

**CITY OF RIVERSIDE
RIVERSIDE, CALIFORNIA**

**SINGLE AUDIT REPORT ON
FEDERAL AWARDS**

JUNE 30, 2011

MOSS ADAMS^{LLP}

Certified Public Accountants • Business Consultants

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REPORT OF INDEPENDENT AUDITORS 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

Honorable Mayor and Members of the City Council
City of Riverside
3900 Main Street
Riverside, California

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 Riverside, California, ("the City") as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements and have issued our report thereon dated October 14, 2011. 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

Management of the City is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of The City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

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 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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Honorable Mayor and Members of the City Council
City of Riverside

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.

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

Mess Adams LLP

Los Angeles, California
October 14, 2011

**REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE WITH REQUIREMENTS THAT
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM, INTERNAL
CONTROL OVER COMPLIANCE AND ON THE SCHEDULE OF EXPENDITURES OF FEDERAL
AWARDS IN ACCORDANCE WITH OMB CIRCULAR A-133**

Honorable Mayor and Members of the City Council
City of Riverside
3900 Main Street
Riverside, California

Compliance

We have audited the City of Riverside, California's (the City) compliance with the types of compliance requirements described in the *OMB Circular A-133 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, 2011. 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. 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 of 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*. 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 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 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, 2011.

Honorable Mayor and Members of the City Council
City of Riverside

Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the 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 to determine the 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, 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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the basic financial statements of the governmental activities, the business activities, each major fund and the aggregate remaining fund information of the City as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements, and have issued our report thereon dated October 14, 2011. 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 in accordance with the requirements of 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 a whole.

Honorable Mayor and Members of the City Council
City of Riverside

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

Mess Adams LLP

Los Angeles, California
October 14, 2011

**CITY OF RIVERSIDE, CALIFORNIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2011**

Federal Grant/Pass Through Grant Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Agriculture			
Direct Programs			
Summer Food Service Program for Children	10.559		\$ 209,459
Total U.S. Department of Agriculture			209,459
U.S. Department of Commerce			
Direct Programs:			
Public Works and Economic Development	11.300		334,323
Total U.S. Department of Commerce			334,323
U.S. Department of Housing and Urban Development			
Direct Programs:			
Community Development Block Grants/Entitlement Grants cluster			
Community Development Block Grants/Entitlement Grants	14.218		3,027,779
Housing and Economic Recovery Act 2008			
Neighborhood Stabilization Program I	14.218		3,792,977
ARRA Community Development Block Grants/Entitlement Grants	ARRA - 14.253		427,004
Subtotal Community Development Block Grants/Entitlement Grants cluster			7,247,760
Emergency Shelters Grant Program	14.231		160,666
Supportive Housing Program	14.235		343,157
HOME Investment Partnerships Program	14.239		1,197,288
Housing Opportunities for Persons with AIDS	14.241		1,898,230
Community Development Block Grants/Brownfields Economic Development Initiative	14.246		48,635
Pass-through County of Riverside:			
ARRA Homelessness Prevention & Rapid Re-Housing Program	ARRA - 14.257		636,912
Total U.S. Department of Housing and Urban Development			11,532,648
U.S. Department of Interior			
Direct Programs:			
Historic Preservation Fund Grants-In-Aid	15.904		14,218
Total U.S. Department of Interior			14,218
U.S. Department of Justice			
Direct Programs:			
Asset forfeiture	16.000		862,510
National Institute of Justice, Research and Development Project	16.560		131,489
Bulletproof Vest Partnership	16.607		31,900
Project Safe Neighborhoods	16.609		9,525
COPS	16.710		386,098
Edward Byrne Memorial Justice Assistance cluster			
Edward Byrne Memorial Justice Assistance	16.738		234,935
ARRA Edward Byrne Memorial Justice Assistance	ARRA - 16.804		66,333
Subtotal Edward Byrne Memorial Justice Assistance cluster			301,268
Paul Coverdell Forensic Sciences Improvement Grant	16.742		93,690
Pass-through Drug Enforcement Agency:			
Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants program	16.580	95-6000930	26,941
Total U.S. Department of Justice			1,843,421
U.S. Department of Labor			
Pass-through Riverside County Economic Development Agency:			
ARRA - Summer Work Experience Program	ARRA - 17.259	SWEP 2010-322-107	386,174
ARRA WIA Dislocated Workers	ARRA - 17.260	2009/2011-047-102-105	47,520
Subtotal WIA cluster			433,694
Total U.S. Department of Labor			433,694

**CITY OF RIVERSIDE, CALIFORNIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2011**

Federal Grant/Pass Through Grant Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Executive Office of the President - Office of National Drug Control Policy			
Pass-through State:			
High Intensity Drug Trafficking Areas (HIDTA) Program	95.001	07-15PLAP540Z	50,480
Inland Crackdown Allied Task Grant	95.000	07.999*	<u>149,180</u>
Total Executive Office of the President - Office of National Drug Control Policy			199,660
U.S. Department of Transportation			
Direct Programs:			
Federal Transit Metropolitan Planning Grants	20.505		448,856
Federal Transit cluster			
Federal Transit Formula Grants	20.507		80,801
ARRA Federal Transit Formula Grants	ARRA - 20.507		<u>1,473</u>
Subtotal Federal Transit cluster			82,274
Highway Planning and Construction cluster			
Pass-through the California Department of Transportation:			
Highway Planning and Construction	20.205		4,368,834
ARRA Highway Planning and Construction	ARRA - 20.205		10,486
Pass-through County of Riverside			
Highway Planning and Construction (Safe Routes)	20.205	116-240	<u>7,747</u>
Subtotal Highway Planning and Construction cluster			4,387,067
Pass-through State of California Office of Traffic Safety:			
State and Community Highway Safety	20.600	various	19,439
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	various	<u>345,791</u>
Total U.S. Department of Transportation			5,283,427
U.S. Department of Treasury			
Direct Programs			
Asset forfeiture	21.000		<u>59,211</u>
Total U.S. Department of Treasury			59,211
Institute of Museum and Library Services			
Pass-through State of California:			
Grants to States	45.310	LS-00-10-0006-10	<u>14,500</u>
Total Institute of Museum and Library Services			14,500
Environmental Protection Agency			
Direct Programs			
Brownsfield Job Training Coop Agreements	66.815		139,943
Brownsfield Assessment and Cleanup Coop Agreements	66.818		<u>325</u>
Total Environmental Protection Agency			140,268
U.S. Department of Energy			
Direct Program			
ARRA Energy Efficiency & Conservation Block Grant	ARRA - 81.128		<u>1,397,675</u>
Total U.S. Department of Energy			1,397,675
U.S. Department of Homeland Security			
Direct Programs			
National Urban Search and Rescue (US&R) Response System	97.025		1,006,549
Assistance to Firefighters Grant	97.044	95-60000930	55,384

**CITY OF RIVERSIDE, CALIFORNIA
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 Year Ended June 30, 2011**

Federal Grant/Pass Through Grant Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Homeland Security Cluster			
Pass-through State of California			
Urban Areas Security Initiative	97.067	95-6000930	2,374,130
Pass-through Riverside County:			
Homeland Security Grant Program	97.067	2009-0019, 065-62000	82,367
Pass-through California Emergency Management Agency:			
State Homeland Security	97.073	various	<u>168,290</u>
Subtotal Homeland Security Cluster			<u>2,624,787</u>
Pass-through City of Los Angeles			
Regional Catastrophic Preparedness Grant Program (RCPGP)	97.111	C-117607	38,703
Pass-through California Emergency Management Agency:			
Disaster Grants - Public Assistance	97.036	various	230,776
Buffer Zone Protection Program	97.078	95-6000930	<u>65,594</u>
Total U.S. Department of Homeland Security			4,021,793
Total Federal Expenditures			<u><u>\$ 25,484,297</u></u>

* Federal CFDA number not available. The references disclosed refer to grantor agency and the contract or grant numbers of the grantor agency.

**CITY OF RIVERSIDE, CALIFORNIA
 NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED JUNE 30, 2011**

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the City of Riverside, California under programs of the federal government for the year ended June 30, 2011. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net assets or cash flow of the City.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity indentifying numbers are presented where available.

NOTE 3 - SUB-RECIPIENTS

During the fiscal year ended June 30, 2011, the City disbursed federal funding to various program recipients from the following federal programs:

Federal awarding agency and program name	CFDA	Federal Expenditures
U.S. Department of Housing and Urban Development		
Community Development Block Grant	14.218	\$ 1,057,811
HOME Investment Partnerships Program	14.239	218,888
Housing Opportunities for Persons with AIDS	14.241	1,838,505
Emergency Shelters Grant Program	14.231	140,476
U.S. Department of Energy		
ARRA Energy Efficiency & Conservation Block Grant	ARRA 81.128	98,858
U.S. Department of Homeland Security		
Urban Areas Security Initiative	97.067	1,497,891

**CITY OF RIVERSIDE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? _____ yes X no
- Significant deficiency(ies) identified? _____ yes X none reported

Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ yes X no
- Significant deficiency(ies) identified? _____ yes X none reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? _____ yes X no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
	U.S. Department of Housing and Urban Development
	Community Development Block Grants/Entitlement Grants cluster:
14.218	Community Development Block Grants/Entitlement Grants
ARRA - 14.253	ARRA - Community Development Block Grants/Entitlement Grants
14.239	HOME Investment Partnerships Program
14.241	Housing Opportunities for Persons with AIDS
	U.S. Department of Justice
16.000	Asset forfeiture
	U.S. Department of Transportation
	Highway Planning and Construction cluster:
ARRA - 20.205	Highway Planning and Construction grant
20.205	Highway Planning and Construction grant

CITY OF RIVERSIDE
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
 FOR THE YEAR ENDED JUNE 30, 2011

Section I - Summary of Auditor's Results (Continued)

Identification of major programs (continued):

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
	U.S. Department of Energy
ARRA - 81.128ARRA	Energy Efficiency & Conservation Block Grant
	U.S. Department of Homeland Security
97.025	National Urban Search and Rescue (US&R) Response System
	Homeland Security Cluster:
97.067	Urban Areas Security Initiative
97.067	Homeland Security Grant Program
97.073	State Homeland Security

Dollar threshold used to distinguish
 between type A and type B programs: \$ 764,529

Auditee qualified as low-risk auditee? X yes ___ no

Section II - Financial Statement Findings

None reported

Section III - Federal Award Findings and Questioned Costs

None reported

**CITY OF RIVERSIDE, CALIFORNIA
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2011**

There were no findings disclosed in the Single Audit Report for the year ended June 30, 2010 that requires follow up.