

**CITY OF RIPON
CALIFORNIA**

SINGLE AUDIT REPORT

**FOR THE YEAR ENDED
JUNE 30, 2015**

CITY OF RIPON
CALIFORNIA

SINGLE AUDIT REPORT
JUNE 30, 2015

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INDEPENDENT AUDITOR'S 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

To the Honorable Mayor and
Members of the City Council of the
City of Ripon, California

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, each major fund, and the aggregate remaining fund information of City of Ripon, California (City), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise City's basic financial statements, and have issued our report thereon dated December 11, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered 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 City'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.

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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 of Ripon'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Price Pange & Company

Clovis, California
December 11, 2015



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AN ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

To the Honorable Mayor and
Members of the City Council of the
City of Ripon, California

Report on Compliance for Each Major Federal Program

We have audited the City of Ripon, California's (City) compliance with the types of compliance requirements described in the *OMB Circular A-133 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, 2015. 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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's 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 of Ripon, California, 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, 2015.

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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 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.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Ripon, California (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 11, 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 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.

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.

Price Pange & Company

Clovis, California
December 11, 2015

**CITY OF RIPON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Federal Expenditures</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
Pass-through California Department of Transportation:			
Jack Tone Road Park & Ride Lot	20.205	CML - 5286 (019)	615,000
Pass-through California Office of Traffic Safety:			
State and Community Highway Safety City of Stockton, California, Police Department AVOID the 10 DUI Campaign - San Joaquin County	20.600	AL1345	19,977
Total U.S. Department of Transportation			<u>634,977</u>
<u>U.S. DEPARTMENT OF JUSTICE</u>			
Direct Award:			
Bureau of Justice Assistance - Bulletproof Vest Partnership	16.607	FY2013	2,818
Bureau of Justice Assistance - Bulletproof Vest Partnership	16.607	FY2014	4,054
Bureau of Justice Assistance - Bulletproof Vest Partnership	16.607	FY2015	1,466
Total U.S. Department of Justice			<u>8,338</u>
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
Pass-through County of San Joaquin:			
Community Development Block Grants:			
Handicap Ramp	14.218	RIP.14.01	85,407
County of San Joaquin, CA Community Development Block Grants	14.218	RIP.14.02-07	<u>14,347</u>
Total U.S. Department of Housing and Urban Development			<u>99,754</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 743,069</u>

The accompanying notes are an integral part of this statement.

**CITY OF RIPON
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Ripon, California and is presented on the modified cash basis of accounting which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*. Therefore, some amounts presented in the schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**CITY OF RIPON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015**

SECTION I – SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Type of auditor's report issued:	<u>Unmodified</u>	
Internal control over financial reporting:		
Material weakness(es) identified?	_____ yes	<u> X </u> no
Significant deficiency(ies) identified - not considered to be material weaknesses?	_____ yes	<u> X </u> none reported
Noncompliance material to financial statements noted?	_____ yes	<u> X </u> no

FEDERAL AWARDS

Internal control over major programs:		
Material weakness(es) identified?	_____ yes	<u> X </u> no
Significant deficiency(ies) identified - not considered to be material weaknesses?	_____ yes	<u> X </u> none reported
Type of auditor's report issued on compliance for major programs:	<u>Unmodified</u>	
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	_____ yes	<u> X </u> no

IDENTIFICATION OF MAJOR PROGRAMS

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
20.205	Highway Planning and Construction

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$300,000</u>
Auditee qualified as low-risk auditee?	_____ yes <u> X </u> no

**CITY OF RIPON
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

None reported.

**CITY OF RIPON
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2015**

FINANCIAL STATEMENT FINDINGS

Material Weakness

Finding #1

Observation: During the audit for the year ended June 30, 2014, it was identified that certain expenses in the CDBG Fund had not been approved for reimbursement in the CDBG Fund in prior years. This resulted in a prior period adjustment of \$67,114.64 of which \$9,218.23 was reclassified to the Streets and Roads Fund and \$57,896.41 was reclassified to the General Fund. Based on the procedures performed and inquiries held it was determined that the prior period adjustment arose due to the fact that the City does not have a formal reconciliation process for the CDBG fund in order to ensure that the amount of expenses recorded to CDBG are appropriate and reimbursable.

Recommendation: We recommend that the City implement a yearly control whereby a reconciliation is performed for the CDBG Fund in order to match the expenses recorded to the CDBG Fund to the amounts that are reimbursable. Note that there may be some timing issues due to when items are expended and when the items are reimbursed, however, such items should be tracked in order to ensure that the balance within the CDBG Fund is appropriately classified at year end.

Managements Comments: Management has implemented a process that the Finance Director reviews the CDBG expenses on an annual basis and makes any adjustments as needed.

Status: Implemented

Control Deficiencies

Finding #2

Observation: During the audit for the year ended June 30, 2014, it was noted that the City's Recreation Director currently collects the recreational dues, tracks the participants via a log, and authorizes any discounts. As such, the City has no segregation of duties over this process.

Recommendation: We recommend the City segregate the duties of the Recreation Director and/or provide additional checks and balances over this process. The Recreation Director should log the participants and authorize discounts, but there should be a dual check regarding collecting dues and matching of amounts collected with the log maintained by the Recreation Director.

Managements Comments: Working with the Parks and Recreation Director, management will implement a checks and balance procedure over this process.

Status: Implemented

**CITY OF RIPON
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2015**

FINANCIAL STATEMENT FINDINGS (Continued)

Control Deficiencies (Continued)

Finding #3

Observation: During the audit for the year ended June 30, 2014, it was noted the City has no formal process to identify when donations have been restricted or amounts are formally committed by the Board.

Recommendation: We recommend that a separate tracking system be implemented to track any donations received and whether or not they are subject to any restrictions. Similarly, anytime a Board resolution commits funds, the amount committed should be separately tracked until it has been fully spent.

Managements Comments: Management is compiling a donation form that will note if donations are subject to any restrictions. This information will be tracked along with amounts expended against the funds.

Status: Implemented

Finding #4

Observation: During the audit for the year ended June 30, 2014, it was noted that the City improperly classified certain income items to expense accounts and expense items to income accounts. As a result these accounts reported a net revenue and expense amount when the gross revenues and expenses should have been reported separately.

Recommendation: We recommend that the City establish separate income and expense accounts when appropriate. In addition, as part of the monthly and annual close the income and expense account activity should be reviewed in order to help identify such misclassifications.

Managements Comments: Management will implement this recommendation.

Status: Implemented

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.