

CITY OF TURLOCK
SINGLE AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2022

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CITY OF TURLOCK
SINGLE AUDIT REPORT
For the Year Ended June 30, 2022

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CITY OF TURLOCK

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2022**

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? X Yes No
- Significant deficiency(ies) identified? X Yes None Reported

Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? X Yes No
- Significant deficiency(ies) identified? X Yes None Reported

Type of auditor’s report issued on compliance for major federal programs: Qualified for 21.027, Unmodified for 20.507

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? X Yes No

Identification of major program(s):

Assistance Listing Number(s)	Name of Federal Program or Cluster
20.507	Federal Transit Cluster – Federal Transit - Formula Grants (Urbanized Area Formula Program), COVID-19 - Federal Transit - Formula Grants (Urbanized Area Formula Program)
21.027	COVID-19 – Coronavirus State and Local Fiscal Recovery Funds

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

Auditee qualified as low-risk auditee? Yes X No

SECTION II – FINANCIAL STATEMENT FINDINGS

Our audit disclosed significant deficiencies and material weaknesses, but no instances of noncompliance material to the basic financial statements. We have also issued a separate Memorandum on Internal Control dated March 22, 2024, which is an integral part of our audits and should be read in conjunction with this report.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Our audit disclosed the following findings and questioned costs required to be reported in accordance with Uniform Guidance.

Finding Reference Number: SA2022-001 - Suspension and Debarment for Contracts and Subcontracts

Assistance Listing Numbers: 21.027
Assistance Listing Title: COVID-19 – Coronavirus State and Local Fiscal Recovery Funds
Name of Federal Agency: Department of Treasury
Pass Through Entity: California State Water Resources Control Board
Federal Award Identification Number: SLFRP4371
266737

Criteria: The Award Terms and Conditions in the City’s Coronavirus Local Fiscal Recovery Funds Agreement with the U.S. Department of the Treasury requires that the City comply with OMB Guidelines to Agencies on Governmentwide Debarment and Suspension (Nonprocurement), 2 CFR Part 180, including the requirement to include a term or condition in all lower tier covered transactions (contracts and subcontracts described in 2 CFR Part 180, subpart B) that the award is subject to 2 CFR Part 180 and Treasury’s implementing regulation at 31 CFR Part 19. In addition, the OMB Compliance Supplement requires that prior to entering into subawards and contracts with award funds, recipients must verify that such contractors and subrecipients are not suspended, debarred, or otherwise excluded pursuant to 31 CFR section 19.300.

Condition: We selected 19 transactions for testing that included six different vendors and understand that the City did not verify that the vendors were not suspended, debarred, or otherwise excluded prior to entering into the agreements. We did note that City staff determined that as of April 8, 2024, none of the six vendors were on the exclusions list on SAM.gov.

Cause: We understand that staff responsible for performing the suspension and debarment reviews are no longer with the City and City staff cannot find documentation that it was performed.

Identification as a repeat finding: Yes, since 2021

Effect: The City is not in compliance with the grant Award Terms and Conditions.

Recommendation: The City should develop procedures to ensure compliance with debarment and suspension provisions of the grant agreement prior to making disbursements to vendors and retain documentation in the grant files.

View of Responsible Officials and Planned Corrective Actions: Please see Corrective Action Plan separately prepared by the City.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (Continued)

Finding Reference Number: SA2022-002 **Compliance with Grant Deadlines**

Assistance Listing Number: 21.027
Assistance Listing Title: COVID-19 – Coronavirus State and Local Fiscal Recovery Funds
Name of Federal Agency: Department of Treasury
Pass Through Entity: California State Water Resources Control Board
Federal Award Identification Number: SLFRP4371
266737

Criteria: California Water and Wastewater Arrearage Payment Program Guidelines Appendix A, Section 6.2.1, *Notification of Customer Bill Credits*, requires that the City allocate Wastewater Arrearage Program payments as bill credits to customer accounts within 60 days of receiving payment or August 5, 2022.

Condition: The City calculated the customer arrearages and credits to be applied as of June 15, 2021, but did not apply the wastewater credits to the customer accounts until November 8, 2022.

Cause: We understand that the delay was caused by problems with applying the credits in the City’s new utility billing system and technical assistance was needed from the utility billing system vendor to complete the process. However, City staff could not provide documentation that the delay was communicated to the grantor.

Effect: The City is not in compliance with the terms and conditions of payment related to the required program deadlines of the California Arrearage Payment Programs. As a result, the City could have been required to return moneys to the grantor.

Recommendation: Although it does not appear that the grantor disallowed any of the program costs, the City must develop procedures to ensure compliance with grant award terms and conditions of payment, including timely use of grant funds. In the event the City encounters delays that affect timely compliance, the City should communicate with the grantor and retain documentation of any such communications to show that they occurred timely and the grantor was aware of the delay.

View of Responsible Officials and Planned Corrective Actions: Please see Corrective Action Plan separately prepared by the City.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (Continued)

Finding Reference Number: SA2022-003 - **Monitoring CDBG and HOME Program Activities for Compliance with Program Rules and Regulations**

Assistance Listing Number: 14.228, 14.239
Assistance Listing Title: Community Development Block Grants/State's Program HOME Investment Partnerships Program
Name of Federal Agency: Department of Housing and Urban Development
Federal Award Identification Number: B-19-MC-06-0039, B-20-MC-06-0039
M-18-DC-06-0240. M-20-DC-06-0240

Criteria: The State CDBG program is subject to Title I of the HCDA (42 USC 5301 et seq.) and implementing regulations at 24 CFR Part 570, Subpart I24, while CFR Part 92 details the various rules and regulations of the HOME Investment Partnerships (HOME) Program. These regulations include specific program requirements for timing of activities, eligible and prohibited activities, project and subrecipient monitoring requirements, as well as other provisions. If the City does not adhere to the requirements of the implementing regulations both before disbursement for eligible activities and on an ongoing basis to ensure continued compliance with the requirements of each program, costs incurred may be deemed ineligible and need to be returned to the grantor.

Condition: The City underwent a monitoring review by the grantor during fiscal year 2022 related to the fiscal year 2022 CDBG and HOME Programs, the results of which were issued in August 2022. The monitoring review results included two CDBG findings, four HOME findings and one HOME concern as follows:

- CDBG Findings:
 - Incorrect identification of activity in the Integrated Disbursement & Information System (IDIS), which deemed the activity ineligible unless the City provided justification as necessary costs.
 - Lack of a current Residential Anti-Displacement and Relocation Assistance Plan
- HOME
 - Findings:
 - Absence of dated signatures of all parties on the beneficiary written agreement for the two IDIS projects and a lack of HOME program policies and procedures to ensure written agreements include dated signatures of all parties.
 - The absence of many federally required provisions in the City's loan agreement with a property owner, including five components detailed in the monitoring letter that were missing from the agreement.
 - The amount of HOME funds invested in one IDIS project was not at or below the applicable maximum per-unit HOME subsidy limit as required under 24 CFR Section 92.250(a). The limit was exceeded by \$133,625.
 - The City does not have comprehensive written policies and procedures as required under HOME regulation 24 CFR Section 92.504(a), including Tenant Selection, Income Determination and Lease Compliance.
 - Concern
 - Section 3 Compliance - the City has selected "no" for the question, "Is this Activity Subject to Section 3?" in the IDIS system, although the budgets for many construction and rehabilitation projects exceed the compliance threshold of \$200,000.

In addition, the monitoring review included follow up on prior outstanding findings (two CDBG findings and five HOME findings) that had not yet been implemented and remain outstanding.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (Continued)

Finding Reference Number: SA2022-003 - Monitoring CDBG and HOME Program Activities for Compliance with Program Rules and Regulations (Continued)

Cause: The City lacks or has not updated its CDBG and HOME policies and procedures or did not follow those that do meet the requirements.

Effect: The City is not in compliance with the policies and procedures documentation and reporting requirements of the CDBG and HOME programs. As a result, the City is required to return \$133,615 to the grant program.

Questioned Costs: We question costs in the amount of \$133,615, but those costs were incurred prior to fiscal year 2022.

Recommendation: The City must develop the required policies and procedures to ensure that all grant program activities are in compliance with the provisions of 24 CFR Part 570 and 24 CFR Part 92. And, the City should ensure that all outstanding findings and concerns are resolved with the grantor.

View of Responsible Officials and Planned Corrective Actions: Please see Corrective Action Plan separately prepared by the City.

Finding Reference Number: SA2022-004 Documenting Payroll Costs Charged to Grant

Assistance Listing Number: 20.507
Assistance Listing Title: COVID-19 – Federal Transit Cluster - Formula Grants (Urbanized Area Formula Program)
Name of Federal Agency: Department of Transportation
Federal Award Identification Number: CA-2019-111-01, CA-2020-141-00

Criteria: 2 CFR Part 200.430(i), “Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards” requires that grantees adhere to the following, “Payroll systems must be based on records that accurately reflect the work performed” and “be supported by a system of internal controls that provides reasonable assurances that charges are accurate, allowable, and properly allocated...” The payroll records must be a part of the official record, reflect the employee’s total activity and show if the specific activity of the person is being paid by more than one federal award.

Section 200.430(i)(viii) indicates that budget estimates (i.e., estimates determined before the services are performed) alone do not qualify as support for charges to Federal awards, but may be used for interim accounting purposes, provided that the system for establishing the estimates produces reasonable approximations of the activity actually performed, among other requirements.

Condition: We noted that the payroll costs for two employees were charged to the program based on a flat rate percentage of the payroll and benefits costs, rather than based on the actual hours worked. Although we understand the City started allocating a portion of those employee payroll costs in fourth quarter of fiscal year 2022 (all other employees are fully charged to the program) and the City reviews the estimates periodically to ensure they were supported and did not need adjustment, there is no formal documentation of the review and conclusions reached. City staff did indicate that the allocations charged are much less than the actual time spent on the program, but again, no documentation was available.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (Continued)

Finding Reference Number: SA2022-004 **Documenting Payroll Costs Charged to Grant
(Continued)**

Cause: We understand that grant program staff were not aware of the payroll documentation requirement.

Effect: The City is not in compliance with the payroll documentation requirements set forth in 2 CFR Part 200.430(i).

Questioned Costs: We question costs in the amount of \$11,820, representing the total amount of payroll charged to the grant for the two employees during fiscal year 2022.

Recommendation: The City should establish procedures to ensure that payroll costs charged to the program are documented in accordance with 2 CFR Part 200.430 for the federal transit program and all federal grant programs.

View of Responsible Officials and Planned Corrective Actions: Please see Corrective Action Plan separately prepared by the City.

CITY OF TURLOCK
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2022

Federal Grantor/ Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Identifying Number	Pass-Through To Subrecipients	Federal Expenditures
U.S. Department of Housing and Urban Development				
Direct Programs:				
Community Development Block Grants/State's Program				
Loan expenditures	14.228			\$161,990
Program Expenditures (Program Income)	14.228		\$134,916	557,207
Program subtotal			134,916	719,197
HOME Investment Partnerships Program				
Loan expenditures	14.239			61,366
Program Expenditures (Program Income)	14.239			55,524
Program subtotal				116,890
Total U.S. Department of Housing and Development			134,916	836,087
U.S. Department of Justice				
Direct Programs:				
COVID-19 - Coronavirus Emergency Supplemental Funding Program	16.034			5,980
Public Safety Partnership and Community Policing Grants	16.710			166,667
Edward Byrne Memorial Justice Assistance Grant Program	16.738			56,675
Total U.S. Department of Justice				229,322
U.S. Department of Transportation				
Direct Programs:				
Federal Transit Cluster (Note 4)				
COVID-19 - Federal Transit - Formula Grants (Urbanized Area Formula Program)	20.507			1,836,934
Federal Transit - Formula Grants (Urbanized Area Formula Program)	20.507			98,257
Cluster subtotal				1,935,191
Pass-through Programs from:				
California Department of Transportation				
Highway Planning and Construction Cluster				
Highway Planning and Construction (Federal-Aid Highway Program)				
Congestion Mitigation and Air Quality Improvement Program (CMAQ)	20.205	CML-5165		480,336
Surface Transportation Program (STP)	20.205	RSTP-5165		965,808
Program subtotal				1,446,144
State of California Office of Traffic Safety				
Highway Safety Cluster				
State and Community Highway Safety				
Selective Traffic Enforcement Program (STEP)	20.600	PT21165		6,090
Selective Traffic Enforcement Program (STEP)	20.600	PT22092		8,379
Program subtotal				14,469
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	PT21165		4,534
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	PT22092		9,947
Program subtotal				14,481
Total U.S. Department of Transportation				3,410,285
U.S. Department of Treasury				
Direct Program:				
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027			1,173,132
Pass-through Programs from:				
California State Water Resources Control Board				
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	266737		217,137
Total U.S. Department of Treasury				1,390,269
Total Expenditures of Federal Awards			\$134,916	\$5,865,963

See Accompanying Notes to Schedule of Expenditures of Federal Awards

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CITY OF TURLOCK

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS For the Year Ended June 30, 2022

NOTE 1 – REPORTING ENTITY

The Schedule of Expenditure of Federal Awards (the Schedule) includes expenditures of federal awards for the City of Turlock, California, and its component units as disclosed in the notes to the Basic Financial Statements.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting refers to *when* revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus applied. All governmental funds are accounted for using the modified accrual basis of accounting. All proprietary funds and fiduciary funds are accounted for using the accrual basis of accounting. Expenditures of Federal Awards reported on the Schedule are recognized when incurred.

NOTE 3 – INDIRECT COST ELECTION

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

NOTE 4 - FEDERAL TRANSIT CLUSTER (AL# 20.507 AND 20.526)

As discussed in prior year Single Audit Finding SA2021-002, the City drew down grant funding from the incorrect Federal Transit Cluster grant award (AL#20.507, rather than AL#20.526) during fiscal year 2021. Since the costs incurred drawn from a grant award with AL# 20.507 were intended to be drawn from a grant award with AL# 20.526 in fiscal year 2021, the City worked with the grantor to move the grant drawdown to the correct grant award, which occurred during fiscal year 2022. Therefore, the amounts reported on the Schedule are reported as the City intended them to be drawn from the grantor, which resulted in all expenditures in fiscal year being reported under AL#20.507.

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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***

To the Honorable Members of the City Council
City of Turlock, 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 Turlock as of and for the year ended June 30, 2022, 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 22, 2024. Our report included emphasis of a matter paragraphs disclosing the implementation of new accounting principles and the restatement of fund balance and net position.

Report on 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) as a basis for designing 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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 have not been identified. However, as discussed below, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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 City’s financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies as listed on the Schedule of Material Weaknesses included as part of our separately issued Memorandum on Internal Control dated March 22, 2024 to be material weaknesses, which is an integral part of our audit and should be read in conjunction with this report.

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. We consider the deficiencies as listed on the Schedule of Significant Deficiencies included as part of our separately issued Memorandum on Internal Control dated March 22, 2024 to be significant deficiencies, which is an integral part of our audit and should be read in conjunction with this report.

Report on 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 financial statements. 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 that are required to be reported under *Government Auditing Standards*.

City’s Response to Findings

Government Auditing Standards require the auditor to perform limited procedures on the City’s response to the findings identified in our audit and described in our separately issued Memorandum on Internal Control dated March 22, 2024, which is an integral part of our audit and should be read in conjunction with this report. The City’s response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 result of that testing, and not to provide an opinion on the effectiveness of the City’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 City’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Pleasant Hill, California
March 22, 2024

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

To the Honorable Members of the City Council
City of Turlock, California

Report on Compliance for Each Major Federal Program

Qualified and Unmodified Opinions

We have audited the City's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of City's major federal programs for the year ended June 30, 2022. 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.

Qualified Opinion on COVID-19 – Coronavirus State and Local Fiscal Recovery Funds (AL #21.027)

In our opinion, except for the noncompliance described in the Basis for Qualified and Unmodified Opinions section of our report, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on COVID-19 – Coronavirus State and Local Fiscal Recovery Funds (AL #21.027) for the year ended June 30, 2022.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs for the year ended June 30, 2022.

Basis for Qualified and Unmodified Opinions

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

Matter Giving Rise to Qualified Opinion on COVID-19 – Coronavirus State and Local Fiscal Recovery Funds (AL #21.027)

As described in the accompanying Schedule of Findings and Questioned Costs, the City did not comply with requirements regarding COVID-19 – Coronavirus State and Local Fiscal Recovery Funds (AL #21.027) as described in finding number SA2022-001 for procurement (suspension and debarment) requirements.

Compliance with such requirements is necessary, in our opinion, for the City to comply with the requirements applicable to that program.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the City's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as items SA2022-002, SA2022-003 and SA2022-004. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards require the auditor to perform limited procedures on the City's response to the noncompliance findings identified in our audit described in the accompanying Schedule of Findings and Questioned Costs. The City's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

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 a 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. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items SA2022-001, and SA2022-003 to be material weaknesses.

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. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items SA2022-002 and SA2022-004 to be significant deficiencies.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards require the auditor to perform limited procedures on the City's response to the internal control over compliance findings identified in our audit described in the accompanying Schedule of Findings and Questioned Costs. The City's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 governmental activities, the business-type activities, each major fund, and the aggregate remaining funds information of the City as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated March 22, 2024, which contained an unmodified opinion 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 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 basic 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.

Maye & Associates

Pleasant Hill, California
April 24, 2024