

City of Roseville, Michigan

**Federal Awards
Supplemental Information
June 30, 2010**

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, the 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, 2010, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 17, 2010. 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 financial 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 17, 2010

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 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, the 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, 2010, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 17, 2010. 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 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.

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.

To 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 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 management, the Honorable Mayor and members of the City Council, others within the entity, 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 & Morse, PLLC

December 17, 2010

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 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, 2010. 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, 2010. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as Findings 2010-2 and 2010-3.

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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to 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 and other deficiencies that we consider to be significant deficiencies.

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 combination of deficiencies, in internal control over compliance such that there is 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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as Finding 2010-2 to be a material weakness.

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as Findings 2010-1 and 2010-3 to be significant deficiencies.

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 the responses.

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 entity, 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 & Morse, PLLC

January 4, 2011

City of Roseville, Michigan

Schedule of Expenditures of Federal Awards Year Ended June 30, 2010

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 Program:				
Program Year 2008 - B-00-MC-26-00010	14.218	N/A	\$ 565,292	\$ 418,994
Program Year 2009 - B-00-MC-26-00010	14.218	N/A	583,085	<u>146,505</u>
Total U.S. Department of Housing and Urban Development				565,499
Direct Fund - ARRA - Community Development Block Grant -				
Program Year 2009R - B-00-MC-26-000010	14.253	N/A	153,391	126,321
Indirect Fund - Passed through Michigan State Housing Development				
Authority - Neighborhood Stabilization Program	14.218	NSP-2008-5540-ENT	1,450,000	<u>439,629</u>
Total CDBG - Entitlement Grants				1,131,449
U.S. Department of Energy - Direct Fund -				
ARRA - Energy Efficiency for a More Sustainable Roseville	81.128	DE-EE0002240	198,600	198,600
U.S. Department of Transportation - Indirect Fund - Passed through				
the Michigan State Police Drive MI Safety Task Force -				
2009 Drive MI Safety Task Force	20.215	N/A	20,711	20,711
U.S. Department of Justice:				
Passed through Michigan State Police - OHSP -				
2008 OHSP Drug Court Grant	16.585	SCAO-10-058	50,000	23,851
Passed through Michigan Department of Community Health				
ARRA - 2009 Byrne Justice Assistance Grant - Drug Court	16.803	50110-1-09-B	242,895	14,898
Office of Community Oriented Policing Services:				
Program Year 2009 - Technology Program	16.710	2009-CK-WX-0219	900,000	410,493
Protect our Schools Technology Program	16.710	2007-CK-WX-0133	229,834	56,390
Radio Interoperability -2006-CK-WX-0058	16.738	MI50713	592,337	30,111
Passed through Macomb Co. Department of Emergency				
Management - Radio Interoperability -2008-CK-WX-0058	16.738	MI50713	30,000	<u>9,647</u>
Total Office of Community Oriented Policing Services				506,641

City of Roseville, Michigan

Schedule of Expenditures of Federal Awards (Continued) Year Ended June 30, 2010

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Pass-through Entity Project/Grant Number	Award Amount	Federal Expenditures
U.S. Department of Justice (Continued)				
Passed through Drug Enforcement Administration - Organized Crime Drug Enforcement Task Forces	16.unknown	17-04-0228	\$ 212,908	\$ 71,633
Passed through Macomb Co. Department of Community Health:				
2009 Byrne Justice Assistance Grant	16.738	N/A	24,799	24,799
2008 Byrne Justice Assistance Grant	16.738	2008-DJ-BX-0569	22,700	5,675
2009 Byrne Justice Assistance Grant	16.738	2009-DJ-BX-0013	24,960	18,720
ARRA - Edward Byrne Memorial Justice Assistance Grant - Grant to Units of Local Territories	16.804	N/A	101,905	101,905
2009 Comet - HIDTA	16.unknown	N/A	400	<u>400</u>
Total passed through Macomb Co. Department of Community Health				151,499
Passed through Macomb Co. Department of Emergency Management - 2009 Enforcing Underage Drinking Laws Program				
	16.727	OJJD-05-23	11,980	<u>11,980</u>
Total U.S. Department of Justice				780,502
U.S. Department of Homeland Security:				
Direct Fund - Federal Emergency Management Agency - Program Year 2008 - Assistance to Firefighter Grant	97.044	EMW-2008-FO-11731	19,138	19,138
Passed through Macomb Co. Department of Emergency Management - 2007 Homeland Security Grant Program	97.007	N/A	14,844	<u>14,844</u>
Total U.S. Department of Homeland Security				33,982
U.S. Department of Commerce National Telecommunications and Information Administration - Passed through Macomb Department of Emergency Management - 2007 Public Safety Interoperable				
	11.555	2007-GS-H7-0043	79,680	<u>17,680</u>
Total federal awards				<u>\$ 2,182,924</u>

City of Roseville, Michigan

Reconciliation of Basic Financial Statements Federal Revenue with Schedule of Expenditures of Federal Awards Year Ended June 30, 2010

Revenue from federal sources - As reported on financial statements (includes all funds)	\$ 2,094,407
Prior year deferred revenue recognized as revenue during the year ended June 30, 2010	(357,571)
Current year deferred revenue recognized as revenue in a year subsequent to the year ended June 30, 2010	<u>446,088</u>
Federal expenditures per the schedule of expenditures of federal awards	<u>\$ 2,182,924</u>

City of Roseville, Michigan

Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2010

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, 2010. 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:

Federal Program	CFDA Number	Amount
CDBG Entitlement Grant Cluster	14.218, 14.253	\$ 130,676
U.S Department of Justice - Community Oriented Policing Services - Protect Our Schools Technology Programs - 2007-CK-WX-0133	16.710	56,390
Total		\$ 187,066

City of Roseville, Michigan

Schedule of Findings and Questioned Costs Year Ended June 30, 2010

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness identified? Yes No
- Significant deficiency 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 program:

- Material weakness identified? Yes No
- Significant deficiencies 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:

CFDA Numbers	Name of Federal Program or Cluster
14.218, 14.253 16.710	Community Development Block Grant Entitlement Cluster COPS - 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, 2010

Section II - Financial Statement Audit Findings

None

Section III - Federal Program Audit Findings

Reference Number	Findings
2010-1	<p>Program Name - Community Oriented Policing Services (COPS) - Technology Program (2009), CFDA #16.710</p> <p>Pass-through Entity - N/A - The grant is administered directly to the City by the Department of Justice (DOJ).</p> <p>Finding Type - Significant deficiency</p> <p>Criteria - The City is required to report grant expenditures to the DOJ on a quarterly basis using Form SF-425.</p> <p>Condition - The City improperly reflected expenditures on the third-quarter and fourth-quarter SF-425 reports submitted to the DOJ. The City submitted the required form, but improperly reported that there were no expenditures on the third quarter report and only reported third-quarter expenditures on the fourth-quarter report. As a result, the third-quarter and fourth-quarter expenses were under-reported by \$168,703 and \$241,790, respectively. Cumulatively, as of year end, total expenditures were under-reported by \$241,790.</p> <p>Questioned Costs - None</p> <p>Context - This was the first year the City was awarded this grant and it was unfamiliar with the reporting requirements. During the controller's preparation of the SEFA, the error was identified and the DOJ was made aware of the error.</p> <p>Cause and Effect - The error was caused by the City being unfamiliar with the DOJ reporting requirements.</p> <p>Recommendation - The City should ensure that procedures are in place to properly capture all requirements of new grants.</p>

City of Roseville, Michigan

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2010

Section III - Federal Program Audit Findings (Continued)

Reference Number	Findings
2010-1 (Continued)	Views of Responsible Officials and Planned Corrective Actions - Grant administrators and Finance will work more closely together to ensure that reporting requirements are properly met.

Reference Number	Findings
2010-2	<p>Program Name - Neighborhood Stabilization Program, CFDA #14.218</p> <p>Pass-through Entity - The HUD grant is passed through to the City by the Michigan State Housing Development Authority.</p> <p>Finding Type - Material weakness, material noncompliance</p> <p>Criteria - The City failed to follow HUD-required procedures under the Housing and Economic Recovery Act (HERA), Section 2301(d)(1), as well as the NSP Bridge Notice, Federal Register 29223-29229, Vol 74, No. 117, Friday June 19, 2009, when purchasing homes with federal funds. These regulations require that homes be purchased at a discounted price from the appraised market value. The NSP Bridge Notice requires that appraisals for homes to be completed within 60 days prior to an offer to purchase.</p> <p>Condition - During audit testing, two instances of noncompliance were identified. First, in one instance, the City failed to have an appraisal performed within the 60-day window of the house being purchased, as required by HUD. Next, in two other instances, the City had an appraisal performed after the home was purchased, which is a violation of purchasing compliance requirements. Also, in these instances, the homes were purchased above the appraised value. HUD requires the home to be purchased with at least a 1 percent discount on the appraised value.</p> <p>Questioned Costs - The purchase price of the two homes exceeded the appraised value by \$14,934.</p> <p>Context - This was the first year the City was awarded this grant and these homes were purchased from the County in batch at set prices.</p>

City of Roseville, Michigan

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2010

Section III - Federal Program Audit Findings (Continued)

Reference Number	Findings
2010-2 (Continued)	<p>Cause and Effect - The error was the result of the nature of the purchase and that the City is not able to negotiate price with the County.</p> <p>Recommendation - Before committing to purchases with federal funds, the City should ensure it is in compliance with all requirements.</p> <p>Views of Responsible Officials and Planned Corrective Actions - Due to the continuously changing NSP reporting requirements, the program administrator will review the most current NSP guidelines prior to committing to purchase property to better comply with federal requirements.</p>

Reference Number	Findings
2010-3	<p>Program Name - Community Oriented Policing Services (COPS) – Technology Program (2009), CFDA #16.710</p> <p>Pass-through Entity - N/A: Grant is direct.</p> <p>Finding Type - Significant deficiency, material noncompliance</p> <p>Criteria - The City does not maintain documentation to support its review of the EPLS system.</p> <p>Condition - During audit testing, the City was unable to produce documentation that the EPLS system was reviewed before procuring contracts.</p> <p>Questioned Costs - None</p> <p>Context - The City is aware of the requirement to check the system, but has not maintained documentation to support its review.</p> <p>Cause and Effect - The cause of the error is the City being unaware it is a best practice to maintain documentation. Without documentation, monitoring organizations are unable to determine whether the City is performing the EPLS search.</p>

City of Roseville, Michigan

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2010

Section III - Federal Program Audit Findings (Continued)

Reference Number	Findings
2010-3 Continued	<p>Recommendation - The City should maintain EPLS search documentation in the folders with rehab, construction contracts, and invoice packages of other required vendors.</p> <p>Views of Responsible Officials and Planned Corrective Actions - The grant administrator and/or purchasing supervisor will maintain proper EPLS search documentation of vendors as required.</p>

City of Roseville, Michigan

Summary Schedule of Prior Audit Findings Year Ended June 30, 2010

Finding Number	CFDA Number	Finding	Questioned Costs	Comments
2009-2	14.218	The City exceeded both the planning and administration and the public service expenditure earmarking requirements.	\$28,006	During a HUD monitoring visit subsequent to the audit report being issued, the City concluded to reclassify \$19,100 of planning and administrative expenditures to rehab expenditures and to reimburse in the amount of \$8,906 for the amount it exceeded the public service expenditure cap. The money was paid to HUD on November 3, 2010.
2009-3	14.218	HUD requires the grantee to submit its CAPER within 90 days of year-end. The City submitted its CAPER on October 17, 2009, which is in excess of the submission window.	None	During the year under audit, the City submitted its CAPER in a timely fashion within the submission window.
2009-4	14.218	The City failed to submit Form HUD 60002, which is required to be submitted by all grantees receiving awards in excess of \$200,000 that involve housing rehabilitation, housing construction, or other public construction.	None	Form HUD 60002 was submitted in a timely fashion during the year under audit.