

City of Holland,  
Michigan



Year Ended  
June 30, 2013

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 12, 2013

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, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated December 12, 2013, 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.

A handwritten signature in black ink that reads "Rehmann Johnson LLC".

CITY OF HOLLAND, MICHIGAN

**Schedule of Expenditures of Federal Awards**  
For the Year Ended June 30, 2013

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-G1356	\$ 5,186
Project Fresh Agreement	10.572	MDCH	MM#4454	<u>35,241</u>
Total U.S. Department of Agriculture				<u>40,427</u>
U.S. Department of Housing and Urban Development				
Community Development Block Grants:				
Entitlement XXVIX	14.218	Direct	B-12-MC-26-0036	162,208
Entitlement XXVIII	14.218	Direct	B-11-MC-26-0036	144,824
Entitlement XXVII	14.218	Direct	B-10-MC-26-0036	<u>2,708</u>
				<u>309,740</u>
HOME Investment Partnership Program	14.239	MSHDA	M-2009-0300	<u>33,779</u>
Total U.S. Department of Housing and Urban Development				<u>343,519</u>
U.S. Department of Justice				
ADAA/WEMET XXVI Grant (10/01/2012-09/30/2013)	16.579	MDMB-OCJ	70834-5-13-B	64,755
HIDTA Grant	16.579	MDMB-OCJ	-n/a-	<u>1,266</u>
				<u>66,021</u>
Bulletproof Vest Grants:				
2012-2013 Grant	16.607	Direct	-n/a-	610
2011-2012 Grant	16.607	Direct	-n/a-	<u>301</u>
				<u>911</u>
JAG Program Cluster:				
Law Enforcement Block Grant - JAG				
10/01/2011-09/30/2013	16.738	Direct	2012-DJ-BX-0376	10,766
10/01/2008-09/30/2012	16.738	Direct	2011-DJ-BX-2624	824
10/01/2008-09/30/2012	16.738	Direct	2009-DJ-BX-1479	1,719
ARRA - Law Enforcement Block Grant - JAG	16.804	Direct	2009-SB-B9-1527	<u>1,596</u>
				<u>14,905</u>
Organized Crime Drug Enforcement Task Force Grants:				
2012-2013 year	16.UNK	Direct	GL-MIW-0142	12,052
2012-2013 year	16.UNK	OttCo	GL-MIW-0142	<u>25,264</u>
				<u>37,316</u>
Total U.S. Department of Justice				<u>119,153</u>
U.S. Department of Transportation				
Federal Transit Formula Grants:				
Section 5309	20.500	Direct	MI-03-0236-01	1,310,552
Section 5309	20.500	Direct	MI-04-0010-01	<u>219,651</u>
				<u>1,530,203</u>

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# CITY OF HOLLAND, MICHIGAN

## Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2013

Federal Agency / Cluster / Program Title	CFDA Number	Passed Through	Pass-through / Grantor Number	Federal Expenditures
U.S. Department of Transportation (continued)				
State and Community Highway Safety:				
Safe Communities:				
10/01/2012-09/30/2013	20.600	MSP	PT-13-19	\$ 54,488
10/01/2011-09/30/2012	20.600	MSP	PT-12-12	28,759
Underage Drinking	20.600	OttCo	JJ-12-02	556
				<u>83,803</u>
Total U.S. Department of Transportation				<u>1,614,006</u>
U.S. Environmental Protection Agency				
Drinking Water Revolving Fund	66.468	MDEQ	EQ-00E00345-1	<u>1,609,907</u>
U.S. Department of Homeland Security				
Fire Prevention - 2007 Fire Act Grant	97.044	Direct	EMW-2008-FO-05802	5,665
Homeland Security Cluster:				
Non-cash assistance:				
Homeland Security Grant	97.067	OttCo	2009-SS-T9-0060	<u>112,365</u>
Total U.S. Department of Homeland Security				<u>118,030</u>
Total Expenditures of Federal Awards				<u>\$ 3,845,042</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, 2013. 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 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 as follows:

Project Name	CFDA Number	Contract Number	Amount Expended
40th St., Washington to Lincoln	20.106	10-5974 Fed Item JJ3869	\$ 5,627
Lincoln Avenue, 16th to 24th	20.106	12-5227 Fed Item HH7937	1,535,568
Washington Ave, M. Urban to 32nd Street	20.106	11-3323 Fed Item HH8482	<u>372,680</u>
			<u>\$ 1,913,875</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
MSHDA	Michigan State Housing Development Association
MSP	Michigan State Police Office of Highway Safety Planning
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	\$ 1,530,203
State and Community Highway Safety	20.600	<u>21,075</u>
		<u>\$ 1,551,278</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, 2013

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, 2013, 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 12, 2013.

#### 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.

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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs as item 2013-FS-01 that we consider to be a significant deficiency.

**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.



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR  
EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

December 12, 2013

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 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, 2013. The City's major federal programs are 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 each 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 each of its major federal programs for the year ended June 30, 2013.

### **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 Johnson LLC*

# CITY OF HOLLAND, MICHIGAN

## Schedule of Findings and Questioned Costs For the Year Ended June 30, 2013

### SECTION I - SUMMARY OF AUDITORS' RESULTS

#### Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?        yes   X   no

Significant deficiency(ies) identified?   X   yes        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>
20.500	Federal Transit Formula 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, 2013

### SECTION II - FINANCIAL STATEMENT FINDINGS

#### 2013-FS-01 - Significant Audit Adjustment

**Finding Type.** Significant Deficiency 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 one audit adjustment (which was approved and posted by management) which we believe had a significant effect on the City's financial statements. The purpose of this adjustment was to properly state refuse and recycling receivables, unearned revenue, and the related revenue.

**Cause.** This condition appears to be the result of oversights in the process of closing the City's books as the refuse and recycling was outsourced to a third-party during the year and this is a new process for the City.

**Effect.** As a result of this condition, the City's accounting records were initially misstated by amounts that were significant to the financial statements.

**Recommendation.** Management has already taken appropriate corrective action by reviewing and approving the proposed audit adjustment. Accordingly, no further action is required at this time.

**View of Responsible Officials.** Management agrees with the adjustment proposed by its auditors, and they have been posted in the City's records.

## CITY OF HOLLAND, MICHIGAN

### Schedule of Findings and Questioned Costs For the Year Ended June 30, 2013

#### 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, 2013

None reported.

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