

**County of Muskegon,
Michigan**

**Additional Reports Required by
OMB Circular A-133**
September 30, 2004



BDO Seidman, LLP
Accountants and Consultants

County of Muskegon, Michigan

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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*

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, 2004, and have issued our report thereon dated December 3, 2004. 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 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 an opinion 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 that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud 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 3, 2004.

Compliance and Other Matters

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 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*.

This report is intended solely for the information and use 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 these specified parties.

BDO Seidman, LLP

Grand Rapids, Michigan
December 3, 2004



Report on Compliance With Requirements Applicable to Each Major Program and on 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, 2004. 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 \$1,739,452 in federal awards, which is not included in the schedule of expenditures of federal awards during the year ended September 30, 2004. 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 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 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, 2004.

Internal Control Over Compliance

The management of the County of Muskegon, Michigan is responsible for establishing and maintaining effective internal control over compliance with the 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 reportable 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 caused by error or fraud 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 governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the County of Muskegon, Michigan as of and for the year ended September 30, 2004, and have issued our report thereon dated December 3, 2004. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the County of Muskegon, Michigan'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 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.

This report is intended solely for the information and use of the Board of County 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 these specified parties.

BDO Seidman, LLP

Grand Rapids, Michigan
March 4, 2005

<i>Year ended September 30, 2004</i>	CFDA Number	Federal Grants Awarded
Department of Transportation		
Urban Mass Transportation Capital and Operating Assistance		
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
MI-90-X433 (5880)	20.507	1,688,826
Passed through Michigan Department of Transportation		
MDOT 2002-0072Z5 (5880)	20.507	1,633,548
MDOT 2001-0679 (5880)	20.515	96,000
Emergency Services – HMEP Planning Committee (1190-0430)	20.703	3,385
Drive Michigan safely OP-04-18 (1210)	20.600	53,959
Passed through Michigan Department of Highway		
Airport Improvement Program 3-26-0601-02807 (5810-0543)	20.106 *	984,200
Airport Improvement Program 97-1-3-26-0071-2001 (5810)	20.106 *	462,218
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 *	998,160
Airport Improvement Program 97-1-3-26-0071-2504 (5810)	20.106 *	2,535,782
Air Service Development OST-2003-15065-2 (5810)	20.930	500,000
		18,269,957
Department of Labor		
Passed through Michigan Department of Career Development		
Labor exchange (2731)	17.207	650,319
TAA/NAFTA (2733)	17.245	282,513
Reemployment Services (2738)	17.207	44,591
WIA, WIA Administration (2760)	17.255	540,573
WIA, WIA Adult (2761)	17.258 *	1,215,456
WIA, WIA Youth (2762)	17.259 *	1,124,342
WIA, WIA Dislocated Worker (2763)	17.260 *	1,417,465
Welfare to Work (2764)	17.253	397,165
WIA, WIA Youth Statewide (2766)	17.258 *	4,320
WIA, WIA Youth Statewide (2766)	17.259 *	4,844
WIA, WIA Youth Statewide (2766)	17.260 *	5,712
WIA, WIA National Emergency (2770)	17.260 *	269,647
Incumbent Worker (2768)	17.258 *	11,241
Incumbent Worker (2768)	17.259 *	12,604
Incumbent Worker (2768)	17.260 *	14,864
		5,995,656

* 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
\$ 1,021,038	\$ -	\$ 1,021,038	\$ 1,021,038	\$ -	\$ 1,021,038	\$ 350,496
1,492,831	-	1,492,831	1,492,831	-	1,492,831	192,357
1,075,473	81,115	1,156,588	1,075,473	81,115	1,156,588	532,554
1,279,542	-	1,279,542	1,279,542	-	1,279,542	427,512
791,020	377,941	1,168,961	791,020	377,941	1,168,961	799,200
-	780,759	780,759	-	780,759	780,759	908,067
1,577,187	10,188	1,587,375	1,577,187	10,188	1,587,375	46,173
83,227	12,773	96,000	83,227	12,773	96,000	-
-	3,385	3,385	-	3,385	3,385	-
-	35,209	35,209	-	35,209	35,209	18,750
740,515	-	740,515	740,515	-	740,515	243,685
434,770	27,448	462,218	434,770	27,448	462,218	-
117,064	-	117,064	117,064	-	117,064	775,736
859,617	21,520	881,137	859,617	21,520	881,137	117,023
-	1,221,624	1,221,624	-	1,221,624	1,221,624	1,314,158
-	73,230	73,230	-	73,230	73,230	426,770
9,472,284	2,645,192	12,117,476	9,472,284	2,645,192	12,117,476	6,152,481
-	448,718	448,718	-	448,718	448,718	201,601
-	220,124	220,124	-	220,124	220,124	62,389
-	43,842	43,842	-	43,842	43,842	749
-	321,359	321,359	-	321,359	321,359	219,214
-	766,904	766,904	-	766,904	766,904	448,552
-	867,522	867,522	-	867,522	867,522	256,820
-	869,737	869,737	-	869,737	869,737	547,728
-	205,099	205,099	-	205,099	205,099	192,066
-	4,320	4,320	-	4,320	4,320	-
-	4,844	4,844	-	4,844	4,844	-
-	5,712	5,712	-	5,712	5,712	-
-	222,747	222,747	-	222,747	222,747	46,900
-	10,928	10,928	-	10,928	10,928	313
-	12,252	12,252	-	12,252	12,252	352
-	14,450	14,450	-	14,450	14,450	414
-	4,018,558	4,018,558	-	4,018,558	4,018,558	1,977,098

<i>Year ended September 30, 2004</i>	CFDA Number	Federal Grants Awarded
Department of Justice		
Community Gun Violence 2001-GP-CX-0099 (2832)	16.609	\$ 216,000
Office of Justice Programs (1010-0351-529000) 2003-SCAAP	16.610	6,406
Office of Justice Programs (1010-0351-529000) 2004-SCAAP	16.610	16,513
LLEBG Grant (1010-0351-529000)	16.592	24,726
2004-UMWX0034 (5920-5060)	16.710	75,000
Passed through Michigan Dept. of Management and Budget		
VOCA Grant 20484-5V00 (2800)	16.579	165,249
Passed through Michigan Family Independence Agency		
Juvenile Accountability Inc. Block Grant JAIBG 03-61001 (2831)	16.540	49,020
Juvenile Accountability Inc. Block Grant JAIBG 04-61001 (2831)	16.540	49,020
Comp Strategy Implementation Grant JJCSI-04-61001 (2821)	16.540	125,000
Re-entry Initiative (2152)	16.202	215,000
Passed through Office of Drug Control Policy		
Ottawa County (1010-0301) 70834-50313	16.579	33,800
Ottawa County (1010-0301) 70834-4K02	16.579	33,041
		1,008,775
Department of Agriculture		
Gypsy Moth Program (1010-0285) 791N4001721	10.664	7,363
National School Breakfast Program (2920)	10.553	10,878
National School Lunch Program (2920)	10.555	16,773
Passed through Michigan Department of Career Development		
Food Stamp Program (2759)	10.561	150,000
Passed through Michigan Department of Comm. Health		
Special Supplemental Food Program for Women, Infants and Children WIC (6413)	10.557	725,570
		910,584

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
\$ 94,937	\$ 106,508	\$ 201,445	\$ 94,937	\$ 106,508	\$ 201,445	\$ 14,555
-	6,406	6,406	-	6,406	6,406	-
-	16,513	16,513	-	16,513	16,513	-
-	24,726	24,726	-	24,726	24,726	-
-	16,627	16,627	-	16,627	16,627	58,373
-	165,249	165,249	-	165,249	165,249	-
41,310	7,710	49,020	41,310	7,710	49,020	-
-	33,505	33,505	-	33,505	33,505	15,515
-	114,500	114,500	-	114,500	114,500	10,500
-	166,108	166,108	-	166,108	166,108	48,892
-	33,800	33,800	-	33,800	33,800	-
30,082	2,959	33,041	30,082	2,959	33,041	-
166,329	694,611	860,940	166,329	694,611	860,940	147,835
-	1,774	1,774	-	1,774	1,774	5,589
-	10,878	10,878	-	10,878	10,878	-
-	16,773	16,773	-	16,773	16,773	-
-	41,776	41,776	-	41,776	41,776	108,224
-	725,570	725,570	-	725,570	725,570	-
-	796,771	796,771	-	796,771	796,771	113,813

<i>Year ended September 30, 2004</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	\$ 146,390
Child Support Enforcement Program (IV-D CRP Contract) (2150-0141)	93.563	1,406,646
Child Support Incentive Payments (2150-0142)	93.558	235,000
Special Improvement Projects (2155)	93.601	199,772
Passed through Michigan Department of Career Development		
TANF, Workfirst (2751)	93.558	1,154,903
Passed through the State Administrator's Office		
Access and Visitation Grant (2150-1421)	93.597	50,000
Passed through the Department of Community Health		
ACT Peer Support Advocates (2220-7041)	93.958	26,923
Case Mgt Peer Support Advocates (2220-7042)	93.958	28,000
Peer to Peer Orientation (2220-7043)	93.958	12,000
Independent PCP Facilitator (2220-7050)	93.958	3,500
Self Determination (2220-7051)	93.958	25,300
OBRA-PASARR (2220-7320)	93.778	43,575
Homeless Project (2220-7327)	93.150	40,354
MI Child Respite (2220-7161)	93.958	6,391
Medical Examiner (0648)	93.994	4,388
Emergency Preparedness (6111)	93.283	275,611
West Nile Virus (6201)	93.283	5,000
AIDS Prevention (6312)	93.940	97,923
CSHCS – Case Management (6416)	93.994	36,317
CSHCS – Fee for Service (6416)	93.778	47,704
M&CH Services Block Grant (6441)	93.994	80,717
Family Planning project (6441)	93.217	90,434
Childhood Lead (6452)	93.197	50,000
Minority Health (6460)	93.991	43,345
IAP (6710)	93.268	76,767
IAP Fee for service (6710)	93.268	4,800
Vaccine Provided (6710)	93.268	575,614
MCH (6710)	93.994	165,945
Breast and Cerv Cancer Scrn-Coordination (6714)	93.919	85,568
MCIR (6812)	93.919	92,000
Passed through Lakeshore Coor. Council		
Substance Abuse Prevention (6811)	93.959	110,001
		5,220,888

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
\$ -	\$ 138,172	\$ 138,172	\$ -	\$ 138,172	\$ 138,172	\$ 8,218
-	1,378,837	1,378,837	-	1,378,837	1,378,837	27,809
-	232,519	232,519	-	232,519	232,519	2,481
70,512	129,260	199,772	70,512	129,260	199,772	-
-	1,150,794	1,150,794	-	1,150,794	1,150,794	4,109
-	50,000	50,000	-	50,000	50,000	-
-	22,564	22,564	-	22,564	22,564	4,359
-	17,846	17,846	-	17,846	17,846	10,154
-	10,354	10,354	-	10,354	10,354	1,646
-	3,500	3,500	-	3,500	3,500	-
-	19,678	19,678	-	19,678	19,678	5,622
-	34,205	34,205	-	34,205	34,205	9,370
-	40,354	40,354	-	40,354	40,354	-
-	6,391	6,391	-	6,391	6,391	-
-	4,388	4,388	-	4,388	4,388	-
-	275,611	275,611	-	275,611	275,611	-
-	5,000	5,000	-	5,000	5,000	-
-	97,923	97,923	-	97,923	97,923	-
-	36,317	36,317	-	36,317	36,317	-
-	47,704	47,704	-	47,704	47,704	-
-	80,717	80,717	-	80,717	80,717	-
-	90,434	90,434	-	90,434	90,434	-
-	50,000	50,000	-	50,000	50,000	-
-	43,345	43,345	-	43,345	43,345	-
-	76,767	76,767	-	76,767	76,767	-
-	4,800	4,800	-	4,800	4,800	-
-	575,614	575,614	-	575,614	575,614	-
-	165,945	165,945	-	165,945	165,945	-
-	85,568	85,568	-	85,568	85,568	-
-	92,000	92,000	-	92,000	92,000	-
-	110,001	110,001	-	110,001	110,001	-
70,512	5,076,608	5,147,120	70,512	5,076,608	5,147,120	73,768

<i>Year ended September 30, 2004</i>	CFDA Number	Federal Grants Awarded
Department of Housing and Urban Development		
Link Michigan Planning Grant (2880)	14.228	\$ 100,000
Lead Hazard Remediation (6456)	14.900	80,000
CDBG Housing and Community Development Act MSC 200046-EDPA (2470)	14.228	30,000
		210,000
Department of Homeland Security		
Passed through the Department of State Police		
Emergency Preparedness (1190-0428)	97.004	30,000
Emergency Services SDPEG (1190-0429)	97.004	100,231
Emergency Services – Policies and Procedures (1190-0432)	97.051	125,200
Emergency Services – State Homeland Security (1190-0433)	97.005	99,967
Emergency Services – State Homeland Security RRT (1190-0434)	97.005	50,000
Emergency Services – Homeland Security Exercise (1190-0435)	97.006	4,800
Emergency Services – Homeland Security WMD Ex. (1190-0436)	97.005	17,000
Emergency Services – Homeland Security Part II SAP (1190-0437)	97.005	43,000
Emergency Services – Homeland Security Training (1190-0438)	97.005	124,253
		594,451
Department of Environmental Protection Agency		
Radon (6201)	66.032	500
Non-Community Water (6201)	66.471	5,950
Great Lakes Beach Water Monitoring (6201)	66.472	14,744
		21,194
Federal Emergency Management Agency		
Passed through the Michigan Department of State Police		
Emergency Services (1190-0426)	83.544	29,769
		\$ 32,261,274

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
\$ 100,000	\$ -	\$ 100,000	\$ 100,000	\$ -	\$ 100,000	\$ -
-	80,000	80,000	-	80,000	80,000	-
23,910	6,090	30,000	23,910	6,090	30,000	-
123,910	86,090	210,000	123,910	86,090	210,000	-
-	29,680	29,680	-	29,680	29,680	320
696	99,410	100,106	696	99,410	100,106	125
5,104	91,509	96,613	5,104	91,509	96,613	28,587
-	99,343	99,343	-	99,343	99,343	624
-	50,000	50,000	-	50,000	50,000	-
-	902	902	-	902	902	3,898
-	13,519	13,519	-	13,519	13,519	3,481
-	20,757	20,757	-	20,757	20,757	22,243
-	6,730	6,730	-	6,730	6,730	117,523
5,800	411,850	417,650	5,800	411,850	417,650	176,801
-	500	500	-	500	500	-
-	5,950	5,950	-	5,950	5,950	-
-	14,744	14,744	-	14,744	14,744	-
-	21,194	21,194	-	21,194	21,194	-
-	29,769	29,769	-	29,769	29,769	-
\$ 9,838,835	\$ 13,780,643	\$ 23,619,478	\$ 9,838,835	\$ 13,780,643	\$ 23,619,478	\$ 8,641,796

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 of Expenditures of Federal Awards agree with amounts reported as federal revenue in the financial statements.

County of Muskegon, Michigan

Schedule of Findings and Questioned Costs September 30, 2004

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 two major programs: Airport Improvement Program and Workforce Investment Act (WIA Title I).

The dollar threshold used to distinguish between Type A and Type B programs was \$413,419.

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.