
City of Romulus, Michigan

Federal Awards Supplemental Information
June 30, 2019

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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 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, 2019 and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated December 12, 2019, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions 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 12, 2019.

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 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 basic 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 basic financial statements as a whole.

Plante & Moran, PLLC

December 12, 2019

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 Romulus, 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 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, 2019 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 12, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City'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 of this section 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 certain deficiencies in internal control that we consider to be material weaknesses and another deficiency that we consider to be a significant deficiency.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as Findings 2019-001 and 2019-002 to be material weaknesses.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as Finding 2019-003 to be a significant deficiency.

Compliance and Other Matters

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

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

The City's Responses to the Findings

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we express no opinion on them.

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 12, 2019



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Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required
by the Uniform Guidance

Independent Auditor's Report

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

Report on Compliance for Each 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) Compliance Supplement that could have a direct and material effect on the City's major federal program for the year ended June 30, 2019. The City'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 each of the City's major federal programs 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'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's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the major federal program for the year ended June 30, 2019.

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

Report on Internal Control Over Compliance

Management of the City 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'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.

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 by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 12, 2019

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2019

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Pass-through Entity Identifying Number	Grant Number	Provided to Subrecipients	Federal Expenditures
U.S. Department of HUD - Entitlement Grants Cluster: Passed through County of Wayne, Michigan - Community Development Block Grant	14.218	-	CDBG	\$ -	\$ 705,253
U.S. Department of Justice:					
Edward Byrne Memorial Justice Assistance Grant	16.738	-	2017-DJ-BX-0989	-	8,173
Bulletproof Vest Partnership Program	16.607	-		-	1,073
Passed through County of Wayne, Michigan - Equitable Sharing Program	16.922	-	DAG-72	-	38,205
Joint Anti-Trafficking Task Force/Combat Human Trafficking	16.320	-	MSP HT-15-01	-	91,405
Southeast Michigan Crimes against Children	16.320	-	31E-DE-C100515	-	12,239
Total services for trafficking victims				-	103,644
Total U.S. Department of Justice				-	151,095
U.S. Department of Homeland Security - Staffing for Adequate Fire and Emergency Response	97.083	-	EMW-2013-FH-00408	-	73,435
U.S. DOT, Federal Highway Administration:					
Highway Planning and Construction Cluster: Highway Research Planning & Construction - HK0900	20.205	-	STP 1782 (029)/HK 1424	-	2,803
Highway Planning and Construction Cluster: SEMCOG Planning Assistance Program - CSX Crossing	20.205	-	FHWA PL 112 Funds	-	40,925
Total U.S. DOT, Federal Highway Administration				-	43,728
Total federal expenditures				\$ -	\$ 973,511

Notes to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2019

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the City of Romulus, Michigan (the "City") under programs of the federal government for the year ended June 30, 2019. The information in the 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, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported in the Schedule are reported on the same basis of accounting as the financial statements. Such expenditures are recognized following the cost principles contained in 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 minimis* indirect cost rate to recover indirect costs, as allowed under the Uniform Guidance.

Schedule of Findings and Questioned Costs

Schedule of Findings and Questioned Costs

Year Ended June 30, 2019

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

Noncompliance material to financial statements noted? Yes X None reported

Federal Awards

Internal control over major programs:

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

Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516(a)? Yes X No

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster	Opinion
14.218	Community Development Block Grant Entitlement Cluster - Community Development Block Grants/Entitlement Grants	Unmodified

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

Auditee qualified as low-risk auditee? Yes X No

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2019

Section II - Financial Statement Audit Findings

Reference Number	Finding
2019-001	<p>Finding Type - Material weakness (repeat finding)</p> <p>Criteria - The City of Romulus, Michigan is required to prepare its financial statements in accordance with generally accepted accounting principles (GAAP).</p> <p>Condition - Journal entries were required during the audit to ensure the financial statements were presented in conformity with generally accepted accounting principles. These adjustments impacted both the fund-based and government-wide financial statements. The balances adjusted include those pertaining to pension, other postemployment benefits, capital assets, property taxes, accrued liabilities, interfund activity, prepaid expenditures, and intergovernmental revenue.</p> <p>Context - Subsequent to the commencement of the audit, certain journal entries were identified, the related reconciliations were adjusted, and the financial statements were amended. The journal entries, in aggregate, were material to the financial statements taken as a whole.</p> <p>Cause - The City's year-end close and review process did not result in year-end financial reporting compliant with generally accepted accounting principles.</p> <p>Effect - At year end, the effects of the accounting adjustments were as follows: (a) Net pension and other postemployment benefit liabilities were adjusted to conform to GASB Statement Nos. 68 and 75; (b) fixed asset additions and disposals were not accurately adjusted in the accounting records; (c) the allowance for personal property tax receivables was not properly adjusted to agree to the underlying calculations; and (d) certain other accrued liabilities, interfund activity, prepaid expenditures, and intergovernmental revenue were improperly accounted for or misclassified in the accounting records.</p> <p>Recommendation - Management should review and strengthen year-end close and review procedures to ensure required adjustments are identified and posted prior to the commencement of year-end financial statement audit.</p> <p>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.</p>

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2019

Section II - Financial Statement Audit Findings (Continued)

Reference Number	Finding
2019-002	<p>Finding Type - Material weakness</p> <p>Criteria - The City of Romulus, Michigan should have an effective review of bank reconciliations that would result in proper accounting of cash balances in accordance with generally accepted accounting principles (GAAP).</p> <p>Condition - Multiple instances of issues in the bank reconciliations were identified, which resulted in a misstatement of the book balance of cash in the general ledger.</p> <p>Context - Subsequent to the commencement of the audit, certain journal entries related to cash were identified, and the related bank reconciliations were adjusted. The journal entries, in aggregate, were material to the financial statements taken as a whole.</p> <p>Cause - The City's bank reconciliation review process did not result in year-end financial reporting compliant with generally accepted accounting principles.</p> <p>Effect - At year end, the City's book balance of cash was overstated, and the bank reconciliation included improper reconciling items.</p> <p>Recommendation - Management should review and strengthen the bank reconciliation preparation and review process to ensure required adjustments are identified and posted prior to the commencement of the year-end financial statement audit.</p> <p>Views of Responsible Officials and Planned Corrective Actions - The City will improve its review process and ensure proper implementation of cash transactions.</p>

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2019

Section II - Financial Statement Audit Findings (Continued)

Reference Number	Finding
2019-003	<p>Finding Type - Significant deficiency</p> <p>Criteria - The City of Romulus, Michigan should maintain subsidiary ledgers for liability balances recorded on the general ledger.</p> <p>Condition - For certain performance bonds payable recorded in the general ledger, the City is unable to produce a listing that reconciles to the related liability.</p> <p>Context - For bonds initiated prior to the City's conversion to BS&A, the City is unable to produce a subsidiary ledger of third parties to whom the recorded bonds payable are owed.</p> <p>Cause - At the time of the City's conversion to BS&A, a subsidiary ledger for the existing liability in the previous software was not created and maintained either in BS&A or in a separate system.</p> <p>Effect - At year end, approximately \$683,000 of bonds payable was recorded in the general ledger, which was not supported by a subsidiary ledger.</p> <p>Recommendation - Management should review the balance of bonds payable and re-create a subsidiary ledger that can be monitored and adjusted as bonds are paid to ensure liability balances reported are properly supported.</p> <p>Views of Responsible Officials and Planned Corrective Actions - The City will review the current process, convene with all impacted departments, and work toward developing an appropriate reconciliation process.</p>

Section III - Federal Program Audit Findings

Reference Number	Finding	Questioned Costs
Current Year	None	