

City of Battle Creek, Michigan

Year Ended
June 30, 2015

Single Audit Act
Compliance

CITY OF BATTLE CREEK, MICHIGAN

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**INDEPENDENT AUDITORS' REPORT ON THE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
REQUIRED BY OMB CIRCULAR A-133**

December 22, 2015

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, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated December 22, 2015, 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 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 basic 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.

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CITY OF BATTLE CREEK, MICHIGAN

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2015

Federal Agency / Cluster / Program Title	CFDA Number	Passed Through	Pass-through / Grantor Number	Federal Expenditures
U.S. Department of Housing and Urban Development				
Community Development Block Grant/Entitlement Grant:				
Community Development Block Grant 2013/2014	14.218	Direct	B-13-MC-26-0002	\$ 315,788
Community Development Block Grant 2014/2015	14.218	Direct	B-14-MC-26-0002	769,838
				<u>1,085,626</u>
Home Investment Partnership:				
Program year 2012/2013	14.239	Direct	M-12-MC-26-0203	19,589
Program year 2013/2014	14.239	Direct	M-13-MC-26-0203	54,825
Program year 2014/2015	14.239	Direct	M-14-MC-26-0203	96,181
				<u>170,595</u>
Public and Indian Housing Drug Elimination	14.872	BCHC	-n/a-	<u>95,699</u>
Total U.S. Department of Housing and Urban Development				<u>1,351,920</u>
U.S. Department of Justice				
Bulletproof Vest Grant Program:				
Program year 2012	16.607	Direct	-n/a-	1,043
Program year 2013	16.607	Direct	-n/a-	2,183
Program year 2014	16.607	Direct	-n/a-	1,366
				<u>4,592</u>
Edward Byrne Memorial Justice Assistance Grant Program:				
2011 Justice Assistance Grant	16.738	Direct	2011-DJ-BX-3107	42,078
2012 Justice Assistance Grant	16.738	Direct	2012-DJ-BX-0252	22,242
2013 Justice Assistance Grant	16.738	Direct	2013-DJ-BX-0602	10,855
2014 Justice Assistance Grant	16.738	Direct	2014-AJ-BX-0004	45,237
				<u>120,412</u>
Public Safety Partnership and Community Policing Grants	16.710	Direct	2009-RX-WX-0437	<u>234,678</u>
Total U.S. Department of Justice				<u>359,682</u>

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CITY OF BATTLE CREEK, MICHIGAN

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2015

Federal Agency / Cluster / Program Title	CFDA Number	Passed Through	Pass-through / Grantor Number	Federal Expenditures
U.S. Department of Transportation				
ARRA - Capital 2009	20.507	Direct	MI-96-X018-00	\$ 33,398
Congestion Mitigation and Air Quality Improvement (CMAQ)	20.507	Direct	MI-95-X095-01	120,000
FY 2013 - Surface Transportation	20.507	Direct	MI-95-X096-00	30,691
FY 2015 - 5307 Operating Assistance	20.507	Direct	MI-90-X697-00	1,024,784
2013 Section 5339 Bus and Bus Facilities Formula	20.526	MDOT	MI-34-0003-00	38,658
2014 Section 5339 Bus and Bus Facilities Formula	20.526	MDOT	MI-34-0003-02	15,078
				<u>1,262,609</u>
2014 Section 5316 Job Access and Reverse Commute Program	20.516	MDOT	MI-37-X037-02	<u>(4,828)</u>
Total U.S. Department of Transportation				<u>1,257,781</u>
U.S. Environmental Protection Agency				
Brownfields Assessment	66.818	Direct	BF-00E01223-0	116,824
Brownfields RLF Grant	66.818	Direct	BF-00E01158-0	9,911
				<u>126,735</u>
Capitalization Grants for Drinking Water State Revolving Funds:				
Program year 2013/2014	66.468	MDEQ	-n/a-	10,321
Program year 2014/2015	66.468	MDEQ	-n/a-	27,722
				<u>38,043</u>
Total U.S. Environmental Protection Agency				<u>164,778</u>
U.S. Department of Homeland Security				
Emergency Management Performance:				
Program year 2013/14	97.042	MSP	EMW-2014-EP-00023-S01	11,570
Program year 2014/15	97.042	MSP	EMW-2015-EP-00029-S01	29,762
				<u>41,332</u>
2011 Homeland Security Grant Program - SHSP	97.067	MSP	-n/a-	18,953
2012 Homeland Security Grant Program - SHSP	97.067	MSP	-n/a-	18,585
2013 Homeland Security Grant Program - SHSP	97.067	MSP	-n/a-	46,230
2014 Homeland Security Grant Program - SHSP	97.067	MSP	-n/a-	2,355
				<u>86,123</u>
2013 Assistance to Firefighters Grant Program	97.044	Direct	-n/a-	<u>71,016</u>
Total U.S. Department of Homeland Security				<u>198,471</u>
U.S. Department of Health and Human Services				
Help America Vote Act - HAVA	93.617	MDS	-n/a-	<u>2,520</u>
Total expenditures of federal awards				<u>\$ 3,335,152</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, 2015. 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 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 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. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. 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
BCHC	Battle Creek Housing Commission
MDEQ	Michigan Department of Environmental Quality
MDOT	Michigan Department of Transportation
MDS	Michigan Department of State
MSP	Michigan State Police

CITY OF BATTLE CREEK, MICHIGAN

■ Notes to Schedule of Expenditures of Federal Awards

■ 4. SUBRECIPIENTS

The City administers certain federal awards programs through subrecipients. Those subrecipients are not considered part of the City's reporting entity. Of the federal expenditures presented in the Schedule, the City provided federal awards to subrecipients as follows:

Program Title	CFDA Number	Amount Provided to Subrecipients
Home Investment Partnership Program	14.239	\$ 131,940
Edward Byrne Memorial Justice Assistance Program	16.738	<u>18,968</u>
		<u><u>\$ 150,908</u></u>

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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, 2015

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, 2015, 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, 2015.

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.

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

December 22, 2015

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

Report on Compliance for Each 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 *2 CFR 200 Compliance Supplement* that could have a direct and material effect on each of the City's major federal program for the year ended June 30, 2015. 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 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 its major federal program for the year ended June 30, 2015.

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 the 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.

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CITY OF BATTLE CREEK, MICHIGAN

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2015

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? _____ yes no

Significant deficiency(ies) identified? _____ 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? _____ yes 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 no

Identification of major programs:

CFDA Number Name of Federal Program or Cluster

20.507 and 20.526 Federal Transit 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 BATTLE CREEK, MICHIGAN

■ Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2015

SECTION II - FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

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CITY OF BATTLE CREEK, MICHIGAN

■ **Summary Schedule of Prior Audit Findings**

For the Year Ended June 30, 2015

No matters were reported.

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