

CITY OF YUCAIPA
Yucaipa, California

SINGLE AUDIT REPORT ON
FEDERAL AWARD PROGRAMS

Year Ended June 30, 2010

CITY OF YUCAIPA
SINGLE AUDIT REPORT ON FEDERAL AWARD PROGRAMS
Year Ended June 30, 2010

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City Council
City of Yucaipa
Yucaipa, California

**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***

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Yucaipa, California (the "City") as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 28, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests

disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

Seaman Ramirez & Smith, Llc.

December 28, 2010

City Council
City of Yucaipa
Yucaipa, California

**Report on Compliance with Requirements that Could Have a Direct and Material Effect
on Each Major Program and on Internal Control Over Compliance
in Accordance with OMB Circular A-133**

Compliance

We have audited the City of Yucaipa's 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 of Yucaipa's major federal programs for the year ended June 30, 2010. The City of Yucaipa's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City of Yucaipa's management. Our responsibility is to express an opinion on the City of Yucaipa's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Yucaipa'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 of Yucaipa's compliance with those requirements.

In our opinion, the City of Yucaipa complied, in all material respects, with the 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, 2010.

Internal Control Over Compliance

Management of the City of Yucaipa is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City of Yucaipa's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of

expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Yucaipa's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Yucaipa as of and for the year ended June 30, 2010, and have issued our report thereon dated December 28, 2010. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Yucaipa's 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 has been subjected to the auditing procedures applied in the audit of the 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 the City Council, management, others within the entity, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Treaman Ramirez & Smith, L.L.C.

December 28, 2010

CITY OF YUCAIPA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2010

Federal Grantor/ Pass-through Grantor/Program Title	Federal Domestic Assistance Number	Program Identification Number	Program Expenditures
<u>U.S. Department of Housing and Urban Development</u>			
Passed through the San Bernardino County Department of Community Development and Housing:			
Community Development Block Grant	14.218	122-29127-2484	\$ 7,955
Community Development Block Grant	14.218	122-27105-2139	391,948
Community Development Block Grant	14.218	122-35105-3279	206,330
Community Development Block Grant - ARRA	14.218	122-35105-3279	<u>97,899</u>
Total			<u>704,132*</u>
<u>U.S. Department of Transportation</u>			
Passed through the State of California Department of Transportation:			
Safe Routes to School	20.205	SRTSD08-0026	<u>390,000*</u>
Passed through Omnitrans:			
Federal Transit Formula Grant - ARRA	20.507	CA-96-X058-00	158,739
Federal Transit Capital Investment Grant	20.500	N/A	<u>799,645</u>
Total			<u>958,384*</u>
<u>U.S. Department of Homeland Security</u>			
Passed through FEMA Passed through the State of California Office of Emergency Services:			
January Storms Emergency Event	97.036	071-87042-00	<u>82,966</u>
<u>U.S. Department of Agriculture</u>			
Passed through National Resource Conservation Services:			
Emergency Watershed Protection: Pendleton Fire	10.923	69-9104-0-323	<u>88,134</u>
<u>United States Environmental Protection Agency</u>			
Direct Assistance:			
Water Infrastructure	66.606	XP-98989001-1	<u>161,300</u>
Total Federal Financial Assistance			<u>\$ 2,384,916</u>

*Major Program

The accompanying notes are an integral part of this schedule.

CITY OF YUCAIPA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2010

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES APPLICABLE TO THE SCHEDULE OF FEDERAL AWARDS

a) Scope of Presentation

The accompanying schedule presents only the expenditures incurred (and related awards received) by the City of Yucaipa that are reimbursable under programs of federal agencies providing financial assistance. For the purpose of this schedule, financial assistance includes both federal financial assistance received directly from a federal agency, as well as federal funds received indirectly by the City of Yucaipa from a non-federal agency or other organization. Only the portion of program expenditures reimbursable with such federal funds are reported in the accompanying schedule. Program expenditures in excess of the maximum federal reimbursement authorized or the portion of the program expenditures that were funded with state, local or other non-federal funds are excluded from the accompanying schedule.

b) Basis of Accounting

The expenditures included in the accompanying schedule were reported on the modified accrual basis of accounting. Under the modified accrual basis of accounting, expenditures are incurred when the City of Yucaipa becomes obligated for payment as a result of the receipt of the related goods and services. Expenditures reported include any property or equipment acquisitions incurred under the federal program.

c) Major Programs

The City had three major programs for the year ended June 30, 2010, consisting of the U.S. Department of Housing and Urban Development's Community Development Block Grant, the U. S. Department of Transportation Safe Routes to School Grant and the U. S. Department of Transportation Federal Transit Grants which had total disbursements of \$2,052,516. This amount calculates to 86% of the total disbursements from federal awards.

CITY OF YUCAIPA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2010

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of Auditors' Report Issued:	Unqualified
Internal Control Over Financial Reporting:	
Material Weakness(es) Identified?	No
Significant Deficiencies Identified not Considered to be Material Weaknesses?	No
Noncompliance Material to Financial Statements Noted?	No

Federal Awards

Internal Control Over Major Programs:	
Material Weakness(es) Identified?	No
Significant Deficiencies Identified 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 OMB Circular A-133, Section .510(a)?	No

Identification of Major Programs:

CFDA Numbers	Name of Federal Program or Cluster
14.218	U.S. Department of Housing and Urban Development Community Development Block Grant
20.507 and 20.500	U. S. Department of Transportation Federal Transit Formula and Capital Investment Grants
20.205	U. S. Department of Transportation Safe Routes to School Grant

Dollar Threshold used to Distinguish Between Type A And Type B Programs :	\$ <u>300,000</u>
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Auditee Qualified as Low-Risk Auditee?	No
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CITY OF YUCAIPA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2010

SECTION II - FINANCIAL STATEMENT FINDINGS

There were no auditors' findings required to be reported in accordance with GAS.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no auditors' findings to be reported in accordance with paragraph .510(a) of OMB Circular A-133.

CITY OF YUCAIPA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2010

I. FINANCIAL STATEMENT FINDINGS

None.

II. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

None.