

City of Ann Arbor,
Michigan



Year Ended
June 30, 2013

Single Audit Act
Compliance

CITY OF ANN ARBOR, MICHIGAN

Table of Contents

| | <u>Page</u> |
|--|-------------|
| Independent Auditors' Report on the Schedule of Expenditures of Federal Awards | 1 |
| Schedule of Expenditures of Federal Awards | 2 |
| Notes to Schedule of Expenditures of Federal Awards | 4 |
| Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> | 5 |
| Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by OMB Circular A-133 | 7 |
| Schedule of Findings and Questioned Costs | 9 |
| Summary Schedule of Prior Federal Award Audit Findings | 11 |



**INDEPENDENT AUDITORS' REPORT ON THE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

November 12, 2013

To the Honorable Mayor and
Members of the City Council
City of Ann Arbor
Ann Arbor, 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 Ann Arbor, 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 November 12, 2013, which contained unmodified opinions on those financial statements. Our report includes a reference to other auditors. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 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 schedule of expenditure of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Rehmann Robson LLC

CITY OF ANN ARBOR, MICHIGAN

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2013

| Federal Agency / Cluster / Program Title | CFDA Number | Passed Through | Pass-through / Grantor Number | Federal Expenditures |
|---|-------------|----------------|-------------------------------|----------------------|
| U.S. Department of Agriculture | | | | |
| Farm and Ranch Lands Protection Program | 10.913 | Direct | 73-5D21-7-74 | \$ 396,900 |
| State and Private Forestry Urban and Community Forestry Program | 10.675 | Direct | CARP 13-01 | <u>5,000</u> |
| Total U.S. Department of Agriculture | | | | <u>401,900</u> |
| U.S. Department of Housing and Urban Development | | | | |
| ARRA Entitlement Grants | 14.253 | Direct | B-09-MY-26-0001 | 253 |
| Neighborhood Stabilization Program | 14.256 | Direct | NSP-08-0381-ENT | 35,885 |
| Sustainable Community Challenge Cooperative | 14.704 | Direct | CCP-MI-0057-11 | <u>52,259</u> |
| Total U.S. Department of Housing and Urban Development | | | | <u>88,397</u> |
| U.S. Department of Justice | | | | |
| Domestic Violence Supplemental Grant | 16.590 | Direct | 2011-WE-AX-0033 | <u>248,831</u> |
| Local Law Enforcement Block Grant: | | | | |
| 2010 Justice Assistance Grant | 16.592 | Direct | 2010-DJ-BX-1387 | 2,667 |
| 2011 Justice Assistance Grant | 16.592 | Direct | 2011-DJ-BX-2904 | 27,991 |
| 2012 Justice Assistance Grant | 16.592 | Direct | 2012-DJ-BX-0198 | 10,790 |
| 2013 Justice Assistance Grant | 16.592 | Direct | MSP #6042-1-13-B | <u>6,678</u> |
| | | | | <u>48,126</u> |
| Bulletproof Vest Partnership | 16.607 | Direct | 15-04-0-1-754 | <u>1,538</u> |
| Total U.S. Department of Justice | | | | <u>298,495</u> |
| U.S. Department of Transportation | | | | |
| Federal Lands Highway Program | 20.205 | Direct | n/a | 1,832,569 |
| Federal Railroad Administration's High Speed Intercity Passenger Rail Program | 20.319 | MDOT | FR-HSR-0066-11-01-00 | 57,804 |
| Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grant | 20.601 | SCAO | AL-12-02 | <u>26,724</u> |
| Total U.S. Department of Transportation | | | | <u>1,917,097</u> |
| U.S. Environmental Protection Agency | | | | |
| Capitalization Grants For Clean Water State Revolving Funds | 66.458 | MDEQ | n/a | <u>11,741,436</u> |

continued...

CITY OF ANN ARBOR, MICHIGAN

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2013

| Federal Agency / Cluster / Program Title | CFDA Number | Passed Through | Pass-through / Grantor Number | Federal Expenditures |
|---|-------------|----------------|-------------------------------|----------------------|
| U.S. Environmental Protection Agency (concluded) | | | | |
| Safe Drinking Water State Revolving Funds: | | | | |
| Project # 7319-01 | 66.468 | MDEQ | 2F-00E751-01 | \$ 356,201 |
| ARRA - Project # 7319-01 | 66.468 | MDEQ | 2F-00E751-01 | 352,697 |
| Project # 7333-01 | 66.468 | MDEQ | n/a | 213,377 |
| Project # 7362-01 | 66.468 | MDEQ | n/a | 2,991,849 |
| | | | | <u>3,914,124</u> |
| Total U.S. Environmental Protection Agency | | | | <u>15,655,560</u> |
| U.S. Department of Energy | | | | |
| Transportation Technologies - | | | | |
| Energy Efficiency and Conservation Block Grant | 81.128 | MDCIS | DE-SC0001935 | <u>365,909</u> |
| Executive Office of the President | | | | |
| High Intensity Drug Trafficking Areas Program | 95.001 | MSP | n/a | <u>7,791</u> |
| U.S. Department of Homeland Security | | | | |
| 2009 Homeland Security Grant | 97.067 | MSP | 2009-SS-T9-0060 | 10,019 |
| 2010 Homeland Security Grant | 97.067 | MSP | 2010-SS-T0-0069 | 8,236 |
| 2010 CCP Grant | 97.067 | MSP | 2010-SS-T0-0069 | 8,598 |
| | | | | <u>26,853</u> |
| 2012 Emergency Management Performance Grant | 97.042 | MSP | EMW-2012-EP-00033 | <u>35,689</u> |
| Total U.S. Department of Homeland Security | | | | <u>62,542</u> |
| U.S. Federal Emergency Management Agency | | | | |
| Staffing for Adequate Fire and Emergency Response (SAFER) | 97.044 | MSP | EMW-2011-FH-00830 | 202,211 |
| Pre-Disaster Mitigation Grant | 97.047 | MSP | PDMC-PJ-05-MI-2009-004 | <u>28,413</u> |
| Total U.S. Federal Emergency Management Agency | | | | <u>230,624</u> |
| Total expenditures of federal awards | | | | <u>\$ 19,028,315</u> |
| | | | | concluded. |

See notes to schedule of expenditures of federal awards.

CITY OF ANN ARBOR, MICHIGAN

Notes to Schedule of Expenditures of Federal Awards

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the City of Ann Arbor, Michigan (the "City") under programs of the federal government for the year ended June 30, 2013. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. 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 assets or cash flows of the City.

The City's reporting entity is defined in Note 1 of the City's comprehensive annual financial report. The City's financial statements include the operations of the Ann Arbor Housing Commission, a discretely-presented component unit, which received federal awards that are not included in the Schedule for the year ended June 30, 2013, as this entity was separately audited.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are presented on the accrual basis of accounting, which is described in Note 1 to the City's financial statements. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

3. PASS-THROUGH AGENCIES

The City receives certain federal grants as subawards from non-federal entities. Pass-through entities, where applicable, have been identified in the Schedule with an abbreviation, defined as follows:

| Pass-through Agency Abbreviation | Pass-through Agency Name |
|----------------------------------|---|
| MDCIS | Michigan Department of Commerce and Industry Services |
| MDEQ | Michigan Department of Environmental Quality |
| MDOT | Michigan Department of Transportation |
| MSP | Michigan State Police |
| SCAO | Michigan State Court Administrative Office |



**Independent Auditors' 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***

November 12, 2013

To the Honorable Mayor and
Members of the City Council
City of Ann Arbor
Ann Arbor, 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 Ann Arbor* (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, and have issued our report thereon dated November 12, 2013. Our report includes a reference to other auditors who audited the financial statements of the Ann Arbor Housing Commission, as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

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.

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. 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.

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*.

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



**Independent Auditors' Report on Compliance for Each Major Federal Program
and on Internal Control over Compliance Required by OMB Circular A-133**

November 12, 2013

To the Honorable Mayor and
Members of the City Council
City of Ann Arbor
Ann Arbor, Michigan

Report on Compliance for Each Major Federal Program

We have audited the compliance of the *City of Ann Arbor* (the "City") with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2013. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

The City's basic financial statements include the operations of the Ann Arbor Housing Commission, which received \$13,433,181 in federal awards, and which is not included in the City's schedule of expenditures of federal awards for the year ended June 30, 2013. Our audit, described below, did not include the operations of the Ann Arbor Housing Commission because it arranged for a separate audit in accordance with A-133.

Management's Responsibility

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

Independent Auditors' 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 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'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 each of its major federal programs for the year ended June 30, 2013.

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 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 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.

Purpose of this Report

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.



CITY OF ANN ARBOR, MICHIGAN

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2013

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

_____ yes X no

Significant deficiency(ies) identified?

_____ yes X none reported

Noncompliance material to financial statements noted?

_____ yes X no

Federal Awards

Internal control over major programs:

Material weakness(es) identified?

_____ yes X no

Significant deficiency(ies) identified?

_____ yes X none reported

Type of auditors' report issued on compliance for major programs:

Unmodified

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

_____ yes X no

Identification of major programs:

CFDA Number

Name of Federal Program or Cluster

66.458

Capitalization Grants for Clean Water State Revolving Funds

Dollar threshold used to distinguish between Type A and Type B programs:

\$ 570,849

Auditee qualified as low-risk auditee?

_____ yes X no

CITY OF ANN ARBOR, MICHIGAN

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

SECTION II - FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.



CITY OF ANN ARBOR, MICHIGAN

■ Summary Schedule of Prior Federal Award Audit Findings For the Year Ended June 30, 2013

None reported.

