

City of Holland,
Michigan



Holland
MICHIGAN

Year Ended
June 30, 2015

Single Audit Act
Compliance

CITY OF HOLLAND, MICHIGAN

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INDEPENDENT AUDITORS' REPORT ON THE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
REQUIRED BY OMB CIRCULAR A-133

December 11, 2015

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, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated December 11, 2015, 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 OMB Circular A-133 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 basic financial statements and certain other 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 expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Rehmann Robson LLC

CITY OF HOLLAND, MICHIGAN

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2015

Federal Agency / Cluster / Program Title	CFDA Number	Passed Through	Pass-through / Grantor Number	Total Subawards	Federal Expenditures
U.S. Department of Agriculture Project Fresh Agreement	10.572	MDCH	MM#4454	\$ -	\$ 31,945
Urban & Community Forestry Grant	10.664	MDNR	CFG 14-08	-	4,000
Total U.S. Department of Agriculture				-	35,945
U.S. Department of Housing and Urban Development Community Development Block Grants:					
Entitlement XXVIX	14.218	Direct	B-12-MC-26-0036	-	8,528
Entitlement XXVX	14.218	Direct	B-13-MC-26-0036	-	69,533
Entitlement XXVXI	14.218	Direct	B-14-MC-26-0036	52,200	191,166
Total U.S. Department of Housing and Urban Development				52,200	269,227
U.S. Department of Justice Law Enforcement Block Grants:					
Justice Assistance Grant:					
10/01/2009 - 09/30/2013	16.738	Direct	2011-DJ-BX-2624	-	2,248
10/01/2014 - 09/30/2015	16.738	Direct	2014-DJ-BX-1108	-	7,188
Edward Byrne Memorial Justice Assistance	16.738	OttCo	2013-MU-BX-0051	-	49,875
				-	59,311
Domestic Cannabis Eradication and Suppression	16.UNK	MSP	0348-004	-	366
Total U.S. Department of Justice				-	59,677
U.S. Department of Transportation Highway Planning & Construction	20.205	MDOT	14-5633	-	6,726
National Priority Safety Program: State and Community Highway Safety:					
Safe Communities	20.600	OttCo	PT-14-10	-	7,123
Strategic Traffic Enforcement Program	20.616	OttCo	PT-15-06	-	12,378
				-	19,501
Total U.S. Department of Transportation				-	26,227
U.S. Environmental Protection Agency Drinking Water Revolving Fund	66.468	MDEQ	EQ-00E00345-1	-	68,558
Executive Office of the President HIDTA Grant	95.001	OttCo	-n/a-	-	14,440
U.S. Department of Homeland Security Non-cash assistance:					
Homeland Security Grant	97.067	OttCo	-n/a-	-	41,002
Total Expenditures of Federal Awards				\$ 52,200	\$ 515,076

See notes to schedule of expenditures of federal awards.

CITY OF HOLLAND, MICHIGAN

Notes to Schedule of Expenditures of Federal Awards

1. BASIS OF PRESENTATION

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, 2015. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. 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 position or cash flows of the City.

The City's reporting entity is defined in Note 1 of the City's Comprehensive Annual Financial Report.

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. Pass-through entity identifying numbers are presented where available.

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 will be included in the State of Michigan's single audit, are for the Highway M-40 to Lincoln Avenue and to US-31 project (CFDA number 20.205 and contract number 14-5411, Fed Item HH9526) in the amount of \$260,000.

4. PASS-THROUGH AGENCIES

The City receives certain federal grant 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 Agency Abbreviation	Pass-through Agency Name
MDCH	Michigan Department of Community Health
MDEQ	Michigan Department of Environmental Quality
MDNR	Michigan Department of Natural Resources
MDOT	Michigan Department of Transportation
MSP	Michigan State Police Office of Highway Safety Planning
OttCo	County of Ottawa, Michigan



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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 11, 2015

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, 2015, 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 11, 2015.

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) to determine the 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 preceding paragraph 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 were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control that we consider to be a material weakness.

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 2015-001 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.

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 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*.

City of Holland'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 OMB CIRCULAR A-133

December 11, 2015

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 *2 CFR 200 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, 2015. The City's major federal program is 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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Independent Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of 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 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'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 the major federal program. However, our audit does not provide a legal determination of the City's compliance.

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 the major federal program for the year ended June 30, 2015.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2015-002. Our opinion on the major federal program is not modified with respect to this matter.

The City's response to the noncompliance 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 compliance and, accordingly, we express no opinion on it.

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 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 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 OMB Circular A-133. 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, 2015

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: 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 major programs: Unmodified

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</u>	<u>Name of Federal Program or Cluster</u>
14.218	Community Development Block Grants

Dollar threshold used to distinguish between Type A and Type B programs: \$ 300,000

Auditee qualified as low-risk auditee? X yes no

CITY OF HOLLAND, MICHIGAN

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2015

SECTION II - FINANCIAL STATEMENT FINDINGS

2015-001 - 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. During our audit, we identified and proposed audit adjustments (which were approved and posted by management) which we believe had a material effect on the City's financial statements. The purpose of these adjustments was to properly state capital assets, capital grants and contributions, and capital outlay expenditures. Additionally, a significant adjustment was proposed (which was approved and posted by management) to adjust refuse and recycling receivables and revenue. We further noted that certain year-end schedules provided, including those related to capital assets and compensated absences, contained errors and did not include evidence of review.

Cause. This condition appears to be the result of a lack of reconciliation between the capital asset records and the trial balance, and the absence of a process requiring an independent review of year-end schedules (including capital asset details, refuse and recycling receivables, unearned revenue, and compensated absence detail).

Effect. As a result of this condition, the City's accounting records were initially misstated by amounts which were material to certain opinion units.

Recommendation. Management has already taken appropriate corrective action by reviewing and approving the proposed audit adjustments. Additionally, management should implement an independent review and reconciliation process over schedules which are prepared only at year-end.

View of Responsible Officials. Management agrees with the adjustments proposed and they have been posted to the City's general ledger. The current independent review and reconciliation process will be changed to include all schedules prepared from fiscal year-end transactions.

CITY OF HOLLAND, MICHIGAN

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2015

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2015-002 - Subrecipient Award Identification (Repeat Comment)

Finding Type. Immaterial Noncompliance (Subrecipient Monitoring).

Program. Community Development Block Grants; U.S. Department of Housing and Urban Development; CFDA Number 14.218; Award Numbers B-12-MC-26-0036, B-13-MC-26-0036, and B-14-MC-26-0036.

Criteria. Entities that pass through funds to subrecipients are required to communicate specific award information at the time the subaward is made. Such information should include the CFDA title and number, award name and number, the federal awarding agency, and applicable compliance requirements.

Condition. The City maintained subrecipient relationships with two not-for-profits organizations, and the details of each relationship were documented in a formal subrecipient agreement. These agreements did note the source of the funds being passed through, federal awarding agency, and the applicable compliance requirements, but the City did not communicate the award number or the CFDA number. This matter was reported in the prior year after the 2015 subrecipient agreements had already been prepared. We reviewed the 2016 subrecipient agreements, noting this matter was corrected for the next fiscal year.

Cause. This condition appears to have been caused by a management's use of a standardized subrecipient agreement template. This template has been utilized for a number of years and had not been reviewed recently to ensure all required elements had been included.

Effect. As a result of this condition, the City did not fully comply with the subrecipient monitoring requirements of the 2 CFR 200 Compliance Supplement.

Questioned Costs. No costs are required to be questioned as a result of this finding, inasmuch as no unallowable expenditures were noted.

Recommendation. Management has already taken appropriate corrective action by revising the agreement for fiscal year 2016 to include the CFDA and award number.

View of Responsible Officials. With each grant award, a Finance Office staff member will review all subawards to ensure compliance with the subrecipient monitoring requirements.

CITY OF HOLLAND, MICHIGAN

Summary Schedule of Prior Audit Findings

For the Year Ended June 30, 2015

2014-SA-01 - Federal Funding Accounting and Transparency Act Reporting

In the prior year, the City did not complete the required subaward reporting under the Federal Funding Accountability and Transparency Act (FFATA) for its Community Development Block Grant (CDBG) received directly from the U.S. Department of Housing and Urban Development. Auditors are no longer required to evaluate FFATA compliance in connection with a single audit, and no further correction action is required at this time.

2014-SA-02 - Subrecipient Award Identification

Certain information which is required to be communicated to subrecipients of federal awards was not communicated, including the CFDA number and federal award number. This matter is repeated as finding 2015-002.

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