

CITY OF YUCAIPA

**Single Audit Report on
Federal Award Programs**

June 30, 2021

CITY OF YUCAIPA
SINGLE AUDIT REPORT ON FEDERAL AWARD PROGRAMS
Year Ended June 30, 2021

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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***

City Council
City of Yucaipa
Yucaipa, 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, each major fund and the aggregate remaining fund information of the City of Yucaipa (City), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated April 20, 2022.

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.

Van Lant & Fankhanel, LLP

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909.856.6879

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 an instance of noncompliance or other matters that are required to be reported in accordance with *Government Auditing Standards* and which is disclosed in the accompanying schedule of findings and responses as item 2021-001.

City of Yucaipa's Response to Findings

The City of Yucaipa's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Van Lant & Fankhaed, LLP

April 20, 2022



Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by Uniform Guidance

City Council
City of Yucaipa
Yucaipa, California

Report on Compliance for Each Major Federal Program

We have audited the City of Yucaipa's 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, 2021. 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 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.

Van Lant & Fankhanel, LLP

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Opinion on Each Major Federal Program

In our opinion, the City of Yucaipa 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, 2021.

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 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 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, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial

statements and have issued our report thereon dated April 20, 2022, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming an opinion 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 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 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.

Van Lant & Fankhaed, LLP

September 29, 2022, except for the schedule of expenditures of federal awards, which is as of April 20, 2022

CITY OF YUCAIPA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2021

<u>Federal Grantor/ Pass-through Grantor/ Program Title</u>	Federal Assistance Listing Number	Program Identification Number	Program Expenditures	Amount Provided to Subrecipients
<u>U.S. Department of Agriculture</u>				
<i>Direct Assistance:</i>				
Emergency Watershed Protection Program	10.923	N0621EWP0010075	\$ 59,448	\$ -
Subtotal U.S. Department of Agriculture			<u>59,448</u>	<u>-</u>
<u>U.S. Department of Housing and Urban Development</u>				
<i>Passed through the San Bernardino County Community Development and Housing:</i>				
CDBG - Entitlement Grants Cluster				
Community Development Block Grant	14.218	YUCA-20-1-05G/1681	8,395	8,395
Community Development Block Grant	14.218	YUCA-20-1-05A/7518	10,000	10,000
COVID-19 Community Development Block Grant	14.218	YUCA-19-CV-1-18A/0214	81,691	-
Community Development Block Grant	14.218	122-39105/3694	23,422	-
Community Development Block Grant	14.218	YUCA-20-1-03K/0186	25,813	-
Community Development Block Grant	14.218	YUCA-19-1-03L/7517	200,882	-
Community Development Block Grant	14.218	YUCA-18-1-03L/0152	1,924	-
Community Development Block Grant	14.218	YUCA-20-1-05Z/2484	11,362	-
Community Development Block Grant	14.218	YUCA-19-1-03K/0174	54,053	-
Subtotal U.S. Department of Housing and Urban Development			<u>417,542</u>	<u>18,395</u>
<u>U.S. Department of Transportation</u>				
<i>Passed through the State of California Department of Transportation:</i>				
Highway Planning and Construction Cluster				
Highway Planning and Construction	20.205	SRTSL-5457(019)	15,120	-
Highway Planning and Construction	20.205	HSIPL-5457(025)	187,001	-
Subtotal U.S. Department of Transportation			<u>202,121</u>	<u>-</u>
<u>U.S. Department of Treasury</u>				
<i>Passed through the State of California Department of Finance:</i>				
COVID-19 Coronavirus Relief Fund	21.019	20-1892-0-1-806	617,738	-
<i>Passed through the County of San Bernardino:</i>				
COVID-19 Coronavirus Relief Fund	21.019	CARES21-ALLC-YUC	687,883	-
COVID-19 Coronavirus Relief Fund	21.019	CARES21-PRJC-65-YUC	10,000	-
COVID-19 Coronavirus Relief Fund	21.019	CARES21-PRJC-66-YUC	140,000	-
COVID-19 Coronavirus Relief Fund	21.019	CARES21-PRJC-67-YUC	50,000	-
COVID-19 Coronavirus Relief Fund	21.019	CARES21-PRJC-68-YUC	5,250	-
Subtotal U.S. Department of Treasury			<u>1,510,871 *</u>	<u>-</u>
<u>U.S. Department of Homeland Security</u>				
<i>Passed through the San Bernardino County Office of Emergency Services</i>				
Public Assistance Grant	97.036	FEMA-4569-DR-CA	2,580	-
Emergency Management Performance Grant	97.042	2020-0006	15,309	-
Homeland Security Grant Program	97.067	2019-0035	19,344	-
Subtotal U.S. Department of Homeland Security			<u>37,233</u>	<u>-</u>
Total Federal Financial Assistance			<u>\$ 2,227,215</u>	<u>\$ 18,395</u>

*Major Program

CITY OF YUCAIPA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2021

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 from pass-through entities by the City of Yucaipa. Only the portion of program expenditures reimbursable with such federal funds is 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 the 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. The City did not elect to use the 10% de minimis cost rate as covered in Section 200.414 Indirect (F & A) costs.

C) Major Programs

The City had one major program for the year ended June 30, 2021, consisting of the Coronavirus Relief Fund grant which had total expenditures of \$1,510,871. This amount calculates to 67.8% of the total expenditures from federal awards.

D) Subrecipient Expenditures

During the fiscal year ended June 30, 2021, the City of Yucaipa made payments to subrecipients which consisted of the following:

Sexual Assault Services	\$ 8,395
Family Services Association Nutrition Program	<u>10,000</u>
	<u>\$ 18,395</u>

CITY OF YUCAIPA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2021

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 Deficiencies Identified not Considered to be Material Weaknesses?	None reported
Noncompliance or Other Matters Material to Financial Statements Noted?	Yes

Federal Awards

Internal Control Over Major Programs:	
Material Weakness(es) Identified?	No
Significant Deficiencies Identified not Considered to be Material Weaknesses?	None
Type of Auditors’ Report Issued on Compliance for Major Programs:	Unmodified
Any Audit Findings Disclosed that are Required to be Reported in Accordance With Uniform Guidance?	No

Identification of Major Programs:

CFDA Numbers	Name of Federal Program or Cluster
21.019	U.S. Department of Treasury Coronavirus Relief Fund

Dollar Threshold used to Distinguish Between Type A And Type B Programs:	\$ <u>750,000</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, 2021

SECTION II – FINANCIAL STATEMENT FINDINGS

2021-001 General Fund Advances

Condition:

As noted in prior years, the General Fund has advanced over \$22 million to various development impact fee (DIF) funds for projects in previous years including the City's YPAC, police station, park facilities, etc. It should be noted, approximately \$4 million in advances to the DIF funds were repaid in fiscal year 2021. The advances have resulted in significant nonspendable fund balance in the General Fund. It should also be noted, the City has committed to the repayment of DIF funds to the General Fund, through formal interfund loan agreements, over a period of many years into the future.

Potential Effect of Condition:

The amounts advanced to the DIF funds by the General Fund have resulted in significant nonspendable fund balance, and, depending on the timing of repayment, this money is not available for use by the City's General Fund. It is unclear, when these amounts will be repaid in full.

Recommendation:

Based on the City's repayment plan for the DIF funds, it appears the ability to repay the loans in the future is reasonably possible based on future development. However, we recommend the City continue to evaluate the likelihood of repayment on a periodic basis, and also ensure the repayments are made each year in accordance with the interfund loan agreements. In addition, we recommend the City evaluate any additional advances of monies to specific DIF funds from the General Fund until all amounts due from the DIF fund have been repaid to the General Fund.

Views of Responsible Officials and Planned Corrective Actions

The City concurs. Refer to separate Corrective Action Plan Report for management's response.

CITY OF YUCAIPA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2021

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no auditor's findings to be reported in accordance with *Uniform Guidance*.

CITY OF YUCAIPA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2021

SECTION II – FINANCIAL STATEMENT FINDINGS

2020-001: Building and Planning Fees

Current Status: Corrective Action has been taken.

2020-002: Funding Sources for Capital Projects

Current Status: Corrective Action has been taken.

2020-003: Funding Sources for Capital Projects

Current Status: This “Other Matter” is reported in the current year. See finding 2021-001.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no auditor’s findings to be reported in accordance with the *Uniform Guidance*.