

City of Roseville, Michigan

**Federal Awards
Supplemental Information
June 30, 2012**

City of Roseville, Michigan

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Independent Auditor's Report

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

We have audited the basic 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, 2012, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 13, 2012, which contained unqualified opinions on those basic financial statements. These basic financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these basic financial statements based on our audit. We have not performed any procedures with respect to the audited basic financial statements subsequent to December 13, 2012.

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Roseville, Michigan's basic financial statements. The accompanying schedule of expenditures of federal awards and reconciliation of financial statements federal revenue with schedule of expenditures of federal awards are presented for the purpose of additional analysis and are 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.

Plante & Moran, PLLC

December 13, 2012

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 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, 2012, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 13, 2012. We have 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

The management of the City of Roseville, Michigan is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City of Roseville, Michigan's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

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.

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

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a deficiency in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs as Finding 2012-01, that we consider to be a significant deficiency in internal control over financial reporting. 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Roseville, 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*.

The City of Roseville, Michigan's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the City of Roseville, Michigan's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Honorable Mayor and members of the City Council, others within the City, 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.

Plante & Moran, PLLC

December 13, 2012

Report on Compliance with Requirements That Could Have a
Direct and Material Effect on the Major Program and on
Internal Control Over Compliance in Accordance with OMB Circular A-133

Independent Auditor's Report

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

Compliance

We have audited the compliance of the City of Roseville, Michigan (the "City") 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, 2012. The major federal program of the City of Roseville, Michigan is 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 its major federal program is the responsibility of the City of Roseville, Michigan's management. Our responsibility is to express an opinion on the City of Roseville, Michigan's compliance based on our audit.

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. Our audit does not provide a legal determination on the City of Roseville, Michigan's compliance with those requirements.

In our opinion, the City of Roseville, Michigan complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2012.

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

Internal Control Over Compliance

The management of the City of Roseville, 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 City of Roseville, 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, 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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the Honorable Mayor and members of the City Council, others within the City, 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.

Plante & Moran, PLLC

December 13, 2012

City of Roseville, Michigan

Schedule of Expenditures of Federal Awards Year Ended June 30, 2012

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Pass-through Entity Project/Grant Number	Award Amount	Federal Expenditures
Community Development Block Grants -				
Entitlement Grants Cluster:				
U.S. Department of Housing and Urban Development:				
Direct funded - CDBG & ARRA-CDBG-R:				
Program year - 2010 B-00-MC-26-000010	14.218	N/A	\$ 637,596	\$ 631,073
ARRA - CDBG-R	14.253	N/A	153,391	<u>10,018</u>
Total direct awards - U.S. Department of Housing and Urban Development				641,091
Passed through Michigan State Housing Development Neighborhood Stabilization Program	14.218	NSP-2008-5540-ENT	1,450,000	392,353
Passed through Macomb County HOME Investment Partnership Program	14.239	M09-DC260209	191,472	<u>3,021</u>
Total U.S. Department of Housing and Urban Development				1,036,465
U.S. Department of Transportation -				
Passed through MI State Police Drive MI Safety Task Force - Highway Training and Education Grant 2011 Drive MI Safety Task Force	20.215	N/A	15,724	15,724
U.S. Department of Energy -				
Passed through MI Department of Energy - ARRA - Energy Efficiency and Conservation Block Grant (EECBG)	81.128	DE-EE0000753/MEO-11-53	81,074	81,074
U.S. Department of Justice:				
Passed through MI Department of Community Health - ARRA 2009 Byrne Justice Assistance Grant - Drug Court	16.803	50110-1-09-B	242,895	80,359
Passed through Community Oriented Policing Services - Technology Program (Tech 2009)	16.710	2009-CK-WX-0219	900,000	73,162
Passed through Drug Enforcement Administration:				
Crimes Against Children Task Forces - Overtime	16.922	17-04-0228	14,358	14,358
Org Crime Drug Enf Task Forces - Overtime	16.922	17-04-0228	16,060	16,060
Org Crime Drug Enf Task Forces - % Sharing	16.922	17-04-0228	265,220	<u>62,027</u>
Total Passed through Drug Enforcement Administration				92,445
Passed through Macomb Co. Department of Community Health - 2011 Byrne Justice Assistance Grant	16.738	2011-DJ-BX-0569	17,656	17,656
Passed through Macomb Co. Department of 2011 Enforcing Underage Drinking Laws Program	16.727	OJJD-05-23	9,832	<u>5,394</u>
Total U.S. Department of Justice Awards				269,016

See Notes to Schedule of Expenditures of Federal Awards.

City of Roseville, Michigan

Schedule of Expenditures of Federal Awards (Continued) Year Ended June 30, 2012

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Pass-through Entity Project/Grant Number	Award Amount	Federal Expenditures
Community Development Block Grants - Entitlement Grants Cluster (Continued): U.S. Department of Emergency Management:				
Direct award - FEMA - 2010 SAFER				
Firefighter Grant	97.044	EMW-2010-FH-00940	\$ 522,758	\$ 296,119
Passed through Michigan Department of State Police:				
2009 Urban Area Security Initiative (UASI)	97.067	N/A	340	340
2009 Urban Area Security Initiative (UASI)	97.067	N/A	530	530
2009 Urban Area Security Initiative (UASI)	97.067	N/A	3,029	3,029
2008 Urban Area Security Initiative (UASI)	97.067	N/A	754	754
2008 Urban Area Security Initiative (UASI)	97.067	N/A	3,488	<u>3,488</u>
Total Passed through Michigan Department of State Police				8,141
Passed through Macomb Co. Department of Emergency Management - 2009 Homeland Security Grant Program				
	97.067	N/A	10,794	<u>10,794</u>
Total U.S. Department of Emergency Management				<u>315,054</u>
Total federal awards				<u><u>\$ 1,717,333</u></u>

City of Roseville, Michigan

Reconciliation of Basic Financial Statements Federal Revenue with Schedule of Expenditures of Federal Awards Year Ended June 30, 2012

Revenue from federal sources - As reported on financial statements	\$ 1,563,206
Change in deferred revenue	<u>154,127</u>
Federal expenditures per the schedule of expenditures of federal awards	<u>\$ 1,717,333</u>

City of Roseville, Michigan

Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2012

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, 2012. 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 Oriented Policing Services - Technology Program	16.710	\$ 73,162
Community Development Block Grant Entitlement Cluster	14.218	259,086

City of Roseville, Michigan

Schedule of Findings and Questioned Costs Year Ended June 30, 2012

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

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: Unqualified

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 programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
14.218 and 14.253	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, 2012

Section II - Financial Statement Audit Findings

Reference Number	Finding
2012-01	<p>Finding Type - Significant deficiency</p> <p>Criteria - Pension payments are to be recorded as an expense in the period due.</p> <p>Condition - The July 2012 pension payments were recorded as an expense as of June 2012.</p> <p>Context - As a result, the City recorded pension expense in fiscal year 2012 which pertained to fiscal year 2013.</p> <p>Cause - The July 2012 pension payments were expected to be automatically withdrawn from the custodial cash account on July 1, 2012. As a result of weekend and holiday timing, the amount necessary to fund July pension checks was withdrawn from the bank near the end of June 2012 (a few days earlier than anticipated). The City considered the amounts withdrawn prior to June 30, 2012 and recorded them as an expense as the amounts actually were paid.</p> <p>Effect - The benefit payment expense for fiscal year 2012 was overstated by one period.</p> <p>Recommendation - The City should record pension expense in the period the scheduled benefit pertains to, as opposed to when the cash was paid.</p> <p>Views of Responsible Officials and Planned Corrective Actions - The City concurs with the recommendation and has communicated the necessary adjustment to the pension plan administrator.</p>

Section III - Federal Program Audit Findings

None

City of Roseville, Michigan

Summary Schedule of Prior Audit Findings Year Ended June 30, 2012

<u>Prior Year Finding Number</u>	<u>Federal Program</u>	<u>Original Finding Description</u>	<u>Status</u>	<u>Planned Corrective Action</u>
2011-2	CDBG Cluster, NSP, COPS, Federal Drug Forfeitures	The SEFA prepared by the City required adjustments to the expenditures recorded for NSP, COPS, and Federal Forfeiture grants.	Fully corrected	Fully corrected