

**CITY OF WEST SACRAMENTO, CALIFORNIA**

**COMPLIANCE REPORTS**

June 30, 2014

CITY OF WEST SACRAMENTO, CALIFORNIA

COMPLIANCE REPORTS

June 30, 2014

TABLE OF CONTENTS

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* ..... 1

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 OMB Circular A-133 ..... 3

Schedule of Findings and Questioned Costs ..... 6

Schedule of Expenditures of Federal Awards ..... 10

Notes to Schedule of Expenditures of Federal Awards ..... 12

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 West Sacramento, 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 the City of West Sacramento, California (the City) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 18, 2014.

**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 and therefore, material weaknesses and significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as finding 2014-01, that we consider to be a significant deficiency.

To the Honorable Mayor and Members of the City Council  
City of West Sacramento, California

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free of 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 West Sacramento's Response to Finding**

The City's response to the 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 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.

*Richardson & Company, LLP*

December 18, 2014

# Richardson & Company, LLP

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Sacramento, California 95825

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## INDEPENDENT AUDITOR'S 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 OMB CIRCULAR A-133

To the Honorable Mayor and Members of the City Council  
City of West Sacramento, California

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

We have audited the City of West Sacramento, California's (the City) compliance with the types of compliance requirements described (OMB) *Circular A-133 Compliance Supplement* that could have a direct material effect on each of the City's major federal programs for the year ended June 30, 2014. 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 of America; and OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit 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 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, 2014.

To the Honorable Mayor and Members of the City Council  
City of West Sacramento, California

### **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 compliance 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.

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.

### **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, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated December 18, 2014, which contained unmodified opinions on those financial statements that collectively comprise the basic financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's 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

To the Honorable Mayor and Members of the City Council  
City of West Sacramento, California

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.

*Richardson & Company, LLP*

February 11, 2015

CITY OF WEST SACRAMENTO, CALIFORNIA  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2014

A. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

- |  |             |
|--|-------------|
| 1. Type of auditor's report issued:  | Unqualified |
| 2. Internal control over financial reporting:                                    |             |
| a. Material weaknesses identified?   | No          |
| b. Significant deficiencies identified not considered to be material weaknesses? | Yes         |
| 3. Noncompliance material to financial statements noted?                         | No          |

Federal Awards

- |   |             |
|---|-------------|
| 1. Internal control over major programs:  |             |
| a. Material weaknesses identified?  | No          |
| b. Significant deficiencies identified not considered to be material weaknesses?  | No          |
| 2. Type of auditor's report issued on compliance for major programs:  | Unqualified |
| 3. Any audit findings disclosed that are required to be reported in accordance with Circular OMB A-133, Section 510(a)? | No          |

4. Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
14.228	Community Development Block Grants
20.205	Highway Planning and Construction

- |   |           |
|---|-----------|
| 5. Dollar Threshold used to distinguish between Type A and Type B                 | \$300,000 |
| 6. Auditee qualified as a low-risk auditee under OMB Circular A-133, Section 530? | No        |



CITY OF WEST SACRAMENTO, CALIFORNIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

For the Year Ended June 30, 2014

B. CURRENT YEAR FINDINGS – FINANCIAL STATEMENT AUDIT

Finding 2014-01: Closing Process, Significant Deficiency

Criteria: Internal controls over the closing process should be in place to ensure the City has the ability to initiate, record, process and report financial data consistent with the assertions of management in the financial statements.

Condition: During the year ended June 30, 2013, Finding 2013-01 reported a material weakness existed in closing procedures over debt transactions that resulted in a number of audit adjustments being required to properly report debt balances. Although significant improvement was noted during the year ended June 30, 2014, we identified several adjustments that were needed to ensure debt balances were properly classified and reported. These entries were less in number and amount than entries identified in previous years and were largely minor true-ups of entries related to refunding transactions already identified by the City, which makes it less likely that a material adjustment would not be identified by the City's closing procedures. Consequently, due to the improvement noted, the deficiency is now reported as a significant deficiency rather than a material weakness. A number of other closing entries and adjustments were also identified during the audit that indicate a need to strengthen closing procedures over other transaction classes.

Cause: The closing process did not begin early enough to provide staff the time necessary to reconcile all transaction classes prior to the start date of the audit.

Recommendation: We recommend the City begin the closing process early enough to allow staff the time necessary to close the books prior to the start date of the audit and recommend the City provide training to staff on how to report debt transactions. We also recommend the City strengthen review procedures over the following areas to reduce the number of closing entries and adjustments posted during the audit:

Ensure fund balances roll-forward where audit adjustments were identified in previous years.

Ensure fund balance/net position restrictions, commitments and assignments are recorded in the general ledger.

A number of adjustments were posted related to unique one-time transactions, such as an option agreement to purchase land from the Successor Agency, postemployment healthcare benefits, service concession arrangement entries for the Port lease agreement and reimbursements to the Successor Agency. Review procedures over non-standard entries should be enhanced.

CITY OF WEST SACRAMENTO, CALIFORNIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

For the Year Ended June 30, 2014

B. CURRENT YEAR FINDINGS – FINANCIAL STATEMENT AUDIT (Continued)

Capital outlay expenses should be budgeted separately from operating expenses and posted in a separate expense account during the year to avoid the need to post entries to reclassify these balances for reporting purposes during the audit.

View of Responsible Official and Planned Corrective Action:

Name of Contact Person: Nitish Sharma, Budget Manager

The Finance Department will request approval for key members of the Finance Department staff to take a course provided by the GFOA titled “Types of Debt Instruments and Understanding Refundings” or similar course on accounting for debt during the year ended June 30, 2015. The City will ensure debt issuances are properly recorded during the year and control procedures over the areas listed above are enhanced during the June 30, 2015 closing process. Non-standard entries will be reviewed throughout the year.

C. CURRENT YEAR FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

None

D. STATUS OF PRIOR YEAR AUDIT FINDINGS– FINANCIAL STATEMENT AUDIT

Finding 2013-01: Long-term Debt Transactions, Material Weakness

Criteria: We noted the City failed to remove the 2004 Lease Revenue Bonds refunded by the 2012 Refunding Lease Revenue Bonds in December 2012 from the government-wide statement of net position and recorded the proceeds of the 2012 Refunding Lease Revenue Bonds as City cash and investments instead of removing both the refunded bonds and proceeds of the refunding bonds from the balance sheet when irrevocably placed in trust for the benefit of the refunded bondholders.

Condition: During the final phase of the audit the year-end entries for these long-term liabilities were reviewed to ensure all components of these issues were properly recorded. As a result, adjusting journal entries were proposed related to these debt transactions. This is similar to prior year finding 2012-02.

Cause: Due to the complexity of the bond issuance and related refunding, the City lacked the experience for the recording of these issues.

Effect: Improper recording of the bond refunding resulted in improper presentation of the debt and related cash and investments in the City’s government-wide statement of net position. It does not appear that the debt activity was being reviewed for proper accounting in the general ledger.

CITY OF WEST SACRAMENTO, CALIFORNIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

For the Year Ended June 30, 2014

Current Year Status: Entries needed to properly state June 30, 2013 bond refunding transactions were posted for the June 30, 2013 CAFR, but similar adjustments were identified during the year ended June 30, 2014 audit. See finding 2014-01 for discussion of the status, recommendations and management's response.

E. STATUS OF PRIOR YEAR AUDIT FINDINGS– MAJOR FEDERAL AWARD PROGRAMS  
AUDIT

Finding 2013-02: Timely Submittal of Reports, Significant Deficiency

Program: CFDA #97.056, Port Security Grant Program; U.S. Department of Homeland Security: passed through the Marine Exchange of the San Francisco Bay Region Port Security Program.

Criteria: The Terms and Conditions of the Port Security Grant Program agreement requires the City to submit the following report within timelines as specified below:

- Financial report should be filed by January 31, 2013.

Condition: The financial report was filed after the required deadline on March 6, 2013. This finding is similar to prior year finding 2012-01

Cause: The City stated that the reports were not submitted on time due to a port employee's resignation and a delay in reassigning responsibility for the employees' job duties.

Effect: The City is not in compliance with the grant agreement. Lack of compliance with the agreement could have a potential impact on future funding sources.

Current Year Status: Required reports were filed on a timely basis. Finding was corrected during the year ended June 30, 2014.

CITY OF WEST SACRAMENTO, CALIFORNIA  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2014

<u>Federal Grantor/Pass-through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantors' Number</u>	<u>Expenditures</u>
<u>U.S. Department of Agriculture - Food and Nutrition Service</u>			
Passed-through the State of California Department of Education Summer Food Service Program for Children	10.559	57-85700V	\$ 28,155
<u>U.S. Department of Housing and Urban Development</u>			
Office of Sustainable Housing and Community - Direct Program Community Challenge Planning Grants	14.704	CCPCA0045-11	221,221
Office of Community Planning and Development Passed-through the State of California Department of Housing and Community Development Community Development Block Grants			
CDBG Use of Program Income	14.228	N/A	92,096
Neighborhood Stabilization Program I - Use of Program Income	14.228	N/A	290,081
CDBG - Business Assistance Loan	14.228	09-EDEF-6366	2,256
ED Direct Finance and Microenterprise	14.228	10-EDEF-7263	10,979
PTEC Planning Grant	14.228	11-PTEC-7645	43,695
Neighborhood Stabilization Program III	14.228	11-NSP3-8113	687,050
Neighborhood Stabilization Program III - Use of Program Income	14.228	N/A	381,261
CDBG Planning Grant	14.228	12-CDBG-8422	21,226
Subtotal Community Development Block Grants			<u>1,528,644</u>
Home Investment Partnerships Program - Use of Program Income	14.239	N/A	139,269
Total Passed-through U.S. Department of Housing and Urban Development			<u>1,667,913</u>
Total U.S. Department of Housing and Urban Development			<u>1,889,134</u>
<u>U.S. Department of Justice</u>			
Bureau of Justice Assistance - Direct Program Bulletproof Vest Partnership Program	16.607		6,506
<u>U.S. Department of Transportation</u>			
Federal Highway Administration Passed-through the State of California Business, Transportation and Housing Agency Highway Planning and Construction			
Asphalt Concrete Overlay	20.205	STPL-5447(030)	40,000
Clarksburg Branch Line Trail	20.205	CML-5447(032)	530,109
Safe Routes to School	20.205	SRTSL-NI-5447-031	124,500
Subtotal Highway Planning and Construction			<u>694,609</u>
National Highway Traffic Safety Administration Passed-through the State of California Office of Traffic Safety State and Community Highway Safety			
Distracted Driving High Visibility Enforcement	20.600	DD1308	313
Selective Traffic Enforcement Program	20.600	PT1408	40,155
			<u>40,468</u>

CITY OF WEST SACRAMENTO, CALIFORNIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)

For the Year Ended June 30, 2014

<u>Federal Grantor/Pass-through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantors' Number</u>	<u>Expenditures</u>
Minimum Penalties for Repeat Offenders for Driving While Intoxicated Passed-through the City of Davis Police Department			
Avoid the Eight DUI Campaign	20.608	AL1442	\$ 13,874
Passed-through the City of Woodland			
Avoid the Eight DUI Campaign	20.608	20730	5,861
Passed-through the University of California, Berkley			
Sobriety Checkpoint Program	20.608	SC13459	7,726
Sobriety Checkpoint Program	20.608	SC14459	9,508
Total Minimum Penalties for Repeat Offenders for Driving While Intoxicated			<u>36,969</u>
Total U.S. Department of Transportation			<u>772,046</u>
<u>U.S. Environmental Protection Agency</u>			
Office of Solid Waste and Emergency Response			
Brownfields Assessment and Cleanup Cooperative Agreements - Direct Program			
West Capital	66.818	BF-00T27901	43,632
Total U.S. Environmental Protection Agency			<u>43,632</u>
<u>U.S. Department of Energy</u>			
Energy Efficiency and Conservation Block Grant Program - Direct Program			
Energy Efficiency and Conservation Strategy - <b>ARRA</b>	81.128	DE-EE0002185	<u>1,975</u>
<u>U.S. Department of Homeland Security</u>			
Passed-through the County of Yolo - Office of Emergency Services			
Homeland Security Grant Program			
State Emergency Intelligence Training	97.067		4,672
Subtotal Homeland Security Grant Program			<u>4,672</u>
Total U.S. Department of Homeland Security Pass-through			<u>4,672</u>
Total U.S. Department of Homeland Security			<u>4,672</u>
TOTAL FEDERAL AWARDS			<u>\$ 2,746,120</u>

CITY OF WEST SACRAMENTO, CALIFORNIA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2014

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of City of West Sacramento, California (the City) and its component units as disclosed in the notes to the basic financial statements. Because the Schedule of Expenditures of Federal Awards 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 B – BASIS OF ACCOUNTING

Expenses for enterprise funds are presented on the accrual basis of accounting and expenditures for governmental funds are presented on the modified accrual basis of accounting. Expenses/expenditures are reported when incurred. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

Pass through entity identifying numbers are presented where available.

NOTE C – SUBRECIPIENTS

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

Federal Program	Federal CFDA Number	Amount Provided to Subrecipients
Community Development Block Grants		
Neighborhood Stabilization Program III	14.228	\$ 628,132
Neighborhood Stabilization Program I	14.228	201,307