

City of Roseville, Michigan

**Federal Awards
Supplemental Information
June 30, 2017**

City of Roseville, Michigan

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Report on Schedule of Expenditures of Federal Awards
Required by the Uniform Guidance

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, the discretely presented component unit, 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, 2017 and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated December 8, 2017, which contained unmodified opinions on the basic financial statements. Our audit was conducted for the purpose of forming an opinion 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 8, 2017.

The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis as required by the Uniform Guidance, 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic 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 8, 2017

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 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, the discretely presented component unit, 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, 2017 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 8, 2017.

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Plante & Moran, PLLC

December 8, 2017

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 Each 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) Compliance Supplement that could have a direct and material effect on its major federal program for the year ended June 30, 2017. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"). Those standards and the Uniform Guidance 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 each 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 Each 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, 2017.

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 each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness.

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 of those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as Finding 2017-001 to be a material weakness.

The City of Roseville, Michigan's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs and corrective action plan. The City of Roseville, Michigan's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

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

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Plante & Moran, PLLC

December 8, 2017

City of Roseville, Michigan

Schedule of Expenditures of Federal Awards Year Ended June 30, 2017

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Pass-through Entity Identifying Number	Total Amount Provided to Subrecipients	Federal Expenditures
U.S. Department of Housing and Urban Development:				
Community Development Block Grants -				
Entitlement Grants Cluster - Direct awards - CDBG:				
Program year - 2016 B-00-MC-26-000010	14.218	N/A	\$ 38,147	\$ 233,703
Program year - 2015 B-00-MC-26-000010	14.218	N/A	-	416,564
Total Community Development Block Grants - Entitlement Grants Cluster - Direct awards			38,147	650,267
Passed through Michigan State Housing Development Authority -				
Neighborhood Stabilization Program	14.218	NSP-2008-5540-ENT	-	175,235
Total Community Development Block Grants - Entitlement Grants Cluster			38,147	825,502
Passed through Macomb County -				
HOME Investment Partnership Program	14.239	M09-DC260209	-	2,974
Total U.S. Department of Housing and Urban Development			38,147	828,476
U.S. Department of Justice:				
Direct Award - 2016 Bulletproof Vest Partnership				
	16.607	2016BUBX8474032	-	15,863
Federal Drug Forfeiture Cluster:				
Org Crime Drug Enf Task Forces - Overtime	16.922	17-04-0228	-	5,831
Org Crime Drug Enf Task Forces - % Sharing	16.922	17-04-0228	-	105,059
Total Federal Drug Forfeiture Cluster			-	110,890
Passed through Drug Enforcement Administration -				
Crime Against Children Task Forces - Overtime	16.unknown	17-04-0228	-	5,134
Passed through Macomb Co. Department of Community Health -				
Byrne JAG State FY 2016	16.738	2016-DJ-BX-0664	-	17,793
Total Department of Justice			-	149,680
U.S. Department of Homeland Security:				
Direct award - FEMA:				
HSG - Firefighter Assist Grant	97.044	EMW-2015-FV-02270	-	370,053
HSG - Firefighter Assist Grant	97.044	EMW-2015-FO-05136	-	45,014
Total direct awards - U.S. Department of Emergency Management			-	415,067
Passed through Macomb Co. Department of Emergency -				
Emergency Management:				
Management - 2016 Homeland Security Grant Program	97.067	N/A	-	155
Management - 2015 Homeland Security Grant Program	97.067	N/A	-	1,377
Total U.S. Department of Homeland Security			-	416,599
Total federal awards			\$ 38,147	\$ 1,394,755

City of Roseville, Michigan

Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2017

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the City of Roseville, Michigan (the "City") under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"). 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 position, or cash flows of the City of Roseville, Michigan.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the same basis of accounting as the basic financial statements. Such expenditures are recognized following the cost principles contained in either OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments* or Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

The City has elected not to use the 10 percent *de minimus* indirect cost rate to recover indirect costs as allowed under the Uniform Guidance.

City of Roseville, Michigan

Schedule of Findings and Questioned Costs Year Ended June 30, 2017

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 2 CFR 200.516 (a)? Yes No

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
14.218	Community Development Block Grant Entitlement Cluster

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? Yes No

Section II - Financial Statement Audit Findings

None

City of Roseville, Michigan

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2017

Section III - Federal Program Audit Findings

Reference Number	Finding
2017-001	<p>CFDA Number, Federal Agency, and Program Name - 14.218, HUD, Community Development Block Grant</p> <p>Federal Award Identification Number and Year - 2016 B-00-MC-26-000010</p> <p>Pass-through Entity - N/A</p> <p>Finding Type - Material weakness</p> <p>Repeat Finding - No</p> <p>Criteria - Recipients of federal funds are required to comply with the applicable policies and guidelines of 2 CFR 200.331, which outlines the specific requirements for pass-through entities. All pass-through entities must ensure that every subaward is clearly identified to the subrecipients as a subaward and includes the following information at the time of the subaward, and if any of these data elements change, includes the changes in subsequent subaward modification. When some of this information is not available, the pass-through entity must provide the best information available to describe the federal award and subaward.</p> <p>Condition - The contracts that the City entered into with its subrecipients stated that the subrecipient was required to comply with the policies and guidelines of the single audit. The City had eight subrecipients and passed through \$38,147 to these subrecipients during the year. 2 CFR 200.331 lists 15 required elements for subawards. While the City's subrecipient agreements included several of these requirements, there were required elements which were not included in these agreements.</p> <p>Questioned Costs - None</p> <p>Identification of How Questioned Costs Were Computed - N/A</p> <p>Context - The City had contracts in place with its subrecipients with language that indicated the subrecipients were to follow the policies and guidelines of the single audit. The City's CDBG award was subject to the Uniform Grant Guidance, which requires recipients to follow the policies and guidelines of 2 CFR 200. The agreements entered into after fiscal year 2017 include the required language.</p> <p>Cause and Effect - The City did not update its contracts with its subrecipients to indicate that 2 CFR 200 was applicable, nor did the contracts include the required elements for subrecipient awards in accordance with the applicable requirements.</p>

City of Roseville, Michigan

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2017

Section III - Federal Program Audit Findings (Continued)

Reference Number	Finding
2017-001 (Cont.)	<p>Recommendation - We recommend the City update its contracts with its subrecipients to include all required elements and refer to the applicable guidance in effect for the grant period.</p> <p>Views of Responsible Officials and Planned Corrective Actions - The City's management concurs with the recommendation and has already put a process in place to address the issues identified on subrecipient contracts.</p>