

CITY OF ARCATA, CALIFORNIA
SINGLE AUDIT REPORTS
FOR THE YEAR ENDED JUNE 30, 2023

City of Arcata, California
Single Audit Reports
For the year ended June 30, 2023

Table of Contents

	<u>Page(s)</u>
Schedule of Expenditures of Federal Awards	1
Notes to Schedule of Expenditures of Federal Awards	2
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	3-4
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.....	5-6
Schedule of Findings and Questioned Costs	7-9

City of Arcata, California
Schedule of Expenditures of Federal Awards
For the year ended June 30, 2023

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identification Number	Total Expenditures
U.S. Department of Housing and Urban Development			
<i>Pass through programs from:</i>			
<i><u>State of California Department of Housing and Community Development</u></i>			
2017 CDBG Program	14.228	17-CDBG-12017	\$ 1,376,374
Community Development Block Grant Coronavirus Response (CDBG-CV2)	14.228	20-CDBG-CV2-3-00213	302,330
Community Development Block Grant Coronavirus Response (CDBG-CV2)	14.228	20-CDBG-CV2-3-00212	86,598
Community Development Block Grant		Program Income	809,638
<i>Total for Community Development Block Grant</i>			<u>2,574,940</u>
HOME Investment Partnership Program	14.239	16-HOME-11386	242,159
HOME Investment Partnership Program	14.239	Program Income	142,115
<i>Total for HOME Investment Partnership Program</i>			<u>384,274</u>
Total U.S. Department of Housing and Urban Development			<u>2,959,214</u>
U.S. Department of the Interior			
<i>Direct Program:</i>			
US Fish and Wildlife	15.630		<u>14,243</u>
Total U.S. Department of the Interior			<u>14,243</u>
U.S. Department of Transportation			
<i>Pass through Program From:</i>			
<i><u>State of California Department of Transportation</u></i>			
STIP Regional Improvement Prgram	20.205	RPSTPL-5021 (023)	<u>515,917</u>
Total U.S. Department of Transportation			<u>515,917</u>
U.S. Environmental Protection Agency			
<i>Direct Program:</i>			
Brownfields Assessment and Cleanup Cooperative Agreement	66.818		<u>4,574</u>
Total U.S. Environmental Protection Agency			<u>4,574</u>
U.S. Department of the Treasury			
<i>Pass through Program From:</i>			
<i><u>State of California Department of Housing and Community Development</u></i>			
Coronavirus State and Local Fiscal Recovery Funds	21.027	21-HK-17183	8,485,253
<i><u>State of California Department of Finance</u></i>			
COVID19 - Coronavirus Relief Fund	21.027	SLT-3272	<u>1,358,642</u>
Total U.S. Department of the Treasury			<u>9,843,895</u>
U.S. Department of Homeland Security - FEMA			
<i>Pass through Program From:</i>			
<i><u>State of California Governor's Office of Emergency Services</u></i>			
Hazard Mitigation Grant Program	97.039	FEMA-4344-DR-CA	<u>42,834</u>
Total U.S. Department of Homeland Security - FEMA			<u>42,834</u>
Total Federal Expenditures			<u>\$ 13,380,677</u>

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

City of Arcata, California

Notes to the Schedule of Expenditures of Federal Awards

For the year ended June 30, 2023

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)

The primary objective of the Community Development Block Grants (CDBG)/State's Program and Non-Entitlement Grants in Hawaii (State CDBG Program) is the development of viable communities by providing decent housing, a suitable living environment, and expanded economic opportunities, principally for persons of low- and moderate-income. This objective can be achieved in two ways. First, funds can only be used to assist eligible activities that fulfill one or more of three national objectives. Second, the grantee must spend at least 70 percent of its funds over a period of up to three years, as specified by the grantee in its certification, for activities that address the national objective of benefiting low- and moderate-income persons.

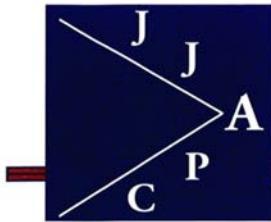
Coronavirus State and Local Fiscal Recovery Funds (SLFRF) (CFDA #20.027)

The purpose of the program is to provide direct payments to states, Tribal governments, metropolitan cities, counties, and non-entitlement units of local government to:

1. Respond to the public health emergency with respect to Coronavirus Disease 2019 (COVID-19) or its negative economic impacts, including by providing assistance to households, small businesses, nonprofits, and impacted industries, such as tourism, travel, and hospitality;
2. Respond to workers performing essential work during the COVID-19 public health emergency by providing premium pay to eligible workers of the recipient that perform essential work or by providing grants to eligible employers that have eligible workers who are performing essential works;
3. Provide government services, to the extent of the reduction in revenue of the eligible entities due to the COVID-19 public health emergency relative to revenues collected in the most recent full fiscal year of the eligible entities prior to the emergency; and
4. Make necessary investments in water, sewer, or broadband infrastructure.

3. 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 Arcata
Arcata, 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 Arcata, California (City), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated May 15, 2024.

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.

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. 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 or significant deficiencies may exist that were not identified.

Compliance and Other Matters

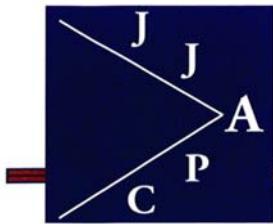
As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect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

May 15, 2024

JJACPA, Inc.
JJACPA, Inc.
Dublin, CA



**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 Arcata
Arcata, California

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Arcata, California's (City) 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 the City's major federal programs for the year ended June 30, 2023. 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.

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 major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

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.

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.

Report on 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 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. 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 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. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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.

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, 2023, and have issued our report thereon dated May 15, 2024, which contained an unmodified opinion on those financial statements. Our audit was performed 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.

May 15, 2024

JJACPA, Inc.
JJACPA, Inc.
Dublin, CA

City of Arcata, California
Schedule of Findings and Questioned Costs
For the year ended June 30, 2023

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?	Yes
• 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?	No
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)?	Yes

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
21.027	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?	No
--	----

City of Arcata, California
Schedule of Findings and Questioned Costs, Continued
For the year ended June 30, 2023

Section II – Financial Statement Findings

There are no current year financial statement findings.

Section III – Federal Award Findings and Questioned Costs

Finding 2023-01 – Timeliness

CFDA Title and Number:	Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii
Federal Agency:	U.S. Department of Housing and Urban Development
Pass-through Entity:	State of California Department of Housing and Community Development
Year:	2023

CFDA Title and Number:	Coronavirus State and Local Fiscal Recovery Funds
Federal Agency:	U.S. Department of the Treasury
Pass-through Entity:	State of California Department of Housing and Community Development
Year:	2023

Criteria: Section 200.512(a) of the Uniform Guidance states that an audit must be completed and the data collection form and reporting package must be submitted within the earlier of 30 calendar days after receipt of the auditor's report or nine months after the end of the audit period.

Condition: The City did not complete the audit and submit the data collection form and reporting package within nine months after the end of the fiscal year.

Questioned Costs: None

Context: The City did not complete its audit of the annual financial statements until after the deadline had passed.

Effect or Potential Effect: The City did not meet the audit requirements as provided in Section 200.512(a).

Cause: The City did not have policies and procedures in place to have the financial audit completed by the deadline.

Recommendation: The City should implement policies and procedures to have the financial audit completed by the deadline.

City of Arcata, California
Schedule of Findings and Questioned Costs, Continued
For the year ended June 30, 2023

Section III – Federal Award Findings and Questioned Costs, Continued

Responsible Official's Response and Corrective Action Planned: Management will file the audited financial statements for the year ended June 30, 2023, as soon as possible. The City developed procedures, including a fiscal year-end closing schedule to assist in meeting the timeliness requirements of Section 200.512(a) of the Uniform Guidance. The City has identified the need for additional accounting staff hours to complete the procedures outlined in the fiscal year-end closing schedule.

Section IV – Status of Prior Year Audit Findings

Finding 2022-01 - Material Weakness of Noncompliance with California Government Code – Filing Deadline Expiration

Resolved.

Finding 2022-02 – Timeliness

See current year finding 2023-01.