

**CITY OF HEALDSBURG**

**Single Audit Report on  
Federal Award Programs  
June 30, 2015**

**CITY OF HEALDSBURG**  
**SINGLE AUDIT REPORT ON FEDERAL AWARD PROGRAMS**  
Year Ended 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***

City Council  
City of Healdsburg  
Healdsburg, 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, business-type activities, each major fund, and the aggregate remaining fund information of the City of Healdsburg (City) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the basic financial statements of the City, and have issued our report thereon dated March 21, 2016.

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

*Van Lant & Fankhaed, LLP*

March 21, 2016



## Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133

City Council  
City of Healdsburg  
Healdsburg, California

### Report on Compliance for Each Major Federal Program

We have audited the City of Healdsburg's 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 Healdsburg 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.

## **Other Matters**

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133, and which is described in the accompanying schedule of findings and questioned costs as item 2015-1. Our opinion on each major federal program is not modified with respect to these matters.

The City of Healdsburg's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

## **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, business-type activities, each major fund, and the aggregate remaining fund information, of the City of Healdsburg, 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 March 21, 2016, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming an opinion 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 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.

*Van Lant & Fankhaed, LLP*

March 21, 2016

**CITY OF HEALDSBURG**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**(SUPPLEMENTARY INFORMATION)**  
Year Ended June 30, 2015

Federal Grantor/ Pass-through Grantor/Program Title	Federal Domestic Assistance Number	Program Identification Number	Program Expenditures
<b><u>U.S. Department of Transportation</u></b>			
<i>Passed through the California Department of Transportation:</i>			
Highway Planning and Construction	20.205	BRLS-5027(010)	\$ 7,418,478
Highway Planning and Construction	20.205	CML-5027(013)	<u>1,304,477</u>
Subtotal			<u>8,722,955*</u>
<i>Passed through the California Office of Traffic Safety:</i>			
State and Community Highway Safety	20.600	PT1547	47,536
National Priority Safety Programs	20.616	PT1547	<u>5,135</u>
Subtotal			<u>52,671</u>
<b><u>U.S. Department of Homeland Security</u></b>			
<i>Direct Assistance:</i>			
Staffing for Adequate Fire and Emergency Response	97.044	EMW-2011-FH-00965	<u>55,260</u>
<b><u>U.S. Department of Education</u></b>			
<i>Passed through the Boys and Girls Club of Central Sonoma County:</i>			
Twenty-First Century Community Learning Centers	84.287	n/a	<u>21,627</u>
Total Federal Financial Assistance			<u>\$ 8,852,513</u>

\*Major Program

**CITY OF HEALDSBURG**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
Year Ended June 30, 2015

**1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES APPLICABLE TO THE SCHEDULE OF FEDERAL AWARDS**

**A) Scope of Presentation**

The accompanying schedule presents only the expenditures incurred (and related awards received) by the City of Healdsburg that are reimbursable under programs of federal agencies providing financial assistance. For the purpose of this schedule, financial assistance includes both federal financial assistance received directly from a federal agency, as well as federal funds received from pass-through entities by the City of Healdsburg. Only the portion of program expenditures reimbursable with such federal funds is reported in the accompanying schedule. Program expenditures in excess of the maximum federal reimbursement authorized or the portion of the program expenditures that were funded with the state, local or other non-federal funds are excluded from the accompanying schedule.

**B) Basis of Accounting**

The expenditures included in the accompanying schedule were reported on the modified accrual basis of accounting. Under the modified accrual basis of accounting, expenditures are incurred when the City of Healdsburg becomes obligated for payment as a result of the receipt of the related goods and services. Expenditures reported include any property or equipment acquisitions incurred under the federal program.

**C) Major Programs**

The City had one major program for the year ended June 30, 2015, consisting of the Highway Planning and Construction grant which had total disbursements of \$8,722,955. This amount calculates to 98.5% of the total disbursements from federal awards.

**CITY OF HEALDSBURG**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
Year Ended June 30, 2015

**SECTION I – SUMMARY OF AUDITOR’S RESULTS**

**Financial Statements**

Type of Auditors’ Report Issued:	Unmodified
Internal Control Over Financial Reporting:	
Material Weakness(es) Identified?	No
Significant Deficiencies Identified not Considered to be Material Weaknesses?	No
Noncompliance Material to Financial Statements Noted?	No

**Federal Awards**

Internal Control Over Major Programs:	
Material Weakness(es) Identified?	No
Significant Deficiencies Identified not Considered to be Material Weaknesses?	No
Type of Auditor’s Report Issued on Compliance for Major Programs:	Unmodified
Any Audit Findings Disclosed that are Required to be Reported in Accordance with OMB Circular A-133, Section 510(a)?	Yes

Identification of Major Programs:

CFDA Numbers	Name of Federal Program or Cluster
20.205	U.S. Department of Transportation Highway Planning and Construction

Dollar Threshold used to Distinguish Between Type A And Type B Programs:	\$ <u>300,000</u>
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Auditee Qualified as Low-Risk Auditee?	No
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**CITY OF HEALDSBURG**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
Year Ended June 30, 2015

**SECTION II – FINANCIAL STATEMENT FINDINGS**

There were no auditor's findings to be reported in accordance with *Government Auditing Standards*.

**CITY OF HEALDSBURG**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
Year Ended June 30, 2015

**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

*2015-1: Cash Management*

**CFDA No:** 20.205, Highway Planning and Construction

**Federal Agency:** U.S. Department of Transportation

**Pass-through Entity:** California Department of Transportation

Criteria:

The CalTrans' *Local Assistance Procedures Manual (LAPM)*, Chapter 5, Section 2: *Requirements for Reimbursement*, states that "Per the Master Agreement, an invoice must be submitted at least every six months to avoid being classified as inactive and risk de-obligation".

Condition:

The City incurred expenditures that were reimbursable from the grant throughout the 2014-15 fiscal year. For the two projects under this major federal program, the City submitted invoices in December 2014 and February 2015 for expenditures incurred through May 2014 and July 2014, respectively. The next invoices submitted for reimbursement for these two projects were not until February of 2016, well over the 6-month requirement.

Effects:

Reimbursement requests are not being submitted in a timely manner. As per the CalTrans' *Local Assistance Procedures Manual (LAPM)* as described in the "Criteria" section above, "an invoice must be submitted every six months to avoid being classified as inactive and risk de-obligation."

Questioned Costs:

None.

Cause:

City staff did not prepare reimbursement requests in a timely manner, in accordance with the "Master Agreement."

Recommendation:

We recommend the City implement procedures and additional oversight to ensure timely submission of reimbursement request for grant projects.

View of Responsible Officials:

We concur with the finding. The Finance Manager will draft and implement a formal grant policy requiring more involvement of Finance staff throughout the entire process and that invoices are to be sent to grantors at least on a quarterly basis. The project manager will be counseled on the need to comply with grant requirements.

**CITY OF HEALDSBURG**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
Year Ended June 30, 2015

**SECTION II – FINANCIAL STATEMENT FINDINGS**

There were no auditor's findings to be reported in accordance with *Government Auditing Standards* in the prior year.

**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

There were no auditor's findings required to be reported in accordance with OMB Circular A-133 in the prior year.