



CITY OF BOCA RATON, FLORIDA

Single Audit Reports in Accordance With
OMB Circular A-133 and *Rules of the Auditor
General*, Chapter 10.550

September 30, 2005



KPMG LLP
450 East Las Olas Boulevard
Fort Lauderdale, FL 33301

**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***

The Honorable Mayor and City Council
City of Boca Raton, Florida:

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 Boca Raton (the City) as of and for the year ended September 30, 2005, and have issued our report thereon dated February 24, 2006, which was modified to refer to the adoption of Governmental Accounting Standards Board Statement No. 40, *Deposits and Investment Risk Disclosures*. We conducted our audit in accordance with 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.

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 opinions on the financial statements and not to provide an opinion 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 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.

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. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the City in a separate letter dated February 24, 2006.



This report is intended solely for the information and use of the Mayor, City Council, and management of the City, and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

February 24, 2006
Certified Public Accountants



KPMG LLP
450 East Las Olas Boulevard
Fort Lauderdale, FL 33301

Independent Auditors' Report on Compliance With Requirements Applicable to Each Major Federal Program and State Project and on Internal Control over Compliance in Accordance With OMB Circular 133 and Chapter 10.550, Rules of the Auditor General

The Honorable Mayor and City Council
City of Boca Raton, Florida:

Compliance

We have audited the compliance of the City of Boca Raton, Florida (the City) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement*, and the requirements described in the *Executive Office of the Governor's State Projects Compliance Supplement*, that are applicable to each of its major federal programs and state projects, respectively, for the year ended September 30, 2005. The City's major federal programs and state projects are identified in the summary of 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 and state projects 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 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*, and Chapter 10.550, *Rules of the Auditor General*. Those standards, OMB Circular A-133 and Chapter 10.550, *Rules of the Auditor General*, 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 or state project 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.

As described in item 2005-1 in the accompanying schedule of findings and questioned costs, the City did not comply with requirements regarding Davis-Bacon Act that are applicable to its U.S. Department of Transportation – Highway Planning and Construction program. Compliance with such requirements is necessary, in our opinion, for the City to comply with requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs and state projects for the year ended September 30, 2005.

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



and state projects. 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 or state project in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133 and Chapter 10.550, *Rules of the Auditor General*.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the City's ability to administer a major federal program or state project in accordance with the applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying schedule of findings and questioned costs as item 2005-1.

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 the applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program or state project being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above is a material weakness.

Schedule of Expenditures of Federal Awards and State Financial Assistance

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 September 30, 2005, and have issued our report thereon dated February 24, 2006. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying schedule of expenditures of federal awards and state financial assistance is presented for purposes of additional analysis as required by OMB Circular A-133 and Chapter 10.550, *Rules of the Auditor General*, 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 a whole.

This report is intended solely for the information and use of the Mayor, City Council, and management of the City, and federal and state awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

February 24, 2006
Certified Public Accountants

CITY OF BOCA RATON, FLORIDA
Schedule of Expenditures of Federal Awards
and State Financial Assistance
Year ended September 30, 2005

<u>Federal/state grantor/pass-through grantor/ program/project title</u>	<u>Grant/contract number</u>	<u>CFDA/CSFA number</u>	<u>Expenditures</u>	<u>Transfers to subrecipients</u>
U.S. Department of Justice:				
Direct Programs:				
Local Law Enforcement Block Grant	2003-LB-BX-0277	16.592	\$ 15,518	—
Bullet Proof Vest Partnership Program	N/A	16.607	9,477	—
COPS Universal Hiring	2003-UM-WX-0028	16.710	128,938	—
COPS Universal Hiring	2003-UM-WX-0231	16.710	102,375	—
Gang Resistance Education and Training (GREAT)	2004-JV-FX-0095	16.544	30,135	—
Federal Equitable Sharing Agreement	2003-2005	N/A	1,039,155	—
Total U.S. Department of Justice			1,325,598	—
U.S. Department of Homeland Security:				
Passed through Florida Department of Community Affairs:				
Community Emergency Response Teams (CERT)	05-CI-2P-10-60-02-172	97.004	4,953	—
Community Emergency Response Teams (CERT)	06-CI-4K-10-60-01-124	97.004	1,349	—
Assistance to Firefighters	EMW-2004-FG-08868	97.004	154,700	—
Citizens Corp	05-CC-2U-07-63-02	97.004	14,470	—
Total U.S. Department of Homeland Security			175,472	—
U.S. Department of Transportation:				
Highway Planning and Construction	FM-411125-1-58-01	20.205	278,285	—
Highway Planning and Construction	AK248	20.205	1,481,424	—
Highway Planning and Construction	FM-414040-1-58-01	20.205	31,500	—
Highway Planning and Construction	ANJ89	20.205	99,877	—
Total Highway Planning and Construction Cluster			1,891,086	—
State and Community Highway Safety	N/A	20.600	77,276	—
Total State and Community Highway Safety			77,276	—
Total U.S. Department of Transportation			1,968,362	—
U.S. Department of Housing and Urban Development:				
Direct Program:				
Community Development Block Grant (CDBG)	BC-02-MC-12-0001	14.218	704,159	77,100
Community Development Block Grant/Brownfields	BO4SPFL0171	14.246	4,778	—
Total U.S. Department of Housing and Urban Development			708,937	77,100
U.S. National Park Service, Department of the Interior:				
Outdoor Recreation, Acquisition, Development & Planning	LW-398-12-00398	15.916	150,000	—
Water Infrastructure Grant	XP-97458502-1	66.606	1,306,700	—
Total U.S. National Park Service, Department of the Interior			1,456,700	—
Total Expenditures of Federal Awards			5,635,069	77,100
Florida Department of Transportation:				
JPA Agreement for Irrigation	ANH48	N/A	25,211	—
Total Florida Department of Transportation			25,211	—
Florida Housing Finance Corporation:				
State Housing Initiatives Partnership Program	N/A	52.901	302,000	—
Total Florida Housing Finance Corporation			302,000	—
Florida Department of State, Division of Library				
Public Library Construction Program	N/A	45.020	300,000	—
Total Florida Department of State, Division of Library			300,000	—
Total State Financial Assistance			627,211	—
Total Expenditures of Federal Awards and State Financial Assistance			\$ 6,262,280	77,100

See accompanying notes to schedule of expenditures of federal awards and state financial assistance.

CITY OF BOCA RATON, FLORIDA

**Notes to Schedule of Expenditures of Federal Awards
and State Financial Assistance**

Year ended September 30, 2005

(1) General

The accompanying schedule of expenditures of federal awards and state financial assistance (the Schedule) presents the activity of all federal programs and state projects of the City of Boca Raton, Florida for the year ended September 30, 2005. All federal awards and state financial assistance received directly from federal and state agencies, as well as federal and state awards passed through other government agencies are included in the Schedule.

(2) Basis of Accounting

The accompanying schedule is presented on the modified accrual basis of accounting. Under the modified accrual basis, expenditures are recognized in the period liabilities are incurred.

CITY OF BOCA RATON, FLORIDA

Notes to Schedule of Expenditures of Federal Awards
and State Financial Assistance

Year ended September 30, 2005

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued: *Unqualified*

Internal control over financial reporting:

- Material weakness(es) identified? ___ yes x no
- Reportable condition(s) identified that are not considered to be material weaknesses? ___ yes x none reported

Noncompliance material to financial statements noted? ___ yes x no

Federal Awards and State Financial Assistance

Internal control over financial reporting:

- Material weakness(es) identified? ___ yes x no
- Reportable condition(s) identified that are not considered to be material weaknesses? x yes ___ none reported

Type of auditor’s report issued on compliance for major programs: *Qualified*

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133 or Chapter 10.550, *Rules of the Auditor General*? x yes ___ no

The programs/projects tested as major included the following:

<u>CFDA number</u>	<u>Name of federal program</u>
20.205	Highway Planning and Construction
15.916	Land and Water Conservation Fund
66.606	Water Infrastructure Grant
97.044	Assistance to Firefighters

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

Auditee qualified as low-risk auditee pursuant to OMB Circular A-133? x yes ___ no

<u>CSFA number</u>	<u>Name of state project</u>
52.901	State Housing Initiatives Program
45.020	Public Library Construction Grant

Dollar threshold used to distinguish between type A and type B projects: \$300,000

CITY OF BOCA RATON, FLORIDA

Notes to Schedule of Expenditures of Federal Awards
and State Financial Assistance

Year ended September 30, 2005

Section II – Financial Statement Findings

There were no findings or questioned costs relating to the audit of the basic financial statements for the year ended September 30, 2005, which are required to be reported in accordance with *Government Auditing Standards*.

Section III – Findings and Questioned Costs – Major Federal Programs

There was one finding related to federal awards for the year ended September 30, 2005:

<u>Program name</u>	<u>CFDA #</u>	<u>Finding/response</u>
Item 2005-01	20.205	Criteria
U.S. Department of Transportation		The U.S. Department of Transportation requires compliance with the Davis-Bacon Act (the Act) requirements. The nonfederal entity is required to notify contractors and subcontractors of the requirements to comply with the Act and obtain copies of certified payrolls.
		Condition Found
		The Florida Division of the Department of Transportation (FDOT) conducted a brief review of several federal aid construction contracts in each district being administered by local agencies utilizing the FDOT Local Agency Program (LAP). As a result of the review, the City of Boca Raton received a letter from the FDOT stating that the basic federal aid requirements, such as the Act's wage rates, were not being included in a significant number of LAP contracts.
		Questioned Cost
		N/A
		Perspective
		The finding is considered systemic in nature.
		Effect
		The City may violate the grant agreement through noncompliance with the Act's wage requirements. This could affect future funding under the grant.

CITY OF BOCA RATON, FLORIDA

Notes to Schedule of Expenditures of Federal Awards
and State Financial Assistance

Year ended September 30, 2005

Program name	CFDA #	Finding/response
		Recommendation We recommend that the City create procedures as needed to help ensure all contractors and subcontractors (as applicable) are notified of the Act's requirements. In addition, we recommend that the City monitor compliance with the Act by obtaining certified payrolls and performing on-site interviews with employees.
		Management's Response The City's Municipal Services Department has received a Federal Guidelines LAP Checklist for Construction Contracts from the FHWA through FDOT. The guidelines established in the new checklist as well as existing grant compliance guidelines, including the Act, will be incorporated in the City's administrative procedures for receiving grant funds. Training will be provided to applicable staff on these compliance requirements as well as grant compliance in general. State and federal grant compliance training will also be provided to City staff in all departments that handle grant funds. In addition, purchasing bid requirements have already been modified to help ensure that construction projects utilizing grant funds are flagged and that the project bid is amended to include any compliance related issues.

Section IV – Findings and Questioned Costs – State Financial Assistance

There were no findings or questioned costs relating to state financial assistance which are required to be reported in accordance with *Government Auditing Standards*.