
**CITY OF PATTERSON
SINGLE AUDIT REPORTS AND SCHEDULES
FOR THE YEAR ENDED
JUNE 30, 2014**

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CITY OF PATTERSON
SINGLE AUDIT
FOR THE YEAR ENDED JUNE 30, 2014

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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 City Council of
the City of Patterson
Patterson, 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, each major fund, and the aggregate remaining fund information of the City of Patterson, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City of Patterson's basic financial statements, and have issued our report thereon dated April 9, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Patterson'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 of Patterson's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Patterson'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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Patterson'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 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.

Mann Urrutia Nelson CPAs

Sacramento, California
July 5, 2016



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

To the City Council of
the City of Patterson

Report on Compliance for Each Major Federal Program

We have audited the City of Patterson's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City of Patterson's major federal programs for the year ended June 30, 2014. The City of Patterson'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 of Patterson'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 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 Patterson'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 of Patterson's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Patterson 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.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2014-01. Our opinion on each major federal program is not modified with respect to this matter.

The City of Patterson's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City of Patterson's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of the City of Patterson 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 of Patterson'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 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 of Patterson'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2014-02, which we consider to be a significant deficiency.

The City of Patterson's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City of Patterson's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

Manant:ML CPAs

Sacramento, California
July 5, 2016

**CITY OF PATTERSON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014**

<u>Federal Grantor/Pass-Through Grantor Program</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number/Grant Number</u>	<u>Federal Expenditures</u>
U.S Department of Transportation			
Pass-Through State of California Department of Transportation:			
Highway Planning and Construction - Congestion Mitigation & Air Quality Walnut & 1st Signal	20.205	CML-5244(025)	\$ 44,789
TE Roundabouts- STPL 5244	20.205	STPL-5244(026)	9,799
Highway Planning and Construction - CMAQ Hartley & Walnut Signal	20.205	CML-5244(026)	285,762
Highway Planning and Construction- CMAQ Signal Ward & American Eagle	20.205	CML-5244(030)	249,665
Highway Planning and Construction- CMAQ Sperry & Del Puerto	20.205	ESPLCM-5244(027)	3,760
Highway Planning and Construction- CMAQ Bike Path Project	20.205	CML-5244(023)	<u>381</u>
Total U.S. Department of Transportation			<u>594,156</u>
U.S Department of Housing and Urban Development			
Pass-Through Stanislaus County CDBG 4th Street Infrastructure Project	14.218		384,636
Pass-Through City of Turlock CDBG Rehab Project	14.218		<u>18,954</u>
Total U.S. Department of Housing and Urban Development			<u>403,590</u>
Total Expenditures of Federal Awards			<u>\$ 997,746</u>

**CITY OF PATTERSON
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014**

NOTE 1: REPORTING ENTITY

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal financial assistance programs of the City of Patterson. The City of Patterson reporting entity is defined in Note 1 of the City's Financial Report. All federal awards received directly from federal agencies as well as federal awards passed through other government agencies are included on the schedule. When federal awards were received from a pass-through entity, the Schedule of Expenditures of Federal Awards shows, if available, the identifying number assigned by the pass-through entity.

NOTE 2: BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City and is presented on accounting principles generally accepted in the United States of America. The information in this schedule is presented on the accrual basis of accounting and in accordance with requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

NOTE 3: RELATIONSHIP TO FINANCIAL STATEMENTS

The amounts reported in the accompanying Schedule of Expenditures of Federal Awards agree, in all material respects, to amounts reported within the City's basic financial statements. Federal award revenues are reported principally in the City's financial statements as intergovernmental revenues in the governmental funds.

NOTE 4: CLAIMS

The City of Patterson has received federal grants for specific purposes that are subject to review and audit by the Federal Government pass-through entity. Although such audits could result in expenditure disallowance under grant terms, any required reimbursements are not expected to be material which have not already been recorded.

CITY OF PATTERSON
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED JUNE 30, 2014

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	Yes
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	Yes
Identification of Major Programs:	
U.S. Department of Transportation, Highway Planning and Construction, CFDA 20.205	
U.S. Department of Housing and Urban Development, Community Development Block Grants/Entitlement Grants CFDA 14.218	
Dollar threshold used to distinguish between type A and type B programs:	\$300,000
Auditee qualified as low-risk auditee?	No

SECTION II - FINANCIAL STATEMENT FINDINGS

Findings relating to the financial statements which are required to be reported in accordance with Generally Accepted <i>Government Auditing Standards</i>	None
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CITY OF PATTERSON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2014

SECTION III- FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Findings and questioned costs for Federal Awards, which includes audit findings and defined in section 510(a)

Finding 2014-01 Reporting (Compliance)

Criteria

OMB- Circular A-133. The audit package and the data collection form shall be submitted 30 days after receipt of the auditor's report(s), or 9 months after the end of the fiscal year end date-whichever comes first, unless a longer period is agreed to in advance by the cognizant or oversight agency for the audit.

Condition

The City of Patterson's single audit report package for the 2014 year has not been filed in a timely manner.

Cause

The City was unaware that total federal expenditures exceeded the \$500,000 threshold requiring a single audit to be performed.

Recommendation

We recommend that the City ensure they are calculating Federal expenditures timely and in accordance with OMB Circular A-133 guidelines correctly, and capturing all federal expenditures for the fiscal year.

Management's Response

Fiscal year 2013-14 was the first year in which the City's federal expenditures exceeded the \$500,000 threshold established in OMB Circular A-133 to require a single audit under the compliance requirements. Due to the increase in spending for capital projects funded by federal projects in fiscal year 2013-14, this threshold was first triggered. Not having been a recipient of awards of this size in the past, the City had not yet developed adequate internal controls around communication of the receipt of the federal awards and claiming of expenditures. Training on the pre- and post-grant award management including the tracking and calculation of federal expenditures by project will be conducted during Spring 2016 by the Director of Finance to ensure grant awards are tracked and monitored and reported to Finance. This will include reporting necessary data to Finance for preparing a complete Schedule of Federal Awards for fiscal year 2014-15. The reporting timeline and deadline will also be included in the City's Master Finance Calendar for external reporting and due dates. This will allow timely communication and monitoring to take place to ensure the single audit report package is submitted to the Federal Clearinghouse on time.

CITY OF PATTERSON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2014

Finding 2014-02 Reporting (Internal Control Over Compliance)

Criteria

OMB- Circular A-133. In order to timely report financial information pertaining to federal grants, it is necessary for information relating to grant reimbursements and expenditures to be conveyed to the finance department.

Condition

The City of Patterson's federal grant expenditures are not being communicated timely to the finance department or granting agencies. This has resulted in significant delays in receiving reimbursements for expenditures, as well as federal grant reporting.

Cause

The City does not have a system in place which requires grant information to be submitted to the finance department in a timely manner.

Recommendation

We recommend that the City implement procedures that require timely communication between personnel managing grants and the finance department.

Management's Response

Fiscal year 2013-14 was the first year in which the City's federal expenditures exceeded the \$500,000 threshold established in OMB Circular A-133 to require a single audit under the compliance requirements. Due to the increase in spending for capital projects funded by federal projects in fiscal year 2013-14, this threshold was first triggered. Not having been a recipient of awards of this size in the past, the City had not yet developed adequate internal controls around communication of the receipt of the federal awards and claiming of expenditures. Training on the pre- and post-grant award management including the tracking and calculation of federal expenditures by project will be conducted during Spring 2016 by the Director of Finance to ensure grant awards are tracked and monitored and reported to Finance. This will include reporting necessary data to Finance for preparing a complete Schedule of Federal Awards for fiscal year 2014-15. The reporting timeline and deadline will also be included in the City's Master Finance Calendar for external reporting and due dates. This will allow timely communication and monitoring to take place to ensure the single audit report package is submitted to the Federal Clearinghouse on time.

CITY OF PATTERSON
SCHEDULE OF PRIOR YEAR FINDINGS
JUNE 30, 2014

There were no findings to report for the year ended June 30, 2013.