

CITY OF ROSEVILLE
SINGLE AUDIT REPORT
YEAR ENDED JUNE 30, 2003

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SUMMARY OF FINDINGS AND QUESTIONED COSTS

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

We have audited the basic financial statements of the City of Roseville, California, for the year ended June 30, 2003 and have issued our unqualified report thereon February 23, 2004. 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 Amendments of 1996 and OMB A-133 and are required to present the following summary:

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Audit of Basic Financial Statements

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 matters to the City Council in our separate Memorandum on Internal Controls dated February 23, 2004.

Audit of Major Programs

Our audit did not disclose any reportable conditions or material weaknesses in internal controls over major programs. We have issued an unqualified opinion on compliance with the requirements applicable to major programs.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

Identification of Major Programs

The U.S. Department of Transportation-Highway Planning and Construction Grant (CFDA #20.205) and U.S. Department of Housing and Urban Development-HOME Program (CFDA#14.239) were determined to be major programs.

Dollar Threshold Used to Distinguish Between Type A and Type B Programs

The threshold for Type A programs was \$340,802.

Organizational Risk Evaluation

The City was assessed as a low risk auditee based on prior years reporting results, our overall knowledge of the City and other criteria specified by the Office of Management and Budget.

FINDINGS RELATED TO FINANCIAL STATEMENTS

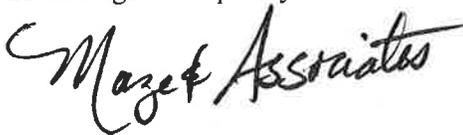
There were no findings required to be reported under Generally Accepted Government Auditing Standards in the United States of America.

FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Our audit disclosed the findings and questioned costs described on the Schedule of Current Year Findings and Questioned Costs.

SUMMARY OF PRIOR YEAR FINDINGS

There were no findings in the prior year.

A handwritten signature in cursive script that reads "Mazet Associates".

February 23, 2004

CITY OF ROSEVILLE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

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		14.871	<u>\$3,039,109</u>
Community Development Block Grant	B-99-MC-060043 B-00-MC-060043 B-01-MC-060043 B-02-MC-060043		
Program Expenditures		14.218	707,119
Loan Program: Balance of Loans		14.218	<u>870,515</u>
Total Community Development Block Grants			<u>1,577,634</u>
HOME Funds (Passed through State Department of Housing and Community Development)			
	99-HOME-0394 00-HOME-0465 01-HOME-0532 02-HOME-0603		
Program Expenditures		14.239	54,111
Loan Program: Balance of Loans		14.239	<u>3,673,174</u>
Total HOME Funds			<u>3,727,285</u>
Total U.S. Department of Housing and Urban Development			<u>8,344,028</u>
U.S. Department of Justice Community Oriented Policing Services		16.710	59,212
Accountability for Informal Juvenile Probationers	IP-02017852	16.523	<u>14,971</u>
Total U.S. Department of Justice			<u>74,183</u>
Federal Emergency Management Agency (Passed through State Office of Emergency Services) Hazard Mitigation Grant Program (Elevations)	FEMA 1044-DR-CA	83.548	<u>9,250</u>
U.S. Department of Transportation (Passed through State Office of Traffic Safety)			
Buckle Up Baby	OP-0203	20.600	217,675
Beware of Seven DUI Campaign	AL-0120	20.600	<u>61,301</u>
			<u>278,976</u>
(Passed through State Department of Transportation) Highway Planning and Construction Grants			
Vernon Streetscape	STPLER-5182 (016)	20.205	813,000
Washington Railing	STPLX-5182 (009)	20.205	807,303
CNG Fueling	CML-5182 (015)	20.205	251,443
Antelope Creek Bike Trail	CML-5182 (001)	20.205	12,794
Atkinson Bridge	BHLS-5182 (007)	20.205	453,811
Cosmos/Royer Bike Trail	CML-5182 (006)	20.205	<u>315,283</u>
Total Highway Planning and Construction Grants			<u>2,653,634</u>
Total U.S. Department of Transportation			<u>2,932,610</u>
TOTAL FEDERAL FINANCIAL AWARDS			<u><u>\$11,360,071</u></u>

See notes accompanying the Schedule of Expenditures of Federal Awards

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1 - Reporting Entity

The Schedule of Expenditure of Federal Awards includes expenditures of federal awards for the City of Roseville, the City of Roseville Redevelopment Agency, the Roseville Finance Authority and the City of Roseville Housing Authority which are controlled by and dependent on the City. These governments form the reporting entity included in the basic financial statements of the City Roseville.

The **Redevelopment Agency of the City of Roseville** is a separate government entity whose purpose is to prepare and implement plans for improvement, rehabilitation, and development of certain areas within the City. The Agency is controlled by the City and has the same governing board as the City, which also performs all accounting and administrative functions for the Agency. The financial activities of the Agency have been included in these financial statements in the Redevelopment Agency of the City of Roseville Special Revenue Fund.

The **Roseville Finance Authority** is a separate government entity whose purpose is to assist with the financing or refinancing of certain public capital facilities within the City. The Authority has the power to purchase bonds issued by any local agency at public or negotiated sale and may sell such bonds to public or private purchasers at public or negotiated sale. The Authority is controlled by the City and has the same governing body as the City, which also performs all accounting and administrative functions for the Authority. The financial activities of the Authority are included in the Roseville Finance Authority Debt Service Fund and Capital Projects Fund.

The **City of Roseville Housing Authority** is a separate government entity whose purpose is to assist with the housing for the City's low and moderate income residents. The Authority is controlled by the City and has the same governing body as the City, which also performs all accounting and administrative functions for the Authority. The financial activities of the Authority are included in the Housing Authority Section 8 Special Revenue Fund.

Financial statements for the Redevelopment Agency may be obtained from the City of Roseville at 311 Vernon Street, Suite 206, Roseville, California, 95678. Separate financial statements for the Roseville Finance Authority and Roseville Housing Authority are not issued.

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.

Expenditures of Federal Awards reported on the Schedule are recognized when incurred. An exception to this rule is expenditures of federal awards for loan programs. The City operates the CDBG and HOME loan programs under which it must insure participants maintain compliance with program requirements on an on going basis. OMB Circular A-133 section .205(b) requires that expenditures for the above program include the balance of loans outstanding, plus cash received from the program.

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 3 - Direct and Pass-Through Federal Awards

Federal awards may be granted directly to the City by the 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.

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING 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 City of Roseville as of and for the year ended June 30, 2003, and have issued our report thereon dated February 23, 2004. 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.

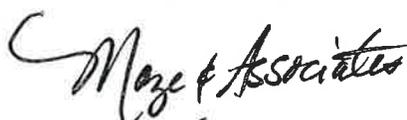
Compliance

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 grants, 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*.

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 assurance 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 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 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 February 23, 2004.

This report is intended for the information of the City Council, management and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.



A Professional Corporation

REPORT ON COMPLIANCE AND INTERNAL CONTROL OVER COMPLIANCE APPLICABLE TO EACH MAJOR FEDERAL AWARD PROGRAM

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 *OMB Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2003. 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. 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 generally accepted auditing standards 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. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City of Roseville 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, 2003. The results of our auditing procedures disclosed no instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133.

Internal Control Over Compliance

City management is responsible for establishing and maintaining effective internal control over compliance with 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 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 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 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.

Report on Schedule of Expenditures of Federal Awards

We have audited the basic financial statements of City of Roseville as of and for the year ended June 30, 2003, and have issued our report thereon dated February 23, 2004. Our audit was made for the purpose of forming an opinion on the basic financial statements of the City of Roseville taken as a whole. 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. The information in that schedule 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 for the information of the City Council, management and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

Moze & Associates

February 23, 2004

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS

Finding 03-01: HOME Program Loan Files

The Home Investment Partnership Program (HOME) (CFDA # 14.239) standard agreement between the City and State requires the execution of a Promissory Note and Deed of Trust for each loan disbursed under the program. As part of our audit we tested fifteen loan files and noted that one deed of trust tested had been executed for an amount different than the accompanying Promissory Note and all other City records. The deed of trust reported \$51,500 but the other loan documents reported \$40,000. The City should review final loan documents to ensure recorded amounts agree with the actual disbursements and the general ledger.

Auditee Contact: Sandra Ikeda (916)-774-5314

Corrective Action Plan:

The file in question was pulled and it was determined that staff used a type over method in preparing loan documents. As such the residual amount identified on the Deed of Trust was on the form from a previous transaction. It was noted that the Promissory Note did have the correct dollar amount for the loan. For the current file in question, staff has prepared a corrected Deed of Trust and has had the homeowner execute the document, with a re-recording of the document with Placer County Recorder's Office. As a result of this finding, for all future loan document preparation, the documents used will have blanks to be filled in and reviewed for consistency with the correct amounts for each transaction, leaving less room for error in their preparation.

Finding 03-02: HOME Program Quarterly Reports

The Home Investment Partnership Program (HOME) (CFDA# 14.239) standard agreement between the City and State requires that the City submit quarterly performance reports. As part of our audit, we selected the second quarter's report and reviewed it for completion and accuracy. The amount reported as "Received During Quarter From Recaptured Funds" did not reconcile to the City's detail files for this period by \$4,857. The City should review and reconcile all reports prior to their being filed.

Auditee Contact: Sandra Ikeda (916)-774-5314

Corrective Action Plan:

During the time period of submission of these quarterly reports, there was a change in staff undertaking the reporting in addition to the methodology for documenting the program income/recaptured funds. At this time, the error appears to be a simple mathematical miscalculation. Since that period, both administrative as well as financial staff have refined the methodology in identifying the financial figures accurately depicting program income/recaptured funds and will be able to reconcile both the financial detail files as well as the quarterly reporting.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS (Continued)

Finding 03-03: OMB Cost Circular

The Highway Planning and Construction Program (CFDA # 20.205) special covenants to the program supplement require the City to administer projects in accordance with the Local Assistance Procedures Manual, which requires the City to use the applicable cost circular (A-87) when determining costs chargeable to the grant. Public Works, the department responsible for the administration of this grant, did not have a copy of OMB Circular A-87. The City should keep all applicable cost circulars available for review to ensure grants are expended accordingly.

Auditee Contact: Sandra Ikeda (916)-774-5314

Corrective Action Plan:

The Public Works Department made a copy of the OMB Circular A-87 for reference in the Department. In the future, the OMB Circular A-87 will be used as guidelines for federal grants.