



**INLAND VALLEY
DEVELOPMENT AGENCY**

**SINGLE AUDIT OF FEDERAL AWARDS
WITH INDEPENDENT AUDITOR'S REPORT**

FOR THE YEAR ENDED JUNE 30, 2017

INLAND VALLEY DEVELOPMENT AGENCY

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JUNE 30, 2017

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**INDEPENDENT AUDITOR'S 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**



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of Quality Service*

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To the Board of Directors
Inland Valley Development Agency
San Bernardino, 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, and each major fund of Inland Valley Development Agency, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Inland Valley Development Agency's basic financial statements and have issued our report thereon dated February 6, 2018.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Inland Valley Development Agency'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 Inland Valley Development Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of Inland Valley Development Agency'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 and, therefore, material weaknesses or significant deficiencies may exist that were not identified. 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 Inland Valley Development Agency'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*.

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.

Eddie and Payne, LLP

February 6, 2018
Riverside, California



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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND ON
THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

To the Board of Directors
Inland Valley Development Agency
San Bernardino, California

Report on Compliance for Each Major Federal Program

We have audited Inland Valley Development Agency's compliance with the types of compliance requirements described in the *Uniform Guidance* that could have a direct and material effect on each of Inland Valley Development Agency's major federal programs for the year ended June 30, 2017. The Inland Valley Development Agency'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 the requirements of laws, regulations, contracts, and grants applicable to its federal program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Inland Valley Development Agency'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 Inland Valley Development Agency'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 Inland Valley Development Agency's compliance.

Opinion on Each Major Federal Program

In our opinion, the Inland Valley Development Agency complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2017.

Report on Internal Control over Compliance

Management of the Inland Valley Development Agency 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 Inland Valley Development Agency'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 Inland Valley Development Agency'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, as defined above. However, material weaknesses may exist that have not been identified.

Report on Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund of the Inland Valley Development Agency as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Inland Valley Development Agency's basic financial statements. We issued our report thereon dated February 6, 2018, 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 the purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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.

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.

Eadie and Payne LLP

February 6, 2018
Riverside, California

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

INLAND VALLEY DEVELOPMENT AGENCY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 2017

<u>FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE</u>	<u>FEDERAL CATALOG NUMBER</u>	<u>PROGRAM IDENTIFICATION NUMBER</u>	<u>TOTAL PROGRAM EXPENDITURES</u>
U.S. Department of Commerce			
Direct Assistance:			
Economic Adjustment Assistance	11.307	07-49-06572	\$ 1,158,029
Total U.S. Department of Commerce			<u>1,158,029</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 1,158,029</u>

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

INLAND VALLEY DEVELOPMENT AGENCY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

1. **BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards 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).

2. **BASIS OF ACCOUNTING**

The accompanying schedule of expenditures of federal awards is presented using the modified accrual basis of accounting, which is described in Note 2.C. of the notes to the Inland Valley Development Agency's financial statements.

3. **RELATIONSHIP TO FEDERAL FINANCIAL REPORTS**

The amount reported in the accompanying Schedule of Expenditures of Federal Awards agree, in all material respects, with amounts reported in the financial statements of the Inland Valley Development Agency.

4. **INDIRECT COST RATE**

The Inland Valley Development Agency has elected not to use the 10% de-minimis cost rate allowed under the Uniform Guidance.

INLAND VALLEY DEVELOPMENT AGENCY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED JUNE 30, 2017

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness identified?	_____	yes	_____	x	no
- Significant deficiency identified?	_____	yes	_____	x	none reported

Noncompliance material to financial statements noted: _____ yes x no

Federal Awards

Internal control over financial compliance:

- Material weakness identified?	_____	yes	_____	x	no
- Significant deficiency identified?	_____	yes	_____	x	none reported

Type of auditor report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required by the Uniform Guidance? _____ yes x no

Identification of major program:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
11.307	U.S. Department of Commerce, Economic Adjustment Assistance

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

Auditee qualified as low-risk auditee? x yes no

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

FINDINGS - MAJOR FEDERAL PROGRAMS

There were no findings and questioned costs related to the Federal awards for the year ended June 30, 2017.

FINDINGS - FINANCIAL STATEMENTS

There were no internal control findings related to the Financial Statements for the year ended June 30, 2017.

INLAND VALLEY DEVELOPMENT AGENCY
STATUS OF PRIOR-YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

FINDINGS - MAJOR FEDERAL PROGRAMS

There were no findings and questioned costs related to the Federal awards for the year ended June 30, 2016.

FINDINGS - FINANCIAL STATEMENTS

2016-01 Trial Balance Review

We noted a deficiency in the Agency's annual financial closing process particularly in the review of fund trial balances which resulted in the following:

Net Position and Fund Balances

Beginning fund balances did not agree with prior-year audited financial statements. We recommend that the general ledger be reviewed after each audit and all audit entries be reviewed for recording. After recording audit entries, the general ledger balances should agree with the audited financial statements.

Management Response. The Finance Department now checks the Net Position and Fund Balance at the beginning and end of the fiscal years to verify that all annual audit adjusting entries have been made.

Reconciliation of Inter-Agency Receivables and Payables

During the audit, we discovered that the inter-agency receivables did not balance out. We recommend that the accounts be reconciled against each other periodically to ensure that all revenues and expenditures are timely recorded.

STATUS OF PRIOR-YEAR FINDINGS AND QUESTIONED COSTS (Continued)

Reconciliation of Inter-Agency Receivables and Payables (Continued)

Management Response. We have included in the Accounting Procedures the requirement that the Finance Director review of financial transactions quarterly for compliance issues to include timeliness of journal entries.

Tracking of Capital Asset Sales

During the audit, we discovered that there was a sale of land during the year that was not recorded. We recommend that management track and record capital asset transactions periodically to ensure accurate balances at year-end.

Management Response. While this transaction was recorded and reported on the Government Fund Financial Statement, the transaction was not carried forward to the overall Government-Wide financial statement. The Finance Department verifies that all transactions are reported on all financial statements at year-end.

Current Status

The findings have been addressed by management.