

**City of Saginaw**

**Single Audit**

**June 30, 2021**



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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**

Honorable Mayor and Members of City Council  
City of Saginaw  
Saginaw, 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 Saginaw (the City), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 23, 2021.

#### **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 opinion 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the accompanying scheduling of findings and questioned costs as item 2021-001 that we consider to be a material weakness.

## **Compliance and Other Matters**

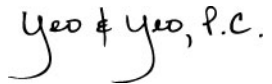
As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect 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*.

## **City of Saginaw's Response to Findings and Corrective Action Plan**

The City's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs and corrective action plan. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## **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.



Saginaw, Michigan  
November 23, 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**

Honorable Mayor and Members of City Council  
City of Saginaw  
Saginaw, Michigan

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

We have audited the City of Saginaw's (the City'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 the City's major federal programs for the year ended June 30, 2021. 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 June 30, 2021.

### **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 June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated November 23, 2021, 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 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.*

Saginaw, Michigan  
November 23, 2021

**City of Saginaw**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2021**

	Assistance Listing Number	Federal or Pass-Through Grant Number	Award Amount	Federal Expenditures	Current Year Cash Transferred To Subrecipients
<b>U.S. Department of Housing and Urban Development</b>					
Community Development Block Grant Entitlement Cluster					
Community Development Block Grant Entitlement 2014	14.218	B-14-MC-260028	\$ 2,058,758	\$ 494,019	\$ -
Community Development Block Grant Entitlement 2015	14.218	B-15-MC-260028	2,033,500	19,178	-
Community Development Block Grant Entitlement 2016	14.218	B-16-MC-260028	1,987,374	126,076	-
Community Development Block Grant Entitlement 2018	14.218	B-18-MC-260028	2,142,651	47,925	47,925
Community Development Block Grant Entitlement 2019	14.218	B-19-MC-260028	2,126,460	323,419	5,340
Community Development Block Grant Entitlement 2020	14.218	B-20-MC-260028	2,162,219	1,366,044	510,957
Community Development Block Grant Entitlement COVID	14.218	B-20-MW-260028	1,272,030	148,033	138,191
Total Community Development Block Grant Entitlement Cluster			<u>13,782,992</u>	<u>2,524,694</u>	<u>702,413</u>
Emergency Shelter Grants Program					
Stewart McKinney Homeless Assistance 2019	14.231	E-19-MC-260028	181,809	31,688	31,688
Stewart McKinney Homeless Assistance 2020	14.231	E-20-MC-260028	186,847	143,196	143,196
Stewart McKinney Homeless Assistance COVID	14.231	E-20-MW-260028	644,300	96,073	96,073
Total Stewart McKinney Homeless Assistance			<u>1,012,956</u>	<u>270,957</u>	<u>270,957</u>
Home Investment Partnerships Program					
City of Saginaw HOME programs 2015	14.239	M-15-MC-260212	309,647	13,286	13,286
City of Saginaw HOME programs 2016	14.239	M-16-MC-260212	321,812	27,229	27,229
City of Saginaw HOME programs 2017	14.239	M-17-MC-260212	303,515	50,053	50,053
City of Saginaw HOME programs 2018	14.239	M-18-MC-260212	440,562	43,093	43,093
City of Saginaw HOME programs 2019	14.239	M-19-MC-260212	397,542	80,163	80,163
City of Saginaw HOME programs 2020	14.239	M-20-MC-260212	437,069	154,164	154,164
Total Home Investment Partnerships Program			<u>2,210,147</u>	<u>367,988</u>	<u>367,988</u>
Total U.S. Department of Housing and Urban Development			<u>17,006,095</u>	<u>3,163,639</u>	<u>1,341,358</u>
<b>U.S. Department of the Interior</b>					
FWS National Wildlife Refuge Fund	15.659	2020	<u>886</u>	<u>880</u>	<u>-</u>
<b>U.S. Department of Justice</b>					
Coronavirus Emergency Supplemental Funding Program	16.034	2020-VD-BX-1872	<u>184,048</u>	<u>119,298</u>	<u>-</u>
Crime Victim Assistance/Discretionary Grants	16.582	2019-V3-GX-0068	<u>276,000</u>	<u>83,934</u>	<u>-</u>
Bullet Proof Vest Program	16.607	2016	<u>8,750</u>	<u>5,536</u>	<u>-</u>

See Accompanying Notes to the Schedule of Expenditures of Federal Awards



**City of Saginaw**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2021**

	Assistance Listing Number	Federal or Pass-Through Grant Number	Award Amount	Federal Expenditures	Current Year Cash Transferred To Subrecipients
Project Safe Neighborhoods	16.609	2014-GP-BX-0005	\$ 135,992	\$ 27,883	\$ -
Passed through Saginaw County					
Byrne Justice Assistance Grant - JAG Program	16.738	2018-H2742-MI-DJ	30,366	30,366	-
Byrne Justice Assistance Grant - JAG Program	16.738	2019-H2742-MI-DJ	28,562	28,562	-
Direct award					
Byrne Justice Assistance Grant - JAG Program	16.738	2019-WY-BX-0003	646,706	79,344	-
Total Byrne Justice Assistance Grant - JAG Program			705,634	138,272	-
Total U.S. Department of Justice			1,310,424	374,923	-
<b>U.S. Department of Treasury</b>					
Passed through the Michigan Department of Treasury					
Coronavirus Relief Funds					
First Responder Hazard Pay Premiums Program (FRHPPP)	21.019	2021	68,647	68,647	-
Coronavirus Relief Local Government Grants Program (CRLGG)	21.019	2021	1,045,914	1,045,914	-
Public Safety and Public Health Payroll Reimbursement (PSPHPR)	21.019	2021	967,112	967,112	-
Total Coronavirus Relief Funds			2,081,673	2,081,673	-
<b>U.S. Department of Homeland Security</b>					
COVID Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-4494-DR-MI	82,684	82,684	-
Passed through the State of Michigan					
Assistance to Firefighters Grants	97.044	EMW-2018-FP-00214	430	430	-
Direct award					
Assistance to Firefighters Grants	97.044	FEMA-4547-DR-MI	12,411	12,411	-
Total Assistance to Firefighters Grants			12,841	12,841	-
Total U.S. Department of Homeland Security			95,525	95,525	-
Total Expenditures of Federal Awards			\$ 20,494,603	\$ 5,716,640	\$ 1,341,358

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

**City of Saginaw**  
**Notes to the Schedule of Expenditures of Federal Awards**  
**June 30, 2021**

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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 Saginaw (the City) under programs of the federal government for the year ended June 30, 2021. 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.

**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 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 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**

Grants, donations and contributions per the financial statements	\$ 11,200,898
Reconciling items	
State grants and donations and contributions	(5,885,204)
Change in deferred inflows of resources	313,773
Program income	87,173
Total expenditures of federal awards	<u>\$ 5,716,640</u>

**Note 4 - Subrecipients**

Of the federal expenditures presented in the Schedule, the City provided federal awards to subrecipients as follows:

Assistance Listing	
Number	Amount
14.218	\$ 702,413
14.231	270,957
14.239	367,988
	<u>\$ 1,341,358</u>

**City of Saginaw**  
**Schedule of Findings and Questioned Costs**  
**June 30, 2021**

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**Section I – Summary of Auditors’ Results**

*Financial Statements*

Type of report the auditor issued on whether the financial statements were prepared in accordance with Generally Accepted Accounting Principles:  
Unmodified

Internal control over financial reporting:

- |   |               |     |               |               |
|---|---------------|-----|---------------|---------------|
| • Material weakness(es) identified?                   | <u>  X  </u>  | yes | <u>      </u> | no            |
| • Significant deficiency(ies) identified              | <u>      </u> | yes | <u>  X  </u>  | none reported |
| Noncompliance material to financial statements noted? | <u>      </u> | yes | <u>  X  </u>  | no            |

*Federal Awards*

Internal control over major federal programs:

- |  |               |     |              |               |
|--|---------------|-----|--------------|---------------|
| • Material weakness(es) identified?      | <u>      </u> | yes | <u>  X  </u> | no            |
| • Significant deficiency(ies) identified | <u>      </u> | yes | <u>  X  </u> | none reported |

Type of auditors’ report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	<u>      </u>	yes	<u>  X  </u>	no
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Identification of major federal programs:

<i>Assistance Listing Number(s)</i>	<i>Name of Federal Program or Cluster</i>
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21.019	Coronavirus Relief Funds
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Dollar threshold used to distinguish between type A and type B programs:	\$ 750,000
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Auditee qualified as low-risk auditee?	<u>  X  </u>	yes	<u>      </u>	no
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**City of Saginaw**  
**Schedule of Findings and Questioned Costs**  
**June 30, 2021**

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**Section II – Government Auditing Standards Findings**

**Finding 2021-001 - Material Weakness – Audit Adjustments**

<b>Criteria:</b>	Management is responsible for reporting reliable financial data in accordance with Generally Accepted Accounting Principles (GAAP).
<b>Condition:</b>	Several material journal entries were required across various audit areas. In addition, there were several quantitatively immaterial journal entries that were required to fairly state various account balances at yearend, that in the aggregate, we consider to be qualitatively material. These areas include the OPEB trust fund, deferred revenue, federal revenue, loans receivable, and short-term debt.
<b>Cause and Effect:</b>	The City experienced turnover in the controller's office during the fiscal year. With that turnover, some institutional knowledge was lost. That resulted in a few material journal entries during the year-end closing process that were not detected by the City's internal controls over financial reporting. To put this in context, the City records over 100 journal entries each year to close the books.
<b>Recommendation:</b>	We recommend that the City implement a process where a second review is performed over all year-end adjustments in order to ensure all material journal entries are identified and recorded. Further, we recommend that the City does a more thorough review of the trial balances at year-end for reasonableness.
<b>Views of Responsible Officials:</b>	Management agrees with the finding.
<b>Corrective Action Plan:</b>	See attached corrective action plan.

**Section III – Federal Award Findings**

There were no findings or questioned costs for Federal Awards for the year ended June 30, 2021.

**City of Saginaw**  
**Summary Schedule of Prior Audit Findings**  
**June 30, 2021**

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**Section IV – Prior Audit Findings**

***Government Auditing Standards Findings***

There were no *Government Auditing Standards* findings for the year ended June 30, 2020.

**Federal Award Findings**

There were no findings or questioned costs for Federal Awards for the year ended June 30, 2020.



Department of Finance  
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November 23, 2021

Corrective Action Plan

Finding 2021-001

Action: The City will implement a second review process to ensure all material journal entries are recorded and will ensure year-end trial balances are reviewed more thoroughly for reasonableness.

This will be completed by the Controller's office by the start of the audit field work.

Should you have any questions or concerns regarding this plan, please do not hesitate to contact me.

Sincerely,

A handwritten signature in cursive script that reads "Lori D. Brown".

Lori Brown  
Finance Director  
City of Saginaw