

**CITY OF HOLLAND, MICHIGAN**

**FEDERAL AWARDS**

**SINGLE AUDIT REPORT**

**FOR THE YEAR ENDED JUNE 30, 2009**

# CITY OF HOLLAND, MICHIGAN

## SINGLE AUDIT REPORT

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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 14, 2009

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, 2009, which collectively comprise the City of Holland, Michigan's basic financial statements and have issued our report thereon dated December 14, 2009. 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 *control deficiency* 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 misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies, and accordingly, would not necessarily disclose all significant deficiencies that are also considered to be 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*.

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  
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

December 14, 2009

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 are applicable to each of its major federal programs for the year ended June 30, 2009. 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 are applicable to each of its major federal programs for the year ended December 14, 2009. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, 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 2009-1.

## **Internal Control Over Compliance**

The 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, 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 *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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.

## **Schedule of Expenditures of Federal Awards**

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, 2009, and have issued our report thereon dated December 14, 2009. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Holland, Michigan's 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 financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

The City of Holland's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the City of Holland's response and, accordingly, we express no opinion on it.

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.



**CITY OF HOLLAND, MICHIGAN**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2009**

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	CFDA NUMBER	AGENCY OR PASS- THROUGH NUMBER	AWARD AMOUNT	FEDERAL EXPENDITURES
<b>U.S. Department of Agriculture</b>				
Passed-through the Ottawa County Health Department:				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program:				
Food Stamp Nutrition Education	10.561	n/a	\$ 4,242	\$ 2,151
WIC Farmers' Market Nutrition Program:				
Project Fresh Agreement	10.572	MM#4454	17,894	17,894
<b>Total U.S. Department of Agriculture</b>				<b>20,045</b>
<b>U.S. Department of Housing and Urban Development</b>				
Direct funding:				
Community Development Block Grants/Entitlement Grants:				
Entitlement XXV	14.218	B-08-MC-26-0036	387,631	348,301
Entitlement XXIV	14.218	B-07-MC-26-0036	356,436	60,055
Entitlement XXIII	14.218	B-06-MC-26-0036	334,250	7,920
Total Community Development Block Grants/Entitlement Grants				416,276
Passed-through the Michigan State Housing Development Authority:				
Home Investment Partnerships Program:				
Rental Rehab/Homebuyer	14.239	M-2006-0030	150,000	65,618
<b>Total U.S. Department of Housing and Urban Development</b>				<b>481,894</b>
<b>U.S. Department of Justice</b>				
Direct funding:				
Edward Byrne Memorial Justice Assistance Grant Program:				
2007 Law Enforcement Block Grant	16.738	2007-DJ-BX-0510	14,990	2,510
Passed-through the Michigan Department of Management and Budget:				
Edward Byrne Memorial Formula Grant Program:				
ADAA/WEMET XIX Grant (10/08-9/09)	16.579	70834-109B	49,617	49,617
ADAA/WEMET XXI Grant (10/07-9/08)	16.579	70834-908B	113,010	26,597
HIDTA Grant	16.579	n/a	45,000	5,188
Total Edward Byrne Memorial Formula Grant Program				81,402
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	13,063
<b>Total U.S. Department of Justice</b>				<b>96,975</b>
<b>U.S. Department of Transportation</b>				
Direct funding:				
Federal Transit Formula Grants:				
Section 5307 prior year (capital grant)	20.507	M-90-X561	25,000	14,471
Section 5307 prior year (capital grant)	20.507	M-90-X504	773,683	43,268
Section 5307 prior year (operating)	20.507	M-90-X504	30,000	30,000
Total Federal Transit Formula Grants				87,739

(Continued)

**CITY OF HOLLAND, MICHIGAN**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONCLUDED)**

**FOR THE YEAR ENDED JUNE 30, 2009**

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	CFDA NUMBER	AGENCY OR PASS- THROUGH NUMBER	AWARD AMOUNT	FEDERAL EXPENDITURES
<b>U.S. Department of Transportation (Concluded)</b>				
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	\$ 123,291
Electronic Crash, Capture and Submission (11/08-9/09)	20.600	TR-09-06	73,500	7,340
Safe Communities (10/07-9/08)	20.600	PT-08-04	87,488	30,084
Passed-through Ottawa County Sheriff's Department				
State and Community Highway Safety:				
Youth Alcohol (10/07-9/08)	20.600	PT-08-42	11,526	4,000
Safe Communities (10/07-9/08)	20.600	PT-09-17	13,956	9,171
Total State and Community Highway Safety				173,886
<b>Total U.S. Department of Transportation</b>				<b>261,625</b>
<b>U.S. Department of Homeland Security</b>				
Direct funding:				
Assistance to Firefighters Grant:				
Hard Wire Smoke Detectors (4/08-4/09)	97.044	EMW-2007-FP-00121	67,500	49,990
Fire Personal Protective Equipment (1/09-1/10)	97.044	EMW-2008-FO-05802	111,681	64,577
<b>Total U.S. Department of Homeland Security</b>				<b>114,567</b>
<b>Total Expenditures of Federal Awards</b>				<b>\$ 975,106</b>

See accompanying notes to this schedule.

# CITY OF HOLLAND, MICHIGAN

## NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2009

### 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 \$87,739 to the Authority during the year ended June 30, 2009.

### 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>
32 <sup>nd</sup> St.; Old Orchard to Lincoln	20.106	07-5390 Fed Item RR5831	\$ 271,197
7 <sup>th</sup> /9 <sup>th</sup> St.; Columbia Traffic Signals	20.106	08-5290 Fed Item RR6461	133,582
Airport Runway Mods. MIRL, Blast Pads	20.106	F-26-0045-2804	1,370,229
			<b>\$ 1,775,008</b>

**CITY OF HOLLAND, MICHIGAN**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONCLUDED)**

**FOR THE YEAR ENDED JUNE 30, 2009**

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**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 not  
considered to be material weaknesses? \_\_\_\_\_ 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 not  
considered to be material weaknesses? \_\_\_\_\_ 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)?   X   yes    \_\_\_\_\_ no

**Identification of Major Programs**

**CFDA Number(s)**

**Name of Federal Program or Cluster**

14.218

Community Development Block Grant /  
Entitlement Programs

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 (CONCLUDED)

FOR THE YEAR ENDED JUNE 30, 2009

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### SECTION II – FINANCIAL STATEMENT FINDINGS

None

### SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

#### **Finding 2009-1: Immaterial Noncompliance**

**U.S. Department of Housing and Urban Development**

**CFDA #14.218 Community Development Block Grant/Entitlement Grants (CDBG)**

**Reporting**

<b>Criteria:</b>	Per the OMB Circular A-133 Compliance Supplement applicable to the CDBG program, “for each grant over \$200,000 that involves housing rehabilitation, housing construction, or other public construction, the prime recipient must submit Form HUD-60002”.
<b>Condition:</b>	The City failed to file Form HUD-60002 at the completion of its most recent program year.
<b>Cause:</b>	The condition was caused by management not realizing that this report was applicable to the City’s CDBG grants and the awarding agency having never commenting on its absence.
<b>Effect:</b>	As a result of this condition, the City did not fully comply with the reporting requirement applicable to its CDBG grants.
<b>Recommendation:</b>	Program staff should periodically review federal reporting requirements to ensure that all applicable reports are filed with the awarding agency on a timely basis.
<b>Questioned Costs:</b>	No costs were required to be questioned as a result of this finding.

# CITY OF HOLLAND, MICHIGAN

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONCLUDED)

FOR THE YEAR ENDED JUNE 30, 2009

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### SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (CONCLUDED)

#### Finding 2009-1: Immaterial Noncompliance (Concluded)

**Views of Responsible  
Officials:**

During the past 8 years, our department has been monitored by HUD a total of two times. The results of those two monitoring sessions did not report any findings related to missing reports. In addition, every year the City of Holland has submitted an annual report (CAPER) highlighting our accomplishments with the Community Development Block Grant Funds allocated to the City. Through the CAPER, HUD is afforded an opportunity to review our work and either approve us to continue to receive CDBG Funds or identify deficiencies in our management of the program. Not once through the submission of our CAPER have we been informed that we were missing required forms or additional reports.

In regards to the finding identified by our auditors, we have been in contact with our HUD Field Office Staff in Detroit and we concur with the Auditor that beginning immediately we will annually complete HUD Form 60002 and submit it to the appropriate HUD office in Washington D.C. at the same time we submit our CAPER to the HUD office in Detroit.

### SECTION IV – PRIOR YEAR FINDINGS

None