



**County of Muskegon,
Michigan**

**Additional Reports Required by
OMB Circular A-133
September 30, 2001**

County of Muskegon, Michigan

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Independent Auditors' Report on the Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

To the Board of County Commissioners of the
County of Muskegon, Michigan

We have audited the general-purpose financial statements of the County of Muskegon, Michigan as of and for the year ended September 30, 2001, and have issued our report thereon dated December 14, 2001. 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.

Compliance

As part of obtaining reasonable assurance about whether the County of Muskegon, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of general-purpose 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 that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County of Muskegon, Michigan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general-purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general-purpose financial statements being

audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses.

This report is intended solely for the information of the Board of Commissioners of the County of Muskegon, Michigan, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

BDO Seidman, LLP

Muskegon, Michigan
December 14, 2001



**Independent Auditors' Report on Compliance
With Requirements Applicable to Each Major
Program and Internal Control Over Compliance
in Accordance With OMB Circular A-133**

To the Board of County Commissioners of the
County of Muskegon, Michigan

Compliance

We have audited the compliance of the County of Muskegon, 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 September 30, 2001. The County of Muskegon, Michigan'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 County of Muskegon, Michigan's management. Our responsibility is to express an opinion on the County of Muskegon, Michigan's compliance based on our audit.

The County of Muskegon, Michigan's general-purpose financial statements include the operations of the Muskegon County Road Commission, which received \$601,592 in federal awards, which is not included in the schedule of expenditures of federal awards during the year ended September 30, 2001. Our audit, described below, did not include the operations of the Muskegon County Road Commission because the component unit engaged other auditors to perform an audit in accordance with OMB Circular A-133.

We conducted our audit 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 County of Muskegon, 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 County of Muskegon, Michigan's compliance with those requirements.

In our opinion, the County of Muskegon, 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 September 30, 2001.

Internal Control Over Compliance

The management of the County of Muskegon, 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 County of Muskegon, 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 and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the general-purpose financial statements of the County of Muskegon, Michigan as of and for the year ended September 30, 2001, and have issued our report thereon dated December 14, 2001. Our audit was performed for the purpose of forming an opinion on the general-purpose financial statements taken as a whole. 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 general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

This report is intended for the information of the Board of County Commissioners of the County of Muskegon, Michigan, management and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

BDO Seidman, LLP

Muskegon, Michigan
April 10, 2002

<i>Year ended September 30, 2001</i>	CFDA Number	Federal Grants Awarded
Department of Transportation		
Urban Mass Transportation Capital and Operating Assistance		
MI-90-X160 (5880)	20.500	\$ 1,675,908
MI-90-X238 (5880)	20.507	736,286
MI-90-X267 (5880)	20.507	683,557
MI-90-X306 (5880)	20.507	1,500,899
MI-90-0326 (5880)	20.507	1,371,534
MI-90-0346 (5880)	20.507	1,685,188
MI-90-0365 (5880)	20.507	1,689,142
Section 5311-99 (5880)	20.507	5,987
Passed through Michigan Department of Transportation		
MDOT 2000-0456	20.507	709,660
MDOT 2001-0524	20.507	896,328
Operation Nightcap (1210-0317) AL-00-J7	20.600	35,984
Passed through Michigan Department of Highway		
Airport Improvement Program 98-1-3-26-0071-1698 (5810)	20.106	69,298
Airport Improvement Program 3-26-0601-02807 (5810-0543)	20.106	984,200
Airport Improvement Program 97-1-3-26-0071-1597 (5810)	20.106	1,087,525
Airport Improvement Program 97-1-3-26-0071-1900 (5810)	20.106	1,020,000
Airport Improvement Program 97-1-3-26-0071-2001 (5810)	20.106	498,000
		14,649,496
Department of Labor		
Passed through Michigan Department of Career Development		
Labor exchange (2731)	17.207	752,235
TAA/NAFTA (2733)	17.245	247,042
WIA, WIA Administration (2760)	17.255 *	210,608
WIA, WIA Adult (2761)	17.255 *	778,537
WIA, WIA Youth (2762)	17.255 *	747,770
WIA, WIA Dislocated Worker (2763)	17.255 *	312,867
WIA, WIA Youth Statewide (2766)	17.255 *	21,596
WIA, WIA Service Center Operations (2767)	17.255 *	63,824
WIA, WIA Displaced Homemaker (2746)	17.255 *	39,467
Welfare to Work (2764)	17.253	241,637
		3,415,583

* Denotes major program

County of Muskegon, Michigan

Schedule of Expenditures of Federal Awards

Federal Grants Earned			Program Expenditures Incurred			
Prior Years	Current Year	Total	Prior Years	Current Year	Total	Funds Available
\$ 1,643,479	\$ -	\$ 1,643,479	\$ 1,643,479	\$ -	\$ 1,643,479	\$ 32,429
581,409	-	581,409	581,409	-	581,409	154,877
601,927	20,794	622,721	601,927	20,794	622,721	60,836
1,351,826	34,215	1,386,041	1,351,826	34,215	1,386,041	114,858
752,616	115,136	867,752	752,616	115,136	867,752	503,782
776,322	28,626	804,948	776,322	28,626	804,948	880,240
-	877,220	877,220	-	877,220	877,220	811,922
-	4,458	4,458	-	4,458	4,458	1,529
-	709,660	709,660	-	709,660	709,660	-
-	7,630	7,630	-	7,630	7,630	888,698
-	32,838	32,838	-	32,838	32,838	3,146
-	44,626	44,626	-	44,626	44,626	24,672
564,963	175,552	740,515	564,963	175,552	740,515	243,685
954,882	132,643	1,087,525	954,882	132,643	1,087,525	-
-	-	-	-	-	-	1,020,000
-	-	-	-	-	-	498,000
7,227,424	2,183,398	9,410,822	7,227,424	2,183,398	9,410,822	5,238,674
-	317,816	317,816	-	317,816	317,816	434,419
-	247,042	247,042	-	247,042	247,042	-
-	210,608	210,608	-	210,608	210,608	-
-	666,619	666,619	-	666,619	666,619	111,918
-	357,800	357,800	-	357,800	357,800	389,970
-	241,822	241,822	-	241,822	241,822	71,045
-	21,596	21,596	-	21,596	21,596	-
-	62,409	62,409	-	62,409	62,409	1,415
-	4,591	4,591	-	4,591	4,591	34,876
-	241,637	241,637	-	241,637	241,637	-
-	2,371,940	2,371,940	-	2,371,940	2,371,940	1,043,643

<i>Year ended September 30, 2001</i>	CFDA Number	Federal Grants Awarded
Department of Justice		
School Liaison COPS (1230) 1999-SH-WX-0050	16.710	\$ 125,000
Byrne Formula Grant (2650) 70865-2K00	16.579	73,825
Passed through Michigan Dept. of Management and Budget VOCA Grant 20484-1V00 (2800)	16.579	137,620
Passed through Michigan Family Independence Agency Juvenile Accountability Inc. Block Grant JAIBG 00-61001 (2831)	16.540	121,103
Passed through Office of Drug Control Policy Holland (1010-0301) 70145-6K00	16.579	29,985
		487,533
Department of Education		
Passed through the Library of Michigan LSTA 2K-806 (2710-0743)	45.310	6,482
Department of Agriculture		
National School Breakfast Program (2920)	10.553	9,182
National School Lunch Program (2920)	10.555	13,795
Passed through Michigan Department of Career Development Food Stamp Program (2759)	10.561	356,199
Passed through Michigan Department of Comm. Health (2210) Special Supplemental Food Program for Women, Infants And Children WIC (6413)	10.557	634,205
		1,013,381
Department of Health and Human Services		
Passed through Michigan Family Independence Agency Prosecutor Cooperative (IV-D Incentive) (1150)	93.563	146,513
Child Support Enforcement Program (IV-D CRP Contract) (2150-0141)	93.563	1,136,542
Child Support Incentive Payments (2150-0142)	93.558	371,672
Passed through Michigan Department of Career Development TANF, Workfirst (2751)	93.558	3,698,553
Forward		5,353,280

County of Muskegon, Michigan

Schedule of Expenditures of Federal Awards

Federal Grants Earned			Program Expenditures Incurred			
Prior Years	Current Year	Total	Prior Years	Current Year	Total	Funds Available
\$ 45,276	\$ 48,861	\$ 94,137	\$ 45,276	\$ 48,861	\$ 94,137	\$ 30,863
-	46,742	46,742	-	46,742	46,742	27,083
-	137,136	137,136	-	137,136	137,136	484
-	102,537	102,537	-	102,537	102,537	18,566
-	24,286	24,286	-	24,286	24,286	5,699
45,276	359,562	404,838	45,276	359,562	404,838	82,695
-	6,482	6,482	-	6,482	6,482	-
-	9,182	9,182	-	9,182	9,182	-
-	13,795	13,795	-	13,795	13,795	-
-	4,138	4,138	-	4,138	4,138	352,061
-	634,205	634,205	-	634,205	634,205	-
-	661,320	661,320	-	661,320	661,320	352,061
-	104,657	104,657	-	104,657	104,657	41,856
-	878,355	878,355	-	878,355	878,355	258,187
-	191,867	191,867	-	191,867	191,867	179,805
-	3,698,553	3,698,553	-	3,698,553	3,698,553	-
-	4,873,432	4,873,432	-	4,873,432	4,873,432	479,848

<i>Year ended September 30, 2001</i>	CFDA Number	Federal Grants Awarded
Department of Health and Human Services - Forwarded		\$ 5,353,280
Passed through the Michigan Department of Community Health		
Dementia/Dementia resources (2220-7040)	93.958	2,750
Jail Diversion Cross Training (2220-7041)	93.958	5,474
Older Workers at Risk of Suicide (2220-7042)	93.958	5,768
MSU-EMP Training Specialist Trainee (2220-7043)	93.958	2,900
Homeless Project (2220-7327)	93.150	72,825
MI Child Respite (2220-7328)	93.958	33,700
Sexually Transmitted Disease (6313)	93.997	67,500
AIDS Case Management (6314)	93.917	104,299
Medicaid Outreach-Mat and Child Health (6409)	93.994	104,227
MIHAS (6410)	93.778	225,692
CSHCS – Case Management (6416)	93.778	35,615
CSHCS – Fee for Service (6416)	93.778	4,996
M&CH Services Block Grant (6441)	93.994	20,557
Family Planning project (6441)	93.217	92,458
Chronic Disease Prevention (6443)	93.991	22,156
Minority Health (6460)	93.991	43,345
Immunizations Vaccine Replacement (6710)	93.268	19,193
IAP (6710)	93.268	57,579
IAP Fee for service (6710)	93.268	3,900
Breast and Cerv Cancer Scrn-Direct Service (6714)	93.919	40,400
Breast and Cerv Cancer Scrn-Coordination (6714)	93.919	41,130
Breast and Cerv Cancer Scrn-Case Mgt (6714)	93.919	685
MCIR (6812)	93.919	4,788
Passed through Lakeshore Coor. Council		
Substance Abuse Prevention (6811)	93.959	126,604
SAP – Environmental Change (6811)	93.959	12,500
		6,504,321

County of Muskegon, Michigan

Schedule of Expenditures of Federal Awards

Federal Grants Earned			Program Expenditures Incurred			
Prior Years	Current Year	Total	Prior Years	Current Year	Total	Funds Available
\$ -	\$ 4,873,432	\$ 4,873,432	\$ -	\$ 4,873,432	\$ 4,873,432	\$ 479,848
-	1,216	1,216	-	1,216	1,216	1,534
-	3,947	3,947	-	3,947	3,947	1,527
-	3,284	3,284	-	3,284	3,284	2,484
-	1,153	1,153	-	1,153	1,153	1,747
-	58,907	58,907	-	58,907	58,907	13,918
-	29,914	29,914	-	29,914	29,914	3,786
-	67,500	67,500	-	67,500	67,500	-
-	104,299	104,299	-	104,299	104,299	-
-	104,227	104,227	-	104,227	104,227	-
-	225,692	225,692	-	225,692	225,692	-
-	35,615	35,615	-	35,615	35,615	-
-	4,996	4,996	-	4,996	4,996	-
-	20,557	20,557	-	20,557	20,557	-
-	92,458	92,458	-	92,458	92,458	-
-	22,156	22,156	-	22,156	22,156	-
-	43,345	43,345	-	43,345	43,345	-
-	19,193	19,193	-	19,193	19,193	-
-	57,579	57,579	-	57,579	57,579	-
-	3,900	3,900	-	3,900	3,900	-
-	40,400	40,400	-	40,400	40,400	-
-	41,130	41,130	-	41,130	41,130	-
-	685	685	-	685	685	-
-	4,788	4,788	-	4,788	4,788	-
-	126,604	126,604	-	126,604	126,604	-
-	12,500	12,500	-	12,500	12,500	-
-	5,999,477	5,999,477	-	5,999,477	5,999,477	504,844

<i>Year ended September 30, 2001</i>	CFDA Number	Federal Grants Awarded
Department of Housing and Urban Development		
Passed through Michigan Department of Career Development		
Governors Career Scholarship CDBG (2732)	14.228 *	\$ 69,790
Knoll Inc. Infrastructure (4200) MSC 980029-EDIG	14.228 *	905,423
Wastewater Loan Project (4911) MSC 200007-EDIG	14.228 *	2,500,350
CDBG Housing Grant MSC 2001-0787-HO (2470)	14.219	375,000
Passed through Michigan Department of Community Health		
Lead Hazard Remediation	14.900	39,000
		3,889,563
Environmental Protection Agency		
Passed through the Michigan Department of Community Health		
Radon (6201)	66.032	500
Source Water Assessment (6201)	66.468	2,013
		2,513
Federal Emergency Management Agency		
Passed through the Michigan Department of State Police		
Emergency Services (1190)	83.542	36,477
		\$ 30,005,349

*Denotes major program

County of Muskegon, Michigan

Schedule of Expenditures of Federal Awards

Federal Grants Earned			Program Expenditures Incurred			
Prior Years	Current Year	Total	Prior Years	Current Year	Total	Funds Available
\$ -	\$ 3,264	\$ 3,264	\$ -	\$ 3,264	\$ 3,264	\$ 66,526
518,968	200,242	719,210	518,968	200,242	719,210	186,213
-	2,387,754	2,387,754	-	2,387,754	2,387,754	112,596
-	312,527	312,527	-	312,527	312,527	62,473
-	39,000	39,000	-	39,000	39,000	-
518,968	2,942,787	3,461,755	518,968	2,942,787	3,461,755	427,808
-	500	500	-	500	500	-
-	2,013	2,013	-	2,013	2,013	-
-	2,513	2,513	-	2,513	2,513	-
-	34,672	34,672	-	34,672	34,672	1,805
\$7,791,668	\$14,562,151	\$22,353,819	\$7,791,668	\$14,562,151	\$22,353,819	\$7,651,530

County of Muskegon, Michigan

Notes to Schedule of Expenditures of Federal Awards

1. General

Expenditures are recorded on the accrual basis of accounting. Revenues are recognized when qualifying expenditures have been incurred and all other grant requirements have been met.

Expenditures in the schedule below reconcile with amounts reported as federal revenue in the general-purpose financial statements.

Reconciliation of Schedule of Expenditures of Federal Awards
Current Year Expenditures and General Purpose Financial
Statement Federal Source Revenue:

Total Federal Source Revenue as reported in the General Purpose Financial Statements	\$11,781,781
Federal Loan proceeds not recognized as Federal Source Revenue on the General Purpose Financial Statements	2,387,754
State Source Revenue included in Federal Source Revenue on the General Purpose Financial Statements	(11,253)
Federal Source Revenues included in contributed Capital on the General Purpose Financial Statements	403,869
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Current Year Expenditures as reported on the Schedule of Expenditures of Federal Awards	<hr/> \$14,562,151 <hr/>

County of Muskegon, Michigan

Schedule of Findings and Questioned Costs September 30, 2001

Summary of Auditors' Results

The auditors' report expresses an unqualified opinion on the general-purpose financial statements of the County of Muskegon, Michigan.

The audit did not disclose any noncompliance which is material to the general-purpose financial statements of the County of Muskegon, Michigan.

The auditors' report on compliance for major programs of the County of Muskegon, Michigan expresses an unqualified opinion.

The audit did not disclose any findings relative to major programs that are required to be reported herein in accordance with OMB Circular A-133.

The County had two major programs: Workforce Investment Act (WIA Title I) and Community Development Block Grants/State's Program.

The dollar threshold used to distinguish between Type A and Type B programs was \$343,338.

The County of Muskegon, Michigan qualified as a low-risk auditee.

Findings Related to the General Purpose Financial Statements

There were no findings which are required to be reported under *Government Auditing Standards*.

Findings and Questioned Costs for Federal Awards

There were no findings or questioned costs.