

**CITY OF GRAND HAVEN,
MICHIGAN**



SINGLE AUDIT ACT COMPLIANCE

**FOR THE YEAR ENDED
JUNE 30, 2011**

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

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

October 31, 2011

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, 2011, and have issued our report thereon dated October 31, 2011. 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.



CITY OF GRAND HAVEN, MICHIGAN
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2011

Federal Grantor/Pass-through Grantor/Program Title	CFDA Number	Agency or Pass-Through Number	Approved Grant Award Amount	Accrued (Deferred) Revenue July 1, 2010	Current Year Cash Received	Expenditures Year Ended June 30, 2011	Accrued (Deferred) Revenue June 30, 2011
U.S. Department of Commerce							
<i>Passed through Ottawa County:</i>							
Public Safety Interoperable Communications Grant Program	11.555	2007-GS-H7-0043	\$ 18,515	\$ -	\$ 18,515	\$ 18,515	\$ -
U.S. Department of Housing and Urban Development							
<i>Passed through the Michigan State Housing Development Authority:</i>							
Home Investment Partnerships Program	14.239	M-2006-0837	100,000	-	17,741	44,530	26,789
<i>Passed through the Michigan Strategic Fund:</i>							
CDBG - State-Administered Small Cities Program Cluster: Community Development Block Grant	14.228	MSC 209164-ICE	695,228	-	-	371,261	371,261
Total U.S. Department of Housing and Urban Development				-	17,741	415,791	398,050
U.S. Department of Justice							
<i>Passed through the Michigan State Police:</i>							
JAG Program Cluster: ARRA- Edward Byrne Memorial Justice Assistance	16.804	2009-SB-B9-1524	16,111	15,989	15,989	-	-
U.S. Department of Transportation							
<i>Direct programs:</i>							
<i>Federal Transit Cluster:</i>							
<i>Federal Transit Operating Grant</i>							
Section 5307	20.507	MI-90-X623-00	323,280	242,460	323,280	80,820	-
Section 5307	20.507	MI-90-X632-00	324,109	-	-	243,082	243,082
ARRA - Section 5307	20.507	MI-96-X021-00	430,107	-	299,618	299,618	-
Section 5307	20.507	MI-95-X056-00	51,600	-	8,460	8,460	-
				242,460	631,358	631,980	243,082
<i>Federal Transit Capital Grant</i>							
Section 5309	20.500	2002-0040/Z13	2,735,603	5,581	5,581	-	-
Section 5309	20.500	MI-03-0203-00	194,356	-	17,393	17,393	-
				5,581	22,974	17,393	-
<i>Passed through the Michigan Department of Transportation:</i>							
Federal Transit Research Grant Section 5304	20.515	MI-80-X014-00	72,000	3,677	11,677	8,000	-
<i>Passed through the Michigan State Police:</i>							
Highway Safety Cluster: Highway Safety Grant	20.610	TR-11-10	13,145	-	13,145	13,145	-
Total U.S. Department of Transportation				251,718	679,154	670,518	243,082
U.S. Department of Treasury							
<i>Passed through the Michigan State Housing Development Authority:</i>							
National Foreclosure Mitigation Counseling	21.000	PL110-289	87,650	-	3,475	3,475	-
U.S. Department of Energy							
<i>Passed through Ottawa County:</i>							
ARRA - Energy Efficiency & Conservation Block Grant	81.128	MI100059	65,912	-	39,600	39,600	-
ARRA - Energy Efficiency & Conservation Block Grant	81.128	BES-10-084	66,680	6,248	48,884	42,636	-
Total U.S. Department of Energy				6,248	88,484	82,236	-
U.S. Department of Homeland Security							
<i>Passed through Ottawa County:</i>							
Hazard Mitigation Grant	97.039	HMGP 1777.7-F	14,925	-	14,025	14,025	-
Total Expenditures of Federal Awards			\$ 273,955	\$ 837,383	\$ 1,204,560	\$ 641,132	\$ -

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

CITY OF GRAND HAVEN, 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 Grand Haven (the "City") under programs of the federal government for the year ended June 30, 2011. 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.

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. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

Cash received is recorded on the cash basis; expenditures are recorded on the modified accrual basis of accounting. Revenues are recognized when the qualifying expenditures have been incurred and all grant requirements have been met.

The Schedule has been arranged to provide information on both actual cash received and the revenue recognized. Accordingly, the effects of accruals of accounts receivable and deferred revenue items at both the beginning and end of the fiscal year have been reported.

CITY OF GRAND HAVEN, MICHIGAN

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

3. 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, 2011

basic financial statements:

Governmental funds	\$ 507,587	
Nonmajor enterprise funds - nonoperating grants	323,902	
Nonmajor enterprise funds - capital contributions	338,596	
Internal service funds	39,600	
Component units	<u>135,181</u>	\$ 1,344,866

Reconciling items:

Airport Improvement Program	(5,125)	
Build America Bonds federal interest credit	<u>(135,181)</u>	<u>(140,306)</u>
		<u>\$ 1,204,560</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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**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**

October 31, 2011

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, 2011, and have issued our report thereon dated October 31, 2011. 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 deficiencies, 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 2011-1 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*.

However, we noted certain matters that we reported to management of the City in a separate letter dated October 31, 2011.

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 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**

October 31, 2011

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 *U.S. Office of Management Budget ("OMB") Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. 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 could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

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 black ink, reading "Lehmann Johnson". The signature is written in a cursive, flowing style.

CITY OF GRAND HAVEN, MICHIGAN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011

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

<i>CFDA Numbers</i>	<i>Name of Federal Program or Cluster</i>
20.500, 20.507	Federal Transit Cluster
14.228	CDBG - State-Administered Small Cities Program Cluster

Dollar threshold used to distinguish between Type A and Type B programs:	<u> \$300,000 </u>
Auditee qualified as low-risk auditee?	<u> </u> yes <u> x </u> no

CITY OF GRAND HAVEN, MICHIGAN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2011

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: We identified and proposed several adjustments, which were approved and posted by management, to adjust the City's general ledger to the appropriate balances. Adjustments made included correcting entries to amounts originally added to capital assets, an entry to record federal revenue and the related receivable, and various adjustments related to the Board of Light and Power fund.

Cause: This condition was the result of errors in the initial calculation of current year capital asset additions, grant reimbursement request information that was not provided to the City finance department on a timely basis, and various errors in adjusting accounts of the Board and Light and Power fund.

Effect: As a result of this condition, the District's accounting records were initially misstated by amounts material to the financial statements.

Recommendation: The related correcting entries have been reviewed and approved by management, and no further corrective action is required at this time.

View of Responsible Officials: Management agrees with the proposed entries, and they have been recorded. Management recognizes the importance of thoroughly reviewing its capital asset records and gathering all grant information prior to the audit fieldwork.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

SECTION IV - PRIOR YEAR FINDINGS

2010-01: Material Audit Adjustments. We noted that this finding was repeated as finding 2011-01.

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