

City of Redding

Redding, California

Single Audit, Passenger Facility Charges Program, And Independent Auditors' Reports

For the Year Ended June 30, 2016



City of Redding

Table of Contents

Page

Single Audit:

| | |
|--|----------|
| 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 <i>Government Auditing Standards</i> | 1 |
| Independent Auditors' Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance..... | 3 |
| Schedule of Expenditures of Federal Awards..... | 7 |
| Notes to the Schedule of Expenditures of Federal Awards..... | 10 |
| Schedule of Findings and Questioned Costs | 11 |

Passenger Facility Charges:

| | |
|---|-----------|
| Independent Auditors' Report on Compliance with Requirements Applicable to the Passenger Facility Charge Program and on Internal Control Over Compliance | 13 |
| Schedule of Passenger Facility Charges Collected and Expended and Interest Collected..... | 17 |
| Notes to Schedule of Passenger Facility Charges Collected and Expended and Interest Collected | 18 |
| Schedule of Findings and Questioned Costs..... | 19 |

This page intentionally left blank.



**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 *GOVERNMENTAL AUDITING STANDARDS***

To the Honorable Mayor and Members of City Council
of the City of Redding
Redding, 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 Redding, California (the "City") as of and for the year ended June 30, 2016, 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 19, 2016.

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 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.

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*.

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

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 entity'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.

Walnut Creek, California
December 19, 2016



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL 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 Redding
Redding, California

Report on Compliance for Each Major Federal Program

We have audited the City of Redding' (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, 2016. The City's major federal programs are identified in the summary of the 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, 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, 2016.

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 Redding
Redding, California
Page 3

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, 2016, and have issued our report thereon dated December 19, 2016 which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming our opinions on the City's financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the 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 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 financial statements or to the 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.

The PwC Group, LLP

Walnut Creek, California
December 19, 2016

This page intentionally left blank

City of Redding
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2016

| Federal Grantor/Pass - Through Grantor/Program Title | Federal CFDA Number | Grant Identification Number | Federal Expenditures | Amount Provided to Subrecipients |
|--|---------------------------|-----------------------------------|-------------------------|--|
| <u>U.S. Department of Housing and Urban Development</u> | | | | |
| CDBG - Entitlement Grants Cluster: | | | | |
| <i>Direct Program:</i> | | | | |
| Community Development Block Grant | 14.218 | B-14-MC-06-0033 | \$ 148,113 | \$ 11,665 |
| Community Development Block Grant | 14.218 | B-15-MC-06-0033 | 553,412 | 146,533 |
| Total CDBG - Entitlement Grants Cluster | | | 701,525 | 158,198 |
| HOME Investment Partnership | 14.239 | M10-MC060238 | 2,000 | - |
| HOME Investment Partnership | 14.239 | M11-MC060238 | 292,430 | - |
| HOME Investment Partnership | 14.239 | M12-MC060238 | 277,478 | - |
| HOME Investment Partnership | 14.239 | M13-MC060238 | 251,531 | - |
| HOME Investment Partnership | 14.239 | M14-MC060238 | 82,918 | - |
| HOME Investment Partnership | 14.239 | M15-MC060238 | 4,205 | - |
| Subtotal - Program 14.239 | | | 910,562 | - |
| Housing Vouchers Cluster: | | | | |
| <i>Direct Program:</i> | | | | |
| Section 8 Housing Choice Vouchers | 14.871 | CA 106 | 8,439,631 | - |
| Total Housing Vouchers Cluster | | | 8,439,631 | - |
| Family Self-Sufficiency Program | | | | |
| <i>Direct Program:</i> | | | | |
| FSS Coordinator | 14.896 | CA 106 FSH096A014 | 29,531 | - |
| FSS Coordinator | 14.896 | CA 106 FSH096A015 | 29,306 | - |
| Subtotal - Program 14.896 | | | 58,837 | - |
| Total U.S. Housing and Urban Development | | | 10,110,555 | 158,198 |
| <u>U.S. Department of Justice</u> | | | | |
| <i>Direct Program:</i> | | | | |
| Bulletproof Vest Partnership Program | 16.607 | 2013 | 2,047 | - |
| Bulletproof Vest Partnership Program | 16.607 | 2014 | 6,600 | - |
| Subtotal - Program 16.607 | | | 8,647 | - |
| <i>Direct Program:</i> | | | | |
| Edward Byrne Memorial Justice Assistance Grant | 16.738 | 2012-DJ-BX-0981 | 24,109 | - |
| Edward Byrne Memorial Justice Assistance Grant | 16.738 | 2013-DJ-BX-0512 | 55,369 | - |
| Edward Byrne Memorial Justice Assistance Grant | 16.738 | 2015-DJ-BX-0197 | 49,054 | - |
| Subtotal - Program 16.738 | | | 128,532 | - |
| Total U.S. Department of Justice | | | 137,179 | - |

See accompanying Notes to the Schedule of Expenditures of Federal Awards

City of Redding
Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended June 30, 2016

| Federal Grantor/Pass - Through Grantor/Program Title | Federal CFDA Number | Grant Identification Number | Federal Expenditures | Amount Provided to Subrecipients |
|---|---------------------------|-----------------------------------|-------------------------|--|
| <u>U.S. Department of Transportation</u> | | | | |
| Aiport Improvement Program | | | | |
| <i>Direct Program</i> | | | | |
| Passenger Screening Security | 20.106 | SD 1542-02-01: TSA | 51,760 | - |
| Terminal Building Expansion | 20.106 | 03-06-0194-43 | 329 | - |
| ALP & Narrative Update | 20.106 | 03-06-0308-14 | 1,783 | - |
| Master Plan Update | 20.106 | 03-06-0194-46 | 65,086 | - |
| ARFF Vehicle & Equipment | 20.106 | 03-06-0194-45 | 567,695 | - |
| Water Pollution Control Facility | 20.106 | 03-06-0308-16 | (9,209) | - |
| Payment Study | 20.106 | 03-06-0308-17 | 11,127 | - |
| Pavement Study | 20.106 | 03-06-0194-47 | 7,502 | - |
| T-Hangar Taxilane | 20.106 | 03-06-0194-47 | 286,194 | - |
| ADA Passenger Ramp | 20.106 | 03-06-0194-47 | 22,995 | - |
| West Tie Down Apron | 20.106 | 03-06-0194-47 | 155,910 | - |
| ARFF Building Mods | 20.106 | 03-06-0194-47 | 16,841 | - |
| Subtotal - Program 20.106 | | | 1,178,013 | - |
| Highway Planning and Construction Cluster: | | | | |
| <i>Passed through the California Department of Transportation:</i> | | | | |
| Cypress Bridge | 20.205 | BRLS-5068(01) | 9,907,388 | - |
| FHBP Study 5068-32 (Sharon/ACID) | 20.205 | HBRR 5068-32 | 66,751 | - |
| FHBP Study 5068-34 (Sacramento/Olney) | 20.205 | HBRR 5068-34 | 129,342 | - |
| FHBP Study 5068-35 (Eastside/Canyon) | 20.205 | HBRR 5068-35 | 569 | - |
| FHBP Study 5068-36 (Eastside/Olney) | 20.205 | HBRR 5068-36 | 69,524 | - |
| FHBP Study 5068-37 (Canyon/ACID) | 20.205 | HBRR 5068-37 | 311 | - |
| FHBP Study 5068-38 (Westside/Canyon) | 20.205 | HBRR 5068-38 | 310 | - |
| FHBP Study 5068-39 (Girvan/Olney) | 20.205 | HBRR 5068-39 | 310 | - |
| FHBP Study 5068-45 (Old Alturas/Churn Creek) | 20.205 | HBRR 5068-45 | 10,306 | - |
| Intersection of Old Oregon/Oasis | 20.205 | HSIP 5068-30 | 8,007 | - |
| Buenaventura Improvements | 20.205 | HSIP 5068-43 | 387,213 | - |
| Safe Routes to School - Bidwell/N. Bonneyview | 20.205 | SRTSL-5068 (048) | 44,427 | - |
| East Cypress Pedestrian Improvements | 20.205 | SRTSL-5068 (049) | 221,223 | - |
| Churn Creek Shoulder Widening | 20.205 | HSIPL 5068(050) | 239,868 | - |
| Victor Pedestrian Safety Improvements | 20.205 | HSIP6-02-001-5068(51) | 115,357 | - |
| Old Oregon Trail Shoulder Widening | 20.205 | HSIP6-02-002-5068(52) | 73,550 | - |
| Hartnell Avenue Pedestrian Improvements | 20.205 | HSIP7-02-002 | 17,188 | - |
| Subtotal - 20.205 - Passed through the California Department of Transportation | | | 11,291,644 | - |
| <i>Passed through the Shasta Regional Transportation Agency:</i> | | | | |
| Regional Surface Transportation Program - Highway Planning (707.01) | 20.205 | SRTA (OWP 2014-2015) | 24,949 | - |
| Regional Surface Transportation Program - Highway Planning (701.11) | 20.205 | SRTA (OWP 2014-2015) | 5,689 | - |
| Subtotal - 20.205 - Passed through the Shasta Regional Transportation Agency | | | 30,638 | - |
| Total Highway Planning and Construction Cluster | | | 11,322,282 | - |
| Federal Transit Cluster: | | | | |
| <i>Direct Program:</i> | | | | |
| FTA-CA-90-Z071 | 20.507 | CA-90-Z071 | 5,365 | - |
| FTA - Operating Z278 | 20.507 | 1629-2016-01 | 750,000 | - |
| Total Federal Transit Cluster | | | 755,365 | - |

See accompanying Notes to the Schedule of Expenditures of Federal Awards

City of Redding
Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended June 30, 2016

| Federal Grantor/Pass - Through Grantor/Program Title | Federal CFDA Number | Grant Identification Number | Federal Expenditures | Amount Provided to Subrecipients |
|--|---------------------------|--|-------------------------|--|
| Highway Safety Cluster: | | | | |
| <i>Passed through California Office of Traffic Safety:</i> | | | | |
| Selective Traffic Enforcement Program (STEP) | 20.600 | PT1558 | 25,480 | - |
| Selective Traffic Enforcement Program (STEP) | 20.600 | PT1629 | 89,377 | - |
| Total Highway Safety Cluster | | | <u>114,857</u> | <u>-</u> |
| Minimum Penalties for Repeat Offenders for Driving While Intoxicated Program: | | | | |
| <i>Passed through California Office of Traffic Safety:</i> | | | | |
| DUI AVOID Program | 20.608 | AL1518 | 41,834 | - |
| Selective Traffic Enforcement Program (STEP) | 20.608 | PT1629 | 55,560 | - |
| Total - Program 20.608 | | | <u>97,394</u> | <u>-</u> |
| | | Total U.S. Department of Transportation | <u>13,467,911</u> | <u>-</u> |
| <u>National Endowment for the Humanities</u> | | | | |
| <i>Direct Program:</i> | | | | |
| LSTA Create It Grant | 45.310 | LS-00-15-0005-15 | 1,692 | - |
| | | Total National Endowment for the Humanities | <u>1,692</u> | <u>-</u> |
| <u>Executive Office of the President</u> | | | | |
| <i>Passed through the Sacramento County Sheriff's Department:</i> | | | | |
| High Intensity Drug Trafficking Areas Program (HIDTA) | 95.001 | 6560 | 11,592 | - |
| | | Total Executive Office of the President | <u>11,592</u> | <u>-</u> |
| <u>U.S. Department of Homeland Security</u> | | | | |
| Homeland Security Grant Program Cluster: | | | | |
| <i>Passed through the County of Shasta:</i> | | | | |
| Homeland Security Grant Program | 97.067 | 2049-19-2014-02 | 50,000 | - |
| Total Homeland Security Grant Program Cluster | | | <u>50,000</u> | <u>-</u> |
| <i>Direct Program</i> | | | | |
| (SAFER) Staffing for Adequate Fire & Emergency Response | 97.083 | EMW-2012-FH-00321 | 49,484 | - |
| | | Total U.S. Department of Homeland Security | <u>99,484</u> | <u>-</u> |
| | | Total Expenditures of Federal Awards | <u>\$ 23,828,413</u> | <u>\$ 158,198</u> |

See accompanying Notes to the Schedule of Expenditures of Federal Awards

City of Redding
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2016

Note 1 – Reporting Entity

The financial reporting entity, as defined by the Governmental Accounting Standard Board (“GASB”), consists of the primary government, which is the City of Redding, California (the “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.

Note 2 – Basis of Accounting

Funds received under the various grant programs have been recorded within the general fund, enterprise funds and special revenue funds of the City. The City utilizes the modified accrual method of accounting for the general fund and special revenue 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, County of Shasta, County of Sacramento, and Shasta Regional Transpiration Agency 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.

City of Redding
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016

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:

| <u>CFDA Number(s)</u> | <u>Name of Federal Program or Cluster</u> | <u>Expenditures</u> |
|-----------------------|--|----------------------|
| 14.239 | HOME Investment Partnership Grant Program | \$ 910,562 |
| 20.205 | Highway Planning and Construction Cluster | <u>11,322,282</u> |
| | Total Expenditures of All Major Federal Programs | <u>\$ 12,232,844</u> |
| | Total Expenditures of Federal Awards | <u>\$ 23,828,413</u> |
| | Percentage of Total Expenditures of Federal Awards | <u>51.34%</u> |

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

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

City of Redding
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2016

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, 2016.

B. Prior Year Findings – Financial Statement Audit

No findings were noted on the City’s financial statement audit for the year ended June 30, 2015.

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, 2016.

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, 2015.



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO THE PASSENGER FACILITY CHARGE PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE**

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

Report on Compliance

We have audited the compliance of the City of Redding, California (the "City"), with the compliance requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration (Guide), for its passenger facility charge program for the year ended June 30, 2016. Compliance with the requirements of laws and regulations applicable to its passenger facility charge program is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

Management's Responsibility

Management is responsible for compliance with the requirements of laws and regulations applicable to the passenger facility charge program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance 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 Guide. Those standards and the Guide 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 Compliance with Passenger Facility Charge Audit Guide for Public Agencies

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 the passenger facility charge program for the year ended June 30, 2016.

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 the passenger facility charge program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance and to test and report on internal control over compliance in accordance with the Guide, 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 Guide. Accordingly, this report is not suitable for any other purpose.

To the Honorable Mayor and Members of City Council
of the City of Redding
Redding, California
Page 3

Schedule of Passenger Facility Charges Collected and Expended and Interest Collected

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, 2016, and have issued our report thereon dated December 19, 2016 which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming our opinions on the City's financial statements. The accompanying Schedule of Passenger Facility Charges Collected and Expended and Interest Collected, as required by the Guide, is presented for purposes of additional analysis and is not a required part of the 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 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 financial statements or to the 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 Passenger Facility Charges Collected and Expended and Interest Collected is fairly stated in all material respects in relation to the basic financial statements as a whole.

The PwC Group, LLP

Walnut Creek, California
December 19, 2016

This page intentionally left blank

City of Redding
Schedule of Passenger Facility Charges Collected and Expended and Interest Collected
For the Year Ended June 30, 2016

Application 11-04-C-11-RDD

| | September 30, 2015 | December 31, 2015 | March 31, 2016 | June 30, 2016 |
|---|----------------------------|----------------------------|---------------------------|---------------------------|
| Unexpended (over expended) passenger facility charges and interest, beginning of period | \$ (181,400) | \$ (153,736) | \$ (113,384) | \$ (95,133) |
| Passenger facility charges collected | 28,448 | 40,352 | 18,251 | 39,065 |
| Interest earned | - | - | - | - |
| Subtotal | <u>(152,952)</u> | <u>(113,384)</u> | <u>(95,133)</u> | <u>(56,068)</u> |
| Expenses for approved passenger facility charges projects | <u>(784)</u> | | | |
| Unexpended (over expended) passenger facility charges and interest, end of period | <u><u>\$ (153,736)</u></u> | <u><u>\$ (113,384)</u></u> | <u><u>\$ (95,133)</u></u> | <u><u>\$ (56,068)</u></u> |

See accompanying Notes to the Schedule of Facility Charges Collected and Expended and Interest Collected

City of Redding
Notes to the Schedule of Facility Charges Collected and Expended and Interest Collected
For the Year Ended June 30, 2016

Note 1 – Reporting Entity

The accompanying Schedule of Facility Charges Collected and Expended and Interest Collected includes all the PFCs and the interest earnings thereon collected by the City from July 1, 2015 through June 30, 2016. The City currently collects \$4.50 per enplaned passenger. The current approval for charges as approved by the Federal Aviation Administration (FAA) is expected to end on March 1, 2017.

Note 2 – Basis of Accounting

The Schedule of Facility Charges Collected and Expended and Interest Collected was prepared on the accrual basis of accounting. PFCs are recorded as revenue when earned and expenditures for debt service and approved capital projects are recorded as expenditures are made. Expenditures are made in accordance with an approved FAA application.

City of Redding
Passenger Facility Charge Program
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016

Section I – Summary of Auditor’s Results

A. Current Year Findings and Questioned Costs – Passenger Facility Charge Program

No findings or questioned costs were noted on the City’s compliance with requirements of the passenger facility charge program for the year ended June 30, 2016.

B. Prior Year Findings and Questioned Costs – Passenger Facility Charge Program

No findings or questioned costs were noted on the City’s compliance with requirements of the passenger facility charge program for the year ended June 30, 2015.