented where available.

3. 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 \$146,451 to the Authority during the year ended June 30, 2011.

CITY OF HOLLAND, MICHIGAN

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONCLUDED)

FOR THE YEAR ENDED JUNE 30, 2011

4. 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>
7th/9th @ Columbia Traffic Signals	20.106	08-5290 Fed Item RR6461	\$ 31,920
40th St, Washington to Lincoln (ARRA)	20.106	09-5743 Fed Item JJ-3869	514,982
40th St Ditch Enclosure	20.106	10-5685 Fed Item RR7433	316,322
32nd St, Old Orchard to Lincoln	20.106	07-5390 Fed Item 5831	803
Matt Urban & 48th, Washington to C.Limit	20.106	10-5655 Fed Item HH6785	257,812
			\$ 1,121,839

* * * * *

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 14, 2011

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, 2011, which collectively comprise the City of Holland, Michigan's basic financial statements and have issued our report thereon dated December 14, 2011. 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 14, 2011.

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.

**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 14, 2011

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, 2011. 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, 2011.

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 cursive script that reads "Lehmann Johnson".

CITY OF HOLLAND, MICHIGAN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011

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
14.228	Community Development Block Grant – State Administered 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 <u> </u> no

CITY OF HOLLAND, MICHIGAN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONCLUDED)
FOR THE YEAR ENDED JUNE 30, 2011

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported

SECTION IV – PRIOR YEAR FINDINGS

None reported

* * * * *