

City of Romulus, Michigan

**Federal Awards
Supplemental Information
June 30, 2013**

Independent Auditor's Reports:

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

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Romulus, Michigan (the "City") as of and for the year ended June 30, 2013 and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated December 17, 2013, which contained unmodified opinions on the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information. Our audit was conducted for the purpose of forming opinions on the financial statement that collectively comprise the basic financial statements. We have not performed any procedures with respect to the audited financial statements subsequent to December 17, 2013.

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

Plante & Moran, PLLC

December 17, 2013

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 City Council
City of Romulus, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Romulus, Michigan (the "City") as of and for the year ended June 30, 2013 and related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 17, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Romulus, 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control that we consider to be a material weakness.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as Finding 2013-001 to be a material weakness.

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

Compliance and Other Matters

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

City of Romulus, Michigan's Response to Finding

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

Purpose of this Report

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

Plante & Moran, PLLC

December 17, 2013

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 City Council
City of Romulus, Michigan

Report on Compliance for the Major Federal Program

We have audited City of Romulus, Michigan's (the "City") compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on its major federal program for the year ended June 30, 2013. City of Romulus, Michigan's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Romulus, Michigan's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the City of Romulus, Michigan's compliance.

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

Opinion on the Major Federal Program

In our opinion, the City of Romulus, 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, 2013.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as Finding 2013-002. Our opinion on the major federal program is not modified with respect to this matter.

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

Report on Internal Control Over Compliance

Management of the City of Romulus, 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 Romulus, Michigan's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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.

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

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as Finding 2013-002 to be a material weakness.

The City of Romulus, 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 Romulus, Michigan's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

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

Plante & Moran, PLLC

December 17, 2013

City of Romulus, Michigan

Schedule of Expenditures of Federal Awards Year Ended June 30, 20133

Federal Agency/Pass-through Agency Program Title	CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U.S. Department of Housing and Urban Development - CDBG Entitlement Grants Cluster - Passed through Wayne County - Community Development Block Grant	14.218	Various	\$ 18,051
U.S. Department of Justice: JAG Program Cluster - Passed through Wayne County:			
2010 Edward Byrne Memorial Justice Assistance Grant	16.738	N/A	9,410
2012 Edward Byrne Memorial Justice Assistance Grant	16.738	2012-DJ-BX-0109	<u>16,750</u>
Total JAG Program Cluster			26,160
Bulletproof Vest Partnership Program	16.607	N/A	2,036
Equitable Sharing Program	16.922	Various	218,005
Passed through Downriver Community Conference (DCC) - COPS VII Grant	16.753	N/A	<u>5,711</u>
Total U.S. Department of Justice			251,912
U.S. Department of Homeland Security - Assistance to Firefighters Grant	97.044	EMW-2007-FO-09792	2,674
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	EMW-2010-FO-00682	<u>624,545</u>
Total U.S. Department of Homeland Security			627,219
U.S. Department of Transportation - Highway Planning and Construction Cluster - Passed through Michigan Department of Transportation - Highway Research Planning and Construction	20.205	STP 1382 (222)	<u>54,982</u>
Total federal expenditures			<u>\$ 952,164</u>

City of Romulus, Michigan

Note to Schedule of Expenditures of Federal Awards Year Ended June 30, 2013

Note - 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 Romulus, Michigan under programs of the federal government for the year ended June 30, 2013. 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 Romulus, Michigan, it is not intended to, and does not, present the financial position, changes in net position, or cash flows, if applicable, of the City of Romulus, Michigan. Pass-through entity identifying numbers are presented where available.

City of Romulus, Michigan

Schedule of Findings and Questioned Costs Year Ended June 30, 2013

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted?

Yes No

Federal Awards

Internal control over major programs:

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

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

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?

Yes No

Identification of major program:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
97.044	Staffing for Adequate Fire and Emergency Response (SAFER)

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

Auditee qualified as low-risk auditee? Yes No

City of Romulus, Michigan

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2013

Section II - Financial Statement Audit Findings

Reference
Number

Finding

2013-001 **Finding Type** - Material Weakness

Criteria - For the period under audit, AU-C 265 was effective, under which certain adjusting entries indicative of control matters represent material weaknesses.

Condition - In connection with the City's financial statement audit for the year ended June 30, 2013, the City was required to post an entry to reflect an estimated liability related to property tax refunds resulting from Michigan Tax Tribunal decisions related to amounts originally captured by the TIFA and DDA. In addition, the following entries were noted as significant passed adjustments: an entry to record the compensated absences at year end of the 34th District Court, an entry to record accrued interest expense, an entry to properly reflect the portion of Romulus Athletic Center (RAC) prepaid memberships that were unearned as of year end, and an entry to adjust estimated delinquent personal property taxes receivable and estimated pending property tax refunds.

Context - AU-C 265, *Communicating Internal Control Related Matters Identified in an Audit*, defines entries of this nature to be material weaknesses.

Cause - The adjusting entry related to potential repayments of captured tax revenue was identified during the audit process in the current year. The City's process for refunding tax appeals did not incorporate review of the impact of funds captured by taxing authorities when computing the refund. The entries related to significant passed adjustments were not recorded by the City, as they do not have a material impact on the financial statements.

Effect - The City's unadjusted financial statements were misstated by the estimated liability related to property tax refunds resulting from Michigan Tax Tribunal decisions related to amounts originally captured by the TIFA and DDA, the amount of the 34th District Court compensated absences, the amount of accrued interest expense, the amount of unearned prepaid memberships related to the RAC, and an estimated allowance for uncollectible delinquent personal property taxes and an estimated reduction in the pending property tax refunds.

Recommendation - The City should attempt to post all year-end closing entries prior to the start of the audit.

Views of Responsible Officials and Planned Corrective Actions - The City will continue to focus on attempting to record all closing entries prior to the start of future audits.

City of Romulus, Michigan

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2013

Section III - Federal Program Audit Findings

Reference Number	Finding
2013-002	<p>Program Name - Staffing for Adequate Fire and Emergency Response (SAFER)</p> <p>Pass-through Entity - N/A</p> <p>Finding Type - Material Weakness and Material Noncompliance with Laws and Regulations</p> <p>Criteria - The City is required to complete semiannual financial status reports (SF-425) to meet FEMA requirements. The financial status reports require reporting of cash receipts as well as cash disbursements on a cumulative basis. The instructions to the SF-425 report indicate that cash receipts are the amount of actual cash received from the federal agency as of the reporting period end date and that cash disbursements are the sum of actual cash disbursements (of federally authorized funds) for direct charges for goods or services.</p> <p>Condition - The City did not accurately report the cash receipts or cash disbursements on the financial status report tested as part of the audit.</p> <p>Questioned Costs - None</p> <p>Context - The semiannual financial status reports are submitted to FEMA for informational purposes and do not impact the amount of reimbursement received under the grant. The cash receipts and cash disbursements on the financial status report tested did not agree to the accounting records.</p> <p>Cause and Effect - There was no process in place to review the semiannual financial status reports prior to submission to FEMA which resulted in incorrect amounts on the report tested as part of the audit.</p> <p>Recommendation - We recommend that the City implement a review process for the semiannual financial status reports and ensure that amounts reported agree to the accounting records.</p> <p>Views of Responsible Officials and Planned Corrective Actions - The City will implement a review process prior to submitting the semiannual financial status reports.</p>