

City of Redwood City

Redwood City, California

Single Audit Report

For the year ended June 30, 2004

C&L
Caporicci & Larson
Certified Public Accountants

City of Redwood City
Single Audit Report

Table of Contents

	<u>Page</u>
Independent Auditors' Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	1
Independent Auditors' Report on Compliance with Requirements Applicable to each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133	2
Schedule of Expenditures of Federal Awards	4
Notes to Schedule of Expenditures of Federal Awards	6
Schedule of Findings and Questioned Costs	7



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING 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 the financial statements of the City of Redwood City (City) as of and for the year ended June 30, 2004, and have issued our report thereon dated October 22, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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 grants, 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 that are required to be reported under *Government Auditing Standards*.

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 opinion on the financial statements and not to provide assurance 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 over financial reporting that might be material weaknesses. A material weakness is a 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 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.

This report is intended for the information of the audit committee, management and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

Caporicci & Larson

Oakland, California
October 22, 2004

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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

Compliance

We have audited the compliance of the City of Redwood City (City) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2004. The City's major federal programs are identified in the summary of the 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 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; 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, *Audit 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. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004.

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. 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 in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a 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

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To the Honorable Mayor and Members of City Council
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Redwood City, California
Page 2

risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program 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 compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the basic financial statements of the City as of and for the year ended June 30, 2004, and have issued our report thereon dated October 22, 2004. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. 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 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 whole.

This report is intended for the information of the audit committee, management and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

Capricci & Carson

Oakland, California
October 22, 2004

City of Redwood City
Single Audit Report
Schedule of Expenditures of Federal Awards
For the year ended June 30, 2004

Program Name	Grantor/ Pass-Through Entity Grant Number	Catalog of Federal Domestic Assistance Number	Program Expenditures
<u>Federal Awards</u>			
US Department of Housing and Urban Development			
The Community Development Block Grant includes			
the following expenditures			
a Program Expenditures			\$ 366,303
a Subgrants			
PAL			182,050
Casa De Redwood			35,296
Tri Cities Children Center			5,000
Samaritan House			7,000
Fair Housing Implementation			16,640
Eclipse-AIDS Program			7,500
Fair Housing Counseling			35,000
Shared Housing			18,000
Housing Relocation			3,930
Maple Street Shelter			15,000
Rolison Road Rental Housing			117
Peninsular Volunteers-Rosner			10,000
Catholic Charities - SCAD			5,000
Laraza Homeless Prevention			25,000
Second Harvest Brown Bay			5,000
Spring Street Shelter			12,000
Redwood Family House			10,000
Center for the Independence of the Disabled			30,000
Legal Aid Society			22,000
Family Service Agency			12,000
Canada College Business Center			103,079
Daybreak Shelter for Homeless Youth			15,000
Kanos Residential Rehab			34,800
Greer Gardens			45,168
Veterans Homeless Shelter			15,000
Clara Mateo Alliance Women's Cancer			7,000
Rolison Repossession			69,846
Ombudsman Program			7,000
Hope House I			50,000
Hope House II			20,000
Redwood Parents Nursery School			19,530
Total Subgrants			842,956
Loan Program			
a Rehabilitation Balance of Loans at end of year			338,272
Total Community Development Block Grant	B-02MC-06-0014	14 218	1,547,531

* Denotes as Major Program

See Notes to Schedule of Expenditures of Federal Awards.

City of Redwood City
Single Audit Report
Schedule of Expenditures of Federal Awards, Continued
For the year ended June 30, 2004

Program Name	Grantor/ Pass-Through Entity Grant Number	Catalog of Federal Domestic Assistance Number	Program Expenditures
<u>Federal Awards</u>			
US Department of Housing and Urban Development Passed Through State of California Department of Transportation The HOME Fund Grant includes the following expenditures			
b Program Expenditures			\$ 20,253
b Subgrants			
CHDO			62,906
KAINOS Triplex Rehab			64,771
Total Subgrants			<u>127,677</u>
Loan Program			
b Total HOME Loans at end of year			<u>500,000</u>
Total HOME	M-02MC-06-0235	14 239	* <u>647,930</u>
US Department of Transportation Highway Planning and Construction RTSOP II			
	STPL-CML-5029(008)	20 205	<u>62,030</u>
			<u>62,030</u>
US Department of Justice			
US BJA Law Enforcement Grant 2001	200-LB-VX-2175	16 592	8,651
US BJA Law Enforcement Grant 2002	200-LB-BX-0870	16 592	63,111
			<u>71,762</u>
National PAL Grant Federal	2002-MU-MU-0010	16 541	<u>4,733</u>
Total Federal Financial Awards			<u><u>\$ 2,333,986</u></u>

* Denotes as Major Program

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Notes to Schedule of Expenditures of Federal Awards
For the year ended June 30, 2004

1. REPORTING ENTITY

The financial reporting entity, as defined by GASB Codification, consists of the primary government, 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:

- The Redevelopment Agency of the City of Redwood City

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

Funds received under the various grant programs have been recorded within the special revenue funds of the City. The City utilizes the modified accrual method of accounting for the special revenue funds. The accompanying Schedule of Expenditures of Federal Awards (Schedule) has been prepared on the modified accrual basis of accounting.

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 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.

3. OFFICE OF CRIMINAL JUSTICE PLANNING DISCLOSURES

OCJP Grant Award Number JC99000410

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Personal Services	\$ 47,050	\$ 53,846	\$ (6,796)
Operating Expenses	20,320	13,524	6,796
Total	<u>\$ 67,370</u>	<u>\$ 67,370</u>	<u>\$ -</u>

The grant was awarded to the City on September 15, 2002. The City spent \$67,370 for the fiscal year ended June 30, 2004.

City of Redwood City
Single Audit Report
Schedule of Findings and Questioned Costs
For the year ended June 30, 2004

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unqualified opinion on the basic financial statements of the City of Redwood City.
2. No reportable conditions relating to the audit of the financial statements are reported in the basic financial statements.
3. No instances of noncompliance material to the financial statements of City of Redwood City were disclosed during the audit.
4. No reportable conditions relating to the audit of the major federal award program is reported in the basic financial statements.
5. The auditors' report on compliance for the major federal award program for the City of Redwood City expresses an unqualified opinion.
6. Audit findings relative to the major federal award program for the City of Redwood City are reported in Part C of this Schedule.
7. The program tested as major program includes:

<u>Major Program</u>	<u>Expenditures</u>
HOME	\$ 647,930
Total Major Program Expenditures	\$ 647,930
Percent of Total Federal Award Expenditures	27.76%

The auditee meets the criteria for a low-risk auditee. Consequently, the major programs tested were required to be in the aggregate at least 25% of total federal awards expended.

8. The threshold for distinguishing Types A and B programs was \$300,000.
9. The City of Redwood City was determined to be a low risk auditee.

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

None

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAM AUDIT

None