



**INTEROFFICE MEMORANDUM**  
**Office of the City Clerk**  
**Ext. 5409**

**DATE:** 4/27/18  
**TO:** Mayor and Council  
**FROM:** Sonia Alvarez, City Clerk  
**SUBJECT:** Late Distribution 5/2/18 Agenda  
Item E-1, Audit Report

Attached is the Single Audit Report for agenda item E-1. The report was not available at the time of final distribution of the agenda packet. The corresponding report to council and the Financial Statements were already distributed with the agenda packet.

Thank you.

C: City Administrator  
City Attorney  
Community Development Director

**CITY OF MADERA  
CALIFORNIA**

**SINGLE AUDIT REPORT**

**FOR THE YEAR ENDED  
JUNE 30, 2017**

**CITY OF MADERA  
CALIFORNIA  
SINGLE AUDIT REPORT  
JUNE 30, 2017**

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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 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, 2017, and the related notes to the financial statements, which collectively comprise City's basic financial statements, and have issued our report thereon dated April 23, 2018.

**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 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.

677 Scott Avenue  
Clovis, CA 93612  
tel 559.299.9540  
fax 559.299.2344

## **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*.

## **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 26, 2018



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

To the Honorable Mayor and Members of the City Council of the  
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, 2017. 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, 2017.

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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. 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 the Uniform Guidance

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate 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, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated April 23, 2018, 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.

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.

*Price Pange & Company*

Clovis, California  
April 26, 2018

**CITY OF MADERA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2017**

<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>
<b><u>U.S. DEPARTMENT OF JUSTICE</u></b>			
<b>Direct Award:</b>			
<b>Community Oriented Policing Services</b>			
COP Hiring Program 2013	16.710	2013UMWX0034	\$ 11,002
COP Hiring Program 2014	16.710	2014UMWX0010	189,923
			<u>200,925</u>
<b>Total U.S. Department of Justice</b>			<u>200,925</u>
<b><u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u></b>			
<b>Direct Award:</b>			
<b>Office of Community Planning and Development</b>			
<b>CDBG - Entitlement Grants Cluster</b>			
Community Development Block Grant/Entitlement Grants	14.218	B-14MC-06-0053	6,829
Community Development Block Grant/Entitlement Grants	14.218	B-16MC-06-0053	322,898
<b>Total CDBG - Entitlement Grants Cluster</b>			<u>329,727</u>
<b>Total U.S. Department of Housing and Urban Development</b>			<u>329,727</u>
<b><u>U.S. DEPARTMENT OF TRANSPORTATION</u></b>			
<b>Direct Award:</b>			
<b>Federal Transit Administration</b>			
<b>Federal Transit Cluster</b>			
Federal Transit Formula Grants	20.507	CA-90-Z193-02	415,706
Federal Transit Formula Grants	20.507	CA-90-Z193-02	396,696
Federal Transit Formula Grants	20.507	CA-90-Z193-02	3,078
<b>Total Federal Transit Cluster</b>			<u>815,480</u>
<b>Direct Award:</b>			
<b>Federal Aviation Administration</b>			
Airport Improvement Program	20.106	3-06-0144-27-2016	1,329,850
			<u>1,329,850</u>
<b>Pass-through California Department of Transportation:</b>			
<b>Highway Planning and Construction Cluster</b>			
Highway Planning and Construction	20.205	BPMP-5157(104)	12,084
Highway Planning and Construction	20.205	CML-5157(085)	40,460
Highway Planning and Construction	20.205	CML-5157(094)	17,256
Highway Planning and Construction	20.205	CML-5157(095)	8,906
Highway Planning and Construction	20.205	CML-5157(102)	33,429
Highway Planning and Construction	20.205	CML-5157(103)	12,308
<b>Total Highway Planning and Construction Cluster</b>			<u>124,443</u>
<b>Total U.S. Department of Transportation</b>			<u>2,269,773</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, 2017**  
(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>
<b><u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u></b>			
<b>Pass-through Fresno-Madera Area Agency on Aging:</b>			
<b>Aging Cluster</b>			
Special Programs for the Aging - Title III -			
Title IIIB Grants for Supportive Services	93.044	16-0143	33,368
Title IIIB Grants for Supportive Services	93.044	16-0144	10,195
Title IIIC 1 Grants for Congregate Nutrition	93.045	16-0147	38,640
<b>Total Aging Cluster</b>			<u>82,203</u>
<b>Total U.S. Department of Health and Human Services</b>			<u>82,203</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u>\$ 2,882,628</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, 2017**

**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, 2017 consists of:

<u>CFDA Number</u>	<u>Program Name</u>	<u>Pass Through Grantors Number</u>	<u>Outstanding Balance at June 30, 2017</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, 2017**

**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?	_____ yes	___X___ no
Significant deficiencies identified - not considered to be material weaknesses?	_____ yes	___X___ none reported
Noncompliance material to financial statements noted?	_____ yes	___X___ no

**FEDERAL AWARDS**

Internal control over major programs:		
Material weaknesses identified?	_____ yes	___X___ no
Significant deficiencies identified - not considered to be material weaknesses?	_____ yes	___X___ 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)?	_____ yes	___X___ no

**IDENTIFICATION OF MAJOR PROGRAMS**

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
20.106	Airport Improvement Program
Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$750,000</u>
Auditee qualified as low-risk auditee?	_____ yes      ___X___ no

**CITY OF MADERA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2017**

**SECTION II – FINANCIAL STATEMENT FINDINGS**

None reported.

**SECTION III – FEDERAL AWARD FINDINGS**

None reported.

**CITY OF MADERA  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2017**

**FINANCIAL STATEMENT FINDINGS**

**Finding 2016-001**

**Condition:** The City did not properly record all payables, expenses and revenues during the year-end closing process. During our audit we identified these errors and proposed the necessary accounting entries to correct the balances of these accounts. City management agreed with our adjustments and posted the entries.

**Criteria:** A strong system of internal controls and management review requires that general ledger account balances be properly reconciled to a subsidiary ledger or other adequate supporting documentation on a periodic basis, as well as during the year-end financial close process. Management is responsible for maintaining its accounting records in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP.)

**Cause:** Financial closing adjustments to record year-end payables, expenses and revenues were not identified and posted to the City accounting records.

**Effect:** As a result of this condition, payables, expenses and revenues were initially materially misstated. Specifically, the misstatements were as follows:

- Deposit Payable - Overstated by \$2,074,302
- Accounts Payable - Overstated by \$115,113
- Infrastructure Costs - Overstated by \$412,225
- Revenues - Overstated by \$426,232
- Expenses - Understated by \$204,844

**Recommendation:** We recommend that the City enhance their year-end financial close procedures to include the additional steps, in detail, that should be undertaken at year-end to ensure proper reconciliation and reporting of all significant account balances.

**Status:** Implemented

**FEDERAL AWARD FINDINGS**

None reported.