

City of Romulus, Michigan

**Federal Awards
Supplemental Information
June 30, 2012**

City of Romulus, Michigan

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Independent Auditor's Report

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

We have audited the basic 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, 2012, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 19, 2012, which contained unqualified opinions on those financial statements. 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 have not performed any procedures with respect to the audited basic financial statements subsequent to December 19, 2012.

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 Romulus, Michigan's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis 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 19, 2012

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 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, 2012, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 19, 2012. 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

The management of the City of Romulus, Michigan is responsible for establishing and maintaining an effective internal control over financial reporting. In planning and performing our audit, we considered the City of Romulus, 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.

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

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

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 deficiency described in the accompanying schedule of findings and questioned costs as Finding 2012-1 to be a material weakness.

Compliance and Other Matters

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

We also noted certain matters that we have reported to management of the City of Romulus, Michigan in a separate letter dated December 19, 2012.

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

This report is intended solely for the information and use of management, the Honorable Mayor and members of the City Council, others within the City, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Plante & Moran, PLLC

December 19, 2012



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Report on Compliance with Requirements That Could Have a
Direct and Material Effect on Each Major Program and on
Internal Control Over Compliance in Accordance with OMB Circular A-133

Independent Auditor's Report

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

Compliance

We have audited the compliance of the City of Romulus, 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, 2012. The major federal programs of the City of Romulus, 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 Romulus, Michigan's management. Our responsibility is to express an opinion on the City of Romulus, 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 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. Our audit does not provide a legal determination on the City of Romulus, Michigan's compliance with those requirements.

In our opinion, the City of Romulus, 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, 2012.

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

Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the Honorable Mayor and members of the City Council, others within the City, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Plante & Moran, PLLC

December 19, 2012

City of Romulus, Michigan

Schedule of Expenditures of Federal Awards Year Ended June 30, 2012

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	\$ 34,357
U.S. Department of Justice: JAG Program Cluster - Passed through Wayne County:			
Edward Byrne Memorial Justice Assistance Grant	16.738	2009-DJ-BX-0788	19,685
ARRA - Edward Byrne Memorial Justice Assistance Grant	16.804	2009-SB-B9-1422	<u>5,940</u>
Total JAG Program Cluster			25,625
Equitable Sharing Program	16.922	Various	406,823
Bulletproof Vest Partnership Program	16.607	Various	11,595
Passed through Downriver Community Conference (DCC) - COPS VI Grant	16.710	N/A	<u>6,051</u>
Total U.S. Department of Justice			450,094
U.S. Department of Homeland Security - Staffing for Adequate Fire and Emergency Response (SAFER)	97.044	EMW-2010-FH-00682	<u>547,612</u>
Total federal expenditures			<u>\$ 1,032,063</u>

City of Romulus, Michigan

Note to Schedule of Expenditures of Federal Awards Year Ended June 30, 2012

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, 2012. 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 assets, 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, 2012

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

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

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

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? Yes No

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
16.922	Equitable Sharing Program
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, 2012

Section II - Financial Statement Audit Findings

Reference Number	Finding
2012-1	<p>Finding Type - Material weakness</p> <p>Criteria - For the period under audit, SAS 115 was effective, under which certain adjusting entries indicative of control matters now represent material weaknesses.</p> <p>Condition - In connection with the City's financial statement audit for the year ended June 30, 2012, the City was required to post several entries, including entries to properly reflect beginning net assets in the Water and Sewer Fund and GASB 34 Fund and to record grant receivables and deferred revenue. 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 delinquent personal property taxes receivable.</p> <p>Context - Historically, the City's auditors have recommended journal entries as part of the audit. With the implementation of Statement on Auditing Standards (SAS) No. 115, <i>Communicating Internal Control-related Matters Identified in an Audit</i>, SAS 115 now defines entries of this nature to be material weaknesses.</p> <p>Cause - The adjusting entries related to the difference between the prior year ending net assets and the amount recorded that was not properly coded in the financial reporting system and grant receivables that were not recorded at year end. 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.</p> <p>Effect - The City's unadjusted financial statements were misstated by the difference between the prior year ending net assets and the amount recorded, the amount of grant receivables that were not recorded at year end, 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.</p> <p>Recommendation - The City should attempt to post all material year-end closing entries prior to the start of the audit.</p> <p>Views of Responsible Officials and Planned Corrective Actions - The City will continue to focus on attempting to record all material closing entries prior to the start of future audits.</p>

City of Romulus, Michigan

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2012

Section III - Federal Program Audit Findings

None

City of Romulus, Michigan

Summary Schedule of Prior Audit Findings Year Ended June 30, 2012

Prior Year Finding Number	Federal Program	Original Finding Description	Status
2011-4	16.922 - Equitable Sharing Program	The City did not timely file the equitable sharing agreement and certification with the Department of Justice	Fully Corrected