

# CITY OF BRAWLEY

BRAWLEY, CALIFORNIA

## SINGLE AUDIT REPORT

FOR THE YEAR ENDED

JUNE 30, 2014

San Diego

Los Angeles

San Francisco  
Bay Area

christy  white  
A PROFESSIONAL  
ACCOUNTANCY CORPORATION *associates*

**CITY OF BRAWLEY**  
**Brawley, California**

**SINGLE AUDIT REPORT**  
**FOR THE YEAR ENDED JUNE 30, 2014**

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**INDEPENDENT AUDITORS' 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**

Christy White, CPA

Michael Ash, CPA

Tanya M. Rogers, CPA, CFE

Heather Rubio

Governing Board  
City of Brawley  
Brawley, 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, business-type activities, each major fund, and the aggregate remaining fund information of City of Brawley, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City of Brawley's basic financial statements, and have issued our report thereon dated March 20, 2015.

**Internal Control over Financial Reporting**

Management of the City of Brawley is responsible for establishing and maintaining effective 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 *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.

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State Board of Accountancy*

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. 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 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 on it. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

### **Purpose of 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.

*Christy White Associates*

San Diego, California  
March 20, 2015

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS  
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR  
PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE  
WITH OMB CIRCULAR A-133**

Christy White, CPA

Michael Ash, CPA

Tanya M. Rogers, CPA, CFE

Heather Rubio

Governing Board  
City of Brawley  
Brawley, California

**Report on Compliance for Each Major Federal Program**

We have audited the City of Brawley'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 Brawley's major federal programs for the year ended June 30, 2014. The City of Brawley'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 Brawley'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 Brawley'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 Brawley's compliance.

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### *Opinion on Each Major Federal Program*

In our opinion, the City complied, in all material respects, with the 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.

### **Report on Internal Control over Compliance**

Management of the City of Brawley 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 City of Brawley'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 City of Brawley'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.

### **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 of Brawley, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City of Brawley's basic financial statements. We issued our report thereon dated March 20, 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 expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

**Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133 (continued)**

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.

*Christy White Associates*

San Diego, California

March 20, 2015

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

Name of Agency / Grant / Program	Federal Catalog Number	Identifying Number	Total Program Expenditures
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:</b>			
<i>Passed through California Department of Housing and Community Development:</i>			
Community Development Block Grant - Program Income	14.228	*	\$ 8,300
HOME Investment Partnerships Program	14.239	11-HOME-7664	127,132
<b>U.S. DEPARTMENT OF TRANSPORTATION:</b>			
<i>Passed through the State of California Department of Transportation:</i>			
Highway Planning and Construction Cluster			
Highway Planning and Construction	20.205	RSTPLE5167-029	28,545
Highway Planning and Construction	20.205	STPL5167-030	133,953
Highway Planning and Construction	20.205	CML5167-031	266,878
Highway Planning and Construction - CMAQ	20.205	STPL5167-034	353,814
Subtotal Highway Planning and Construction Cluster			<u>783,190</u>
Federal Aviation Administration			
Airport Improvement Program	20.106	649835-A-1	2,986,186
<b>Total U.S. Department of Transportation</b>			<u>3,769,376</u>
<b>U.S. DEPARTMENT OF JUSTICE:</b>			
ARRA - Public Safety Partnership and Community Policing Grants	16.710	2013UMWX0016	49,503
Asset Forfeiture Grant	16.000	*	239,088
Drug Enforcement Administration	16.004	*	8,527
<b>Total U.S. Department of Justice</b>			<u>297,118</u>
<b>EXECUTIVE OFFICE OF THE PRESIDENT:</b>			
High Intensity Drug Trafficking Areas Program	95.001	*	33,286
<b>U.S. DEPARTMENT OF HOMELAND SECURITY:</b>			
<i>Passed through the State of California Emergency Management Agency (CalEMA):</i>			
Operation Stonegarden Grant Program	97.067	OPSG	182,878
<b>Total U.S. Department of Homeland Security</b>			<u>182,878</u>
<b>Total Expenditures of Federal Awards</b>			<u>\$ 4,418,090</u>

\* Identifying number not available or not applicable

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards.



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

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Accounting**

Funds received under the various grant programs have been recorded within the general, special revenue, capital projects, and enterprise funds of the City. The City utilizes the modified accrual basis of accounting for the general, special revenue, and capital project funds. The accrual basis of accounting is used for the enterprise fund. The accompanying Schedule of Expenditures of Federal Awards (Schedule) is presented in accordance with the requirements of Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-profit Organizations.

**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 other agencies are included in the Schedule. The Schedule of Expenditures of Federal Awards was prepared from only the accounts of various grant programs and, therefore, does not present the financial position or results of operations of the City.

**2. MAJOR PROGRAM DESCRIPTIONS**

**U. S. Department of Transportation – Federal Aviation Administration – Airport Improvement Program**

The objective of the Airport Improvement Program is to assist sponsors, owners, or operators of public-use airports in the development of a nationwide system of airports adequate to meet the needs of civil aeronautics. The purpose of the law includes the investment in transportation, environmental protection, and airport infrastructure that will provide long-term economic benefits.

**U.S. Department of Transportation - Highway Planning and Construction**

The objective of the Highway Planning and Construction cluster is to: (1) assist states in the planning and development of an integrated, interconnected transportation system important to interstate commerce and travel by constructing and rehabilitating the national highway system, including interstate highways and most other public roads; (2) provide aid for the repair of roads following disasters; (3) foster safe highway design and replace or rehabilitate structurally deficient or functionally obsolete bridges; and (4) provide for other special purposes.

**CITY OF BRAWLEY  
SUMMARY OF AUDITORS' RESULTS  
FOR THE YEAR ENDED JUNE 30, 2014**

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**FINANCIAL STATEMENTS**

Type of auditors' report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>No</u>
Non-compliance material to financial statements noted?	<u>No</u>

**FEDERAL AWARDS**

Internal control over major program:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>No</u>
Type of auditors' report issued:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with section .510(a) of OMB Circular A-133?	<u>No</u>
Identification of major programs:	

<u>CFDA Number(s)</u>	<u>Name of Federal Program of Cluster</u>
<u>20.205</u>	<u>Highway Planning and Construction Cluster</u>
<u>20.106</u>	<u>Airport Improvement Program</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 300,000</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

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

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FINANCIAL STATEMENT FINDINGS

*There were no financial statement findings for the year ended June 30, 2014.*

**CITY OF BRAWLEY  
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2014**

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**COMMENT #2013-1 – BANK RECONCILIATIONS**

**Criteria:** Procedures over the cash collection cycle should include timely and accurate reconciliation of the City's bank statements. Stale dated checks should be written off when they are greater than one year old in order to ensure accurate reconciliations and cash balances.

**Condition:** During the review of bank reconciliations, it was noted that bank reconciliations are not being prepared in a timely manner. During our testing of cash and outstanding checks, it was noted that the City has stale dated checks older than one year remaining on their reconciliations dating back to 2004, and totaling \$32,950.22.

**Cause:** The City changed to a new financial system and is trying to adapt to new procedures.

**Effect:** Without bank reconciliations being prepared in a timely manner, errors or misappropriations of funds could occur and go undetected.

**Perspective:** Review of bank reconciliations prepared by the City.

**Recommendation:** We recommend that the City regularly write off reconciling items greater than one year when performing bank reconciliations, and that the City ensure that bank reconciliations are prepared in a timely manner.

**Management's Response:** Staff continues to work on bank reconciliations and the outstanding pending items. Bank reconciliations are prepared on a monthly basis. There are no differences nor carrying balances that go unrecognized. The listings of items to be reconciled require research and proper journal entry adjustments. The Finance Department will obligate the necessary resources and implement the proper processes to correct such reconciliation discrepancies on a timely manner. Stale dated checks have been a concern of the department and have the desire of implementing policy and procedures for the processing of stale dated checks. Staff is seeking to develop an unclaimed property program that would allow the City to reissue stale dated checks on file or write-off such balance after the appropriate filing period. This process is currently in the research phase. This program is expected to be implemented by the close of fiscal year 2014-2015.

**Status:** Implemented