

**CITY OF MADERA
CALIFORNIA**

SINGLE AUDIT REPORT

**FOR THE YEAR ENDED
JUNE 30, 2018**

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CALIFORNIA
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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
City of Madera
Madera, 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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Madera, California (the City), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise City's basic financial statements, and have issued our report thereon dated April 4, 2019.

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 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs, as item 2018-001, that we consider to be a material weakness.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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 Madera's Response to Finding

The City's response to the finding identified in our audit is described in the accompanying 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 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.

Price Pange & Company

Clovis, California
April 4, 2019



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM; REPORT ON INTERNAL CONTROL OVER
COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

We have audited the City of Madera, California's (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 June 30, 2018. 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.

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 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). 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 of Madera, 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, 2018.

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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 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify a certain deficiency in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item 2018-002 that we consider to be a significant deficiency.

The City's response to the internal control over compliance finding identified in our audit is described in the accompanying corrective action plan. 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.

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 discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Madera, California, (the City) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated April 4, 2019, 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.

Price Pange & Company

Clovis, California
April 25, 2019

**CITY OF MADERA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018**

<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 JUSTICE</u>			
Direct Award:			
Community Oriented Policing Services			
COP Hiring Program 2014	16.710	2014UMWX0010	\$ 144,455
Total U.S. Department of Justice			<u>144,455</u>
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
Direct Award:			
Office of Community Planning and Development			
CDBG - Entitlement Grants Cluster			
Community Development Block Grant/Entitlement Grants	14.218	B-10MC-06-0053	2,696
Community Development Block Grant/Entitlement Grants	14.218	B-15MC-06-0053	4,703
Community Development Block Grant/Entitlement Grants	14.218	B-16MC-06-0053	134,493
Community Development Block Grant/Entitlement Grants	14.218	B-17MC-06-0053	433,168
Total CDBG - Entitlement Grants Cluster			<u>575,060</u>
Total U.S. Department of Housing and Urban Development			<u>575,060</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
Direct Award:			
Federal Transit Administration			
Federal Transit Cluster			
Federal Transit Formula Grants	20.507	CA-2018-054	167,361
Federal Transit Formula Grants	20.507	CA-90-Z193-02	262,987
Federal Transit Formula Grants	20.507	CA-2018-054	168,730
Federal Transit Formula Grants	20.507	CA-90-Z193-02	260,173
Federal Transit Formula Grants	20.507	CA-2018-054	1,758
Federal Transit Formula Grants	20.507	CA-90-Z193-02	2,061
Total Federal Transit Cluster			<u>863,070</u>
Direct Award:			
Federal Aviation Administration			
Airport Improvement Program	20.106	3-06-0144-27-2016	5,000
Airport Improvement Program	20.106	3-06-0144-28-2017	329,664
			<u>334,664</u>
Pass-through California Department of Transportation:			
Highway Planning and Construction Cluster			
Highway Planning and Construction	20.205	BPMP-5157(104)	7,590
Highway Planning and Construction	20.205	HSIPL-5157(111)	21,382
Highway Planning and Construction	20.205	CML-5157 (094)	1,637
Highway Planning and Construction	20.205	CML-5157 (094)	121
Highway Planning and Construction	20.205	CML-5157 (094)	6,638
Highway Planning and Construction	20.205	CML-5157 (094)	3,884
Highway Planning and Construction	20.205	CML-5157 (094)	12,942
Highway Planning and Construction	20.205	CML-5157 (094)	8,660
Highway Planning and Construction	20.205	CML-5157 (094)	1,827
Total Highway Planning and Construction Cluster			<u>64,681</u>
Total U.S. Department of Transportation			<u>1,262,415</u>

The accompanying notes are an integral part of this statement.

CITY OF MADERA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018
(Continued)

<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 HEALTH AND HUMAN SERVICES</u>			
Pass-through Fresno-Madera Area Agency on Aging:			
 Aging Cluster			
Special Programs for the Aging - Title III -			
Title IIIB Grants for Supportive Services	93.044	16-0143	16,684
Title IIIB Grants for Supportive Services	93.044	16-0144	14,039
Title IIIC 1 Grants for Congregate Nutrition	93.045	16-0147	<u>56,000</u>
Total Aging Cluster			<u>86,723</u>
Total U.S. Department of Health and Human Services			<u>86,723</u>
 TOTAL EXPENDITURES OF FEDERAL AWARDS			 <u>\$ 2,068,653</u>

The accompanying notes are an integral part of this statement.

**CITY OF MADERA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

GENERAL

The accompanying Schedule of Expenditures of Federal Awards (SEFA) presents the activity of all federal award programs of the City of Madera. Federal awards received directly from federal agencies, as well as federal awards passed through other government agencies are included in the schedule. The information in this SEFA 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).

BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting, which is described in Note 1 to the City's basic financial statements.

RELATIONSHIP TO THE BASIC FINANCIAL STATEMENTS

Amounts reported in the accompanying schedule agree with the amounts reported in the related federal financial reports except for changes made to reflect amounts in accordance with accounting principles generally accepted in the United States of America.

INDIRECT COST RATE

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

LOAN AND LOAN GUARANTEE PROGRAMS

The City was awarded two federal grants from the HOME Investment Program (HOME) administered through the State of California in a prior year. The proceeds of these grants were used to provide loans towards the construction of two multi-family rental housing projects serving low and very low-income individuals through subordinate loans with terms up to 55 years.

The balance of the loans receivable outstanding at June 30, 2018 consists of:

<u>CFDA Number</u>	<u>Program Name</u>	<u>Pass Through Grantors Number</u>	<u>Outstanding Balance at June 30, 2018</u>
14.239	HOME Investment Partnership Program	08-HOME-4870	\$ 2,962,234
14.239	HOME Investment Partnership Program	11-HOME-6950	5,034,343

**CITY OF MADERA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018**

SECTION I – SUMMARY OF AUDITOR’S RESULTS

FINANCIAL STATEMENTS

Type of auditor's report issued:	<u>Unmodified</u>	
Internal control over financial reporting:		
Material weaknesses identified?	<u> X </u> yes	<u> </u> no
Significant deficiencies identified - not considered to be material weaknesses?	<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 programs:		
Material weaknesses identified?	<u> </u> yes	<u> X </u> no
Significant deficiencies identified - not considered to be material weaknesses?	<u> X </u> yes	<u> </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 2 CFR 200.516(a)?	<u> X </u> yes	<u> </u> no

IDENTIFICATION OF MAJOR PROGRAMS

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
20.507	Federal Transit Formula Grants
Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$750,000</u>
Auditee qualified as low-risk auditee?	<u> </u> yes <u> X </u> no

**CITY OF MADERA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018**

SECTION II – FINANCIAL STATEMENT FINDINGS

Finding 2018-001 Incomplete Revenue Recognition (Material Weakness)

Condition: The City did not recognize revenue and a related intergovernmental receivable for grant eligible expenditures accrued at year-end.

Criteria: A strong system of internal controls should ensure that City departments provided accurate and complete grant expenditure claims to the Finance Department in a timely manner.

Cause: The City's Public Works Department – the recipient of a Federal grant – submitted claims to the grantor but did not provide the claims to the finance department. As a result, the finance department did not accrue a receivable.

Effect: Revenue and receivables were understated by \$267,352.

Recommendation: We recommend that Public Works Department provide the grant expenditure claims to the finance department on a timely basis. The finance department should review the claims for propriety and record receivables and revenue as appropriate.

SECTION III – FEDERAL AWARD FINDINGS

Finding 2018-002 – Internal Control Over Reporting (Significant Deficiency)

CFDA# 20.507

Federal Award Identification Numbers: CA-90Z193-02; CA-2018-054

Department of Transportation

Condition: No review was conducted over the grant reimbursement claim after it was prepared.

Criteria: The Uniform Guidance provides requirements regarding the auditee's responsibility related to internal control in 2 CFR 200.303 of Subpart D, "Post Federal Award Requirements Standards for Financial and Program Management," of the Uniform Guidance. As noted in that section, the nonfederal entity must establish and maintain effective internal control over federal awards.

Cause: Management did not recognize the need for this level of review.

Effect: If no review is conducted, there is a higher risk of error.

Recommendation: A review should be conducted of the claim by a person other than the preparer.

**CITY OF MADERA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018**

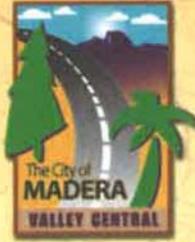
FINANCIAL STATEMENT FINDINGS

None reported.

FEDERAL AWARD FINDINGS

None reported.

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**CORRECTIVE ACTION PLAN
June 30, 2018**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2018-001	Public Works has been notified that all claims for reimbursement must be forwarded to Finance when the claim is submitted to the Grantor for reimbursement. The analyst in charge of submitting the claims has confirmed via email that she will make sure that all claims are forwarded to the Accountant when being submitted to the Grantor and the Financial Services Manager will be copied in all communication. All Accountants will be retrained immediately on the importance of posting receivables to the correct period.	03/29/19	Susan O'Haro
2018-002	Claims are currently reviewed and signed by the Director of Financial Services before they are submitted for reimbursement. Effectively immediately, the Financial Services Manager will review the claim with the Accountant preparing the claim before submitting for approval to the Director of Financial Services. The Financial Services Manager will review the claim processing steps with the Grants Director with the goal of involving them more thoroughly in the financial oversight of the program in general.	04/18/19	Susan O'Haro