

City of St. Clair Shores, Michigan

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

City of St. Clair Shores, Michigan

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Independent Auditor's Report

To the Honorable Mayor and City Council
City of St. Clair Shores, 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 St. Clair Shores, Michigan (the "City") as of and for the year ended June 30, 2012, which collectively comprise the City of St. Clair Shores, Michigan's basic financial statements, and have issued our report thereon dated November 19, 2012, which contained unqualified opinions on those basic financial statements. These basic financial statements are the responsibility of the City of St. Clair Shores, Michigan'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 November 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 St. Clair Shores, 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

November 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 City Council
City of St. Clair Shores, 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 St. Clair Shores, Michigan (the "City") as of and for the year ended June 30, 2012, which collectively comprise the City of St. Clair Shores, Michigan's basic financial statements, and have issued our report thereon dated November 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 St. Clair Shores, 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 St. Clair Shores, 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 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.

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 City Council
City of St. Clair Shores, Michigan

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of St. Clair Shores, 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 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

November 19, 2012

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

Independent Auditor's Report

To the Honorable Mayor and City Council
City of St. Clair Shores, Michigan

Compliance

We have audited the compliance of the City of St. Clair Shores, 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 its major federal program for the year ended June 30, 2012. The major federal program of the City of St. Clair Shores, Michigan is 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 its major federal program is the responsibility of the City of St. Clair Shores, Michigan's management. Our responsibility is to express an opinion on the City of St. Clair Shores, 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 St. Clair Shores, 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 St. Clair Shores, Michigan's compliance with those requirements.

In our opinion, the City of St. Clair Shores, Michigan complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2012.

To the Honorable Mayor and City Council
City of St. Clair Shores, Michigan

Internal Control Over Compliance

The management of the City of St. Clair Shores, 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 St. Clair Shores, 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 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

November 19, 2012

City of St. Clair Shores, Michigan

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

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Pass-through Entity Project/Grant Number	Award Amount	Federal
				Expenditures
U.S. Department of Housing and Urban Development:				
Direct programs - Community Development Block Grant:	14.218	N/A		
Program year 2010-B09-MC-26-0013			\$ 943,718	\$ 113
Program year 2011-B09-MC-26.0013			1,028,262	257,697
Program year 2012-B09-MC-26.0013			862,320	438,713
Indirect programs - Passed through Michigan State Housing Development Authority - HERA - Neighborhood Stabilization Program	14.218	NSP-2008-0804-ENT	1,365,000	<u>15,177</u>
Total Community Development Block Grant				711,700
Direct programs - ARRA - Community Development Block Grant	14.253	N/A	250,265	<u>1,760</u>
Total CDBG Entitlement Grant Cluster				713,460
U.S. Department of Energy - Direct programs - ARRA - Energy Efficiency and Conservation Block Grant	81.128	N/A	544,000	183,718
U.S. Department of Justice - Equitable Sharing Program	16.922	MI5072200	268,569	90,275
U.S. Department of Health and Human Services - Indirect programs - Passed through Macomb County - Aging Cluster - Nutrition Services Incentive Program (2010)	93.053	10-9203-03	5,600	3,227
U.S. Election Assistance Commission - Indirect programs - Passed through Michigan Department of State - Help America Vote Act (H.A.V.A.)	90.401	N/A	12,980	12,980
U.S. Department of Homeland Security:				
2011 Assistance to Firefighters Grant	97.044	EMW-2011.F.0.05525	112,805	112,805
Indirect programs - Passed through Macomb County - 2007 Law Enforcement Terrorism Prevention Program (LETPP)	97.067	N/A	5,893	5,893
Indirect programs - Passed through Macomb County - 2007 Urban Area Security Initiative (UASI)	97.067	N/A	4,538	4,538
Indirect programs - Passed through Macomb County - 2009 Urban Area Security Initiative (UASI)	97.067	N/A	746	746
Indirect programs - Passed through Macomb County - 2009 State Homeland Security Program (SHSP)	97.067	N/A	10,575	10,575
Indirect programs - Passed through Macomb County - 2009 Citizens Corp Program (CCP)	97.067	N/A	2,742	<u>2,742</u>
Total U.S. Department of Homeland Security				<u>137,299</u>
Total federal awards				<u><u>\$ 1,140,959</u></u>

See Notes to Schedule of Expenditures
of Federal Awards.

City of St. Clair Shores, Michigan

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

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 St. Clair Shores, 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 St. Clair Shores, 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 St. Clair Shores, 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 Title	CFDA Numbers	Amount Provided to Subrecipients
CDBG Entitlement Grant Cluster	14.218, 14.253	\$ 38,760

City of St. Clair Shores, 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 program:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
14.218, 14.253	Community Development Block Grant Entitlement Cluster

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

Auditee qualified as low-risk auditee? Yes No

City of St. Clair Shores, Michigan

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

Section II - Financial Statement Audit Findings

None

Section III - Federal Program Audit Findings

None