

CITY OF REDDING
SINGLE AUDIT REPORTS
JUNE 30, 2014

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A LIMITED LIABILITY PARTNERSHIP

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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 AND
THE TRANSPORTATION DEVELOPMENT ACT**

Honorable Mayor and Members
of the City Council
City of 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, and the guidelines of the Transportation Development Act, 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 (City), as of and for the year ended June 30, 2014, 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 17, 2014.

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.

In connection with our audit referred to above, we also performed an audit for compliance with the Transportation Development Act, the California Code of Regulations, and the rules and regulations and allocation instructions of the Shasta Regional Transportation Agency, for the year ended June 30, 2014. In connection with our audit, we performed, to the extent applicable, the compliance audit tasks set forth in Sections 6666 and 6667 of the California Code of Regulations.

In our opinion, the funds allocated pursuant to the Transportation Development Act were accounted for and expended in conformance with the Transportation Development Act, the California Code of Regulations, and the rules and regulations and allocation instructions of the Shasta Regional Transportation Agency.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and the Transportation Development Act.

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* and the Transportation Development Act in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

N.H. Scott & Company LLP

Redding, California
December 17, 2014



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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY OMB CIRCULAR A-133**

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

Report on Compliance for Each Major Federal Program

We have audited the City of Redding, California's (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, 2014. The City's major federal programs are identified in the summary of auditors' results section of the accompanying summary of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants 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 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 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, 2014.

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 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. *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.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

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, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated December 17, 2014, 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 OMB Circular A-133 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.

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

D. H. Scott & Company LLP

Redding, California
December 17, 2014

CITY OF REDDING
SINGLE AUDIT REPORTS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identification Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Housing and Urban Development</u>			
<i>Direct Programs from the Office of Community Planning & Development</i>			
Community Development Block Grant	14.218	B-13-MC 060033	\$ 498,792
Community Development Block Grant	14.218	B-12-MC 060033	<u>518,696</u>
Subtotal			1,017,488
Disaster Recovery Initiative	14.228	11-DRI-7556	36,639
Home Investments Partnership Program	14.239	M10-MC060238	52,061
<i>Direct Programs from the Office of Public & Indian Housing</i>			
Section 8 Housing Choice Vouchers	14.871	CA 106-VO- 00118 125	<u>8,611,591</u>
Total U.S. Department of Housing and Urban Development			<u>9,717,779</u>
<u>U.S. Department of Justice</u>			
<i>Direct Programs</i>			
Bulletproof Vest Partnership Program	16.607	2013	1,920
Bulletproof Vest Partnership Program	16.607	2012	<u>1,162</u>
Subtotal			3,082
Community Oriented Policing Grant	16.710	2010UMWX0041	210,475
Edward Byrne Memorial (JAG)	16.738	2011-DJ-BX-3102	<u>15,742</u>
Total U.S. Department of Justice			<u>229,299</u>

(Continued)

CITY OF REDDING
SINGLE AUDIT REPORTS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014

(Continued)

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identification Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Transportation</u>			
<i>Direct Programs from the Federal Transit Administration</i>			
Federal Transit Formula Grants			
FTA CA-90-Y741	20.507	CA-90-Y741	24,000
FTA Operating	20.507		750,000
FTA CA-90-Y913	20.507	CA-90-Y913	960,001
FTA CA-90-Y801	20.507	CA-90-Y801	35,702
FTA CA-90-Z071	20.507	CA-90-Z071	<u>4,345</u>
Subtotal			<u>1,774,048</u>
 <i>Direct Programs from the Federal Aviation Administration</i>			
Airport Improvement Program			
Airport Layout Plan and Narrative			
Update	20.106	03-06-0308-14	100,164
Airfield Improvements	20.106	03-06-0194-42	4,994
Passenger Screening Security	20.106	SD 1542-02-01:TSA	87,600
Terminal Building Expansion	20.106	03-06-0194-41	1,526,774
Terminal Building Expansion	20.106	03-06-0194-43	119,349
Terminal Building Expansion	20.106	03-06-0194-44	749,176
Master Plan Update	20.106	03-06-0194-46	21,610
Runway Safety Area Improvements	20.106	03-06-0308-11	10,505
Runway Safety Area Improvements	20.106	03-06-0308-12/13	10,266
Water Pollution Control Facility	20.106	03-06-0308-15	<u>43,066</u>
Subtotal			<u>2,673,504</u>

(Continued)

CITY OF REDDING
SINGLE AUDIT REPORTS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014

(Continued)

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identification Number</u>	<u>Federal Expenditures</u>
<i>Pass-through from Cal-Trans</i>			
Highway Planning and Construction			
Lake Boulevard Improvements	20.205	HSIP-5068(44)	341,578
Diestelhorst Bridge	20.205	BRLS-5068(18)	260,865
Cypress Bridge	20.205	BRLS-5068(01)	730,533
Twin View Bridge Replacement	20.205	BRLS-5068(24)	1,730,947
Bridge Rehabilitation	20.205	HBRR-5068(40)	316,576
Bridge Rehabilitation	20.250	HBRR-5068(41)	130,844
Intersection of Old Oregon/Oasis	20.205	HSIP-5068(30)	42,631
E. Cypress Pedestrian Crossing	20.205	HSIP-5068(49)	28,350
Safe Routes to School - Mistletoe	20.205	FHA (SRTS)	297,538
FHBP Study	20.205	HBRR-5068(32-39, 45)	241,874
Safe Routes to School - Bidwell	20.205	SRTSL-5068(48)	30,238
Volcanic Byway	20.205	CASB05-5068(23)	32,813
Churn Creek Road Widening	20.205	HSIP-5068(50)	21,468
Buenaventura Improvements	20.205	HSIP-5068(43)	(3,317)
Subtotal			<u>4,202,938</u>
<i>Pass-through from Shasta Regional Transportation Agency</i>			
Highway Planning and Construction (FHWA)	20.205	74A0142	<u>56,912</u>
Subtotal			<u>56,912</u>
<i>Pass-through from Shasta County</i>			
FTA 5311 Fund	20.509	211-0000-0057	<u>223,155</u>
Subtotal			<u>223,155</u>

(Continued)

CITY OF REDDING
SINGLE AUDIT REPORTS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014

(Continued)

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identification Number</u>	<u>Federal Expenditures</u>
<i>Pass-through from California Office of Traffic Safety</i>			
State and Community Highway Safety			
Selective Traffic Enforcement Program	20.600	PT1310	40,674
Selective Traffic Enforcement Program	20.600	PT1421	<u>19,350</u>
Subtotal			<u>60,024</u>
<i>Minimum Penalties for Repeat Offenders for Driving While Intoxicated</i>			
Avoid the DUI	20.608	AL1414	35,561
Avoid the DUI	20.608	AL1347	35,088
Sobriety Checkpoint	20.608	SC13337	12,321
Selective Traffic Enforcement Program	20.608	PT1421	117,971
Sobriety Checkpoint	20.608	SC14337	<u>24,235</u>
Subtotal			<u>225,176</u>
Total U.S. Department of Transportation			<u>9,215,757</u>
<u>U.S. Department of Homeland Security</u>			
<i>Direct Programs</i>			
Assistance to Firefighters Grant	97.044	EMW-2012-FO-05114	399,828
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	EMW-2012-FH-00321	<u>606,254</u>
Subtotal			1,006,082
<i>Pass-through from Shasta County</i>			
Homeland Security Grant Program			
Low Angle Rope Rescue Operational Training	97.067	2012-SS-00123	<u>29,225</u>
Total U.S. Department of Homeland Security			<u>1,035,307</u>
Total Expenditures of Federal Awards			<u>\$ 20,198,142</u>

CITY OF REDDING
SINGLE AUDIT REPORTS
NOTES TO SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014

Note 1: BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Redding and is presented on the modified accrual and full accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

CITY OF REDDING
 SINGLE AUDIT REPORTS
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED JUNE 30, 2014

SUMMARY OF AUDITORS' RESULTS

<u>Financial Statements</u>	<u>Result</u>
Type of auditors' report issued	Unqualified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	No
Noncompliance material to financial statements noted?	No
 <u>Federal awards</u>	
Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	No
Type of auditors' 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 OMB Circular A-133?	No
Identification of major programs:	
20.106 Airport Improvement Program	
20.205 Highway Planning and Construction	
20.507 Federal Transit Formula Grants	
20.608 Minimum Penalties for Repeat Offenders for Driving While Intoxicated	
97.044 Assistance to Firefighters Grant	
Dollar threshold used to distinguish between type A and type B programs:	\$607,044
Auditee qualified as low-risk auditee?	Yes

FINDINGS - BASIC FINANCIAL STATEMENTS AUDIT

None

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL PROGRAMS

None

CITY OF REDDING

SCHEDULE OF
PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014

None



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INDEPENDENT AUDITORS' REPORT ON
COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE
PASSENGER FACILITY CHARGE PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE REQUIRED BY
PASSENGER FACILITY CHARGE AUDIT GUIDE FOR
PUBLIC AGENCIES

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

Compliance

We have audited the City of Redding, California's (City) compliance 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, 2014. 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.

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 the passenger facility charge 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 of 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 its passenger facility charge program for the year ended June 30, 2014.

Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws and regulations applicable to the passenger facility charge program. In planning and performing our audit, we considered the City's internal control over compliance with types of requirements that could have a direct and material effect on the passenger facility charge program in order to determine our auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance, 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 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 requirements of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of control 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 significant deficiencies, or material weaknesses. 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.

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, 2014, and have issued our report thereon dated December 17, 2014. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying schedule of passenger facility charges collected and expended and interest collected is presented for purposes of additional analysis as specified in the Guide 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 financial statements taken as a whole.

This report is intended solely for the information and use of management, the Audit Committee, City Council and others within the entity, and the Federal Aviation Administration, and is not intended to be and should not be used by anyone other than these specified parties.

D. N. Scott & Company LLP

Redding, California
December 17, 2014

CITY OF REDDING
SINGLE AUDIT REPORTS
SCHEDULE OF PASSENGER FACILITY CHARGES COLLECTED
AND EXPENDED AND INTEREST COLLECTED
FOR THE QUARTERS ENDED
SEPTEMBER 30, 2013, DECEMBER 31, 2013,
MARCH 31, 2014, AND JUNE 30, 2014

Application 11-04-C-11-RDD

	<u>September 30,</u> <u>2013</u>	<u>December 31,</u> <u>2013</u>	<u>March 31,</u> <u>2014</u>	<u>June 30,</u> <u>2014</u>
Unexpended (over expended) passenger facility charges and interest, beginning of period	\$(59,661)	\$(85,689)	\$(56,133)	\$(56,191)
Passenger facility charges collected	21,895	26,812	12,547	21,933
Interest collected (Note 1)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Subtotal	(37,766)	(58,877)	(43,586)	(34,258)
Expenses for approved passenger facility charges projects	(<u>47,923</u>)	(<u>2,744</u>)	(<u>12,605</u>)	(<u>24,068</u>)
Unexpended (over expended) passenger facility charges and interest, end of period	\$(<u>85,689</u>)	\$(<u>56,133</u>)	\$(<u>56,191</u>)	\$(<u>58,326</u>)

CITY OF REDDING

NOTES TO SCHEDULE OF PASSENGER FACILITY
CHARGES COLLECTED AND EXPENDED
AND INTEREST COLLECTED
FOR THE YEAR ENDED JUNE 30, 2014

Note 1: GENERAL

The accompanying schedule of passenger facility charges collected and expended and interest collected presents the activity of all passenger facility charges of the City of Redding.

Note 2: BASIS OF ACCOUNTING

The accompanying schedule of passenger facility charges collected and expended is presented using the cash basis of accounting.