

CITY OF GRASS VALLEY, CALIFORNIA
SINGLE AUDIT REPORTS
FOR THE YEAR ENDED JUNE 30, 2018

City of Grass Valley, California
Schedule of Expenditures of Federal Awards
For the year ended June 30, 2018

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City of Grass Valley, California
Schedule of Expenditures of Federal Awards
For the year ended June 30, 2018

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identification Number	Federal		Total Expenditures
			Expenditures ARRA*	Expenditures Non-ARRA	
U.S. Department of Housing and Urban Development					
<i>Pass through programs from:</i>					
<u>State of California Department of Housing and Community Development</u>					
Community Development Block Grant/Small Cities Program	14.228	13-CDBG-8949	\$ -	\$ 791,614	\$ 791,614
Community Development Block Grant/Small Cities Program	14.228	Outstanding Loans	-	1,894,325	1,894,325
<i>Total for Community Development Block Grant</i>			-	2,685,939	2,685,939
HOME Investment Partnership Program	14.239	Outstanding Loans	-	7,771,036	7,771,036
<i>Total for HOME Investment Partnership Program</i>			-	7,771,036	7,771,036
Total U.S. Department of Housing and Urban Development			-	10,456,975	10,456,975
U.S. Department of Justice					
<i>Pass through Program From:</i>					
<u>Bureau of Justice Assistance</u>					
Bullet Proof Vest Program	16.607	01 BU BX 8462	-	2,978	2,978
Total U.S. Department of Justice			-	2,978	2,978
Environmental Protection Agency					
<i>Direct Program</i>					
EPA Brownfields Grant	68.818	BF99T62701	-	17,364	17,364
EPA Brownfields Grant	68.818	BF99T06401	-	107,116	107,116
EPA Brownfields Grant	68.818	FT00T99101	-	4,434	4,434
Total Environmental Protection Agency			-	128,914	128,914
U.S. Department of Transportation					
<i>Pass-through programs from</i>					
<u>California Dept of Business, Transportation and Housing</u>					
CMAQ - SR2S/G.R.E.A.T. (03-5023R (180-6379)	20.205	CML-5023(020)	-	7,468	7,468
CMAQ - NE Sidewalk (180-6334)	20.205	CML-5023(019)	-	19,785	19,785
Total U.S. Department of Transportation			-	27,253	27,253
U.S. Department of Homeland Security					
<i>Pass through Program from:</i>					
<u>California Governor's Office of Emergency Services</u>					
Storm damages	97.036	Cal EOS 057-30798	-	34,585	34,585
Total U.S. Department of Homeland Security			-	34,585	34,585
Total Federal Expenditures			\$ -	\$ 10,650,705	\$ 10,616,120

* ARRA indicates American Recovery and Reinvestment Act of 2009.

The accompanying notes to the Schedule of Expenditures of Federal Awards
are an integral part of this supplementary information.

City of Grass Valley, California
Notes to the Schedule of Expenditures of Federal Awards
For the year ended June 30, 2018

1. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City and is presented on the accrual basis of accounting. 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). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

2. DESCRIPTION OF MAJOR PROGRAMS

Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii (CFDA # 14.228)

This program allows for the City carry out community development activities funded by the State. Eligible activities are directed toward neighborhood revitalization, economic development, or provision of improved community facilities and services. Specific activities that can be carried out with block grant funds include: Acquisition, rehabilitation or construction of certain public works facilities and improvements, such as streets, water and sewer facilities, neighborhood centers, recreation facilities, and other public works; demolition and clearance; rehabilitation of public and private buildings including housing; code enforcement; relocation payments and assistance; economic development; planning activities; certain public services with some restrictions; and administrative expenses. Grant recipients may provide assistance to for-profit entities when the recipient determines that the provision of such assistance is appropriate to carry out an economic development project. Communities are restricted from constructing or rehabilitating public facilities for the general conduct of government and from making housing allowances or other income maintenance-type payments. Each State may use a limited portion of its grant, subject to a matching requirement, to administer the program. Each State may also use a limited portion of its grant, with no matching requirement, to provide technical assistance to local governments and nonprofit program recipients. At least seventy percent of the funds received must benefit low and moderate income persons.

3. LOANS WITH CONTINUING COMPLIANCE REQUIREMENTS

The City participates in certain federal award programs that sponsor revolving loan programs, which are administered by the City. These programs require servicing arrangements with the City. The funds are returned to the programs upon repayment of the principal and interest. In accordance with Subpart F, Section 200.502 of the Uniform Guidance, the City has reported the outstanding balance of loans from previous years that have significant continuing compliance requirements as of June 30, 2018, along with the value of total outstanding and new loans made during the current year.

City of Grass Valley, California
Notes to the Schedule of Expenditures of Federal Awards
For the year ended June 30, 2018

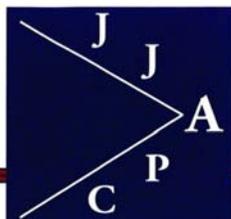
3. LOANS WITH CONTINUING COMPLIANCE REQUIREMENTS, CONTINUED

The programs listed below had the following aggregate, federally funded loans outstanding at June 30, 2018:

Federal CFDA	Program Title	Outstanding Amounts June 30, 2017
14.228	Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	\$ 1,894,325
14.239	HOME Investment Partnership Program	7,771,036
	Total Loans Outstanding	<u>\$ 9,665,361</u>

4. INDIRECT COST ELECTION

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



JJACPA, Inc.

A Professional Accounting Services Corp.

**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**

Independent Auditor's Report

The Honorable City Council
City of Grass Valley
Grass Valley, 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, the aggregate remaining fund information, and the budgetary comparison information of the City of Grass Valley, California (City), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 26, 2018.

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

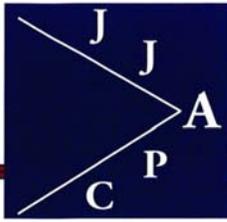
As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect 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*.

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.

March 26, 2018

JJACPA, Inc.
JJACPA, Inc.
Dublin, CA



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A Professional Accounting Services Corp.

**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**

Independent Auditor's Report

The Honorable City Council
City of Grass Valley
Grass Valley, California

Report on Compliance for Each Major Federal Program

We have audited the City of Grass Valley, California's (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, 2018. 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.

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, 2018.

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.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the City as of and for the year ended June 30, 2018, and have issued our report thereon dated March 26, 2018, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. 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 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 financial statements and certain additional 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 financial statements as a whole.

March 26, 2018

JJACPA, Inc.
JJACPA, Inc.
Dublin, CA

City of Grass Valley, California
Schedule of Findings and Questioned Costs
For the year ended June 30, 2018

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued	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</u>	<u>Name of Federal Program or Cluster</u>
14.228	Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii

Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
Auditee qualified as low-risk auditee?	Yes

City of Grass Valley, California
Schedule of Findings and Questioned Costs, Continued
For the year ended June 30, 2018

Section II – Financial Statement Findings

No matters were reported.

Section III – Federal Award Findings and Questioned Costs

No matters were reported.

Section IV – Status of Prior Year Audit Findings

No matters were reported.

Section V – Corrective Action Plan

There were neither current year findings nor questioned costs (see Section III above).