

**City of Rochester Hills**

**Single Audit**

**December 31, 2020**



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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**

Management and the City Council  
City of Rochester Hills  
Rochester Hills, 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 Rochester Hills, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the City of Rochester Hills' basic financial statements, and have issued our report thereon dated April 26, 2021. Our report includes a reference to other auditors who audited the financial statements of Rochester Hills-Oakland-Rochester Older Persons' Commission, which represents 66 percent, 74 percent, and 58 percent of the assets and deferred outflows of resources, net position, and revenue of the discretely presented component units, as described in our report on the City of Rochester Hills' financial statements. This report includes our consideration of the results of the other auditors' testing of internal control over financial reporting and compliance and other matters that are reported on separately by those other auditors. However, this report, insofar as it relates to the results of the other auditors, is based solely on the reports of the other auditors. The financial statements of Rochester Hills-Oakland-Rochester Older Persons' Commission were not audited in accordance with *Government Auditing Standards*.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of Rochester Hills' 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 of Rochester Hills' internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Rochester Hills' 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 of Rochester Hills' 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.*

Auburn Hills, Michigan  
April 26, 2021



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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**

Management and the City Council  
City of Rochester Hills  
Rochester Hills, Michigan

#### **Report on Compliance for Each Major Federal Program**

We have audited the City of Rochester Hills' (the City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2020. The City's major federal programs are 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.

#### **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 the audit 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 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 each of its major federal programs for the year ended December 31, 2020.

## **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 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 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.

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 the City, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated April 26, 2021, which contained unmodified opinions on those financial statements. We did not audit the financial statements of Rochester Hills-Oakland-Rochester Older Persons' Commission, which represents 66 percent, 74 percent, and 58 percent of the assets and deferred outflows of resources, net position, and revenue of the discretely presented component units. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinions, insofar as they relate to the amounts included for Rochester Hills-Oakland-Rochester Older Persons' Commission are based solely on the report of the other auditors.

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

*Yeo & Yeo, P.C.*

Auburn Hills, Michigan  
April 26, 2021

**City of Rochester Hills**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2020**

	<u>Federal CFDA Number</u>	<u>Federal or Pass-Through Grant Number</u>	<u>Federal Expenditures</u>
<b>U.S. Department of Housing and Urban Development</b>			
Passed through County of Oakland			
CDBG Entitlement Grants Cluster			
Community Development Block Grant/Entitlement Grants 2018	14.218	B-18-MC-26-0002	\$ 19,683
Community Development Block Grant/Entitlement Grants 2019	14.218	B-19-MC-26-0002	<u>121,378</u>
Total CDBG Entitlement Grants Cluster			<u>141,061</u>
Total U.S. Department of Housing and Urban Development			<u>141,061</u>
<b>U.S. Department of Interior</b>			
Passed through Michigan Department of Natural Resources			
Outdoor Recreation Acquisition, Development and Planning	15.916	26-01788	<u>59,938</u>
<b>U.S. Department of Treasury</b>			
Passed through Michigan Department of Treasury			
Coronavirus Relief Fund			
COVID-19 - Public Safety Public Health Payroll Reimbursement Program	21.019	SLT0040 & SLT0247	760,328
COVID-19 - Coronavirus Relief Local Governments Grants	21.019	63-2185-CRLGG	65,034
Passed through County of Oakland			
Coronavirus Relief Fund			
COVID-19 - Interlocal agreement	21.019	SLT0202	1,719,423
Passed through Wayne Metropolitan Community Action Agency			
Coronavirus Relief Fund			
COVID-19 - SB690 Water Arrearage Assistance Program	21.019	2020	<u>70,981</u>
Total Coronavirus Relief Fund			<u>2,615,766</u>
Total U.S. Department of Treasury			<u>2,615,766</u>
<b>U.S. Department of Health and Human Services</b>			
COVID-19 - Provider Relief Funds	93.498	N/A	<u>54,947</u>
<b>U.S. Office of National Drug Control Policy</b>			
Passed through County of Oakland			
High Intensity Drug Trafficking Areas Program	95.001	2020	<u>4,875</u>
<b>U.S. Department of Homeland Security</b>			
COVID-19 - Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	144834	<u>117,864</u>
COVID-19 - Assistance to Firefighters Grant	97.044	EMW-2020-FG-03059	<u>77,691</u>
Staffing for Adequate Fire & Emergency Response (SAFER)	97.083	EMW-2018-FH-00166	<u>378,058</u>
Total U.S. Department of Homeland Security			<u>573,613</u>
<b>Total Expenditures of Federal Awards</b>			<u>\$ 3,450,200</u>

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

**City of Rochester Hills**  
**Notes to the Schedule of Expenditures of Federal Awards**  
**December 31, 2020**

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**Note 1 - Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the City of Rochester Hills under programs of the federal government for the year ended December 31, 2020. 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 of Rochester Hills, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City of Rochester Hills.

**Note 2 - Summary of Significant Accounting Policies**

**Expenditures**

Expenditures reported on the Schedule are reported on the accrual or modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance where certain types of expenditures are not allowable or are limited as to reimbursement.

**Indirect Cost Rate**

The City of Rochester Hills has elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**Note 3 - Reconciliation to the Financial Statements**

Federal revenue per the governmental funds	\$	2,372,122
Federal revenue per the proprietary funds		<u>231,791</u>
Total federal revenue per the financial statements		2,603,913
Reconciling items		
Change in deferred inflows of resources		488,499
Federal revenue included in other governmental revenues		
in the governmental funds		<u>357,788</u>
Total expenditures of federal awards	\$	<u><u>3,450,200</u></u>

**Note 4 - Other Federal Revenue**

The City is an indirect beneficiary of federal funds that are expended directly by the Michigan Department of Transportation. These expenditures (which totaled \$593,221 for the year ended December 31, 2020) are included in the single audit for the State of Michigan.

**Note 5 - Personal Protective Equipment (unaudited)**

Personal protective equipment that was originally purchased with Federal assistance with a fair market value of \$18,665 was donated to the City.



**City of Rochester Hills**  
**Schedule of Findings and Questioned Costs**  
**December 31, 2020**

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**Section II – *Government Auditing Standards* Findings**

There were no *Government Auditing Standards* findings for the year ended December 31, 2020.

**Section III – Federal Award Findings**

There were no findings or questioned costs for Federal Awards for the year ended December 31, 2020.

**City of Rochester Hills**  
**Summary Schedule of Prior Audit Findings**  
**December 31, 2020**

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**Section IV – Prior Audit Findings**

***Government Auditing Standards Findings***

There were no *Government Auditing Standards* findings for the year ended December 31, 2019.

**Federal Award Findings**

There were no findings or questioned costs for Federal Awards for the year ended December 31, 2019.