



**County of Muskegon,
Michigan**

**Additional Reports Required by
OMB Circular A-133
September 30, 2002**

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, 2002, and have issued our report thereon dated December 13, 2002. 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. However, we noted other matters involving the internal control over financial reporting that we have reported to management of the County of Muskegon, Michigan in a separate letter dated December 13, 2002.

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 13, 2002



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, 2002. 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 \$553,211 in federal awards, which is not included in the schedule of expenditures of federal awards during the year ended September 30, 2002. 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, 2002.

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, 2002, and have issued our report thereon dated December 13, 2002. 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
February 6, 2003

<i>Year ended September 30, 2002</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
MI-90-0388 (5880)	20.507	1,421,519
Section 5311-99 (5880)	20.507	4,497
Passed through Michigan Department of Transportation		
MDOT 2001-0524	20.507	896,328
MDOT 2002-0072Z5	20.507	2,041,935
Drive Michigan safely OP-02-21 (1010-0301)	20.600	4,584
Operation spotlight Norton Shores (1010-0301)	20.600	1,788
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 97-1-3-26-0071-1900 (5810)	20.106 *	1,020,000
Airport Improvement Program 97-1-3-26-0071-2001 (5810)	20.106 *	498,000
Airport Improvement Program 97-1-3-26-0071-2102 (5810)	20.106 *	33,058
Airport Improvement Program 97-1-3-26-0071-2202 (5810)	20.106 *	1,022,400
		17,340,121
Department of Labor		
Passed through Michigan Department of Career Development		
Labor exchange (2731)	17.207	469,594
TAA/NAFTA (2733)	17.245	102,469
WIA, WIA Administration (2760)	17.255	212,715
WIA, WIA Adult (2761)	17.255	884,603
WIA, WIA Youth (2762)	17.255	1,187,914
WIA, WIA Dislocated Worker (2763)	17.255	520,596
Welfare to Work (2764)	17.253 *	545,436
WIA, WIA Youth Statewide (2766)	17.255	15,980
WIA, WIA Service Center Operations (2767)	17.257	26,097
WIA, WIA Incumbent Worker (2768)	17.257	75,483
WIA, WIA National Emergency (2770)	17.260	106,705
WIA, WIA Displaced Homemaker (2746)	17.255	72,000
		4,219,592

* 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	\$ 32,429	\$ 1,675,908	\$ 1,643,479	\$ 32,429	\$ 1,675,908	\$ -
581,409	-	581,409	581,409	-	581,409	154,877
622,721	60,836	683,557	622,721	60,836	683,557	-
1,386,041	114,858	1,500,899	1,386,041	114,858	1,500,899	-
867,752	153,286	1,021,038	867,752	153,286	1,021,038	350,496
804,948	428,092	1,233,040	804,948	428,092	1,233,040	452,148
877,220	146,490	1,023,710	877,220	146,490	1,023,710	665,432
-	941,794	941,794	-	941,794	941,794	479,725
-	4,261	4,261	-	4,261	4,261	236
7,630	888,698	896,328	7,630	888,698	896,328	-
-	1,574,056	1,574,056	-	1,574,056	1,574,056	467,879
-	3,104	3,104	-	3,104	3,104	1,480
-	1,788	1,788	-	1,788	1,788	-
44,626	3,010	47,636	44,626	3,010	47,636	21,662
740,515	-	740,515	740,515	-	740,515	243,685
-	1,017,108	1,017,108	-	1,017,108	1,017,108	2,892
-	434,770	434,770	-	434,770	434,770	63,230
-	31,644	31,644	-	31,644	31,644	1,414
-	1,013,400	1,013,400	-	1,013,400	1,013,400	9,000
7,576,341	6,849,624	14,425,965	7,576,341	6,849,624	14,425,965	2,914,156
-	373,484	373,484	-	373,484	373,484	96,110
-	102,469	102,469	-	102,469	102,469	-
-	210,410	210,410	-	210,410	210,410	2,305
-	884,603	884,603	-	884,603	884,603	-
-	651,630	651,630	-	651,630	651,630	536,284
-	520,596	520,596	-	520,596	520,596	-
-	436,304	436,304	-	436,304	436,304	109,132
-	15,980	15,980	-	15,980	15,980	-
-	26,097	26,097	-	26,097	26,097	-
-	1,887	1,887	-	1,887	1,887	73,596
-	93,236	93,236	-	93,236	93,236	13,469
-	13,196	13,196	-	13,196	13,196	58,804
-	3,329,892	3,329,892	-	3,329,892	3,329,892	889,700

<i>Year ended September 30, 2002</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) 70865-3K01	16.579	48,562
Community Gun Violence 2001-GP-CX-0099 (2832)	16.609	96,000
Passed through Michigan Dept. of Management and Budget VOCA Grant 20484-5V00 (2800)	16.579	122,806
Passed through the Department of State Police Emergency Preparedness (1190-0428)	16.007	76,725
Passed through Michigan Family Independence Agency Juvenile Accountability Inc. Block Grant JAIBG 00-61001 (2831)	16.540	121,103
Juvenile Accountability Inc. Block Grant JAIBG 02-61001 (2831)	16.540	87,630
Passed through Office of Drug Control Policy Bulletproof Vest (101-0301)	16.579	776
Byrne formula Grant 71177-1K01 (1010-0351)	16.579	62,273
Holland (1010-0301) 70834-3K01	16.579	27,267
		768,142
Department of Education		
Passed through the Library of Michigan LSTA 2K-806-01 (2710-0743)	45.310	3,153
Department of Agriculture		
National School Breakfast Program (2920)	10.553	10,258
National School Lunch Program (2920)	10.555	15,588
Passed through Michigan Department of Career Development Food Stamp Program (2759)	10.561	381,814
Passed through Michigan Department of Comm. Health (2210) Special Supplemental Food Program for Women, Infants and Children WIC (6413)	10.557 *	640,976
		1,048,636

*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
\$ 94,137	\$ 30,862	\$ 124,999	\$ 94,137	\$ 30,862	\$ 124,999	\$ 1
-	48,562	48,562	-	48,562	48,562	-
-	20,437	20,437	-	20,437	20,437	75,563
-	119,208	119,208	-	119,208	119,208	3,598
-	72,009	72,009	-	72,009	72,009	4,716
102,537	18,566	121,103	102,537	18,566	121,103	-
-	72,059	72,059	-	72,059	72,059	15,571
-	776	776	-	776	776	-
-	41,325	41,325	-	41,325	41,325	20,948
-	27,267	27,267	-	27,267	27,267	-
196,674	451,071	647,745	196,674	451,071	647,745	120,397
-	3,153	3,153	-	3,153	3,153	-
-	10,258	10,258	-	10,258	10,258	-
-	15,588	15,588	-	15,588	15,588	-
-	83,609	83,609	-	83,609	83,609	298,205
-	640,976	640,976	-	640,976	640,976	-
-	750,431	750,431	-	750,431	750,431	298,205

<i>Year ended September 30, 2002</i>	CFDA Number	Federal Grants Awarded
Department of Health and Human Services		
Passed through Michigan Family Independence Agency		
Prosecutor Cooperative (IV-D Incentive) (1150)	93.563 *	\$ 184,771
Child Support Enforcement Program (IV-D CRP Contract) (2150-0141)	93.563 *	1,118,606
Child Support Incentive Payments (2150-0142)	93.558 *	475,000
Passed through Michigan Department of Career Development		
TANF, Workfirst (2751)	93.558 *	1,771,982
Passed through the Department of Community Health		
Older Adults Seminar (2220-7045)	93.958	6,000
Drop in Program enhancement (2220-7046)	93.958	5,540
OBRA-PASARR (2220-7320)	93.778	46,060
Homeless Project (2220-7327)	93.150	63,629
MI Child Respite (2220-7161)	93.958	33,700
Emergency Preparedness (6111)	93.283	81,532
AIDS Prevention (6312)	93.940	56,339
Sexually Transmitted Disease (6313)	93.997	33,001
AIDS Case Management (6314)	93.917	84,147
Medicaid Outreach-Mat and Child Health (6409)	93.994	67,300
MIHAS (6410)	93.778	78,797
MCH (6410)	93.994	170,422
CSHCS – Case Management (6416)	93.778	35,615
CSHCS – Fee for Service (6416)	93.778	1,790
M&CH Services Block Grant (6441)	93.994	17,964
Family Planning project (6441)	93.217	95,420
Minority Health (6460)	93.991	43,345
Immunizations Vaccine Replacement (6710)	93.268	21,132
IAP (6710)	93.268	77,084
IAP Fee for service (6710)	93.268	4,400
Breast and Cerv Cancer Scrn-Direct Service (6714)	93.919	68,864
Breast and Cerv Cancer Scrn-Coordination (6714)	93.919	67,800
Breast and Cerv Cancer Scrn-Case Mgt (6714)	93.919	4,750
MCIR (6812)	93.919	4,658
Passed through Lakeshore Coor. Council		
Substance Abuse Prevention (6811)	93,959	117,323
		4,836,971

*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
\$ -	\$ 126,981	\$ 126,981	\$ -	\$ 126,981	\$ 126,981	\$ 57,790
-	1,071,167	1,071,167	-	1,071,167	1,071,167	47,439
-	397,710	397,710	-	397,710	397,710	77,290
-	1,771,982	1,771,982	-	1,771,982	1,771,982	-
-	2,873	2,873	-	2,873	2,873	3,127
-	4,150	4,150	-	4,150	4,150	1,390
-	34,523	34,523	-	34,523	34,523	11,537
-	35,354	35,354	-	35,354	35,354	28,275
-	21,484	21,484	-	21,484	21,484	12,216
-	71,220	71,220	-	71,220	71,220	10,312
-	56,339	56,339	-	56,339	56,339	-
-	33,001	33,001	-	33,001	33,001	-
-	84,147	84,147	-	84,147	84,147	-
-	67,300	67,300	-	67,300	67,300	-
-	78,797	78,797	-	78,797	78,797	-
-	170,422	170,422	-	170,422	170,422	-
-	35,615	35,615	-	35,615	35,615	-
-	1,790	1,790	-	1,790	1,790	-
-	17,964	17,964	-	17,964	17,964	-
-	95,420	95,420	-	95,420	95,420	-
-	43,345	43,345	-	43,345	43,345	-
-	21,132	21,132	-	21,132	21,132	-
-	77,084	77,084	-	77,084	77,084	-
-	4,400	4,400	-	4,400	4,400	-
-	68,864	68,864	-	68,864	68,864	-
-	67,800	67,800	-	67,800	67,800	-
-	4,750	4,750	-	4,750	4,750	-
-	4,658	4,658	-	4,658	4,658	-
-	117,323	117,323	-	117,323	117,323	-
-	4,587,595	4,587,595	-	4,587,595	4,587,595	249,376

<i>Year ended September 30, 2002</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	\$ 75,420
Knoll Inc. Infrastructure (4200) MSC 980029-EDIG	14.228	905,423
Lead Hazard Remediation (6456)	14.900	5,000
Wastewater Loan Project (4911) MSC 200007-EDIG	14.228	2,500,350
CDBG Housing Grant MSC 2001-0787-HO (2470)	14.219	375,000
		3,861,193
Department of Environmental Protection Agency		
Radon (6201)	66.032	500
Source Water Assessment (6201)	66.468	1,321
		1,821
Federal Emergency Management Agency		
Passed through the Michigan Department of State Police		
Emergency Services (1190-0426)	83.544	33,317
		\$ 32,112,946

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
\$ -	\$ 2,794	\$ 2,794	\$ -	\$ 2,794	\$ 2,794	\$ 72,626
719,210	137,815	857,025	719,210	137,815	857,025	48,398
-	5,000	5,000	-	5,000	5,000	-
2,387,754	(3,477)	2,384,277	2,387,754	(3,477)	2,384,277	116,073
312,527	62,473	375,000	312,527	62,473	375,000	-
3,419,491	204,605	3,624,096	3,419,491	204,605	3,624,096	237,097
-	500	500	-	500	500	-
-	1,321	1,321	-	1,321	1,321	-
-	1,821	1,821	-	1,821	1,821	-
-	24,018	24,018	-	24,018	24,018	9,299
\$ 11,192,506	\$ 16,202,210	\$ 27,394,716	\$ 11,192,506	\$ 16,202,210	\$ 27,394,716	\$ 4,718,230

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	\$17,781,635
Federal Loan proceeds adjustment not recognized in Federal Source Revenue on the General Purpose Financial Statements	(3,477)
State and Local Source Revenue included in Federal Source Revenue on the General Purpose Financial Statements	(2,029)
Federal Source Revenue not recorded in General Purpose Financial Statements in current year	1,568
Federal Source Revenues not subject to Single Audit (Reed Act funds and Veterans funds)	(1,595,012)
Federal Source Revenue recorded on the General Purpose Financial Statements in a prior year	97,644
Federal Source Revenues included in General Purpose Financial Statements for which no grant number has been assigned	(78,119)
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Current Year Expenditures as reported on the Schedule of Expenditures of Federal Awards	\$16,202,210

County of Muskegon, Michigan

Schedule of Findings and Questioned Costs September 30, 2002

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 five major programs: Airport Improvement Program; Welfare to Work Grants to States and Localities; Special Supplemental Food Program for Women, Infants and Children; Child Support Enforcement; and Temporary Assistance for Needy Families (Workfirst)

The dollar threshold used to distinguish between Type A and Type B programs was \$486,067.

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.