

City of Norfolk
SINGLE AUDIT SECTION AND
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended September 30, 2015
(With Independent Auditors' Reports Thereon)

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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*

Honorable Members
of the City Council
City of Norfolk, Nebraska

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 Norfolk, Nebraska (the City) as of and for the year ended September 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 March 16, 2016.

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 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified.

A *deficiency in internal control over financial reporting* 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 over financial reporting, 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 over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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 that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting 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 over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control over financial reporting 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 over financial reporting and compliance. Accordingly, this communication is not suitable for any other purpose.



Hayes & Associates, L.L.C.
Omaha, Nebraska
March 16, 2016



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

Honorable and Members
of the City Council
City of Norfolk, Nebraska

Report on Compliance for Each Major Federal Program

We have audited City of Norfolk, Nebraska's (the 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 the City's major federal program for the year ended September 30, 2015. The City's major federal program is 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 the City's major federal program 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 the major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on the 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 its major federal program for the year ended September 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 the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the 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.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Norfolk, Nebraska (the City), as of and for the year ended September 30, 2015, and have issued our report thereon, dated March 16, 2016, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming our opinions on the financial statements that collectively comprise the City's 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 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 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 financial statements or to the 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 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Hayes & Associates L.L.C.

Hayes & Associates, L.L.C.
Omaha, Nebraska
March 16, 2016

City of Norfolk, Nebraska
 SCHEDULE OF FINDINGS AND QUESTIONED COST
 For the year ended September 30, 2015

I. SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditors' reports issued: **Unmodified**

Internal controls over financial reporting:

- Material weaknesses identified: **No**
- Significant deficiencies identified: **No**

Noncompliance material to financial statements noted: **No**

Federal Awards

Internal control over major programs:

- Material weaknesses identified: **No**
- Significant deficiencies identified: **None Noted**

Type of auditors' report issued on compliance for each major program: **Unmodified**

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 Numbers</u>	<u>Name of Federal Program or Cluster</u>
14.228	Community Development Block Grant

Dollar threshold used to distinguish between Type A and Type B programs: **\$300,000**

Auditee qualified as low-risk auditee: **Yes**

City of Norfolk, Nebraska
SCHEDULE OF FINDINGS AND QUESTIONED COST - CONTINUED
For the year ended September 30, 2015

II. FINDINGS—FINANCIAL STATEMENTS

None reported.

III. FINDINGS AND QUESTIONED COSTS—MAJOR FEDERAL AWARD PROGRAMS

None reported.

City of Norfolk, Nebraska
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the year ended September 30, 2015

II. FINDINGS—FINANCIAL STATEMENTS

Finding 2014-001:

Condition: The City failed to recognize a noncash federal donation from the Nebraska Department of Roads, therefore revenues and the related expenditures of these funds at the fund level and capital assets, revenues, and expenses at the government wide level were understated.

Criteria: All revenues should be properly recorded regardless of source or type.

Cause: The City misinterpreted the facts of Nebraska Department of Roads (NDOR) transaction correspondence leading to improper recognition.

Effect: The Statement of Revenues, Expenditures, and Changes in Fund Balances-Governmental Funds understated revenues and expenditures. There was no effect on the fund balances. The Statement of Net Position-Governmental Funds understated capital assets and the Statement of Activities understated capital contributions and expenses.

Recommendation: We recommended that an adjusting entry be made to the financial statements and the client agreed. Further, in instances where transactions are unusual in nature from normal activities, the City should establish procedures to ensure that these transactions are properly recorded in the city's financial statements. These procedures should include consultations with industry experts, obtaining continuing education on revenue recognition, review and understanding of State of Nebraska regulations and research utilizing available technical resources such as Financial Accounting Standards Board Revenue Recognition Topic 605 or Governmental Accounting Standards Board Statement No. 11 *MEASUREMENT FOCUS AND BASIS OF ACCOUNTING—GOVERNMENTAL FUND OPERATING STATEMENTS*.

Management Response: Management will review accounting procedures as it relates to capturing revenue transactions that are unusual and infrequent in nature.

Follow-up: Management has reviewed accounting procedures and has added a year-end procedure to capture revenue transactions that are unusual and infrequent in nature. During the 2015 audit, the auditor reviewed the documents from the Nebraska Department of Roads (NDOR). No differences between the letter received and recognition within the City's general ledger were noted. Appears the City appropriately corrected this finding.

III. FINDINGS AND QUESTIONED COSTS—MAJOR FEDERAL AWARD PROGRAMS

None reported.

City of Norfolk, Nebraska
SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended September 30, 2015

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CDFA Number</u>	<u>Pass-Through Grantors Number</u>	<u>Cash Basis Expenditures</u>
Direct Financial Assistance:			
U.S. Department of Justice			
2014 Bulletproof Grants	16.607	Bulletproof Vest Partnership	\$ 1,479
Indirect Financial Assistance:			
U.S. Department of Justice			
Pass-Through the Nebraska Crime Commission:			
Byrne Formula Grant	16.579	13-DA-303	13,831
Byrne Formula Grant	16.579	14-DA-323	8,717
U.S. Department of Transportation			
Pass-Through the Nebraska Game & Parks Commission			
Recreational Trails Program	20.219	Northfork Riverfront Trail	42,091
Pass-Through the Nebraska Office of Highway Safety:			
Underage Alcohol Related Selective Overtime Enforcement	20.616	Occupant Protection Incentive Grants	2,196
U.S. Dept of Health & Human Services			
Pass-Through the Nebraska Dept of Health & Human Services and the Elkhorn-Logan Valley Health Dept:			
West Nile Virus	93.283	West Nile Virus	2,701
U.S. Department of Homeland Security			
Pass-Through the Nebraska Emergency Management Agency:			
2015 Emergency Management Performance Grant	97.042	2015 EMPG	9,648
2013 Emergency Management Performance Grant	97.042	2013 EMPG	35,579
2013 State Homeland Security Program (SHSP)	97.067	2013 SHSP	30,593
2014 State Homeland Security Grant Program (SHSP)	97.067	2014 SHSP	17,314
U.S. Department of Housing & Urban Development			
Pass-Through Nebraska Department of Economic Development			
Community Development Block Grant	14.228	09-CR-107	30,699
Community Development Block Grant	14.228	11-HO-5033	42,601
Community Development Block Grant	14.228	13-CR-007	37,916
Community Development Block Grant	14.228	11-CR-007	90
Community Development Block Grant	14.228	13-CR-107	414,159
Community Development Block Grant	14.228	14-CR-007	4,101
Community Development Block Grant	14.228	14-CR-107	3,379
Total Federal Award Expenditures:			\$ 697,094

See accompanying notes and independent auditor's report

City of Norfolk, Nebraska
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended September 30, 2015

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. General

The accompanying schedule of expenditures of federal awards (the Schedule) presents the activity of all federal financial assistance programs of the City of Norfolk, Nebraska (the City). Federal financial assistance received directly from federal agencies, as well as, passed through other governmental agencies, is included on the Schedule.

The Schedule presents total expenditures for each federal financial award program in accordance with U.S. Office of Management and Budget (OMB) Circular A-133. Federal program titles are reported as presented in the Catalog of Federal Domestic Assistance (CFDA) whenever possible.

2. Basis of Presentation

The accompanying supplementary schedule of expenditures of federal awards has been prepared on the cash basis of accounting. Under this method, revenues are recognized when received and expenditures are recognized when paid. Expenditures of federal funds are not accumulated in the accounting records by funding source.

3. Reporting Entity

The reporting entity for the supplementary schedule of expenditures of federal awards is the City of Norfolk, a municipal corporation governed by an eight member Council and elected Mayor.

4. Pass-Through Awards

The City receives federal awards in the form of pass-through awards from the State of Nebraska. Such amounts received as pass-through awards are specifically identified on the supplementary schedule of expenditures of federal awards.

City of Norfolk, Nebraska
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED
For the year ended September 30, 2015

NOTE B. CONTINGENCIES

The City receives funds under various federal grant programs, and such awards are to be expended in accordance with the provisions of the various grants. Compliance with the grants is subject to audit by various government agencies, which may impose sanctions in the event of noncompliance. Management believes that it has complied with all aspects of the various grant provisions and the results of adjustments, if any, relating to such audits would not have any material financial impact.

NOTE C. INDIRECT COST ALLOCATION

The City elects to not use the 10% de minimis rate to cost allocate indirect expenses. All costs assigned to grants are considered direct expenses.