

City of Flint, Michigan

Single Audit Report

June 30, 2017

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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 Auditors' Report

Receivership Transition Advisory Board, Honorable Mayor and Members of City Council
City of Flint, 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 Flint, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise City of Flint's basic financial statements, and have issued our report thereon dated December 18, 2017. The financial statements of Hurley Medical Center, Downtown Development Authority, and the Flint Area Enterprise Community were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with Hurley Medical Center, Downtown Development Authority, and the Flint Area Enterprise Community.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Flint'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Flint's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Flint'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 City of Flint'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 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.

Yeo & Yeo, P.C.
December 18, 2017
Flint, MI



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Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

Independent Auditors' Report

Receivership Transition Advisory Board, Honorable Mayor and Members of City Council
City of Flint, Michigan

Report on Compliance for Each Major Federal Program

We have audited City of Flint, Michigan's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of City of Flint, Michigan's major federal programs for the year ended June 30, 2017. City of Flint, Michigan's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

The City of Flint, Michigan's basic financial statement include the operations of Hurley Medical Center, which received \$178,425 in federal awards which are included in the schedule during the year ended June 30, 2017. Our audit, described below, did not include the operations of Hurley Medical Center because Hurley Medical Center engaged other auditors to perform an audit.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of City of Flint, Michigan'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 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 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 City of Flint, 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 on compliance for each major federal program. However, our audit does not provide a legal determination of City of Flint, Michigan's compliance.

Unmodified Opinion on the Major Federal Program

In our opinion, City of Flint, Michigan 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 identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2017.

Report on Internal Control Over Compliance

Management of City of Flint 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 Flint'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 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 City of Flint'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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

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 City of Flint, Michigan as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise City of Flint, Michigan's basic financial statements. We issued our report thereon dated December 18, 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 required by the Uniform Guidance are presented for purposes of additional analysis and are 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 are fairly stated in all material respects in relation to the basic financial statements as a whole.

Yeo & Yeo, P.C.

January 17, 2018
Flint, Michigan

City of Flint, Michigan
Schedule of Expenditures of Federal Awards
June 30, 2017

Federal Grantor	Federal CFDA #	Federal Assistance ID Number	Federal Grant Amount	Expenditures	Amount Paid to Subrecipients
U.S. Department of Agriculture Forest Service					
Direct Program:					
Urban & Community Forestry Program	10.675	13-DG-11420004-020	\$ 850,000	\$ 158,692	\$ -
U.S. Department of Commerce - Economic Development Administration					
Direct Program:					
Economic Development Cluster:					
Title IX Revolving Loan Fund - Program Income	11.307	N/A	1,500,000	1,498,702	-
U.S. Department of Housing and Urban Development					
Direct Program:					
Community Development Block Grant - Entitlement Grant Cluster:					
Community Development Block Grants/Entitlement Grants - 2012 & prior	14.218	B-10-MC-260018	3,946,525	83,210	34,257
Community Development Block Grants/Entitlement Grants - 2013	14.218	B-12-MC-260018	3,579,331	81,408	72,483
Community Development Block Grants/Entitlement Grants - 2014	14.218	B-13-MC-260018	3,678,128	358,302	353,607
Community Development Block Grants/Entitlement Grants - 2015	14.218	B-14-MC-260018	3,629,629	590,360	522,682
Community Development Block Grants/Entitlement Grants - 2016	14.218	B-15-MC-260018	3,617,741	1,097,253	684,644
Community Development Block Grants/Entitlement Grants - 2017	14.218	B-16-MC-260018	3,615,454	1,083,077	736,521
Total Community Development Block Grant Cluster			<u>22,066,808</u>	<u>3,293,610</u>	<u>2,404,194</u>
Emergency Solutions Grant Program - 2013	14.231	E-12-MC-260018	341,759	18,441	18,441
Emergency Solutions Grant Program - 2015	14.231	E-14-MC-260018	298,806	417	417
Emergency Solutions Grant Program - 2016	14.231	E-15-MC-260018	323,533	105,288	105,288
Emergency Solutions Grant Program - 2017	14.231	E-16-MC-260018	325,669	53,059	53,059
Total Emergency Solutions Grant			<u>1,289,767</u>	<u>177,205</u>	<u>177,205</u>
Home Investment Partnerships Program - 2012 & prior	14.239	M-11-MC-260204	1,148,343	226,109	181,906
Home Investment Partnerships Program - 2014	14.239	M-13-MC-260204	725,741	20,083	20,000
Home Investment Partnerships Program - 2015	14.239	M-14-MC-260204	745,525	66,250	-
Home Investment Partnerships Program - 2016	14.239	M-15-MC-260204	666,059	70,272	63,591
Home Investment Partnerships Program - 2017	14.239	M-16-MC-260204	691,589	25,000	25,000
Total Home Investment Partnerships Program			<u>3,977,257</u>	<u>407,714</u>	<u>290,497</u>
Neighborhood Stabilization Program (Recovery Act) Program Income	14.256	B-09-CN-MI-0035	78,086	78,086	-
Choice Neighborhood Planning Grant	14.892	M15F519CNP114	500,000	107,452	-
Total Department of Housing & Urban Development			<u>27,911,918</u>	<u>4,064,067</u>	<u>2,871,896</u>

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

City of Flint, Michigan
Schedule of Expenditures of Federal Awards
June 30, 2017

Federal Grantor	Federal CFDA #	Federal Assistance ID Number	Federal Grant Amount	Expenditures	Amount Paid to Subrecipients
U.S. Department of Justice					
Passed through Flint Township:					
Edward Byrne Memorial Justice Assistance Grant Program					
Edward Byrne Memorial Justice Assistance Grant - 2013	16.738	2013-DJ-BX-0632	\$ 166,521	\$ 43,356	\$ -
Edward Byrne Memorial Justice Assistance Grant - 2014	16.738	2014-H2514MI-DJ	191,187	12,050	-
Edward Byrne Memorial Justice Assistance Grant - 2015	16.738	2015-H2814-MI-DJ	159,488	86,436	-
Total Edward Byrne Memorial Justice Assistance Grant			<u>517,196</u>	<u>141,842</u>	<u>-</u>
Direct Program:					
Sexual Assault Kit Initiative Grant	16.833	2015-AK-BX-K016	<u>2,162,652</u>	<u>243,227</u>	<u>-</u>
Total Department of Justice			<u>2,679,848</u>	<u>385,069</u>	<u>-</u>
Environmental Protection Agency					
Direct Program:					
Brownfields Assessment and Cleanup Cooperative Agreements	66.818	BR-9665501	<u>400,000</u>	<u>78,721</u>	<u>-</u>
Total Environmental Protection Agency			<u>400,000</u>	<u>78,721</u>	<u>-</u>
U.S. Department of Health and Human Services					
Passed through Genesee County:					
Blood Disorder Program: Prevention, Surveillance, and Research	93.080	CDC 16-17-429	19,500	15,288	-
Maternal and Child Health Federal Consolidated Programs	93.110	5 H30MC24047-05-00	15,000	14,893	-
Research Related to Deafness and Communication Disorders	93.173	3003741496	51,612	29,410	-
Centers for Disease Control and Prevention Investigations and Technical Assistance	93.283	E20171593-001	14,670	18,192	-
Cancer Treatment Research	93.395	N/A	12,250	12,550	-
Healthy Start Initiative	93.926	H49MC00148	<u>109,710</u>	<u>88,092</u>	<u>-</u>
			222,742	178,425	-
Passed through Genesee County:					
Maternal, Infant, and Early Childhood Home Visiting Cluster:					
Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	93.505	20160219-004	<u>768,217</u>	<u>309,548</u>	<u>-</u>

City of Flint, Michigan
Schedule of Expenditures of Federal Awards
June 30, 2017

Federal Grantor	Federal CFDA #	Federal Assistance ID Number	Federal Grant Amount	Expenditures	Amount Paid to Subrecipients
Passed through State of Michigan:					
Medicaid Cluster:					
Medical Assistance Program	93.778	1705MI5ADM	\$ 7,888,800	\$ 1,253,227	\$ -
Americorps State and National	94.006	MACF-16-25500	288,119	11,728	11,728
Operation AmeriCorps	94.025	MACF-17-25500	450,590	315,308	315,308
Total AmeriCorps			<u>738,709</u>	<u>327,036</u>	<u>327,036</u>
Volunteers in Service to America	94.013	15VSNMI001	10,000	2,092	-
Total Department of Health and Human Services			<u>9,628,468</u>	<u>2,070,328</u>	<u>327,036</u>
U.S. Department of Homeland Security					
Direct Program:					
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	EMW-2015-FH-00796	3,767,280	570,434	-
Total Department of Homeland Security			<u>3,767,280</u>	<u>570,434</u>	<u>-</u>
Total Federal Assistance			<u>\$ 46,737,514</u>	<u>\$ 8,826,013</u>	<u>\$ 3,198,932</u>

City of Flint, Michigan
Notes to the Schedule of Expenditures of Federal Awards
June 30, 2017

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of City of Flint, Michigan 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 City of Flint, Michigan, it is not intended to and does not present the financial position, changes in net assets, or cash flows of City of Flint, Michigan.

Note 2 - Summary of Significant Accounting Policies

Expenditures

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles contained in the Uniform Guidance or OMB Circular A-87 *Cost Principles for State, Local and Indian Tribal Governments* where certain types of expenditures are not allowable or are limited as to reimbursement.

Indirect Cost Rate

City of Flint has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 3 - Reconciliation to the Financial Statements

Expenditures per the Schedule of Expenditures of Federal Awards	\$ 8,826,013
Title IX grant based on grant allocation formula (not actual expenses)	(1,498,702)
Expenditures not drawn within 60 days (unavailable revenue)	(1,238,295)
Expenditures reported on subrecipient records	(178,425)
Section 108 loans in default	294,810
Prior year unavailable revenue recognized	831,160
Federal Revenue per the Financial Statements	<u>\$ 7,036,561</u>

Note 4 - Grant Awards Exceeding Expenditures

Expenditures reported under CFDA # 11.307 - Title IX Revolving Loan Fund exceed the original grant amount due to the revolving nature of this grant. The original grant amount received from federal agencies is \$1,500,000, however as additional loans are granted, the formula used to calculate federal expenditures can result in total expenditures exceeding the original grant award.

City of Flint, Michigan
Schedule of Findings and Questioned Costs
June 30, 2017

SECTION I – SUMMARY OF AUDITORS’ RESULTS

Type of auditors’ report issued on the financial statements: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No

- Significant deficiency(ies) identified that are not considered to be material weakness(es)? _____ 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 that are not considered to be material weakness(es)? _____ 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 section§200.516(a)?

_____ Yes X No

City of Flint, Michigan
Schedule of Findings and Questioned Costs
June 30, 2017

Identification of major programs:

CFDA Number(s)

Name of Federal Program or Cluster

14.218
93.778

Community Development Block Grant Cluster
Medical Assistance Program

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

\$750,000

Auditee qualified as low-risk auditee?

Yes No

City of Flint, Michigan
Schedule of Findings and Questioned Costs
June 30, 2017

SECTION II – GOVERNMENT AUDITING STANDARDS FINDINGS

There were no *Government Auditing Standards* findings for the year ended June 30, 2017.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no findings or questioned costs for Federal Awards for the year ended June 30, 2017.

City of Flint, Michigan
Schedule of Prior Year Findings and Questioned Costs
June 30, 2017

SECTION IV – PRIOR AUDIT FINDINGS

GOVERNMENT AUDITING STANDARDS FINDINGS

2016-001, 2015-002, 2014-002 – Significant Deficiency – Capital Asset Maintenance

Criteria: The City should have a process in place in which all capital asset schedules, including additions and disposals, are reviewed and agreed to support to ensure that the amounts recorded are correct. As a part of this process, the City should also review all expenditure accounts to ensure that all additions have been properly identified and review all proceed accounts to ensure that all disposals have been recorded. Also, as the City posts the entries for asset additions to the general ledger, they should ensure that the expense account is appropriately relieved in the full accrual funds.

Condition: Capital assets was not fully reconciled at the start of fieldwork and several subsequent adjustments were necessary after client schedules were provided.

Current Year Status: RESOLVED

City of Flint, Michigan
Schedule of Prior Year Findings and Questioned Costs
June 30, 2017

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2016-002 – Material Weakness and Noncompliance – Lack of Timely Implementation of Uniform Grant Guidance

Program information – Community Development Block Grant Entitlement Grants Cluster, U.S. Department of Housing and Urban Development (HUD), CFDA #14.218; Emergency Shelter Grant, U.S. Department of Housing and Urban Development (HUD), CFDA #14.231; HOME Investment Partnership Program, U.S. Department of Housing and Urban Development (HUD), CFDA #14.239

Specific Requirement – The City should have written policies and procedures satisfying all applicable requirements as described in 2 CFR 200 as a precondition to receive federal funds.

Criteria – During 2015, HUD provided transition guidance concerning 2 CFR 200, which required grant agreements for some HUD programs (e.g., Community Development Block Grant, HOME Investment Partnerships, Emergency Solutions Grants) to incorporate the regulations of CFR part 200 for these grants as of December 26, 2014.

Condition – The process undertaken by the City to implement Uniform Grant Guidance under 2 CFR 200, and the creation of revised written procedures addressing the new requirements described by 2 CFR 200, were not provided.

Current Year Status: RESOLVED