



Single Audit Report
Fiscal Year Ended June 30, 2019
City of Redlands, California

CITY OF REDLANDS, CALIFORNIA
FISCAL YEAR ENDED 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
City of Redlands, 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, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Redlands, California (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 December 23, 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 City’s internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as items 2019-001 to be a material weakness.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2019-002 to be a significant deficiency.

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*.

Management's Responses to Findings

The City's responses to the finding identified in our audit is described in in the accompanying schedule of findings and questioned costs. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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.

A handwritten signature in cursive script that reads "Eide Sully LLP".

Rancho Cucamonga, California
December 23, 2019



Independent Auditor’s Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

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

Report on Compliance for Each Major Federal Program

We have audited the City of Redlands, California’s (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’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.

Auditors’ 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.

Opinion on Each 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 each of its major federal programs for the year ended June 30, 2019.

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 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.

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.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

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 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 December 23, 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.



Rancho Cucamonga, California
March 23, 2020

CITY OF REDLANDS, CALIFORNIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2019

Name of Agency, Pass-Through Entity, Grant or Program	Federal CFDA Number	Pass-Through/ Identification Number	Federal Expenditures	Amount Provided to Subrecipients
<u>U.S. Department of Agriculture</u>				
<i>Passed through the California Department of Food and Agriculture</i>				
Food Insecurity Nutrition Incentive Grants Program	10.331	17-0212-001-SF	\$ 2,693	\$ -
Total U.S. Department of Agriculture			<u>2,693</u>	<u>-</u>
<u>U.S. Department of Housing and Urban Development</u>				
<i>Passed through the County of San Bernardino</i>				
Community Development Block Grant/Entitlement Grants Cluster				
Community Development Block Grant/Entitlement Grants	14.218	REDL-18-1-05G/7538	10,000	10,000
Community Development Block Grant/Entitlement Grants	14.218	REDL-18-1-055/7512	22,562	22,562
Community Development Block Grant/Entitlement Grants	14.218	REDL-17-1-03K/2998	397,743	-
Community Development Block Grant/Entitlement Grants	14.218	REDL18CN-018	146	-
Community Development Block Grant/Entitlement Grants	14.218	REDL-18-1-05C/7511	10,000	10,000
Community Development Block Grant/Entitlement Grants	14.218	REDL-18-1-05Z/7513	8,000	8,000
Total Community Development Block Grant/Entitlement Grants Cluster			<u>448,451</u>	<u>50,562</u>
Total U.S. Department of Housing and Urban Development			<u>448,451</u>	<u>50,562</u>
<u>U.S. Department of Justice</u>				
Direct Assistance:				
Bulletproof Vest Partnership Program	16.607		7,526	-
Equitable Sharing Program	16.922		257,394	-
Total U.S. Department of Justice			<u>264,920</u>	<u>-</u>
<u>U.S. Department of Transportation</u>				
Direct Assistance:				
Airport Improvement Program	20.106	03-06-0195-014-2015	9,639	-
Airport Improvement Program	20.106	03-06-0195-015-2016	5,495	-
Airport Improvement Program	20.106	03-06-0195-016-2017	1,138	-
Total Airport Improvement Program			<u>16,272</u>	<u>-</u>
<i>Passed through the California Department of Transportation</i>				
Highway Planning and Construction Cluster				
Highway Planning and Construction	20.205	HSIP6-08-015	303,905	-
Highway Planning and Construction	20.205	HSIP8-08-016	1,891	-
Highway Planning and Construction	20.205	HSIP8-08-017	1,331	-
Total Highway Planning and Construction Cluster			<u>307,127</u>	<u>-</u>
<i>Passed through the California Office of Traffic Safety</i>				
Highway Safety Cluster				
State and Community Highway Safety	20.600	PT18120	10,370	-
State and Community Highway Safety	20.600	PT19096	19,195	-
Total Highway Safety Cluster			<u>29,565</u>	<u>-</u>
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	PT18120	7,816	-
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	PT19096	43,807	-
Total Minimum Penalties for Repeat Offenders for Driving While Intoxicated			<u>51,623</u>	<u>-</u>
Total U.S. Department of Transportation			<u>404,587</u>	<u>-</u>

See accompanying note to the Schedule of Expenditure of Federal Awards.

CITY OF REDLANDS, CALIFORNIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2019

Name of Agency, Pass-Through Entity, Grant or Program	Federal CFDA Number	Pass-Through/ Identification Number	Federal Expenditures	Amount Provided to Subrecipients
U.S. Department of Treasury				
Direct Assistance:				
Equitable Sharing Program	21.016		\$ 32,401	\$ -
Total U.S. Department of Treasury			<u>32,401</u>	<u>-</u>
U.S. Department of Homeland Security				
Direct Assistance:				
NSGP	97.008		28,302	-
<i>Passed through the San Bernardino County Fire Protection District</i>				
Emergency Management Performance Grants	97.042	EMW-2018-EP-000	16,743	-
Homeland Security Grant Program	97.067	2016-00102	2,283	-
Homeland Security Grant Program	97.067	2017-0083	36,767	-
Total U.S. Department of Homeland Security			<u>84,095</u>	<u>-</u>
Total Expenditures of Federal Awards			<u>\$ 1,237,147</u>	<u>\$ 50,562</u>

See accompanying note to the Schedule of Expenditure of Federal Awards.

CITY OF REDLANDS, CALIFORNIA

NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2019

NOTE #1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. General

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards programs of the City of Redlands (City). The City's reporting entity is defined in Note 1 of the City's basic financial statements.

B. Basis of Accounting

Funds received under the various grant programs have been recorded within the special revenue and enterprise funds of the City. The City utilizes the modified accrual basis of accounting for the special revenue funds, and the accrual basis of accounting for the enterprise funds. Expenditures/expenses are recognized following the cost principles contained within Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available. The City has not elected to use the 10-percent de minimis cost rate as allowed under the Uniform Guidance, when applicable.

C. Relationship to the Basic Financial Statements

The amounts reported in the accompanying Schedule of Expenditures of Federal Awards can be reconciled with the amounts reported in the City's basic financial statements.

D. Catalog of Federal Domestic Assistance (CFDA) Numbers

The CFDA numbers included in this report were determined based on the program name, review of grant contract information, and the Office of Management and Budget's Catalog of Federal Domestic Assistance.

CITY OF REDLANDS, CALIFORNIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2019

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>Yes</u>
Significant deficiencies identified?	<u>Yes</u>
Noncompliance material to financial statements noted?	<u>No</u>

FEDERAL AWARDS

Internal control over major federal programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified?	<u>None reported</u>
Type of auditor's report issued on compliance for major programs:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200 section 200.516(a)?	<u>No</u>

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
<u>16.922</u>	<u>Equitable Sharing Program</u>
<u>20.205</u>	<u>Highway Planning and Construction Cluster</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 750,000</u>
Auditee qualified as low-risk auditee?	<u>No</u>

CITY OF REDLANDS, CALIFORNIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2019

II. FINANCIAL STATEMENT FINDINGS

Finding 2019-001

VALUATION OF RIGHT OF WAY

Criteria:

The City should assign a value to right-of-way using a reasonable methodology to estimate acquisition value at the time the right-of-way is acquired.

Condition:

The City's methodology for valuing right-of-way was modified during the year resulting in a restatement of net position.

Context:

The City adopted an updated process to appropriately value right-of-way. While implementing the updated methodology process, it was determined that previously recorded right-of-way was overstated. Accordingly, the City revalued previously recorded right-of-way.

Effect:

As a result of the condition, adjustments were made to the Statement of Net Position and previously reported balances were adjusted as a restatement of beginning net position.

Cause:

The City's process of valuing right-of-way in previous years was determined to be inappropriate and was revised in the current period.

Recommendation:

As noted above, the City revised its process of valuing right-of-way is the revised process results in a reasonable estimate of acquisition value. We recommend that the City continue to consider the inputs for future estimates of right-of-way valuation.

View of Responsible Officials and Planned Corrective Action:

See separate Corrective Action Plan.

CITY OF REDLANDS, CALIFORNIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2019

II. FINANCIAL STATEMENT FINDINGS

Finding 2019-002

YEAR END CLOSING

Criteria:

The City must perform various closing procedures to prepare year-end financial statements. Included in these procedures are reconciliations and journal entries of various accounts.

Condition:

During our procedures, we noted the following:

- Certain sales tax receipts received after June 30 had not been recorded and required adjustment.
- Journal entries related to the posting of the estimated compensated absences balances were input erroneously resulting in unsupported balances being reported. The balances were adjusted.
- The supporting documentation for the other-postemployment benefits was incomplete and the City had to coordinate with the third-party vendor to gather the correct information. This resulted in a delay of the audit and the balances were adjusted.

Context:

The City performs a comprehensive close to prepare the year end financial statements in accordance with generally accepted accounting principles. The condition was identified as we performed our audit procedures over various accounts.

Effect:

As a result of the condition, adjustments were necessary to fairly present the financial statements.

Cause:

The City's process of identifying subsequent receipts related to period of service for the certain sales tax receipt did not identify all receipts for inclusion. The City made a keystroke error related to the posting of compensated absences that was not prevented or detected by the City's internal control. The City's closing process did not identify complete information from a third-party vendor related to other postemployment benefits.

Recommendation:

As noted above, the City posted correcting journal entries to fairly state the financial statements. We recommend that the City enhance its closing procedures to identify and prevent or detect these items.

View of Responsible Officials and Planned Corrective Action:

See separate Corrective Action Plan.

CITY OF REDLANDS, CALIFORNIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2019

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None noted.

CITY OF REDLANDS, CALIFORNIA

**SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2019**

Financial Statement Findings

Finding No.	Area	Status of Corrective Action
2018-001	Revenue Recognition	Implemented

Federal Award Findings

None reported.