

**CITY OF RIPON
CALIFORNIA**

SINGLE AUDIT REPORT

**FOR THE YEAR ENDED
JUNE 30, 2019**

**CITY OF RIPON
CALIFORNIA**
**SINGLE AUDIT REPORT
JUNE 30, 2019**

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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 Honorable Mayor and
Members of the City Council of the
City of Ripon, 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 modified cash basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Ripon, California (the City), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated October 1, 2019.

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.

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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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2019-001.

The City's Response to Findings

The City's response to the finding identified in our audit is described in the accompanying corrective action plan. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

Price Pange & Company

Clovis, California
October 1, 2019



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Honorable Mayor and
Members of the City Council of the
City of Ripon, California

Report on Compliance for Each Major Federal Program

We have audited the City of Ripon, California's (the City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City of Ripon's major federal programs for the year ended June 30, 2019. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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.

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Opinion on Each Major Federal Program

In our opinion, the City of Ripon, 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, 2019.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 20019-001. Our opinion on each major federal program is not modified with respect to these matters.

The City's response to the noncompliance finding identified in our audit is described in the accompanying corrective action plan. The City'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 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 the Uniform Guidance, 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 a 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 have not been identified. We did identify a deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2019-001 that we consider to be a significant deficiency.

The City's response to the internal control over compliance findings identified in our audit is described in the accompanying corrective action plan. The City'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 Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the modified cash basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Ripon, California as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated October 1, 2019, 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 the Uniform Guidance 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 expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Price Pange & Company

Clovis, California
October 1, 2019

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**CITY OF RIPON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Federal Expenditures</u>	<u>Passed through to Subrecipients</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>				
Pass-through California Department of Transportation:				
Highway Planning and Construction				
Fulton/River Road Interchange	20.205	ATPCML-5286 (023)	\$ 88,057	\$ -
Parkview Elementary	20.205	SRTSL-5286 (021)	228,010	-
River Road Phase 1	20.205	STPL-5286 (024)	<u>397,565</u>	<u>-</u>
Total U.S. Department of Transportation			<u>713,632</u>	<u>-</u>
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>				
Pass-through County of San Joaquin:				
Community Development Block Grants:				
Handicap Ramp 2018 / Senior Center Parking Lot	14.218	RIP 17-01	175,226	-
Senior Center Retrofit	14.218	RIP 18-06	6,213	-
County of San Joaquin, CA Community Development Block Grants	14.218	RIP 18-08 & RIP 18-04	<u>10,000</u>	<u>5,000</u>
Total U.S. Department of Housing and Urban Development			<u>191,439</u>	<u>5,000</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 905,071</u>	<u>\$ 5,000</u>

The accompanying notes are an integral part of this statement.

CITY OF RIPON
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019

GENERAL

The accompanying Schedule of Expenditures of Federal Awards (SEFA) presents the activity of all federal award programs of the City of Ripon (the City). Federal awards received directly from federal agencies, as well as federal awards passed through other government agencies are included in the schedule. The information in this SEFA is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

BASIS OF ACCOUNTING

The accompanying SEFA is presented using the modified cash basis of accounting, which is described in Note 1 of the City's basic financial statements.

RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

Federal award expenditures agree or can be reconciled with the amounts reported in the City's basic financial statements.

INDIRECT COST RATE

The City has elected not to use the 10 percent *de minimis* indirect cost rate as allowed under the Uniform Guidance.

**CITY OF RIPON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018**

SECTION I – SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Type of auditor's report issued:	<u>Unmodified</u>	
Internal control over financial reporting:		
Material weaknesses identified?	<u> </u> yes	<u> X </u> no
Significant deficiencies identified - not considered to be material weaknesses?	<u> </u> yes	<u> X </u> none reported
Noncompliance material to financial statements noted?	<u> </u> yes	<u> X </u> no

FEDERAL AWARDS

Internal control over major programs:		
Material weaknesses identified?	<u> </u> yes	<u> X </u> no
Significant deficiencies identified - not considered to be material weaknesses?	<u> X </u> yes	<u> </u> none reported

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 2 CFR 200.516(a)?

 X yes no

IDENTIFICATION OF MAJOR PROGRAMS

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
20.205	Highway Planning and Construction

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

\$750,000

Auditee qualified as low-risk auditee?

 yes X no

**CITY OF RIPON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019**

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III – FEDERAL AWARD FINDINGS

Finding 2019-001 – Procurement (CFDA #20.205 – Highway Planning and Construction)

Condition: The City of Ripon does not have written procurement procedures which reflect applicable State, local, and tribal laws and regulations which also conform to the applicable federal law and standards identified in the Uniform Guidance.

Criteria: 2 CFR Part 200, Part D (Uniform Guidance) Section 200.318 requires that a non-federal entity use and maintain its own documented procurement procedures which reflect applicable State, local, and tribal laws and regulations, provided that the procurements conform to applicable federal law and standards identified in the Uniform Guidance.

Cause: The City of Ripon utilizes templates and other resources provided by the Federal and State granting agencies in creating request for proposals, when applicable. The City does so to ensure compliance with applicable federal procurement standards but was unaware of the requirement to also have their own written procurement procedures.

Effect: As a result of our audit we have determined that the City followed all applicable procurement compliance requirements as it relates to the grants under CFDA #20.205 with the exception of maintaining its own written procurement policy. The ultimate lack of documented procurement standards for the City could increase the risk of goods and services being procured through a method which is not in accordance with applicable State, local, and tribal law as well as federal regulations including the Uniform Guidance.

Recommendation: We recommend that the City create, adopt, and utilize its own written procurement policy and related procedures which reflect applicable State, local, and tribal laws and regulations which are in accordance with applicable Federal law and standards identified in 2 CFR 200.318 – 326 (Uniform Guidance).

**CITY OF RIPON
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2019**

FINANCIAL STATEMENT FINDINGS

None reported.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

**CITY OF RIPON
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2019**



City of Ripon

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MAYOR *Leo Zuber*
VICE MAYOR *Jacob Parks*
COUNCIL MEMBERS
Daniel de Graaf
Dean Uecker
Michael Restuccia
**CITY ADMINISTRATOR/
CITY ENGINEER**
Kevin Werner
CITY ATTORNEY
Thomas Terpstra
CITY CLERK/FINANCE DIRECTOR
Lisa Roos
**DIRECTOR OF PLANNING &
ECONOMIC DEVELOPMENT**
Ken Zuidervaart
DIRECTOR OF PUBLIC WORKS
Ted Johnston
DIRECTOR OF RECREATION
Kye Stevens

**City of Ripon
Management's Corrective Action Plan
Year Ended June 30, 2019**

Finding 2019-001 – Procurement (CFDA #20.205 – Highway Planning and Construction)

On May 17, 2017, the Office of Management and Budget (OMB) issued an addendum to the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. 2 CFR Part D Section 200.318 requires that a non-federal entity use and maintain its own documented procurement procedures which reflect applicable State, local, and tribal laws and regulations, providing that the procurements conform to applicable federal law and standards identified in the Uniform Guidance. An extension of one year was granted for entities to comply with the new standards.

During FY 18/19, the City of Ripon continued to follow the Ripon Municipal Code Section 3.20 regarding the City's Purchasing System. The Purchasing System in place is not in compliance with the amendment that was passed in 2017. In order to implement the recommendation of Finding 2019-001, the City of Ripon will update Section 3.20 of the Ripon Municipal Code and therefore create, adopt, and utilize its own written procurement policy and related procedures which reflect applicable State, local, and tribal laws and regulations which are in accordance with applicable Federal law and standards identified in 2 CFR 200-318 – 326 (Uniform Guidance). The time period for a change to the Ripon Municipal Code is roughly 90 days. The change will be brought before City Council in the form of an Ordinance for 1st reading and introduction, then return to the City Council for 2nd reading and adoption and will go into effect 30 days after it is adopted by the City Council. The amendment to the Municipal Code will be in effect by the end of FY 19/20.

I will be the contact person responsible for the corrective action.

Lisa Roos
City Clerk/Finance Director