

City of Holland,
Michigan



Year Ended
June 30, 2012

Single Audit Act
Compliance

CITY OF HOLLAND, MICHIGAN

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

December 12, 2012

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, 2012, which collectively comprise the basic financial statements, and have issued our report thereon dated December 12, 2012. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget 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 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

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CITY OF HOLLAND, MICHIGAN

Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2012

| Federal Agency / Cluster / Program Title | CFDA Number | Passed Through | Pass-through / Grantor Number | Federal Expenditures |
|--|-------------|----------------|-------------------------------|----------------------|
| U.S. Department of Agriculture | | | | |
| Eat Healthy for Life - EBT Project | 10.168 | OTTCO | 12-25-G-1356 | \$ 1,481 |
| Project Fresh Agreement | 10.572 | MDCH | MM#4454 | 18,343 |
| Total U.S. Department of Agriculture | | | | 19,824 |
| U.S. Department of Housing and Urban Development | | | | |
| Community Development Block Grants: | | | | |
| Entitlement XXVIII | 14.218 | Direct | B-11-MC-23-0036 | 192,132 |
| Entitlement XXVII | 14.218 | Direct | B-10-MC-23-0036 | 137,810 |
| Entitlement XXVI | 14.218 | Direct | B-09-MC-23-0036 | 2,982 |
| Total U.S. Department of Housing and Urban Development | | | | 332,924 |
| U.S. Department of Justice | | | | |
| ADAA/WEMET XXVI Grants: | | | | |
| 10/01/2010-09/30/2011 | 16.579 | MDMB-OCJ | 70834-3-11-B | 15,495 |
| 10/01/2011-09/30/2012 | 16.579 | MDMB-OCJ | 70834-4-12-B | 59,611 |
| HIDTA Grant | 16.579 | MDMB-OCJ | N/A | 11,077 |
| | | | | 86,183 |
| Organized Crime Drug Enforcement Task Force | 16.UNK | Direct | GL-MIW-0142 | 9,273 |
| Bulletproof Vest | 16.607 | Direct | N/A | 2,705 |
| JAG Program Cluster: | | | | |
| Law Enforcement Block Grant - JAG | | | | |
| 10/01/2008-09/30/2012 | 16.738 | Direct | 2009-DJ-BX-1479 | 6,130 |
| 10/01/2008-09/30/2012 | 16.738 | Direct | 2011-DJ-BX-2624 | 9,044 |
| ARRA - Law Enforcement Block Grant - JAG | 16.804 | Direct | 2009-SB-B9-1527 | 22,856 |
| | | | | 38,030 |
| Total U.S. Department of Justice | | | | 136,191 |
| U.S. Department of Transportation | | | | |
| Federal Transit Formula Grants: | | | | |
| Section 5037 | 20.500 | Direct | MI-03-0236 | 217,361 |
| Section 5037 | 20.500 | Direct | MI-04-0010 | 4,142 |
| | | | | 221,503 |
| State and Community Highway Safety: | | | | |
| Safe Communities: | | | | |
| 10/01/2010-09/30/2011 | 20.600 | MSP | TR-11-11 | 35,818 |
| 10/01/2010-09/30/2011 | 20.600 | MSP | PT-11-11 | 43,033 |
| 10/01/2011-09/30/2012 | 20.600 | MSP | PT-12-12 | 39,342 |
| Underage Drinking | 20.600 | OTTCO | JJ-12-02 | 1,836 |
| | | | | 120,029 |
| Total U.S. Department of Transportation | | | | 341,532 |

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CITY OF HOLLAND, MICHIGAN

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2012

| Federal Agency / Cluster / Program Title | CFDA Number | Passed Through | Pass-through / Grantor Number | Federal Expenditures |
|--|-------------|----------------|-------------------------------|----------------------|
| U.S. Environmental Protection Agency Drinking Water Revolving Fund | 66.468 | MDEQ | EQ-00E00345-1 | <u>\$ 2,239,724</u> |
| U.S. Department of Homeland Security Homeland Security Cluster: Non-cash assistance: | | | | |
| Homeland Security Grant - 03/01/2010-02/29/2012 | 97.067 | OTTCO | N/A | 2,552 |
| Homeland Security Grant - 03/01/2009-02/29/2011 | 97.067 | OTTCO | 2009-SS-T9-0060 | <u>3,024</u> |
| Total U.S. Department of Homeland Security | | | | <u>5,576</u> |
| Total Expenditures of Federal Awards | | | | <u>\$ 3,075,771</u> |

concluded

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, 2012. 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 assets 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 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 pass-through monies, which will be included in the State of Michigan's single audit, are as follows:

| Project Name | CFDA Number | Contract Number | Amount Expended |
|---|-------------|---------------------------------|----------------------------|
| Lincoln Avenue, 16th to 24th Road/Bridge Projects, Washington Interchange | 20.106 | 12-5227 Fed Item HH7937 | \$ 21,502 |
| 40th St Ditch Enclosure | 20.106 | 11-5264 Fed Item BB0031; RR6710 | 672,564 |
| Matt Urban & 48th, Washington to C. Limit | 20.106 | 10-5685 Fed Item RR7433 | 83,678 |
| | | 10-5655 Fed Item HH6785 | <u>450,188</u> |
| | | | <u><u>\$ 1,227,932</u></u> |

CITY OF HOLLAND, MICHIGAN

Notes to Schedule of Expenditures of Federal Awards

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 |
| MDMB-OCJ | Michigan Department of Management & Budget, Office of Criminal Justice |
| MDEQ | Michigan Department of Environmental Quality |
| MSP | Michigan State Police |
| OTTCO | County of Ottawa, Michigan |

5. SUBRECIPIENTS

The City administers certain federal awards programs through subrecipients. Those subrecipients are not considered part of the City's reporting entity. Of the federal expenditures presented in the Schedule, the City provided federal awards to subrecipients as follows:

| Program Title | CFDA Number | Amount Provided to Subrecipients |
|------------------------------------|-------------|----------------------------------|
| Federal Transit Formula Grants | 20.500 | \$ 221,503 |
| State and Community Highway Safety | 20.600 | <u>82,375</u> |
| | | <u>\$ 303,878</u> |

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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 12, 2012

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, 2012, which collectively comprise the basic financial statements of the City, and have issued our report thereon dated December 12, 2012. 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

Management of the City is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City'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's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City'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'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 other matters that we reported to management of the City in a separate letter dated December 12, 2012.

This report is intended solely for the information and use of management, the City Council, others within the organization, and 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.

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

December 12, 2012

Honorable Mayor
and City Council
City of Holland, Michigan

Compliance

We have audited the *City of Holland, Michigan's* (the "City") compliance with the types of compliance requirements described in the OMB Circular A-133 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, 2012. The City'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's management. Our responsibility is to express an opinion on the City'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'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 of the City's compliance with those requirements.

In our opinion, the City 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, 2012.

Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the 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 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.

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 management, the City Council, others within the organization, and 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.

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CITY OF HOLLAND, MICHIGAN

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2012

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? yes X 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: 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</u> | <u>Name of Federal Program or Cluster</u> |
|--------------------|---|
| 66.468 | Drinking Water Revolving Fund |

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, 2012

SECTION II - FINANCIAL STATEMENT FINDINGS

None reported.

CITY OF HOLLAND, MICHIGAN

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2012

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

CITY OF HOLLAND, MICHIGAN

Summary Schedule of Prior Audit Findings For the Year Ended June 30, 2012

None reported.

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