

City of Battle Creek, Michigan

Year Ended
June 30, 2017

Single Audit Act
Compliance

CITY OF BATTLE CREEK, MICHIGAN

Table of Contents

	<u>Page</u>
Independent Auditors' Report on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance	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 the Major Federal Program and Internal Control over Compliance Required by the Uniform Guidance	7
Schedule of Findings and Questioned Costs	9
Summary Schedule of Prior Audit Findings	11



**Independent Auditors' Report on the Schedule of Expenditures of Federal Awards
Required by the Uniform Guidance**

December 22, 2017

Honorable Mayor and Members
of the City Commission
City of Battle Creek, 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 Battle Creek, Michigan* (the "City") as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated December 20, 2017, 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 purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (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 schedule of expenditure of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.



CITY OF BATTLE CREEK, MICHIGAN

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2017

Federal Agency / Cluster / Program Title	CFDA Number	Passed Through	Pass-through / Grantor Number	Total Subawards	Federal Expenditures
U.S. Department of Housing and Urban Development					
Community Development Block Grant/Entitlement Grant Cluster:					
Community Development Block Grant 2014/2015	14.218	Direct	B-14-MC-26-0002	\$ -	\$ 134,321
Community Development Block Grant 2015/2016	14.218	Direct	B-15-MC-26-0002	-	135,838
Community Development Block Grant 2016/2017	14.218	Direct	B-16-MC-26-0002	-	549,630
				<u>-</u>	<u>819,789</u>
Home Investment Partnership:					
Program year 2015/2016	14.239	Direct	M-15-MC-26-0203	98,699	98,699
Program year 2016/2017	14.239	Direct	M-16-MC-26-0203	79,637	131,615
				<u>178,336</u>	<u>230,314</u>
Public and Indian Housing Drug Elimination	14.872	BCHC	-n/a-	-	45,000
Total U.S. Department of Housing and Urban Development				<u>178,336</u>	<u>1,095,103</u>
U.S. Department of Justice					
Bulletproof Vest Grant Program:					
Program year 2015	16.607	Direct	-n/a-	-	7,758
Program year 2016	16.607	Direct	-n/a-	-	5,892
				<u>-</u>	<u>13,650</u>
Edward Byrne Memorial Justice Assistance Grant Program:					
2013 Justice Assistance Grant	16.738	Direct	2013-DJ-BX-0602	3,080	16,352
2014 Justice Assistance Grant	16.738	Direct	2014-DJ-BX-0461	-	7,871
2015 Justice Assistance Grant	16.738	Direct	2015-DJ-BX-0793	18,183	18,183
				<u>21,263</u>	<u>42,406</u>
2014 Byrne Criminal Justice Innovation Program	16.817	Direct	2014-AJ-BX-0004	-	405
2016 Byrne Criminal Justice Innovation Program	16.817	Direct	2016-AJ-BX-0006	11,677	17,108
				<u>11,677</u>	<u>17,513</u>
Total U.S. Department of Justice				<u>32,940</u>	<u>73,569</u>

continued...

CITY OF BATTLE CREEK, MICHIGAN

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2017

Federal Agency / Cluster / Program Title	CFDA Number	Passed Through	Pass-through / Grantor Number	Total Subawards	Federal Expenditures
U.S. Department of Transportation					
Federal Transit Cluster:					
FY 2013 - Surface Transportation	20.507	Direct	MI-95-X096-00	\$ -	\$ 61,437
FY 2017 - 5307 Operating Assistance	20.507	Direct	MI-2017-017-00	-	1,056,508
				<u>-</u>	<u>1,117,945</u>
2013 Section 5339 Bus and Bus Facilities Formula	20.526	MDOT	MI-34-0003-00	-	6,090
2015 Section 5339 Bus and Bus Facilities Formula	20.526	MDOT	MI-34-0003-03	-	20,960
				<u>-</u>	<u>27,050</u>
Total Federal Transit Cluster				-	<u>1,144,995</u>
Total U.S. Department of Transportation					
				-	<u>1,144,995</u>
U.S. Environmental Protection Agency					
Capitalization Grants for Drinking Water State Revolving Funds:					
Program year 2015/2016	66.468	MDEQ	-n/a-	-	9,779
Program year 2016/2017	66.468	MDEQ	-n/a-	-	16,081
				<u>-</u>	<u>25,860</u>
Brownfields Assessment	66.818	Direct	BF-00E01223-0	-	10,718
Brownfields RLF Grant	66.818	Direct	BF-00E01158-0	-	127,454
				<u>-</u>	<u>138,172</u>
Total U.S. Environmental Protection Agency					
				-	<u>164,032</u>
U.S. Department of Homeland Security					
Emergency Management Performance:					
Program year 2015/2016	97.042	MSP	EMC-2016-EP-00001-S01	-	9,050
Program year 2016/2017	97.042	MSP	EMW-2017-EP-00001-S01	-	32,206
				<u>-</u>	<u>41,256</u>
2013 Assistance to Firefighters Grant Program	97.044	Direct	EMW-2013-FO-05816	-	1,055
2014 Assistance to Firefighters Grant Program	97.044	Direct	EMW-2014-FO-06731	-	17,807
				<u>-</u>	<u>18,862</u>
2014 Homeland Security Grant Program - SHSP	97.067	MSP	-n/a-	-	37,174
2015 Homeland Security Grant Program - SHSP	97.067	MSP	-n/a-	-	6,034
2016 Homeland Security Grant Program - SHSP	97.067	MSP	-n/a-	-	2,433
				<u>-</u>	<u>45,641</u>
Total U.S. Department of Homeland Security					
				-	<u>105,759</u>
Total Expenditures of Federal Awards				<u>\$ 211,276</u>	<u>\$ 2,583,458</u>

concluded.

See notes to schedule of expenditures of federal awards.

CITY OF BATTLE CREEK, 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 Battle Creek, Michigan* (the "City") under programs of the federal government for the year ended June 30, 2017. The information in this 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* (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.

The City's reporting entity is defined in Note 1 of the City's comprehensive annual financial report.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual and modified accrual basis of accounting based on fund type, which is described in Note 1 to the City's financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

For purposes of charging indirect costs to federal awards, the City has elected not to use the 10% de minimis cost rate as permitted by §200.414 of the Uniform Guidance.

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
BCHC	Battle Creek Housing Commission
MDEQ	Michigan Department of Environmental Quality
MDOT	Michigan Department of Transportation
MSP	Michigan State Police



**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***

December 22, 2011

Honorable Mayor and Members
of the City Commission
City of Battle Creek, 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 Battle Creek, Michigan* (the "City") as of and for the year ended June 30, 2017, 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 22, 2017.

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.

Rehmann Lobson LLC

**Independent Auditors' Report on Compliance for the Major Federal Program
and Internal Control over Compliance Required by the Uniform Guidance**

December 22, 2017

Honorable Mayor and Members
of the City Commission
City of Battle Creek, Michigan

Report on Compliance for the Major Federal Program

We have audited the compliance of the *City of Battle Creek, Michigan* (the "City") with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the City's major federal program for the year ended June 30, 2017. 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 programs.

Independent Auditors' Responsibility

Our responsibility is to express an opinion on compliance for the City's major federal program 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 requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (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 the major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on the 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 its major federal program for the year ended June 30, 2017.

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 the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the 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 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Rehmann Johnson LLC". The signature is written in a cursive, flowing style.

CITY OF BATTLE CREEK, MICHIGAN

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2017

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 2 CFR 200.516(a)? _____ yes X no

Identification of major program:

CFDA Number Name of Federal Program or Cluster

20.507, 20.526 Federal Transit Cluster

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

Auditee qualified as low-risk auditee? X yes _____ no

CITY OF BATTLE CREEK, MICHIGAN

■ Schedule of Findings and Questioned Costs For the Year Ended June 30, 2017

SECTION II - FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.



CITY OF BATTLE CREEK, MICHIGAN

Summary Schedule of Prior Audit Findings

For the Year Ended June 30, 2017

No matters were reported.

