

City of Roseville, Michigan

**Federal Awards
Supplemental Information
June 30, 2014**

City of Roseville, Michigan

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Report on Schedule of Expenditures of Federal Awards
Required by OMB Circular A-133
Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council
City of Roseville, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Roseville, Michigan (the "City") as of and for the year ended June 30, 2014 and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated December 11, 2014, which contained unmodified opinions on these basic financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. We have not performed any procedures with respect to the audited financial statements subsequent to December 11, 2014.

The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

A handwritten signature in black ink that reads "Plante & Moran, PLLC".

December 11, 2014

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*

Independent Auditor's Report

To Management, the Honorable Mayor, and
Members of the City Council
City of Roseville, Michigan

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Roseville, Michigan (the "City") as of and for the year ended June 30, 2014 and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 11, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Roseville, Michigan's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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 City's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

To Management, the Honorable Mayor, and
Members of the City Council
City of Roseville, Michigan

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Roseville, Michigan's financial statements are free from 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and which are described in the accompanying schedule of findings and questioned costs as Finding 2014-001.

City of Roseville, Michigan's Response to Findings

The City of Roseville, Michigan's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City of Roseville, Michigan's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Plante & Moran, PLLC

December 11, 2014

Report on Compliance for the Major Federal Program;
Report on Internal Control Over Compliance
Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council
City of Roseville, Michigan

Report on Compliance for the Major Federal Program

We have audited the City of Roseville, Michigan's (the "City") compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on its major federal program for the year ended June 30, 2014. The City of Roseville, Michigan's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the City of Roseville, Michigan's major federal program based on our audit of the types of compliance requirements referred to above.

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 of Roseville, 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 on compliance for the major federal program. However, our audit does not provide a legal determination of the City of Roseville, Michigan's compliance.

To the Honorable Mayor and
Members of the City Council
City of Roseville, Michigan

Opinion on the Major Federal Program

In our opinion, the City of Roseville, Michigan complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2014.

Report on Internal Control Over Compliance

Management of the City of Roseville, Michigan is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Roseville, Michigan's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program 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. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Plante & Moran, PLLC

December 11, 2014

City of Roseville, Michigan

Schedule of Expenditures of Federal Awards Year Ended June 30, 2014

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Pass-through Entity Identifying Number	Award Amount	Federal Expenditures
U.S. Department of Housing and Urban Development:				
Community Development Block Grants:				
Entitlement Grants Cluster:				
Direct awards - CDBG & ARRA-CDBG-R:				
Program year - 2011 B-00-MC-26-000010	14.218	N/A	535,973	\$ 138,519
Program year - 2012 B-00-MC-26-000010	14.218	N/A	494,650	<u>490,636</u>
Total direct awards - U.S. Department of Housing and Urban Development				629,155
Passed through Michigan State Housing Development - Neighborhood Stabilization Program	14.218	NSP-2008-5540-ENT	1,450,000	<u>23,040</u>
Total Community Development Block Grants - Entitlement Grants Cluster				652,195
Passed through Macomb County - HOME Investment Partnership Program	14.239	M09-DC260209	191,472	<u>13,685</u>
Total U.S. Department of Housing and Urban Development				665,880
U.S. Department of Transportation:				
Passed through Michigan State Police Drive Michigan Safety Task Force - Highway Training and Education Grant				
2013 Drive Michigan Safety Task Force	20.215	N/A	13,874	13,874
U.S. Department of the Interior - Passed through Michigan Finance Authority - Drinking Water Revolving Fund/State Revolving Fund				
	66.458	5373-01	4,445,000	761,627
U.S. Department of Justice:				
Direct Award - 2011 Bulletproof Vest Partnership				
	16.607	N/A	8,250	3,845
Passed through Drug Enforcement Administration - Crime Against Children Task Forces - Overtime				
	16.unknown	17-04-0228	16,526	13,220
Federal Drug Forfeiture Cluster:				
Org Crime Drug Enf Task Forces - Overtime	16.922	17-04-0228	16,060	20,245
Org Crime Drug Enf Task Forces - % Sharing	16.922	17-04-0228	49,369	<u>225,841</u>
Total Federal Drug Forfeiture Cluster				246,086
Passed through Macomb Co. Department of Community Health JAG Program Cluster - 2013 Byrne Justice Assistance Grant				
	16.738	2013-DJ-BX-0108	16,556	<u>16,556</u>
Total Department of Justice				279,707
U.S. Department of Emergency Management:				
Direct award - FEMA - 2013 SAFER Firefighter Grant				
	97.044	N/A	522,758	151,230
Passed through Macomb Co. Department of Emergency Management - 2012 Homeland Security Grant Program				
	97.067	N/A	2,074	<u>2,074</u>
Total U.S. Department of Emergency Management				<u>153,304</u>
Total federal awards				<u>\$ 1,874,392</u>

City of Roseville, Michigan

Reconciliation of Basic Financial Statements Federal Revenue with Schedule of Expenditures of Federal Awards Year Ended June 30, 2014

Revenue from federal sources - As reported on financial statements (includes all funds)	\$ 748,594
Change in deferred revenue	219,471
Expenditures recognized elsewhere	116,806
Federally reimbursed expenditures recorded as long-term debt	761,629
Other reconciling items	<u>27,892</u>
Federal expenditures per the schedule of expenditures of federal awards	<u>\$ 1,874,392</u>

City of Roseville, Michigan

Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2014

Note 1 - Basis of Presentation and Significant Accounting Policies

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the City of Roseville, Michigan under programs of the federal government for the year ended June 30, 2014. Expenditures reported on the Schedule are reported on the same basis of accounting as the basic financial statements, although the basis for determining when federal awards are expended is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. In addition, expenditures reported on the Schedule are recognized following the cost principles contained in OMB Circular A-87, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Because the schedule presents only a selected portion of the operations of the City of Roseville, Michigan, it is not intended to and does not present the financial position, changes in net assets or cash flows, if applicable, of the City of Roseville, Michigan. Pass-through entity identifying numbers are presented where available.

Note 2 - Subrecipient Awards

Of the federal expenditures presented in the Schedule, federal awards were provided to subrecipients as follows:

<u>Federal Program Title</u>	<u>CFDA Number</u>	<u>Amount Provided to Subrecipients</u>
Community Development Block Grant Entitlement Cluster	14.218	<u>\$ 34,000</u>

City of Roseville, Michigan

Schedule of Findings and Questioned Costs Year Ended June 30, 2014

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? Yes None reported

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? Yes None reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? Yes No

Identification of major program:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
14.218	Community Development Block Grant Entitlement Cluster

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? Yes No

City of Roseville, Michigan

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2014

Section II - Financial Statement Audit Findings

Reference Number	Finding
2014-001	<p>Finding Type - Noncompliance with Laws and Regulations</p> <p>Criteria - Based on Public Act 196 of 1997 and Public Act 213 of 2007, municipalities must have an investment policy in accordance with the requirements of PA 196 of 1997 and provide an investment report to the governing body on a quarterly basis.</p> <p>Condition - During the audit, it was determined that the City Council was not being provided a quarterly investment report.</p> <p>Context - The City Council was not provided with the required quarterly investment reports during fiscal year 2014.</p> <p>Cause - The right resources were not in place to produce these reports for the City Council.</p> <p>Effect - The City is in violation of Michigan Public Act 213 of 2007.</p> <p>Recommendation - The City should prepare an investment report and provide it to the City Council on at least a quarterly basis in order to be in compliance with Michigan Law.</p> <p>Views of Responsible Officials and Planned Corrective Actions - The City Council does receive full financial information for its review and consideration. However, the City will present a different report specific to investments on a quarterly basis in accordance with PA 213 of 2007.</p>

Section III - Federal Program Audit Findings

None