

**CITY OF GRAND HAVEN,
MICHIGAN**



SINGLE AUDIT

**FOR THE YEAR ENDED
JUNE 30, 2010**

**CITY OF GRAND HAVEN, MICHIGAN
SINGLE AUDIT**

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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***

November 10, 2010

Honorable Mayor and
Members of the City Council
City of Grand Haven, 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 *City of Grand Haven, Michigan* (the "City") as of and for the year ended June 30, 2010, and have issued our report thereon dated November 10, 2010. 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'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 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a deficiency in internal control over financial reporting 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 2010-1 to be a material weaknesses in internal control over financial reporting.

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*.

The City'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's response and, accordingly, we express no opinion on it.

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

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

November 10, 2010

Honorable Mayor and
Members of the City Council
City of Grand Haven, Michigan

Compliance

We have audited the compliance of *City of Grand Haven, Michigan* (the "City") with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2010. The City's major federal programs are identified in the summary of auditor's 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 of Grand Haven, 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 June 30, 2010.

Internal Control Over Compliance

Management of the City 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's internal control over compliance with the 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 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 a 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 and the City Council, 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".

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

November 10, 2010

Honorable Mayor and
Members of the City Council
City of Grand Haven, 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 *City of Grand Haven, Michigan* as of and for the year ended June 30, 2010, and have issued our report thereon dated November 10, 2010. Our audit was performed 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 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.

A handwritten signature in cursive script that reads "Rehmann Johnson".

City of Grand Haven, Michigan
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2010

Federal Grantor/Pass-through Grantor/Program Title	CFDA Number	Agency or Pass-Through Number	Approved Grant Award Amount	Accrued (Deferred) Revenue July 1, 2009	Current Year Cash Received	Expenditures Year Ended June 30, 2010	Accrued (Deferred) Revenue June 30, 2010
U.S. Department of Commerce							
Passed through the County of Ottawa:							
Public Safety Interoperable Communications Grant Program	11.555	2007-GS-H7-0043	\$ 8,532	\$ -	\$ 8,532	\$ 8,532	\$ -
U.S. Department of Housing and Urban Development							
Passed through the Michigan State Housing Development Authority:							
Home Investment Partnerships Program	14.239	M-2006-0837	280,000	-	58,000	58,000	-
U.S. Department of Justice							
Direct program:							
Edward Byrne Memorial Justice Assistance	16.804	2009-SB-B9-1524	16,111	-	-	15,989	15,989
U.S. Department of Transportation							
Federal Transit Cluster:							
Direct programs:							
Federal Transit Operating Grant							
Section 5307 prior year	20.507	MI-90-X602-00	324,398	243,298	324,398	81,100	-
Section 5307 current year	20.507	MI-90-X623-00	323,280	-	-	242,460	242,460
Federal Transit Capital Grant							
Section 5309	20.500	2002-0040/Z13	2,735,603	-	5,756	11,337	5,581
Section 5309	20.500	2002-0040/Z14	194,356	-	80,460	80,460	-
Section 5309	20.500	2002-0040/Z15	399,960	-	160,920	160,920	-
Section 5309	20.500	2007-0214/Z2	245,000	-	80,460	80,460	-
Section 5309	20.500	2007-0214/Z3	152,000	-	13,424	13,424	-
				243,298	665,418	670,161	248,041
Federal Transit Research Grant							
Section 5304	20.515	2007-0214/Z1	90,000	1,953	60,323	62,047	3,677
Total U.S. Department of Transportation				245,251	725,741	732,208	251,718
U.S. Department of Treasury							
Passed through the Michigan State Housing Development Authority:							
National Foreclosure Mitigation Counseling	21.000	PL110-289	100,250	-	100,250	100,250	-
U.S. Department of Energy, Labor & Economic Growth							
Passed through the State Of Michigan Department of Energy, Labor & Economic Growth							
ARRA - Energy Efficiency & Conservation Block Grant Program	81.128	BES-10-084	66,680	-	-	6,248	6,248
U.S. Department of Homeland Security							
Direct program:							
Port Security Grant Program	97.056	2007-GB-T7-0236	125,623	-	51,499	51,499	-
Total Expenditures of Federal Awards				\$ 245,251	\$ 944,022	\$ 972,726	\$ 273,955

See accompanying notes to the Schedule of Expenditures of Federal Awards.

CITY OF GRAND HAVEN, MICHIGAN

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2010

1. BASIS OF PRESENTATION

The Schedule of Expenditures of Federal Awards utilizes the same basis of accounting as the financial statements. 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*.

2. RECONCILIATION OF BASIC FINANCIAL STATEMENTS

Reconciliation of revenues from federal sources per the basic financial statements and expenditures per single audit report Schedule of Expenditures of Federal Awards:

Revenues from federal sources per June 30, 2010

basic financial statements:

Governmental funds	\$ 234,270	
Nonmajor enterprise funds - nonoperating grants	323,560	
Nonmajor enterprise funds - capital grants	<u>550,248</u>	\$ 1,108,078

Reconciling items:

Airport Improvement Program	(141,600)	
Federal grants expended not yet recorded as revenue	<u>6,248</u>	<u>(135,352)</u>
		<u>\$ 972,726</u>

As noted above, the City expended federal funds that were passed-through and administered by the Michigan Department of Transportation (MDOT) for the Airport Improvement Program (CFDA 20.106). These pass-through monies will be included in the State of Michigan's single audit.

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CITY OF GRAND HAVEN, MICHIGAN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued:	<i>Unqualified</i>	
Internal controls over financial reporting:		
Material weakness(es) identified?	<u> x </u> yes	<u> </u> no
Significant deficiencies identified?	<u> </u> yes	<u> x </u> none reported
Noncompliance material to financial statements noted?	<u> </u> yes	<u> x </u> no

Federal Awards

Internal control over major programs:		
Material weakness(es) identified?	<u> </u> yes	<u> x </u> no
Significant deficiencies identified?	<u> </u> yes	<u> x </u> none reported
Type of auditors' report issued on compliance for major programs:	<i>Unqualified</i>	
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section 510(a)?	<u> </u> yes	<u> x </u> no

Identification of Major Programs

CFDA Numbers

Name of Federal Program or Cluster

20.500, 20.507

Federal Transit Cluster

Dollar threshold used to distinguish between Type A and Type B programs:

 \$300,000

Auditee qualified as low-risk auditee?

 yes x no

CITY OF GRAND HAVEN, MICHIGAN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2010

SECTION II - FINANCIAL STATEMENT FINDINGS

2010-1 – Material Audit Adjustments

Material Weakness in Internal Control over Financial Reporting

Criteria:	The City's management is responsible for maintaining its accounting records in accordance with generally accepted accounting principles (GAAP).
Condition:	During the year under audit, the City completed a full physical inventory and revaluation of its governmental activities capital assets. In addition, we identified and proposed several adjustments, which were approved and posted by management, to adjust the City's general ledger to the appropriate balances. The adjustment made as a result of the inventory procedures required a material prior period adjustment to governmental activities capital assets, and the aggregate of the auditor identified adjustments were material to the financial statements of the City.
Cause:	This condition was the result of adjustments made to the governmental activities capital assets for the full physical inventory and revaluation, and adjustments to other general ledger accounts as a result of audit procedures performed.
Effect:	As a result of this condition, the City's governmental activities capital assets and other accounting records were initially misstated by amounts material to the financial statements. All necessary adjustments were reviewed and agreed to by management, and the financial statements were appropriately corrected prior to issuance.
Recommendation:	No further corrective action is needed. Restatement of beginning balances is often necessary after a full physical inventory is performed. We commend the City for taking the initiative to have this project performed in order to properly report capital asset values. In addition, we recommend that the City carefully review its year-end account balances and seek to make all necessary adjustments before the annual audit.
View of Responsible Officials:	Management was aware that the physical inventory might result in the need for a restatement of beginning balances. In addition, management recognizes the importance of thoroughly reviewing all information in advance of the audit.

CITY OF GRAND HAVEN, MICHIGAN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2010

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

SECTION IV - PRIOR YEAR FINDINGS

None reported.

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