



CITY OF CITRUS HEIGHTS, CALIFORNIA

JUNE 30, 2020

SINGLE AUDIT REPORT

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on YOU



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INDEPENDENT AUDITORS' 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 Mayor and Members of the City Council
City of Citrus Heights, 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 Citrus Heights, California, (the City) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 18, 2020.

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 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 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 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*.





To the Honorable Mayor and Members of the City Council
City of Citrus Heights, California

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

Lance, Soll & Lingham, LLP

Sacramento, California
December 18, 2020



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

To the Honorable Mayor and Members of the City Council
City of Citrus Heights, California

Report on Compliance for Each Major Federal Program

We have audited the City of Citrus Heights (the City), California'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, 2020. 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 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 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.

Opinion on Each Major Federal Program

In our opinion, the City, 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, 2020.



To the Honorable Mayor and Members of the City Council
City of Citrus Heights, California

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 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 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 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 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.

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 fund information of the City, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated December 18, 2020, 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 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 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.



To the Honorable Mayor and Members of the City Council
City of Citrus Heights, California

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.

Lance, Solt & Loughard, LLP

Sacramento, California

March 19, 2021 (except for the Schedule of Expenditures of Federal Awards required by the Uniform Guidance which is as of December 18, 2020).

CITY OF CITRUS HEIGHTS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

| <i>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</i> | <i>Federal CFDA Number</i> | <i>Award Identifying Number</i> | <i>Pass-Through Grantor's DUNS Number</i> | <i>Total Federal Expenditures</i> |
|--|------------------------------------|-------------------------------------|---|---------------------------------------|
| U.S. Department of Housing and Urban Development * | | | | |
| Office of Community Planning and Development - Direct Program | | | | |
| Community Development Block Grants/Entitlement Grants Cluster | | | | |
| 2019 Community Development Block Grants | 14.218 | B-19-MC-06-0056 | N/A | \$ 132,685 |
| 2020 Community Development Block Grants | 14.218 | B-20-MC-06-0056 | N/A | 106,428 |
| Coronavirus Community Development Block Grants | 14.218 | B-20-MW-06-0056 | N/A | <u>91,445</u> |
| Subtotal - CFDA 14.218 | | | | <u>330,558</u> |
| Total CDBG - Entitlement Grants Cluster | | | | <u>330,558</u> |
| Total Department of Housing and Urban Development Programs | | | | <u>330,558</u> |
| U.S. Department of Justice | | | | |
| Bureau of Justice Assistance - Direct Program | | | | |
| Coronavirus Emergency Supplemental Program | 16.034 | 2020-VD-BX-0668 | N/A | 34,971 |
| Bulletproof Vest Partnership Program | 16.607 | N/A | N/A | 5,686 |
| Edward Byrne Memorial Justice Assistance Program | 16.738 | 2017-DJ-BX-0958 | N/A | 27,961 |
| Edward Byrne Memorial Justice Assistance Program | 16.738 | 2018-DJ-BX-0835 | N/A | 29,157 |
| Edward Byrne Memorial Justice Assistance Program | 16.738 | 2019-DJ-BX-0539 | N/A | <u>25,673</u> |
| Subtotal - CFDA 16.738 | | | | <u>82,791</u> |
| Total U.S. Department of Justice | | | | <u>123,448</u> |
| U.S. Department of Transportation | | | | |
| National Highway Traffic Safety Administration - Direct Program | | | | |
| Highway Safety Cluster | | | | |
| 2019 Selective Traffic Enforcement Program | 20.600 | N/A | N/A | 9,310 |
| 2020 Selective Traffic Enforcement Program | 20.600 | N/A | N/A | <u>21,308</u> |
| Subtotal - CFDA 20.600 | | | | <u>30,618</u> |
| Total Highway Safety Cluster | | | | |
| <u>30,618</u> | | | | |
| National Highway Traffic Safety Administration - Direct Program | | | | |
| Minimum Penalties for Repeat Offenders for Driving While Intoxicated Program | | | | |
| 2019 Selective Traffic Enforcement Program | 20.608 | N/A | N/A | 26,410 |
| 2020 Selective Traffic Enforcement Program | 20.608 | N/A | N/A | <u>42,418</u> |
| Subtotal - CFDA 20.608 | | | | <u>68,828</u> |
| National Highway Traffic Safety Administration - Direct Program | | | | |
| National Priority Safety Program | | | | |
| 2020 Selective Traffic Enforcement Program | 20.616 | N/A | N/A | <u>6,965</u> |
| Federal Highway Administration * | | | | |
| Passed through California State Transportation Agency, Department of Transportation | | | | |
| Highway Planning and Construction Cluster | | | | |
| Auburn Blvd-Rusch/Northern Limits | 20.205 | CML-5475 (038) | 84-088-1648 | 46,433 |
| Signalized Intersection Safety Improvements | 20.205 | HSIPL-5475 (041) | 84-088-1648 | 11,508 |
| Mariposa-Northridge/Eastgate | 20.205 | LPPSB1CM-5475 (039) | 84-088-1648 | <u>648,553</u> |
| Subtotal - CFDA 20.205 | | | | <u>706,494</u> |
| Total Highway Planning and Construction Cluster | | | | |
| <u>706,494</u> | | | | |
| Total U.S. Department of Transportation | | | | <u>812,906</u> |
| Department of Homeland Security | | | | |
| Department of Homeland Security | | | | |
| Passed through California Governor's Office of Emergency Services | | | | |
| 2018 State Homeland Security Program | 97.067 | FEMA-4301-DR-CA | 94-743-6176 | <u>8,100</u> |
| Department of Homeland Security | | | | |
| Passed through California Governor's Office of Emergency Services | | | | |
| Covid-19 Public Assistance FEMA Emergency Protective Measures | 97.036 | FEMA-DR-4482-CA | 94-743-6176 | 25,060 |
| Great Plates Public Assistance FEMA Emergency Protective Measures | 97.036 | FEMA-DR-4482-CA | 94-743-6176 | <u>281,475</u> |
| Subtotal - 97.036 | | | | <u>306,535</u> |
| Total U.S. Department of Homeland Security | | | | <u>314,635</u> |
| Total Expenditures of Federal Awards | | | | <u>1,581,547</u> |

CITY OF CITRUS HEIGHTS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Federal Loan Beginning Balances with a Continuing Compliance Requirement

| | | |
|---|--------|----------------------------|
| Community Development Block Grant * | 14.218 | 1,434,238 |
| HOME Investment Partnership Program | 14.239 | 266,156 |
| Total Federal Loan Balances with a Continuing Compliance Requirement | | <u>1,700,394</u> |
| TOTAL EXPENDITURES OF FEDERAL AWARDS INCLUDING LOANS | | <u>\$ 3,281,941</u> |

CORONAVIRUS EMERGENCY ACTS FUNDING RECONCILIATION

| <u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u> | <u>Federal CFDA Number</u> | <u>Pass-Through Entity Identifying Number</u> | <u>Pass-Through Entity Identifying Number</u> | <u>Total Federal Expenditures</u> |
|--|------------------------------------|---|---|---------------------------------------|
| U.S. Department of Housing and Urban Development * | | | | |
| Office of community Planning and Development - Direct Program | | | | |
| Community Development Block Grants/Entitlement Grants Cluster | | | | |
| Coronavirus Community Development Block Grants | 14.218 | B-20-MW-06-0056 | B-20-MW-06-0056 | \$ 91,445 |
| Total U.S. Department of Housing and Urban Development Programs | | | | <u>91,445</u> |
| U.S. Department of Justice | | | | |
| Bureau of Justice Assistance - Direct Program | | | | |
| Coronavirus Emergency Supplemental Program | 16.034 | 2020-VD-BX-0668 | 2020-VD-BX-0668 | 34,971 |
| Total U.S. Department of Justice Programs | | | | <u>34,971</u> |
| Department of Homeland Security | | | | |
| Passed through California Governor's Office of Emergency Services | | | | |
| COVID-19 Public Assistance FEMA Emergency Protective Measures | 97.036 | FEMA-DR-4482-CA | FEMA-DR-4482-CA | 25,060 |
| COVID-19 Great Plates Public Assistance FEMA Emergency Protective Measures | 97.036 | FEMA-DR-4482-CA | FEMA-DR-4482-CA | 281,475 |
| Total U.S. Department of Justice Programs | | | | <u>306,535</u> |
| Total Coronavirus Emergency Acts Funding | | | | <u>\$ 432,951</u> |

* Major Program

Note a: Refer to Note 1 to the Schedule of Expenditures of Federal Awards for a description of significant accounting policies used in preparing this schedule.

Note b: There were no federal awards expended in the form of noncash assistance and insurance in effect during the year.

Note c: Total amount provided to subrecipients during the year was \$0.

CITY OF CITRUS HEIGHTS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED JUNE 30, 2020

Note 1: Summary of Significant Accounting Policies Applicable to the Schedule of Expenditures of Federal Awards

a. Scope of Presentation

The accompanying schedule presents only the expenditures incurred by the City of Citrus Heights, California, that are reimbursable under federal programs of federal financial assistance. For the purposes of this schedule, federal awards include both federal financial assistance received directly from a federal agency, as well as federal funds received indirectly by the City from a non-federal agency or other organization. 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 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 becomes obligated for payment as a result of the receipt of the related goods and services. Expenditures reported included any property or equipment acquisitions incurred under the federal program.

c. Indirect Cost Rate

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

Note 2: Loan Programs with Continuing Compliance Requirements

The City participates in certain federal award programs that sponsor revolving loan programs, which are administered by the City. These programs required servicing arrangements with the City. The funds are returned to the programs upon repayment of the principal and interest. Current year transactions relating to these programs are included in the Schedule of Expenditures of Federal Awards. In accordance with 2 CFR section 200.502(b), the balance of loan program outstanding June 30, 2020, are as follows:

| <u>CFDA Number</u> | <u>Program Name</u> | <u>Outstanding Balance at June 30, 2020</u> |
|--------------------|-------------------------|---|
| 14.218 | CDBG Loans | \$ 1,445,974 |
| 14.239 | HOME Loans | 234,665 |
| | Total Loans Outstanding | <u>\$ 1,680,639</u> |

CITY OF CITRUS HEIGHTS

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

SECTION II - FINANCIAL STATEMENT FINDINGS

No current year findings.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No current year findings.

**SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

SECTION II - FINANCIAL STATEMENT FINDINGS

Finding 2019-001 – Accounts Payable Accruals (Significant Deficiency)

Condition: Through our search for unrecorded liabilities invoices were identified that related to the current fiscal year under audit but were not properly accrued to that period.

Current Status: City staff were advised to check the invoice(s) for completeness before forwarding to accounts payable for processing. Accounts payable staff were asked to check with the Accounting Manager for any missing invoice information prior to entering in the system. We also had the accountant review the invoices prior to checks being issued. This matter has been resolved, and no similar findings was found during fiscal year 2019-20.

Finding 2019-002 – Capital Assets Adjustment (Significant Deficiency)

Condition: Through our testing of capital assets, specifically construction in progress, it was discovered that the balances were not completely reconciled during our year-end fieldwork, leading to an adjustment being needed to the CIP balance as June 30, 2019.

Current Status: All the expenditures for capital assets are now in one fund rather than being split at the funding source fund level. This made it easier for accounting for capital assets and avoided duplicate entries. This matter has been resolved, and no similar findings was found during fiscal year 2019-20.

Finding 2019-003 – Unavailable Revenue (Significant Deficiency)

Condition: As a result of our audit procedures, it was determined that revenue received outside the City recognition period was being recorded as revenue in the current period fund financial statements, as opposed to unavailable revenue, which is considered a deferred inflow or resources.

Current Status: City staff is actively working on collections effort of open accounts receivable invoices. Statements are mailed monthly and accounts are reviewed monthly as well. City is now recording the unavailable revenue at year-end. This matter has been resolved, and no similar findings was found during fiscal year 2019-20.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No federal award findings.