

CITY OF MARYSVILLE
Marysville, Michigan

**SUPPLEMENTARY INFORMATION TO
BASIC FINANCIAL STATEMENTS**

(FEDERAL AWARDS)

FOR THE YEAR ENDED JUNE 30, 2013



CITY OF MARYSVILLE

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**INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS**

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

We have audited the financial statements of the governmental activities, business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Marysville (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 22, 2013, 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.

The accompanying schedule of expenditures of federal awards is presented for the 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 expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Stewart, Beauvais & Whipple
Certified Public Accountants

November 22, 2013

CITY OF MARYSVILLE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
<u>Passed Through St. Clair County:</u>			
Highway Safety Cluster - State and Community Highway Safety	20.600	N/A	\$ 7,861
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	N/A	<u>2,039</u>
TOTAL U.S. DEPARTMENT OF TRANSPORTATION			<u>9,900</u>
<u>U.S. ENVIRONMENTAL PROTECTION AGENCY</u>			
<u>Direct Program:</u>			
Great Lakes Program - St. Clair River Area of Concern Living Shorelines Project	66.469	GL-00E00581-0	1,301,285
Chrysler Beach Stormwater Improvements		GL-00E01106-0	<u>28,532</u>
TOTAL U.S. ENVIRONMENTAL PROTECTION AGENCY			<u>1,329,817</u>
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>			
<u>Passed Through St. Clair County:</u>			
Homeland Security Grant Program - Grant Program Year 2009	97.067	N/A	1,609
Grant Program Year 2010		N/A	11,376
Grant Program Year 2010 - Operation Stonegarden		N/A	<u>10,413</u>
TOTAL U.S. DEPARTMENT OF HOME LAND SECURITY			<u>23,398</u>
TOTAL FEDERAL AWARDS			<u>\$ 1,363,115</u>

See Notes to Schedule of Expenditures of Federal Awards

CITY OF MARYSVILLE

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of City of Marysville (the "City") for the year ended June 30, 2013. Expenditures reported on the Schedule are reported on the same basis of accounting, the modified accrual basis, as the 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, *Cost Principles for State, Local, and Indian Tribal Governments*, 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 financial statements.

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, if applicable, of the City.

NOTE 2 - NONCASH ASSISTANCE:

The value of the noncash assistance (equipment) received was determined in accordance with the provisions of OMB Circular A-133. Information on the value of the equipment received was provided by the pass-thru entity.

NOTE 3 - RECONCILIATION TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS:

Balance per Basic Financial Statements -	
Intergovernmental revenue - Federal/State	\$ 2,926,916
Less: State revenues	(1,589,611)
Deferred revenue in prior year	(14,991)
Add: Deferred revenue in current year	34,937
Equipment received	<u>5,864</u>
	<u>\$ 1,363,115</u>

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENTAL AUDITING STANDARDS***

To the Honorable Mayor and Members
of the City Council
City of Marysville
Marysville, 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 City of Marysville, Michigan, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise City of Marysville's basic financial statements, and have issued our report thereon dated November 22, 2013. Our report includes a reference to other auditors who audited the financial statements of City of Marysville Housing Commission, as described in our report on City of Marysville, Michigan's financial statements. This report does not include the results of the other auditor's 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 City of Marysville'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 City of Marysville's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Marysville's internal control.

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 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 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 2013-01 to be a material weakness.

Compliance and Other Matters

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

We noted certain other matters that we reported to management of City of Marysville in a separate letter dated November 22, 2013.

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.


Certified Public Accountants

November 22, 2013

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

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

Report on Compliance for Each Major Program

We have audited City of Marysville's compliance 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 City of Marysville's major federal programs for the year ended June 30, 2013. City of Marysville's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

City of Marysville's basic financial statements include the operations of the City of Marysville Housing Commission, component unit, which received \$138,140 in federal awards which is not included in the City's schedule of expenditures of federal awards during the year ended June 30, 2013. Our audit, described below, did not include the federal awards of City of Marysville Housing Commission because other auditors were engaged to perform an audit in accordance with OMB Circular A-133.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of City of Marysville'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 City of Marysville'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 City of Marysville's compliance.

Opinion on Each Major Federal Program

In our opinion, City of Marysville 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 City of Marysville 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 City of Marysville'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 City of Marysville'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.

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.



Certified Public Accountants

November 22, 2013

CITY OF MARYSVILLE

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

Section I - Summary Of Auditor's Results:

Financial Statements

Type of auditor's report issued: Unmodified

Internal controls over financial reporting:
Material weakness(es) identified? yes no
Significant deficiency(ies) identified 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 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 Circular A - 133, Section 510(a)? yes no

Identification of Major Program:

CFDA Number(s) Name of Federal Program or Cluster
CFDA #66.469 Great Lakes Program

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

Auditee qualified as low-risk auditee? yes no

Section II - Financial Statement Findings:

2013-01

Program - This Financial Statement Finding did not have an effect on Federal Awards

Type: Material internal control weakness over financial reporting.

Condition: Investments in the City's retirement funds were not reconciled to the general ledger on a timely basis.

Criteria: Internal controls should be designed to provide adequate controls over the City's asset, including procedures that would detect any errors or irregularities.

Cause: Due to limited staff and related time constraints, reconciliations of the investments were not performed during the year but only at the end of the year.

Effect: Errors, intentional or otherwise, may occur and not be detected in a timely manner.

Recommendation: We recommend that the City reconcile the retirement fund investment portfolio to the City's general ledger on a monthly basis, with any differences investigated.

View of responsible officials and planned corrective actions: Procedures have been implemented to reconcile retirement fund investments on a timely basis in the same manner as all other City bank accounts and investment funds. Any questionable transactions will be investigated and resolved.

Section III - Federal Award Findings and Questioned Costs:

There were no federal award findings and questioned costs.

Section IV - Prior Years Findings and Questioned Costs:

None.