

CITY OF FORT BRAGG, CALIFORNIA
SINGLE AUDIT REPORTS
FOR THE YEAR ENDED JUNE 30, 2015

City of Fort Bragg, California
Single Audit Reports
For the year ended June 30, 2015

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City of Fort Bragg, California
Schedule of Expenditures of Federal Awards
For the year ended June 30, 2015

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identification Number	Federal Expenditures ARRA*	Federal Expenditures Non-ARRA	Total Expenditures
U.S. Department of Transportation					
<i>Pass through Program From:</i>					
<i>State of California Department of Transportation</i>					
Highway Research and Development Program	20.200		\$ -	\$ 15,511	\$ 15,511
Total U.S. Department of Transportation			<u>-</u>	<u>15,511</u>	<u>15,511</u>
U.S. Department of Housing and Urban Development					
<i>Pass through programs from:</i>					
<i>State of California Department of Housing and Community Development</i>					
Community Development Block Grant	14.228	2012-CDBG-8388	-	403,010	403,010
Community Development Block Grant	14.228	2014-CDBG-9881	-	960,439	960,439
Community Development Block Grant	14.228	2014-CDBG-9731	-	731,718	731,718
<i>Total for Community Development Block Grant</i>			<u>-</u>	<u>2,095,167</u>	<u>2,095,167</u>
Total U.S. Department of Housing and Urban Development			<u>-</u>	<u>2,095,167</u>	<u>2,095,167</u>
Total Federal Expenditures			<u>\$ -</u>	<u>\$ 2,110,678</u>	<u>\$ 2,110,678</u>

* ARRA indicates American Recovery and Reinvestment Act of 2009.

The accompanying notes to the Schedule of Expenditures of Federal Awards
are an integral part of this supplementary information.

City of Fort Bragg, California
Notes to the Schedule of Expenditures of Federal Awards
For the year ended June 30, 2015

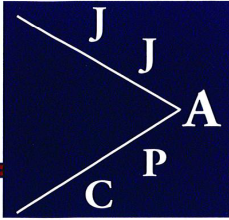
1. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *“Audits of States, Local Governments, and Non-Profit Organizations.”* Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

2. DESCRIPTION OF MAJOR PROGRAMS

Community Development Block Grant/Entitlement Grants (CFDA # 14.228)

This program allows recipient communities to undertake a wide range of community-based activities directed toward neighborhood revitalization, economic development, and community services, facilities, and improvements. Entitlement communities develop their programs and set their funding priorities in conformance with the statutory standards, program regulations, and other federal requirements. Specific activities that can be carried out with Community Development Block Grant (CDBG) funds include acquisition of real property; relocation; clearance and demolition; rehabilitation of residential and nonresidential structures; provision of public facilities and improvements, such as water and sewer facilities (which require reviews by the State single point of contact or a Regional Planning Agency in accordance with Executive Order 12372), streets, and neighborhood centers. Within program limitations, CDBG funds can also pay for public services. Recipients may provide assistance to microenterprises or other for-profit entities when the recipient determines that such assistance is appropriate to carry out an economic development project. Community-based development organizations may carry out neighborhood revitalization, community economic development, or energy conservation activities. Each CDBG eligible activity must meet one of three national objectives: benefit low- and moderate-income persons, aid in the prevention or elimination of slums or blight, or meet other community development needs having a particular urgency that the grantee is unable to finance on its own. Recipients may only carry out eligible activities as listed in 24 CFR 570.201-207 or the statute.



JJACPA, Inc.

A Professional Accounting Services Corp.

**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**

Independent Auditor's Report

The Honorable City Council
City of Fort Bragg
Fort Bragg, 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 Fort Bragg, California (City), as of and for the year ended June 30, 2015, 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 31, 2015.

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. 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'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*.

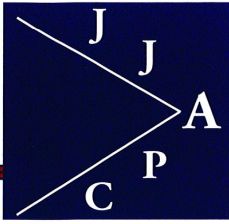
Purpose of this Report

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.

December 31, 2015

JJACPA, Inc.

**JJACPA, Inc.
Dublin, CA**



JJACPA, Inc.

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REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133

Independent Auditor's Report

The Honorable City Council
City of Fort Bragg
Fort Bragg, California

Report on Compliance for Each Major Federal Program

We have audited the City of Fort Bragg, California's (City) 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's major federal programs for the year ended June 30, 2015. 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; 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 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, 2015.

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 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, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated December 31, 2015, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the 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 America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

December 31, 2015

JJACPA, Inc.
JJACPA, Inc.
Dublin, CA

City of Fort Bragg, California
Schedule of Findings and Questioned Costs
For the year ended June 30, 2015

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?	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?	None reported
Type of auditor’s report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?	No
Identification of major programs:	
<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
14.228	Community Development Block Grant/Entitlement Grants
Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
Auditee qualified as low-risk auditee?	Yes

City of Fort Bragg, California
Schedule of Findings and Questioned Costs, Continued
For the year ended June 30, 2015

Section II – Financial Statement Findings

No matters were reported.

Section III – Federal Award Findings and Questioned Costs

No matters were reported.

Section IV – Status of Prior Year Audit Findings

Finding 2013-01 - Deficiencies in Internal Control Over Cash Registers

During the prior year audit of the City's cash receipt system, the prior auditor noted deficiencies in the following departments:

- a) The finance cash register is not assigned to one employee, there are numerous employees who can access the register, and there is no way to track which employee is responsible for each transaction; and
- b) In the Police Department, there are two employees who can access the cash register and there is no way to track which employee is responsible for each transaction. Also, two police receipts were held over 7 days from the date of receipt until the time of deposit.

Effect:

Lack of controls over handing of cash registers can increase the risk of misappropriation of funds. Also, lack of timeliness in depositing cash receipts results in lost investment income and could result in the receipts being misplaced or misappropriated.

Recommendation:

The prior auditor recommended that the City implement policies and procedures to ensure that a proper cash receipts system is in place. Each person who has access to the cash register should have his/her own cash register drawer, which is reconciled by a different employee. They also recommend that all receipts be deposited on a daily basis.

Current Status:

The City implemented procedures that include verification of all cash transactions by at least two employees. Then all transactions, summaries, and deposits are verified by the Finance Director and the Assistant City Manager. This recommendation is considered to be implemented.

Section V – Corrective Action Plan

There were neither current year findings nor questioned costs (see Section III above).