

**CITY OF ROSEVILLE**  
**SINGLE AUDIT REPORT**  
**FOR THE YEAR ENDED JUNE 30, 2007**

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**TABLE OF CONTENTS**

	<u>Page</u>
Schedule of Current Year Findings and Questioned Costs .....	1
Section I - Summary of Auditor's Results.....	1
Section II - Financial Statement Findings .....	3
Section III - Federal Award Findings and Questioned Costs.....	3
Section IV - Status of Prior Year Findings and Questioned Costs.....	4
Schedule of Expenditures of Federal Awards.....	5
Notes to Schedule of Expenditures of Federal Awards.....	6
Report On Internal Control over Financial Reporting and On Compliance And Other Matters Based on an Audit of Financial Statements Performed In Accordance With <i>Government Auditing Standards</i> .....	7
Report On Compliance with Requirements Applicable To Each Major Program and On Internal Control Over Compliance In Accordance With OMB Circular A-133 .....	9

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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, 2007 and have issued our unqualified report thereon dated November 9, 2007. 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
  
- Significant deficiency(ies) identified that are not considered to be material weaknesses?            yes   X   none reported

Noncompliance material to financial statements noted?

           yes   X   no

**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

- Significant deficiency(ies) identified that are not considered to be material weaknesses

           yes        X   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
<u>14.871</u>	<u>Low Income Housing Program (Section 8) Voucher</u>
<u>14.218</u>	<u>Community Development Block Grant</u>
<u>14.239</u>	<u>HOME Funds</u>
<u>97.029</u>	<u>FEMA – Flood Plain Houses</u>

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

\$ 559,861

Auditee qualified as low-risk auditee?

  X   yes                 no

## **Section II – Financial Statement Findings**

Our audit did not disclose any significant deficiencies, 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 9, 2007

## **Section III – Federal Award Findings and Questioned Costs**

### **Current Year Findings and Questioned Costs**

#### **Finding 07-01: Department of Housing and Urban Development HOME Investment Partnerships Program (CFDA #14.239)**

The HOME grant agreement between the City and the State Department of Housing and Community Development requires that HOME recipients submit a quarterly performance report to the Department of Housing and Community Development no later than thirty days after the end of each quarter. However, the City did not submit the quarter-ended June 30, 2007 quarterly report within the thirty-day period. The City should ensure that it submits all required reports within the specified times in order to remain in compliance with the grant agreement.

#### **Management Response:**

In response to the finding above, staff does acknowledge that the performance report for the quarter ending June 30, 2007 was not submitted to the Department of Housing and Community Development (HCD) by the City of Roseville within the thirty-day due date. Staff had been working on the completion of the Annual Performance Report for the fiscal year ending June 30, 2007 concurrently with the Quarterly Report for the quarter ending June 30, 2007. HCD had extended the deadline for submitting the annual report to August 14, 2007. Due to staff oversight and our focus on completing the annual report by its extended due date, we overlooked the earlier deadline for the quarterly report. To the City's knowledge, this is our first incident of late reporting and we will insure that all future reports are submitted on a timely basis.

## Section IV - Status of Prior Year Findings and Questioned Costs

### Prepared by Management

#### **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.

#### **Current Status:**

The City has not received any additional materials and/or labor pursuant to the U.S. Department of Defense Water Meter Retrofit Program (CFDA #12.106). The value of inventory installed in fiscal year 2006-07 as part of the water distribution system was capitalized.

#### **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.

#### **Current Status:**

The City of Roseville Fire Department continues to support the Sacramento Urban Area Security Initiative (UASI) by providing management, instructors and communication personnel. We also participate in several sponsored training class as they relate to technical rescue, domestic emergency preparedness, weapons of mass destruction (WMD), hazardous materials and terrorist awareness. Sacramento Police Department, acting as the administrating agency, has updated their process for submitting reimbursement claims. The new guidelines now follow requirements outlined in the OMB Circular A-87 Part D. Paper copies of each invoice and supporting documentation are kept on file in the Fire Department. Electronic files of all supporting documentation are also kept within the department's records management system.

CITY OF ROSEVILLE  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

Grantor Agency and Award Title	Identifying Pass-Through Grant #	Federal Catalog Number	Program Expenditures
U.S. Department of Housing and Urban Development Low Income Housing Program (Section 8) Voucher		14.871	\$3,799,471
Community Development Block Grant	B-03-MC-060043	14.218	702,206
(Passed through California Department of Housing & Community Development)			
HOME Funds	05-HOME-1689	14.239	1,170,529
Total U.S. Department of Housing and Urban Development			5,672,206
U.S. Department of Justice			
Juvenile Accountability Block Grant-2007	107-06	16.523	11,459
Community Oriented Policing Services TECH 2003	2003CKWX0104	16.710	37,186
Wireless Network (COPS TECH 05)	2005CKWX0152	16.710	238,550
Community Oriented Policing Services TECH 2006-2007	2006CKWX0249	16.710	56,626
COPS 2006 SOS-DRY Creek School	2005CKWX0505	16.710	147,048
			479,410
Total U.S. Department of Justice			490,869
U. S. Department of Transportation			
(Passed through State Office of Traffic Safety)			
OTS-2005	ALU565(3MOS)	20.600	35,284
Click It or Ticket	CT073102	20.600	14,036
OTS-STEP-2007	PT0738	20.600	89,861
OTS-CHP Street Racing Grant	N/A	20.XXX	9,298
			148,479
(Passed Through California Department of Transportation)			
Harding-Royer Park Bike Trail	TCSP03-5182 (027)	20.205	357,663
Antelope Creek Bike Trail	CML-5182 (001)	20.205	1,081,315
Historic District Scape	STPLX-5182 (024)	20.205	5,997,127
Washington Boulevard Sidewalk	STPLER-5182 (016)	20.205	203,840
WASHINGTON BLVD PED UNDERPASS	TCSP-5182 (019)	20.205	166,693
RSTP Roadway Resurfacing	PLA25029	20.205	1,083,434
Fiber Optic/Communication INFS	ITS04-5182(028)	20.205	192,241
ITS Equipment Conversion Project	CML-5182(029)	20.205	614,902
Atkinson Bridge Replacement	BHLS-5182 (007)	20.205	1,643,001
			11,340,216
Total U.S. Department of Transportation			\$11,488,695
Environmental Protection Agency			
NE Water Store Reservoir Replacement	N/A	66.816	78,831
U.S. Department of Homeland Security			
(Passed through State of California)			
Homeland Security Grant Program			
Homeland Security Grant (CITY)	EMW-2004-FG-12605	97.078	35,578
City-wide Emergency Response	FEMA-1628-DR-CA	97.039	7,199
Flood Plain Houses-FEMA	FMA-PJ-09-CA-2006	97.029	589,419
IASJ		97.008	299,248
			931,444
Total Expenditures of Federal Awards			\$18,662,045

See Accompanying Notes to 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, 2007, and have issued our report thereon dated November 9, 2007. 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 as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

***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*.

We noted certain matters that we reported to management of the City in a separate letter dated November 9, 2007.

This report is intended solely for the information and use of management, the audit committee, City Council 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.

*Maze & Associates*

November 9, 2007

**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, 2007. 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 Roseville's compliance with those requirements and performing such other procedures as we consider 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, 2007. 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 controls 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 the 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, 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 City's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider as material weaknesses, as defined above.

### Schedule of Expenditures of Federal Awards

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, 2007, and have issued our report thereon dated November 9, 2007. 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.

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the management, City Council, 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.

December 20, 2007

*Maze & Associates*