



**County of Muskegon,
Michigan**

**Additional Reports Required by
OMB Circular A-133**
September 30, 2003

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 financial statements of the County of Muskegon, Michigan as of and for the year ended September 30, 2003, and have issued our report thereon dated December 12, 2003. 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 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 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 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 12, 2003.

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 12, 2003



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, 2003. 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 financial statements include the operations of the Muskegon County Road Commission, which received \$1,417,193 in federal awards, which is not included in the schedule of expenditures of federal awards during the year ended September 30, 2003. 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, 2003.

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 financial statements of the County of Muskegon, Michigan as of and for the year ended September 30, 2003, and have issued our report thereon dated December 12, 2003. Our audit was performed for the purpose of forming an opinion on the 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 financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the 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
March 5, 2004

Year ended September 30, 2003

	CFDA Number	Federal Grants Awarded
Department of Transportation		
Urban Mass Transportation Capital and Operating Assistance		
MI-90-X238 (5880)	20.507 *	\$ 736,286
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 *	1,707,054
MI-90-X407 (5880)	20.507 *	1,968,161
Passed through Michigan Department of Transportation		
MDOT 2002-0072Z3 (5880)	20.507 *	4,380
MDOT 2002-0072Z5 (5880)	20.507 *	1,633,548
MDOT 2001-0679 (5880)	20.515	96,000
Drive Michigan safely OP-03-13 (1210)	20.600	30,377
Passed through Michigan Department of Highway		
Airport Improvement Program 3-26-0601-02807 (5810-0543)	20.106	984,200
Airport Improvement Program 97-1-3-26-0071-2202 (5810)	20.106	1,022,400
Airport Improvement Program 97-1-3-26-0071-2303 (5810)	20.106	892,800
Airport Improvement Program 97-1-3-26-0071-2403 (5810)	20.106	882,936
		14,704,006
Department of Labor		
Passed through Michigan Department of Career Development		
Labor exchange (2731)	17.207 *	563,669
TAA/NAFTA (2733)	17.245	155,526
Reemployment Services (2738)	17.207 *	44,844
WIA, WIA Administration (2760)	17.255	312,071
WIA, WIA Adult (2761)	17.258	834,942
WIA, WIA Youth (2762)	17.259	1,560,169
WIA, WIA Dislocated Worker (2763)	17.260	816,361
Welfare to Work (2764)	17.253	805,943
WIA, WIA Youth Statewide (2766)	17.259	12,689
WIA, WIA National Emergency (2770)	17.260	217,136
		5,323,350

* 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
\$ 581,409	\$ 154,877	\$ 736,286	\$ 581,409	\$ 154,877	\$ 736,286	\$ -
1,021,038	-	1,021,038	1,021,038	-	1,021,038	350,496
1,233,040	259,791	1,492,831	1,233,040	259,791	1,492,831	192,357
1,023,710	51,763	1,075,473	1,023,710	51,763	1,075,473	613,669
941,794	337,748	1,279,542	941,794	337,748	1,279,542	427,512
-	791,020	791,020	-	791,020	791,020	1,177,141
-	4,292	4,292	-	4,292	4,292	88
1,574,056	21,264	1,595,320	1,574,056	21,264	1,595,320	38,228
-	83,227	83,227	-	83,227	83,227	12,773
-	17,507	17,507	-	17,507	17,507	12,870
740,515	-	740,515	740,515	-	740,515	243,685
1,013,400	9,000	1,022,400	1,013,400	9,000	1,022,400	-
-	117,064	117,064	-	117,064	117,064	775,736
-	859,617	859,617	-	859,617	859,617	23,319
8,128,962	2,707,170	10,836,132	8,128,962	2,707,170	10,836,132	3,867,874
-	429,685	429,685	-	429,685	429,685	133,984
-	155,526	155,526	-	155,526	155,526	-
-	35,866	35,866	-	35,866	35,866	8,978
-	262,733	262,733	-	262,733	262,733	49,338
-	652,337	652,337	-	652,337	652,337	182,605
488,876	1,071,293	1,560,169	488,876	1,071,293	1,560,169	-
-	511,706	511,706	-	511,706	511,706	304,655
-	400,685	400,685	-	400,685	400,685	405,258
-	12,689	12,689	-	12,689	12,689	-
-	217,136	217,136	-	217,136	217,136	-
488,876	3,749,656	4,238,532	488,876	3,749,656	4,238,532	1,084,818

<i>Year ended September 30, 2003</i>	CFDA Number	Federal Grants Awarded
Department of Justice		
Byrne Formula Grant (2650) 70865-3K01	16.579*	\$ 45,996
Community Gun Violence 2001-GP-CX-0099 (2832)	16.609	216,000
Office of Justice Programs (1010-0351-529000)	16.610	9,786
LLEBG Grant (1010-0351-529000)	16.592	47,201
Passed through Michigan Dept. of Management and Budget VOCA Grant 20484-5V00 (2800)	16.579*	138,187
Passed through the Department of State Police Emergency Preparedness (1190-0428)	16.007	30,000
Passed through Michigan Family Independence Agency Juvenile Accountability Inc. Block Grant JAIBG 02-61001 (2831)	16.540	87,630
Juvenile Accountability Inc. Block Grant JAIBG 03-61001 (2831)	16.540	49,020
Passed through Office of Drug Control Policy Ottawa County (1010-0301) 70834-4K02	16.579*	33,041
Holland (1010-0301) 70834-3K01	16.579*	27,267
		684,128
Department of Agriculture		
National School Breakfast Program (2920)	10.553	10,629
National School Lunch Program (2920)	10.555	16,418
Passed through Michigan Department of Career Development Food Stamp Program (2759)	10.561	117,943
Passed through Michigan Department of Comm. Health Special Supplemental Food Program for Women, Infants and Children WIC (6413)	10.557	705,170
		850,160

*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
\$ -	\$ 45,996	\$ 45,996	\$ -	\$ 45,996	\$ 45,996	\$ -
20,437	74,500	94,937	20,437	74,500	94,937	121,063
-	9,786	9,786	-	9,786	9,786	-
-	47,201	47,201	-	47,201	47,201	-
-	137,997	137,997	-	137,997	137,997	190
-	6,724	6,724	-	6,724	6,724	23,276
72,059	15,571	87,630	72,059	15,571	87,630	-
-	41,310	41,310	-	41,310	41,310	7,710
-	33,041	33,041	-	33,041	33,041	-
25,699	1,568	27,267	25,699	1,568	27,267	-
118,195	413,694	531,889	118,195	413,694	531,889	152,239
-	10,629	10,629	-	10,629	10,629	-
-	16,418	16,418	-	16,418	16,418	-
-	67,950	67,950	-	67,950	67,950	49,993
-	705,170	705,170	-	705,170	705,170	-
-	800,167	800,167	-	800,167	800,167	49,993

Year ended September 30, 2003

	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	\$ 193,382
Child Support Enforcement Program (IV-D CRP Contract) (2150-0141)	93.563	1,245,027
Child Support Incentive Payments (2150-0142)	93.558	398,554
Special Improvement Projects (2155)	93.601	199,772
Passed through Michigan Department of Career Development		
TANF, Workfirst (2751)	93.558	1,150,547
Passed through the Department of Community Health		
Older Adults Seminar (2220-7045)	93.958	1,139
Drop in Program enhancement (2220-7046)	93.958	2,798
OBRA-PASARR (2220-7320)	93.778	65,885
Homeless Project (2220-7327)	93.150	63,629
MI Child Respite (2220-7161)	93.958	28,271
Emergency Preparedness (6111)	93.283	120,312
AIDS Prevention (6312)	93.940	72,687
Medicaid Outreach-Mat and Child Health (6409)	93.994*	15,471
MIHAS (6410)	93.778	46,569
MCH (6410)	93.994*	95,606
CSHCS – Case Management (6416)	93.778	35,615
CSHCS – Fee for Service (6416)	93.778	1,083
M&CH Services Block Grant (6441)	93.994*	16,409
Family Planning project (6441)	93.217	90,658
Minority Health (6460)	93.991	43,345
Immunizations Vaccine Replacement (6710)	93.268*	20,007
IAP (6710)	93.268*	76,057
IAP Fee for service (6710)	93.268*	4,150
Vaccine Provided (6710)	93.268*	602,596
MCH (6710)	93.994*	75,815
Breast and Cerv Cancer Scrn-Coordination (6714)	93.919	86,661
MCIR (6812)	93.919	17,950
Passed through Lakeshore Coor. Council		
Substance Abuse Prevention (6811)	93.959	132,254
		4,902,249

*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
\$ -	\$ 116,127	\$ 116,127	\$ -	\$ 116,127	\$ 116,127	\$ 77,255
-	1,191,476	1,191,476	-	1,191,476	1,191,476	53,551
-	324,697	324,697	-	324,697	324,697	73,857
-	70,512	70,512	-	70,512	70,512	129,260
-	1,150,547	1,150,547	-	1,150,547	1,150,547	
-	1,139	1,139	-	1,139	1,139	-
-	2,798	2,798	-	2,798	2,798	-
-	65,885	65,885	-	65,885	65,885	-
-	63,629	63,629	-	63,629	63,629	-
-	28,271	28,271	-	28,271	28,271	-
-	120,312	120,312	-	120,312	120,312	-
-	72,687	72,687	-	72,687	72,687	-
-	15,471	15,471	-	15,471	15,471	-
-	46,569	46,569	-	46,569	46,569	-
-	95,606	95,606	-	95,606	95,606	-
-	35,615	35,615	-	35,615	35,615	-
-	1,083	1,083	-	1,083	1,083	-
-	16,409	16,409	-	16,409	16,409	-
-	90,658	90,658	-	90,658	90,658	-
-	43,345	43,345	-	43,345	43,345	-
-	20,007	20,007	-	20,007	20,007	-
-	76,057	76,057	-	76,057	76,057	-
-	4,150	4,150	-	4,150	4,150	-
-	602,596	602,596	-	602,596	602,596	-
-	75,815	75,815	-	75,815	75,815	-
-	86,661	86,661	-	86,661	86,661	-
-	17,950	17,950	-	17,950	17,950	-
-	132,254	132,254	-	132,254	132,254	-
-	4,568,326	4,568,326	-	4,568,326	4,568,326	333,923

<i>Year ended September 30, 2003</i>	CFDA Number	Federal Grants Awarded
Department of Housing and Urban Development		
Knoll Inc. Infrastructure (4200) MSC 980029-EDIG	14.228	905,423
Link Michigan Planning Grant (2880)	14.228	140,000
Lead Hazard Remediation (6456)	14.900	17,500
Wastewater Loan Project (4911) MSC 200007-EDIG	14.228	2,500,350
CDBG Housing and Community Development Act MSC 200046-EDPA (2470)	14.228	30,000
		3,593,273
Department of Environmental Protection Agency		
Passed through the Department of Community Health		
Radon (6201)	66.032	500
Source Water Assessment (6201)	66.468	1,316
Operator Certification (6201)	66.471	8,700
Mona Lake Watershed Waste Disposal (6440)	66.469	9,120
		19,636
Federal Emergency Management Agency		
Passed through the Michigan Department of State Police		
Emergency Services (1190-0426)	83.544	27,469
		\$ 30,104,271

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
\$ 857,025	421	\$ 857,446	\$ 857,025	\$ 421	\$ 857,446	\$ 47,977
-	100,000	100,000	-	100,000	100,000	40,000
-	17,500	17,500	-	17,500	17,500	-
2,384,277	116,073	2,500,350	2,384,277	116,073	2,500,350	-
-	23,910	23,910	-	23,910	23,910	6,090
3,241,302	257,904	3,499,206	3,241,302	257,904	3,499,206	94,067
-	500	500	-	500	500	-
-	1,316	1,316	-	1,316	1,316	-
-	8,700	8,700	-	8,700	8,700	-
-	9,120	9,120	-	9,120	9,120	-
-	19,636	19,636	-	19,636	19,636	-
-	26,620	26,620	-	26,620	26,620	849
\$ 11,977,335	\$ 12,543,173	\$ 24,520,508	\$ 11,977,335	\$ 12,543,173	\$ 24,520,508	\$ 5,583,763

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 financial statements.

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

Total Federal Source Revenue as reported in the Financial Statements	\$ 14,638,398
Federal Loan proceeds adjustment not recognized in Federal Source Revenue on the Financial Statements	116,073
Federal Source Revenue included in State and Local Revenue on the Financial Statements	620,024
Federal Source Revenue not recorded in Financial Statements in current year	2,959
Federal Source Revenues not subject to Single Audit (Reed Act funds and Veterans funds)	(2,335,890)
Federal Source Revenue recorded on the Financial Statements in a prior year	(498,391)
<u>Current Year Expenditures as reported on the Schedule of Expenditures of Federal Awards</u>	<u>\$ 12,543,173</u>

County of Muskegon, Michigan

Schedule of Findings and Questioned Costs September 30, 2003

Summary of Auditors' Results

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

The audit did not disclose any noncompliance, which is material to the 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: Federal Transit-Formula Grants, Employment Services, Byrne Formula Grant Program, Maternal and Child Services Grant to the States, and MICR/Worksite Community Health.

The dollar threshold used to distinguish between Type A and Type B programs was \$376,295.

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

Findings Related to the 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.