

CITY OF ROSEVILLE
SINGLE AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2006

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Honorable Mayor and Members of the
 City Council of the City of Roseville, California

We are required by the Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-profit Organizations*, to present an overview of the Single Audit which is presented below.

We have audited the basic financial statements of the City of Roseville, California, for the year ended June 30, 2006 and have issued our unqualified report thereon dated November 22, 2006. These basic financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in the United States of America; *Government Auditing Standards*, issued by the Comptroller General of the United States and the Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non profit Organizations*. We performed a Single Audit as requested by the City to comply with the provisions of the Single Audit Act as amended in 1996 and OMB A-133.

Section I—Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: unqualified

Internal control over financial reporting:

- Material weakness(es) identified? yes x no
- Reportable conditions(s) identified that are not considered to be material weaknesses? x yes none reported

Noncompliance material to financial statements noted? yes x no

Section I—Summary of Auditor’s Results (Continued)

Federal Awards

Type of auditor’s report issued on compliance for major programs:

unqualified

Internal control over major programs:

- Material weakness(es) identified? yes X no

- Reportable condition(s) identified that are not considered to be material weaknesses X yes none reported

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?

 X yes no

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
20.205	Highway Planning and Construction Grants
20.516	Job Access – Reverse Commute
12.106	Water Meter Retrofit Program
97.008	Urban Area Security Initiative (UASI)

Dollar threshold used to distinguish between Type A and type B programs:

\$326,023

Auditee qualified as low-risk auditee?

 X yes no

Section II – Financial Statement Findings

Our audit did not disclose any reportable conditions, or material weaknesses or instances of noncompliance material to the basic financial statements. However, we did communicate other matters to City Council in our separate Memorandum on Internal Controls dated November 22, 2006.

Section III – Federal Award Findings and Questioned Costs

Current Year Findings and Questioned Costs

Finding 06-01: U.S. Department of Defense Water Meter Retrofit Program (CFDA #12.106)

Federal grant awards must be recorded on the City's general ledger, regardless of whether the grants are received in cash or in the form of equipment or supplies. The City received a grant of materials and labor by the Army Corps of Engineer's of the U.S. Department of Defense in June 2002. However, the grant of materials and labor received in fiscal years 2003, 2004, 2005 and 2006 totaling \$1,847,847 were not recorded in the City's general ledger until fiscal year 2005-2006. In the future, the City should review each grant agreement carefully and ensure that all grant activity is properly accounted for in a timely manner.

Management Response:

The City will record the value of materials and labor received pursuant to the U.S. Department of Defense Water Meter Retrofit Program in the year received.

Section III – Federal Award Findings and Questioned Costs (Continued)

Finding 06-02: Urban Area Security Initiative (UASI) (CFDA 97.008)

According to OMB Circular A-87 Part D – Submission Requirements, the City should maintain documentation to support costs claimed for reimbursement. Under this program, the City claimed police and fire overtime hours for reimbursement. The City submitted invoices totaling \$251,544 to the federal government for reimbursement. We examined four invoices totaling \$36,916 for adequate documentation. However one of the invoices in the amount of \$16,071 was not supported by hourly rates and hours worked by position by fire employees. Because of this lack of adequate documentation we question the \$16,071 in costs charged. Adequate documentation must be maintained for costs reimbursed by the federal government.

Management Response:

The City of Roseville Police and Fire Departments indirectly participate with the Sacramento Urban Area Security Initiative (UASI) through Sacramento Police Department as the grant administrating agency. Billing documentation is provided as requested by Sacramento Police Dept. at the time of billing and copies of the invoice are retained electronically. Supporting detailed personnel time sheets and salary schedules were not required or retained with each billing invoice but are retained electronically within each department's time keeping system. Documentation requirements by Sacramento Police Dept. have changed over the last several months and each department currently keeps copies of all supporting documentation with each invoice to insure a timely response to inquiries by appropriate agencies.

Section IV - Status of Prior Year Findings and Questioned Costs

There were no unresolved prior year findings.

CITY OF ROSEVILLE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

Program Name	Pass-Through Entity Grant Number	Catalog of Federal Domestic Assistance Number	Program Expenditures
U.S. Department of Housing and Urban Development			
Low Income Housing Program (Section 8) Voucher Community Development Block Grant Program Expenditures	CA128VO/SF-1692	14.871	<u>\$3,450,960</u>
	B-05-MC-060043	14.218	<u>498,510</u>
HOME Funds (Passed through State Department of Housing and Community Development)			
Program Expenditures	03-HOME-0688	14.239	<u>794,447</u>
Total U.S. Department of Housing and Urban Development			<u>4,743,917</u>
U.S. Department of Justice			
Local Law Enforcement Block Grant	2002-LB-BX-1211	16.592	<u>18,568</u>
Community Oriented Policing Services	2003CKWX0104	16.710	28,977
Community Oriented Policing Services	2005CKWX0505	16.710	25,000
Community Oriented Policing Services Secure Our Schools	2004CKWX0447	16.710	<u>23,313</u>
Total Community Oriented Policing Services			<u>77,290</u>
(Passed through State Office of Juvenile Justice and Delinquency Prevention)			
Accountability for Informal Juvenile Probationers	107-05	16.523	<u>15,849</u>
Total U.S. Department of Justice			<u>111,707</u>
U.S. Department of Transportation (Passed through State Office of Traffic Safety)			
Roseville Anti-DUI Project	AL-0565	20.600	69,089
Safety Training and Restraint Systems (S.T.A.R.S.)	OP-0510	20.600	11,083
Click it or Ticket (mini grant)	IN63104	20.600	4,806
California Highway Patrol Illegal Street Racing Grant	PT0562	20.600	<u>2,125</u>
			<u>87,103</u>

(Continued)

CITY OF ROSEVILLE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

Program Name	Pass-Through Entity Grant Number	Catalog of Federal Domestic Assistance Number	Program Expenditures
(Passed through State Department of Transportation)			
Highway Planning and Construction Grants			
Washington Boulevard Sidewalk	STPLER-5182 (016)	20.205	2,156
Washington Boulevard Pedestrian Underpass	TCSP5182 (019)	20.205	16,145
Antelope Creek Bike Trail	CML-5182 (001)	20.205	178,932
Atkinson Bridge Replacement	BHLS-5182 (007)	20.205	1,405,168
Harding/Royer Bike Trail	CML-5182 (006)	20.205	25,767
Pleasant Grove Cold Foam Project	STPLX-5182 (023)	20.205	1,296,369
Historic Dist. Streetscape/Infrastructure	STPLX-5182 (024)	20.205	700,886
CMAQ		20.205	<u>5,426</u>
Total Highway Planning and Construction Grants			<u>3,630,849</u>
Total U.S. Department of Transportation			<u>3,717,952</u>
Federal Transit - Capital Investment Grants			
Job Access-Reverse Commute		20.516	<u>189,773</u>
U.S. Environmental Protection Agency			
Water Infrastructure Tank Replacement	XP-96907801-0	66.606	<u>40,358</u>
U.S. Department of Defense			
Water Meter Retrofit Program	WRDA 1992	12.106	<u>1,680,304</u>
U.S. Department of Interior - Bureau of Reclamation			
Ultra Low Flow Toilet Rebates		15.xxx	20,881
Washing Machine Rebates		15.xxx	<u>60,183</u>
Total U.S. Department of Interior			<u>81,064</u>
U.S. Department of Homeland Security			
Homeland Security Grant Program	EMW2004FG-12605	97.067	50,400
Emergency Response Team - ECS		97.067	<u>398</u>
			<u>50,798</u>
(passed through City of Sacramento)			
Urban Area Security Initiative (UASI)		97.008	<u>251,545</u>
Total U.S. Department of Homeland Security			<u>302,343</u>
TOTAL FEDERAL FINANCIAL AWARDS			<u><u>\$10,867,418</u></u>

See notes accompanying the Schedule of Expenditures of Federal Awards

CITY OF ROSEVILLE
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1-Reporting Entity

The Schedule of Expenditure of Federal Awards (the Schedule) includes expenditures of federal awards for the City and its component units as disclosed in the notes to the Basic Financial Statements.

Note 2-Basis of Accounting

Basis of accounting refers to *when* revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus applied. All governmental funds and agency funds are accounted for using the modified accrual basis of accounting. All proprietary funds are accounted for using the accrual basis of accounting. Expenditures of Federal Awards reported on the Schedule are recognized when incurred.

Note 3-Direct and Indirect (Pass-Through) Federal Awards

Federal awards may be granted directly to the City by a federal granting agency or may be granted to other government agencies which pass-through federal awards to the City. The Schedule includes both of these types Federal award programs when they occur.

**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***

Honorable Mayor and City Council
City of Roseville, California

We have audited the basic financial statements of the City of Roseville as of and for the year ended June 30, 2006, and have issued our report thereon dated November 22, 2006. We conducted our audit in accordance with generally accepted auditing standards 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.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

However we did communicate other matters to City Council in our separate Memorandum on Internal Controls dated November 22, 2006.

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 that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the City Council, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Mayer and Associates

November 22, 2006

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

Honorable Mayor and City Council
City of Roseville, California

Compliance

We have audited the compliance of the City of Roseville with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2006. The City's major federal programs are identified in Section I - Summary of Auditor's Results included on the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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 of Example'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. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in Section III – Federal Award Findings and Questioned Costs.

Internal Control over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of and for the year ended June 30, 2006, and have issued our report thereon dated November 22, 2006. Our audit was performed 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 the purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the City Council, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than the specified parties.

February 9, 2007

Mane and Associates