

CITY OF RIVERSIDE, CALIFORNIA
Single Audit Reports
For the Year Ended June 30, 2017



Certified
Public
Accountants

CITY OF RIVERSIDE, CALIFORNIA
For the Year Ended June 30, 2017

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Independent Auditors' 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 Riverside, 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 Riverside, California (the City) as of and for the 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 October 31, 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 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City'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.

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*.

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.

Macias Gini & O'Connell LLP

Newport Beach, California
October 31, 2017



Independent Auditors' Report on Compliance For Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

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

Report on Compliance for Each Major Federal Program

We have audited the City of Riverside, California (the 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, 2017. The City's major federal programs are identified in the summary of auditors' 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, 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 noncompliance 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, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated October 31, 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 basic financial statements and certain other 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.

Macias Gini & O'Connell LLP

Newport Beach, California
October 31, 2017

CITY OF RIVERSIDE, CALIFORNIA
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2017

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Pass-through to Subrecipients	Total Federal Expenditures
U.S. Department of Agriculture Food and Nutrition Service				
Pass-through Riverside County Department of Public Health:				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	13-20527	\$ -	\$ 586,109
Direct Program:				
Forestry Research	10.652	NA	-	3,425
Total U.S. Department of Agriculture Food and Nutrition Service			-	589,534
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*	N/A	2,028,502	2,633,933
Subtotal Community Development Block Grants - Entitlement Grants Cluster			2,028,502	2,633,933
Emergency Solutions Grants Program	14.231	N/A	197,244	314,486
Supportive Housing Program	14.235	N/A	-	304,613
Home Investment Partnerships Program	14.239	N/A	-	478,344
Housing Opportunities for Persons with AIDS	14.241*	N/A	1,615,351	1,644,947
Total U.S. Department of Housing and Urban Development			3,841,097	5,376,323
Department of the Interior				
Direct Program:				
Historic Preservation Fund Grants-In-Aid	15.904	N/A	-	4,232
Total U.S. Department of Interior			-	4,232
U.S. Department of Justice				
Direct Programs:				
Public Safety Partnership and Community Policing Grants	16.710	N/A	-	370,798
Body Worn Camera Policy and Implementation	16.835	N/A	-	3,179
Equitable Sharing Program	16.922	N/A	-	222,830
JAG Program Cluster:				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	NA	125,414	268,696
Subtotal JAG Program Cluster			125,414	268,696
Pass-through Drug Enforcement Agency:				
Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	16.580	95-6000930	-	10,103
Total U.S. Department of Justice			125,414	875,606
U.S. Department of Labor				
Direct Program:				
WIA Dislocated Workers	17.260	NA	-	162,309
Total U.S. Department of Labor			-	162,309
U.S. Department of Transportation				
Direct Programs:				
Airport Improvement Program	20.106	NA	-	105,852
Metropolitan Transportation Planning and Non-Metropolitan Planning and Research	20.505	NA	-	72,389
Federal Transit Cluster				
Federal Transit Formula Grants	20.507*	N/A	-	451,474
Subtotal Federal Transit Cluster			-	451,474
Pass-through the California Department of Transportation:				
Highway Planning and Construction	20.205	various	-	606,645
Pass-through Riverside County Department of Public Health:				
Highway Planning and Construction	20.205	116-240	-	4,478
Subtotal Highway Planning and Construction Cluster			-	611,123

*Denotes major program

The accompanying notes are an integral part of the Schedule.

CITY OF RIVERSIDE, CALIFORNIA
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2017

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Pass-through to Subrecipients	Total Federal Expenditures
Pass-through State of California Office of Traffic Safety: Highway Safety Cluster				
State and Community Highway Safety	20.600	various	-	193,306
National Priority Safety Programs	20.616	OP1507	-	71,349
Subtotal Highway Safety Cluster			<u>-</u>	<u>264,655</u>
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	various	-	212,243
Total U.S. Department of Transportation			<u>-</u>	<u>1,717,736</u>
U.S. Department of Treasury				
Direct Program:				
Asset Forfeiture	21.000	N/A	-	76,212
Total U.S. Department of Treasury			<u>-</u>	<u>76,212</u>
Executive Office of the President - Office of National Drug Control Policy				
Pass-through Drug Enforcement Agency:				
High Intensity Drug Trafficking Areas Program	95.001	07-I5PLAP540Z		100,999
Total Executive Office of the President - Office of National Drug Control Policy			<u>-</u>	<u>100,999</u>
U.S. Department of Homeland Security				
Direct Program:				
National Urban Search and Rescue (US&R) Response System	97.025	N/A	-	1,107,729
Pass-through California Office of Emergency Services:				
Homeland Security Grant Program	97.067	065-62000	187,470	844,286
Pass-through Riverside County:				
Homeland Security Grant Program	97.067	various	-	224,865
Subtotal Homeland Security Grant Program			<u>187,470</u>	<u>1,069,151</u>
Pass-through California Emergency Management Agency:				
Emergency Management Performance Grants	97.042	2011-0048		73,956
Total U.S. Department of Homeland Security			<u>187,470</u>	<u>2,250,836</u>
Total Federal Expenditures			<u>4,153,981</u>	<u>11,153,787</u>

*Denotes major program

The accompanying notes are an integral part of the Schedule.

CITY OF RIVERSIDE, CALIFORNIA
Notes to the Schedule of Expenditures for Federal Awards
For the Year Ended June 30, 2017

(1) Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule), includes the federal award activity of the City of Riverside, California (the City), under programs of the federal government for the year ended June 30, 2017. The information in this 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). 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 position or cash flows of the City.

(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 the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

(3) Indirect Cost Rates

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

(3) Subrecipients

The City passes certain federal awards received from the U.S. Department of Housing and Urban Development, the U.S. Department of Justice, and the U.S. Department of Homeland Security to other governments or not-for-profit agencies (subrecipients). As Note 2 describes, the City reports expenditures of Federal awards to subrecipients on a modified accrual basis.

(4) Outstanding Loans

The Successor Agency to the Redevelopment Agency of the City of Riverside currently has outstanding \$810,000 in HUD Section 108 Loan for the Mission Village Project. Interest on the loan varies from 6.15% to 6.72%, payable in semi-annual installments beginning August 1, 1999, ranging from \$110,000 to \$420,000, through August 1, 2018.

CITY OF RIVERSIDE, CALIFORNIA
 Schedule of Findings and Questioned Costs
 For the Year Ended June 30, 2017

Section I - Summary of Auditors' Results

A. Financial Statements:

Type of report the auditor 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

B. Federal Awards:

Internal control over major federal programs:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	None reported

Type of auditors' report issued on compliance for major programs:	Unmodified
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Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No
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Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of the Program or Cluster</u>
14.241	Housing Opportunities for Persons with AIDS
14.218	Community Development Block Grants/Entitlement Grants
20.507	Federal Transit Cluster

Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
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Auditee qualified as a low-risk auditee?	No
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CITY OF RIVERSIDE, CALIFORNIA
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2017

Section II - Financial Statement Findings

A. Internal Control Matters

None reported.

B. Compliance Findings

None reported.

Section III – Federal Award Findings and Questioned Costs

A. Internal Control Matters

None reported.

B. Compliance Findings

None reported.

CITY OF RIVERSIDE, CALIFORNIA
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2016

There were no audit findings noted for the year ended June 30, 2016.