

City of Redwood City

Redwood City, California

Single Audit Reports

For the fiscal year ended June 30, 2017

City of Redwood City
Single Audit Reports
For the fiscal year ended June 30, 2017

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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 City Council
of the City of Redwood City
Redwood City, 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 Redwood City, California (City), as of and for the fiscal year ended June 30, 2017, 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 21, 2017.

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 City's internal control. Accordingly, we do not express an opinion on the effectiveness of 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 may exist that have not been identified.

To the Honorable Mayor and Members of City Council
of the City of Redwood City
Redwood City, California
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Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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 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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Badawi & Associates". The signature is written in a cursive, flowing style.

Badawi and Associates
Certified Public Accountants
Oakland, California
December 21, 2017



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

We have audited the City of Redwood'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 fiscal year ended June 30, 2017. 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.

Auditor's 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, City of Redwood 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 fiscal year ended June 30, 2017.

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.

To the Honorable Mayor and Members of City Council
of the City of Redwood City
Redwood City, California
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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 City of Redwood City, as of and for the fiscal year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated December 21, 2017, 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.



Badawi and Associates
Certified Public Accountants
Oakland, California
December 21, 2017

City of Redwood City
Single Audit Reports
Schedule of Expenditures of Federal Awards
For the fiscal year ended June 30, 2017

Program Name	CFDA Number	Grantor/ Pass-Through Entity Grant Number	Program Expenditures	Subrecipient Payments
Federal Awards				
U.S. Department of Housing and Urban Development:				
<i>Direct Programs</i>				
CDBG-Entitlement Grants Cluster				
CDBG Entitlement Grant/ Entitlement Grants	14.218	B-14-MC-06-0014	\$ 100,604	\$ 100,604
CDBG Entitlement Grant/ Entitlement Grants	14.218	B-15-MC-06-0014	498,841	384,322
CDBG Entitlement Grant/ Entitlement Grants	14.218	B-16-MC-06-0014	490,433	373,300
Total Community Development Block Grant Cluster			<u>1,089,878</u>	<u>858,226</u>
Home Investment Partnerships Program	14.239	M-12-MC-06-0235	103,425	82,080
Home Investment Partnerships Program	14.239	M-12-MC-06-0236	191,806	191,806
Total Home Investment Partnership Program			<u>295,231</u>	<u>273,886</u>
Total U.S. Department of Housing and Urban Development			<u>1,385,109</u>	<u>1,132,112</u>
U.S. Department of Justice:				
<i>Direct Programs</i>				
Bullet Proof Vest Grant	16.607	2003-BUBX-030114961	9,905	-
Asset Forfeiture Program	16.111	CA0411300	9,784	-
Total U.S. Department of Justice			<u>19,689</u>	<u>-</u>
U.S. Department of Education:				
<i>Passed through Redwood City School District</i>				
21 Century Community Learning Grant	84.287	201617-148766	281,261	-
Total U.S. Department of Education			<u>281,261</u>	<u>-</u>
U.S. Department of Transportation:				
<i>Highway Planning and Construction Cluster</i>				
<i>Passed through the California Department of Transportation</i>				
Highway Planning and Construction	20.205	STPL-5029(034)	149,480	-
<i>Highway Safety Cluster</i>				
<i>Passed through the State of California Office of Traffic Safety</i>				
State and Community Highway Safety	20.600	20347	1,156	-
State and Community Highway Safety	20.600	PT1597	42,845	-
State and Community Highway Safety	20.600	PT-1798	68,065	-
State and Community Highway Safety	20.600	TR-1708	30,500	-
			<u>292,046</u>	<u>-</u>
Sub Total Federal Expenditures			<u>\$ 1,978,105</u>	<u>\$ 1,132,112</u>

See Notes to Schedule of Expenditures of Federal Awards.

City of Redwood City
Single Audit Reports
Schedule of Expenditures of Federal Awards
For the fiscal year ended June 30, 2017

Program Name	CFDA Number	Grantor/ Pass-Through Entity Grant Number	Program Expenditures	Subrecipients Payments
Total Federal Expenditures from previous page			\$ 1,978,105	\$ 1,132,112
U.S. Department of Transportation (Continued):				
Highway Safety Cluster				
<i>Passed through City of Daly City</i>				
State and Community Highway Safety	20.600	AL1632	8,431	-
Total U.S. Department of Transportation			300,477	-
U.S. Department of Homeland Security				
<i>Passed through from the Alameda County Sheriff's Department</i>				
Bay Area Urban Area Security Initiative (UASI)	97.067	2015-00078	37,404	-
<i>Direct Program:</i>				
Emergency Food and Shelter National Board Program	97.114	086600-018	8,200	-
<i>Passed through from the California Governor's Office of Emergency Services</i>				
Pre-disaster Mitigation Grant	97.047	081-60102-00	591,938	-
<i>Passed through from the City of Menlo Park</i>				
FEMA Urban Search and Rescue	97.025	EMW-2016-CA-00008	2,281	-
Total U.S. Department of Homeland Security			639,823	-
Total Federal Expenditures			\$ 2,626,359	\$ 1,132,112

See Notes to Schedule of Expenditures of Federal Awards.

City of Redwood City
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Notes to Schedule of Expenditures of Federal Awards
For the fiscal year ended June 30, 2017

1. REPORTING ENTITY

The financial reporting entity, as defined by GASB Codification, consists of the primary government, the City of Redwood City (City), organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The City Council acts as the governing body and is able to impose its will on the following organizations, establishing financial accountability:

- Redwood City Facilities and Infrastructure Authority
- Redwood City Public Financing Authority

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

Funds received under the various grant programs have been recorded within the general funds, capital project funds, special revenue funds and enterprise funds of the City. The City utilizes the modified accrual method of accounting for the general, capital project and special revenue funds and the full accrual method of accounting for enterprise funds. The accompanying Schedule of Expenditures of Federal Awards (Schedule) is presented in accordance with the requirements of 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.

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, Redwood City School District, City of Daly City, Alameda County Sheriff's Department, and City of Menlo Park 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.

Pass-Through Entities' Identifying Number

When federal awards are received from a pass-through entity, the Schedule shows, if available, the identifying number assigned by the pass-through entity.

Indirect Costs

The City did not elect to use the 10% de minimis indirect cost rate.

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Schedule of Findings and Questioned Costs
For the fiscal year ended June 30, 2017

Section I - Summary of Auditors' Results

Financial Statements

Types of auditors' report issued: Unmodified

Internal control over financial reporting:

- Material weakness identified? No
- Significant deficiency identified? None noted

Any noncompliance material to the financial statements noted? No

Federal Awards

Internal control over major programs:

- Material weakness identified? No
- Significant deficiencies identified? None noted

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 section 200.516(a) of the Uniform Guidance? No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>	<u>Expenditures</u>
97.047	Pre-Disaster Mitigation Grant	\$ 591,938
	Total Expenditures of All Major Federal Programs	591,938
	Total Expenditures of Federal Awards	\$ 2,626,359
	Percentage of Total Expenditures of Federal Awards	23%

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

Auditee qualified as low-risk auditee under section 200.520? Yes

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Schedule of Findings and Questioned Costs
For the fiscal year ended June 30, 2017

Section II - Financial Statements Findings

No financial statement findings were noted.

Section III - Federal Award Findings and Questioned Costs

No findings or questioned costs were noted.

PRIOR YEAR FINDINGS AND QUESTIONED COSTS

No findings or questioned costs were noted.