

City of Shafter

Shafter, California

Single Audit Reports

For the year ended June 30, 2006

City of Shafter
Single Audit Reports
For the year ended June 30, 2006

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited the basic financial statements of the City of Shafter (City) as of and for the year ended June 30, 2006, and have issued our report thereon dated October 13, 2006. We conducted our audit in accordance with generally accepted auditing standards in the United States 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 reportable 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 caused by error or fraud 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 noted other matters involving the internal control over financial reporting, which we have reported to the management of the City in a separate letter dated October 13, 2006.

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

Oakland, California
October 13, 2006

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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

Compliance

We have audited the compliance of the City of Shafter, California (City) 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, 2006. The City's major federal programs are identified in the summary of the auditors' 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; 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, *Audit 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 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, 2006.

Internal Control Over Compliance

The management of the City 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.

To the Honorable Mayor and Members of City Council
of the City of Shafter
Shafter, California
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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 reportable 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.

Schedule of Expenditures of Federal Awards

We have audited the basic financial statements of the City as of and for the year ended June 30, 2006, and have issued our report thereon dated October 13, 2006. Our audit was performed for the purpose of forming an opinion on the basic financial statements 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. 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 whole.

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

Capricei & Carson

Oakland, California
October 13, 2006

City of Shafter
Single Audit Reports
Schedule of Expenditures of Federal Awards
For the year ended June 30, 2006

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	Agency or Pass-Through Number	Federal Expenditures
U. S. Department of Transportation:			
- TEA Grant	20.205		\$ 19,429
- Shafter Gateway - GMAC	20.205		14,990
- Cal Trans 5311 Funding	20.509		14,079
Total U. S. Department of Transportation			48,498
U. S. Department of Justice:			
- COPS Grant	16.607		1,629
Total U. S. Department of Justice			1,629
U. S. Department of Interior			
Passed-Through State of California Park Service:			
- Neighborhood Park - West Side (LWCF)	15.916		88,796
Total U. S. Department of Homeland Security			88,796
U. S. Department of Housing and Urban Development:			
Passed-Through Kern County:			
- Shafter Ave. - Project #0333	14.218	*	309,543
- Neighborhood Park - West Side (CDBG)	14.218	*	170,934
Total U. S. Department of Housing and Urban Development			480,477
Total Federal Awards Expenditures			\$ 619,400

* Denotes major program

See accompanying Notes to Schedule of Expenditures of Federal Awards

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Notes to Schedule of Expenditures of Federal Awards
For the year ended June 30, 2006

1. REPORTING ENTITY

The financial reporting entity consists of (a) the primary government, City of Shafter (City), and (b) component units which include organizations for which the primary government is financially accountable, and other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The following are the component units of the City:

- Shafter Joint Powers Financing Authority
- Community Redevelopment Agency
- Shafter Civic Improvement Corporation

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. *Basis of Accounting*

Funds received under the various grant programs have been recorded within special revenue and enterprise funds of the City. The City utilizes the modified accrual method of accounting for the special revenue funds. The accrual basis of accounting is used for the enterprise funds. The accompanying Schedule of Expenditures of Federal Awards (Schedule) has been prepared accordingly.

B. *Schedule of Expenditures of Federal Awards*

The accompanying Schedule presents the activity of all Federal financial assistance programs of the City. Federal financial assistance received directly from Federal agencies as well as Federal financial assistance passed through the State of California and the County of Kern are included in the Schedule.

The Schedule was prepared only from the accounts of various grant programs and, therefore, does not present the financial position or results of operations of the City.

City of Shafter
Single Audit Reports
Schedule of Findings and Questioned Costs
For the year ended June 30, 2006

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unqualified opinion on the basic financial statements of the City of Shafter.
2. No reportable conditions relating to the audit of the financial statements are reported in the basic financial statements.
3. No instances of noncompliance material to the financial statements of the City of Shafter were disclosed during the audit.
4. No reportable conditions relating to the audit of the major federal award programs is reported in the basic financial statements.
5. The auditors' report on compliance for the major federal award programs for the City of Shafter expresses an unqualified opinion.
6. Audit findings relative to the major federal award programs for the City of Shafter are reported in Part C of this Schedule.
7. The programs tested as major programs include:

<u>Major Program</u>	<u>Expenditures</u>
Shafter Ave. - Project #0333	\$ 309,543
Neighborhood Park - West Side	170,934
Total Major Program Expenditures	\$ 480,477
Total Federal Award Expenditures	\$ 619,400
Percent of Total Federal Award Expenditures	77.57%

8. The threshold for distinguishing Types A and B programs was \$300,000.
9. The City of Shafter was determined to be a high risk auditee.

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

No financial statement findings were noted.

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAM AUDIT

No findings or questioned costs were noted on the City's Major Programs.