

# **City of Redlands**

Redlands, California

## **Single Audit and Independent Auditors' Reports**

*For the Year Ended June 30, 2023*





# City of Redlands

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**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***

***Independent Auditors' Report***

To the Honorable Mayor and Members of City Council  
of the City of Redlands  
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 (the "City"), as of and for the year ended June 30, 2023, and the related notes to the basic financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated January 19, 2024.

**Report on 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") as a basis for designing 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 the City's internal control.

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.

Our consideration of internal control 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 that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

To the Honorable Mayor and Members of City Council  
of the City of Redlands  
Redlands, California  
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### **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's basic 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 financial statements. 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 and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City'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 black ink that reads "The PwC Group, LLP". The signature is written in a cursive, flowing style.

Santa Ana, California  
January 19, 2024



**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM,  
ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE  
UNIFORM GUIDANCE, AND ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**Independent Auditors' Report**

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

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

***Opinion on Each Major Federal Program***

We have audited City of Redlands, California's (the "City") compliance with the types of compliance requirements identified as subject to audit 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, 2023. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

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, 2023.

***Basis for Opinion on Each Major Federal Program***

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the City's federal programs.

### ***Auditors' Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with auditing standards generally accepted in the United States of America, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### **Report on 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 a 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 Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

To the Honorable Mayor and Members of City Council  
of the City of Redlands  
Redlands, California  
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Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

### **Schedule of Expenditures of Federal Awards**

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, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated December 20, 2023, which contained unmodified opinions on those financial statements. Our audit was performed 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.

A handwritten signature in black ink that reads "The PwC Group, LLP". The signature is written in a cursive, flowing style.

Santa Ana, California  
January 19, 2024, except for the Schedule of Expenditures and Federal Awards,  
as to which the date is December 20, 2023

**City of Redlands**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2023**

Federal Grantor/Pass - Through Grantor/Program Title	Assistance Listing Number	Grant Identification Number	Federal Expenditures	Amount Provided to Subrecipients
<b>U.S. Department of Agriculture</b>				
<i>Passed through the Ecology Center:</i>				
Food Insecurity Nutrition Incentive Grants Program	10.331	19-0807-001-SF	\$ 1,728	\$ -
Food Insecurity Nutrition Incentive Grants Program	10.331	22-1464-001-SF	1,557	-
<b>Subtotal - Food Insecurity Incentive Grants Program</b>			<u>3,285</u>	<u>-</u>
<b>Total U.S. Department of Agriculture</b>			<u>3,285</u>	<u>-</u>
<b>U.S. Department of Housing and Urban Development</b>				
<b>CDBG - Entitlement Grants Cluster:</b>				
<i>Passed through the San Bernardino County:</i>				
Community Development Block Grant	14.218	REDL-22-1-05D/0172	10,955	10,955
Community Development Block Grant	14.218	REDL-23-1-05G/7538	10,222	10,222
Community Development Block Grant	14.218	REDL-23-1-05A/7512	10,955	10,955
Community Development Block Grant	14.218	REDL-23-1-05C/7511	10,955	10,955
Community Development Block Grant	14.218	REDL-22-1-05A/0171	10,955	10,955
Community Development Block Grant	14.218	REDL-20-1-03A/0184	746,544	-
COVID-19 - Community Development Block Grant	14.218	REDL-19CV3-1-03A/0257	312,369	-
Community Development Block Grant	14.218	REDL-21-1-05Z/0246	2,702	2,702
<b>Total CDBG - Entitlement Grants Cluster</b>			<u>1,115,657</u>	<u>56,744</u>
<b>Total U.S. Housing and Urban Development</b>			<u>1,115,657</u>	<u>56,744</u>
<b>U.S. Department of Justice</b>				
<i>Direct Programs:</i>				
Bullet Proof Vest Partnership (BPVP)	16.607	N/A	4,598	-
Equitable Sharing Program	16.922	N/A	38,402	-
<i>Passed through San Bernardino County:</i>				
Edward Bryne Justice Assistance Grant (JAG) Program	16.738	2017-DJ-BX-0991-Redlands	46	-
<b>Total U.S. Department of Justice</b>			<u>43,046</u>	<u>-</u>
<b>U.S. Department of Transportation</b>				
<i>Direct Programs:</i>				
Airport Improvement Program	20.106	03-06-0195-018-2021	68,314	-
Airport Improvement Program	20.106	03-06-0195-019-2021	10,000	-
Airport Improvement Program	20.106	03-06-0195-020-2021	30,000	-
Airport Improvement Program	20.106	03-06-0195-021-2022	20,344	-
<b>Subtotal -Airport Improvement Program</b>			<u>128,658</u>	<u>-</u>
<b>Highway Planning and Construction Program:</b>				
<i>Passed through the California Department of Transportation:</i>				
Highway Safety Improvement Program (HSIP)	20.205	HSIP8-08-016 / 5083(020)	973,784	-
Highway Safety Improvement Program (HSIP)	20.205	HSIP8-08-017 / 5083 (021)	233,300	-
<b>Subtotal - Highway Planning and Construction Program</b>			<u>1,207,084</u>	<u>-</u>
<b>Highway Safety Cluster:</b>				
<i>Passed through California Office of Traffic Safety:</i>				
Selective Traffic Enforcement Program - State and Community Highway Safety	20.600	PT22062	16,892	-
Selective Traffic Enforcement Program - State and Community Highway Safety	20.600	PT23151	13,159	-
<b>Total Highway Safety Cluster</b>			<u>30,051</u>	<u>-</u>

See accompanying Notes to the Schedule of Expenditures of Federal Awards.

**City of Redlands**  
**Schedule of Expenditures of Federal Awards (Continued)**  
**For the Year Ended June 30, 2023**

Federal Grantor/Pass - Through	Assistance Listing	Grant Identification	Federal Expenditures	Amount Provided to Subrecipients
Grantor/Program Title	Number	Number	Expenditures	Subrecipients
Selective Traffic Enforcement Program - Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	PT22062	10,315	-
Selective Traffic Enforcement Program - Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	PT23151	6,881	-
<b>Subtotal - Minimum Penalties for Repeat Offenders for Driving While Intoxicated</b>			<b>17,196</b>	<b>-</b>
		<b>Total U.S. Department of Transportation</b>	<b>1,382,989</b>	<b>-</b>
<b><u>U.S. Department of Treasury</u></b>				
<i>Direct Programs:</i>				
Equitable Sharing Program	21.016	N/A	11,744	-
<b>Coronavirus State and Local Fiscal Recovery Fund:</b>				
<i>Direct Programs:</i>				
State and Local Fiscal Recovery Fund	21.027	N/A	2,591,767	-
<i>Passed through the State of California:</i>				
California Water and Wastewater Arrearage Payment Program	21.027	CA3610037	136,957	-
<b>Subtotal - Coronavirus State and Local Fiscal Recovery Fund</b>			<b>2,728,724</b>	<b>-</b>
		<b>Total U.S. Department of Treasury</b>	<b>2,740,468</b>	<b>-</b>
<b><u>U.S. Department of Health and Human Services</u></b>				
<i>Passed through the California Department of Community Services and Development (CSD):</i>				
Low Income Household Water Assistance Program (LIHWAP)	93.499	N/A	78,647	-
		<b>Total U.S. Department of Health and Human Services</b>	<b>78,647</b>	<b>-</b>
<b><u>U.S. Department of Homeland Security</u></b>				
<i>Direct Programs:</i>				
COVID-19 - Assistance to Firefighters Grant	97.044	EMW-2020-FG-00230	4,498	-
<i>Passed through the San Bernardino County Fire Protection District:</i>				
Emergency Management Performance Grant	97.042	2022-0005	22,159	-
<b>Homeland Security Grant Program:</b>				
<i>Passed through the San Bernardino County Fire Protection District:</i>				
Homeland Security Grant Program (HSGP)	97.067	2019-0035	8,453	-
Homeland Security Grant Program (HSGP)	97.067	2020-0095	22,717	-
<b>Subtotal - Homeland Security Grant Program</b>			<b>31,170</b>	<b>-</b>
		<b>Total U.S. Department of Homeland Security</b>	<b>57,827</b>	<b>-</b>
		<b>Total Expenditures of Federal Awards</b>	<b>\$ 5,421,919</b>	<b>\$ 56,744</b>

See accompanying Notes to the Schedule of Expenditures of Federal Awards.

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**City of Redlands**  
**Notes to the Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2023**

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**Note 1 – Reporting Entity**

The City of Redlands (the "City") is a municipal corporation governed by a five-member city council with the mayor elected by the council itself. The City was incorporated in 1888 under the general laws of the State of California and enjoys all the rights and privileges applicable to a General Law City.

The component units discussed below are included in the reporting entity because of their operational or financial relationships with the City.

- Redlands Public Improvement Corporation
- Redlands Joint Powers Public Financing Authority

Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. In addition, component units can be other organizations for which the primary government's exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Separate financial statements for the Redlands Public Improvement Corporation and Redlands Joint Power Financing Authority are not available.

**Note 2 – Basis of Accounting**

Funds received under the various grant programs have been recorded within the special revenue funds and enterprise funds of the City. The City utilizes the modified accrual method of accounting for the general fund and special revenue funds. The City utilizes the modified accrual basis of accounting for the special revenue funds, and the full accrual basis of accounting for the enterprise funds. The accompanying Schedule of Expenditures of Federal Awards ("Schedule") is presented in accordance with the 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). Therefore, some amounts presented in the schedule may differ from amounts presented in, or used in, the preparation of the City's basic financial statements.

**Note 3 – 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, San Bernardino County, the Ecology Center, and the San Bernardino County Fire Protection District is included in the Schedule. The Schedule was prepared from only the accounts of various grant programs and, therefore, does not present the financial position, change in fund balance, or results of operations of the City.

**Note 4 – Indirect Cost Rate**

The City has not elected to use the 10-percent de minimis indirect rate as allowed under the Uniform Guidance.

**City of Redlands**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2023**

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**Section I – Summary of Auditor’s Results**

**Financial Statements**

Type of report the auditors issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified? None Reported

Noncompliance material to financial statements noted? No

**Federal Awards**

Internal control over major programs:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified? None Reported

Type of auditor’s report issued on compliance for major programs Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? No

Identification of major programs:

Assistance Listing Number	Name of Federal Program or Cluster	Federal Expenditures
20.205	Highway Planning and Construction Program	\$ 1,207,084
21.027	Coronavirus State and Local Fiscal Recovery Fund	2,728,724
	Total Expenditures of All Major Federal Programs	<u>\$ 3,935,808</u>
	Total Expenditures of Federal Awards	<u>\$ 5,421,919</u>
	Percentage of Total Expenditures of Federal Awards	<u>72.59%</u>

Dollar threshold used to distinguish between type A and type B programs \$750,000

Auditee qualified as low-risk auditee in accordance with 2 CFR 200.520? Yes

**City of Redlands**  
**Schedule of Findings and Questioned Costs (Continued)**  
**For the Year Ended June 30, 2023**

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**Section II – Financial Statement Findings**

**A. Current Year Findings – Financial Statement Audit**

No findings were noted on the City’s financial statement audit for the year ended June 30, 2023.

**B. Prior Year Findings – Financial Statement Audit**

No findings were noted on the City’s financial statement audit for the year ended June 30, 2022.

**Section III – Federal Award Findings**

**A. Current Year Findings and Questioned Costs – Major Federal Award Program Audit**

No findings or questioned costs were noted on the City’s major federal programs for the year ended June 30, 2023.

**B. Prior Year Findings and Questioned Costs – Major Federal Award Program Audit**

No findings or questioned costs were noted on the City’s major federal programs for the year ended June 30, 2022.

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