

City of Roseville, Michigan

**Federal Awards
Supplemental Information
June 30, 2011**

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 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, 2011, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 21, 2011. 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 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. The information in these schedules 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.

Plante & Moran, PLLC

December 21, 2011

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, 2011, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 21, 2011. 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

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 entity'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 certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs as Finding 2011-1, 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 findings 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 21, 2011

Report on Compliance with Requirements That Could Have a
Direct and Material Effect on Each 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 each of its major federal programs for the year ended June 30, 2011. The major federal programs of the City of Roseville, Michigan 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 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 each of its major federal programs for the year ended June 30, 2011.

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. However, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency as described in the accompanying schedule of findings and questioned costs as Finding 2011-2. 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.

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. We did not audit the City of Roseville, Michigan's response and, accordingly, we express no opinion on it.

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

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

March 27, 2012

City of Roseville, Michigan

Schedule of Expenditures of Federal Awards Year Ended June 30, 2011

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 -				
Program Year 2009 - B-00-MC-26-00010	14.218	N/A	\$ 582,779	\$ 436,274
Program Year 2010 - B-00-MC-26-00010	14.218	N/A	637,596	<u>84,106</u>
Total U.S. Department of Housing and Urban Development				520,380
Direct Fund - ARRA -CDBG-R:				
Program Year 2009R - B-00-MC-26-000010	14.253	N/A	153,391	17,052
Indirect Fund - Passed through Michigan State Housing Development Authority - Neighborhood Stabilization Program				
	14.218	NSP-2008-5540-ENT	1,450,000	<u>834,986</u>
Total CDBG Cluster - Entitlement Grants				1,372,418
JAG Program Cluster:				
U.S. Department of Justice:				
Passed through Michigan Department of Community Health:				
ARRA - 2009 Byrne Justice Assistance Grant - Drug Court	16.803	50110-1-09-B	242,895	41,003
2010 Byrne Justice Assistance Grant	16.738	2010-DJ-BX-0569	28,596	<u>28,596</u>
Total passed through Macomb Co. Department of Community Health				69,599
Passed through Macomb Co. Department of Emergency Management:				
Radio Interoperability -2008-CK-WX-0058	16.738	MI50713	30,000	<u>20,353</u>
Total JAG Program Cluster				89,952
U.S. Department of Housing and Urban Development:				
Indirect Fund - Passed through Macomb County Home Investments Partnership Program				
	14.239	M09-DC260209	191,472	16,524

City of Roseville, Michigan

Schedule of Expenditures of Federal Awards (Continued) Year Ended June 30, 2011

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Pass-through Entity Project/Grant Number	Award Amount	Federal Expenditures
U.S. Department of Justice:				
Direct Fund - 2011 Bulletproof Vest Partnership	16.607	N/A	18,825	\$ 17,802
Indirect Fund - Passed through Michigan State Police - OHSP: 2008 OHSP Drug Court Grant	16.585	SCAO-10-058	50,000	4,641
Indirect Fund - Passed through Office of Community Oriented Services - Program Year 2009 - COPS Technology Program	16.710	2009-CK-WX-0219	900,000	347,573
Indirect Fund - Passed through Drug Enforcement Administration: Organized Crime Drug Enforcement Task Forces	16.unknown	17-04-0228	209,653	84,140
Crimes Against Children Task Forces	16.unknown	17-04-0228	30,223	<u>30,223</u>
Total Passed through Drug Enforcement Administration				114,363
Indirect Fund - Passed through Macomb County Department of 2010 Enforcing Underage Drinking Laws Program	16.727	OJJDP-05-23	11,450	<u>11,450</u>
Total U.S. Department of Justice				495,829
U.S. Department of Transportation:				
Indirect Fund - Passed through the Michigan State Police Drive MI Safety Task Force - Highway Training and Education Grant: 2009 Drive MI Safety Task Force	20.215	N/A	20,711	-
2010 Drive MI Safety Task Force	20.215	N/A	16,674	<u>16,673</u>
Total U.S. Department of Transportation				16,673
U.S. Department of Homeland Security:				
Direct Fund - Federal Emergency Management Agency - Program Year 2009 - Assistance to Firefighter Grant	97.044	EMW-2009-FO-11898	69,887	68,171
Indirect Fund - Passed through Macomb Co. Department of Emergency Management - 2007 Homeland Security Grant Program	97.007	N/A	11,345	<u>8,302</u>
Total U.S. Department of Homeland Security				<u>76,473</u>
Total federal awards				<u><u>\$ 2,067,869</u></u>

City of Roseville, Michigan

Reconciliation of Basic Financial Statements Federal Revenue with Schedule of Expenditures of Federal Awards Year Ended June 30, 2011

Revenue from federal sources - As reported on financial statements	\$ 2,211,657
Less revenue reported as federal revenue	(4,000)
Prior year deferred revenue recognized as revenue during the year ended June 30, 2011	(397,171)
Current year deferred revenue recognized as revenue in a year subsequent to the year ended June 30, 2011	<u>257,383</u>
Federal expenditures per the schedule of expenditures of federal awards	<u><u>\$ 2,067,869</u></u>

City of Roseville, Michigan

Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2011

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 under programs of the federal government for the year ended June 30, 2011. 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, 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. 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	\$ 347,573

City of Roseville, Michigan

Schedule of Findings and Questioned Costs Year Ended June 30, 2011

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	CDBG Entitlement Grant Cluster
16.710	U.S. Department of Justice - Community Oriented Policing Services - Technology Program

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, 2011

Section II - Financial Statement Audit Findings

Reference Number	Finding
2011-1	<p>Finding Type - Significant deficiency</p> <p>Criteria - The City is required to record a liability for potential property tax chargebacks. The City is also required to record Neighborhood Stabilization Program (NSP) homes and related rehabilitation costs as inventory.</p> <p>Condition - The City did not record the liability for potential tax buy-back obligations and did not record as inventory NSP homes rehabilitation costs.</p> <p>Context - Though the City did not record the property tax chargeback liability, they did acknowledge the expense in fiscal year 2012. Though the City did not record NSP homes as inventory, it does properly record other inventory and is aware of the concept of recording inventory.</p> <p>Cause - Historically, the City purchases foreclosed properties from the County prior to year end. However, the City did not purchase the 2011 foreclosed properties until fiscal year 2012. As such, the City did not record the potential tax buy-back obligation in fiscal year 2011. The City properly calculated and recorded all costs related to NSP homes, but they did not record the costs as inventory as they were unaware of the requirement.</p> <p>Effect - The City did not record the liability for potential tax buy-back obligations and did not record as inventory NSP homes rehabilitation costs.</p> <p>Recommendation - The City should develop a procedures to address the recording of these matters.</p> <p>Views of Responsible Officials and Planned Corrective Actions - The City concurs with the recommendation and will put a process in place to address the issues identified.</p>

City of Roseville, Michigan

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2011

Section III - Federal Program Audit Findings

Reference Number	Finding
2011-2	<p>Program Name - CDBG Cluster - Neighborhood Stabilization Program (NSP), Community Orienting Policing Services Technology Program (COPS) CFDA 16.710, and Federal Drug Forfeitures (Forfeitures) - CFDA 16.unknown</p> <p>Pass-through Entity - NSP passed through Michigan State Housing Development Authority, COPS passed through Community Orienting Policing Services, and Forfeitures passed through Drug Enforcement Administration</p> <p>Finding Type - Significant deficiency</p> <p>Criteria - OMB Circular A-133 requires organizations to reflect federal expenditures in the schedule of expenditures of federal awards (SEFA) in the period that expenditures are incurred.</p> <p>Condition - The SEFA initially prepared by the City required adjustments to the expenditures recorded for the NSP, COPS, and Federal Forfeiture grants.</p> <p>Questioned Costs - None</p> <p>Context - The modifications necessary to correct the SEFA initially prepared by the City were material to both NSP and Forfeitures though they were not material to COPS. Adjustments to the expenditures for the NSP grant were approximately \$206,000. Adjustment for the COPS grant were approximately \$6,000. Adjustments for the Federal Forfeitures grant were approximately \$230,000.</p> <p>Cause and Effect - The SEFA preparation procedures in place at the City did not produce proper expenditures for NSP, COPS, and Federal Forfeitures. With regard to the Federal Forfeiture grant, the City had been following procedures previously discussed with its auditors.</p> <p>Recommendation - Internal control procedures should be developed to ensure the proper expenditures are reported in the SEFA.</p> <p>Views of Responsible Officials and Planned Corrective Actions - The amounts reported on the SEFA will be reviewed by supervisory personnel and reconciled to the general ledger.</p>

City of Roseville, Michigan

Summary Schedule of Prior Audit Findings Year Ended June 30, 2011

Prior year Finding Number	Federal Program	Original Finding Description	Status	Planned Corrective Action
2010-1	16.710	The City improperly reflected expenditures on the third-quarter and fourth-quarter SF-425 reports submitted to the Department of Justice.	Fully corrected	Fully corrected
2010-2	14.218	The City failed to comply with regulations requiring homes to be purchased at a discounted price from the appraised market value and for the appraisal to be completed within 60 days prior to an offer to purchase.	Fully corrected	Fully corrected
2010-3	16.710	The City does not maintain documentation to support its review of EPLS system.	Fully corrected	Fully corrected