CITY OF CITRUS HEIGHTS, CALFORNIA

FOR THE YEAR ENDED JUNE 30, 2023

SINGLE AUDIT REPORT

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CITY OF CITRUS HEIGHTS, CALIFORNIA

Single Audit Report

For the Year Ended June 30, 2023

CITY OF CITRUS HEIGHTS, CALIFORNIA

Single Audit Report

For the Year Ended June 30, 2023

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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, 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 December 29, 2023.

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 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 or significant deficiencies may exist that were not identified.

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 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 & Lunghard, LLP

Sacramento, California
December 29, 2023

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

Opinion on Each Major Federal Program

We have audited the City of Citrus Heights, California (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 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 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, 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; 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). 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 generally accepted auditing standards,

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 generally accepted auditing standards, *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.

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

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, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated December 29, 2023, which contained unmodified opinions on those financial statements. Our audit was performed 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.

Lance, Soll & Lunghard, LLP

Sacramento, California
December 29, 2023 (Except for the Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance which is dated March 18, 2024)

CITY OF CITRUS HEIGHTS
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2023

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	*Federal Assistance Listing Number*	*Pass-Through Entity Identifying Number*	*Total Federal Expenditures*
U.S Department of Housing and Urban Development			
Office of Community Planning and Development - Direct Program			
Community Development Block Grants/Entitlement Grants Cluster*			
2022 Community Development Block Grants	14.218	N/A	$ 187,381
2023 Community Development Block Grants	14.218	N/A	519,807
COVID-19 Community Development Block Grants (CARES Act)	14.218	N/A	313,073
Subtotal - Assistance Listing 14.218			1,020,261
Total Department of Housing and Urban Development Programs			**1,020,261**
U.S. Department of Justice			
Bureau of Justice Assistance - Direct Program			
Bulletproof Vest Partnership Program	16.607	N/A	11,632
FY23 Public Safety Partnership and Community Policing Grants	16.710	N/A	115,639
2021 Edward Byrne Memorial Justice Assistance Program	16.738	N/A	19,349
Equitable Sharing Program	16.922	N/A	16,258
Total U.S. Department of Justice			**162,878**
U.S. Department of Transportation			
National Highway Traffic Safety Administration - Direct Program			
Highway Safety Cluster			
2022 Selective Traffic Enforcement Program	20.600 / 20.608	N/A	53,321
2023 Selective Traffic Enforcement Program	20.600 / 20.608	N/A	60,298
Total Highway Safety Cluster			113,619
Total U.S. Department of Transportation			113,619
Highway Planning and Construction			
Federal Highway Administration			
Passed through California State Transportation Agency, Department of Transportation			
Highway Planning and Construction Cluster			
Signalized Intersection Safety Improvements	20.205	N4YFFGL4CDX5	(290,733)
Auburn Blvd-Rusch/Northern Limits	20.205	N4YFFGL4CDX5	271,935
San Juan Avenue	20.205	N4YFFGL4CDX5	290,410
Old Auburn Rd	20.205	N4YFFGL4CDX5	388,418
Arcade Cripple Creek / Electric Greenway	20.205	N4YFFGL4CDX5	3,875,519
Subtotal - Assistance Listing 20.205			4,535,549
Total Highway Planning and Construction Cluster			4,535,549
Total U.S. Department of Transportation Highway Planning and Construction			**4,649,168**
Department of Homeland Security			
Passed through California Governor's Office of Emergency Services			
COVID-19 Public Assistance FEMA Emergency Protective Measures	97.036	UTM3S7LKYQZ4	383
Total U.S. Department of Homeland Security			**383**
Other Programs			
U.S. Department of Treasury			
COVID-19 Coronavirus State and Local Recovery Funds*	21.027	N/A	3,331,099
Total Other Programs			**3,331,099**
Total Expenditures of Federal Awards			**9,163,789**
Federal Loan Beginning Balances with a Continuing Compliance Requirement			
Community Development Block Grant*	14.218		1,164,178
HOME Investment Partnership Program	14.239		234,665
Total Federal Loan Balances with a Continuing Compliance Requirement			1,398,843
TOTAL EXPENDITURES OF FEDERAL AWARDS INCLUDING LOANS			**$ 10,562,632**

** 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.

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. 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, 2023, are as follows:

Assistance Listing Number	Program Name	Outstanding Balance at June 30, 2023
14.218	CDBG Loans	$ 1,338,525
14.239	HOME Loans	178,854
	Total Loans Outstanding	$ 1,517,379

CITY OF CITRUS HEIGHTS
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2023

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unmodified Opinion

Internal control over financial reporting:

- Significant deficiencies identified? ____yes __X__none reported
- Material weaknesses identified? ____yes __X__no

Noncompliance material to financial statements noted? ____yes __X__no

Federal Awards

Internal control over major programs:

- Significant deficiencies identified? ____yes __X__none reported
- Material weaknesses identified? ____yes __X__no

Type of auditors' report issued on compliance for major programs: Unmodified Opinion

Any audit findings disclosed that are required to be reported in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance)? ____yes __X__no

Identification of major programs:

Assistance Listing Number(s)	Name of Federal Program or Cluster
14.218	Community Development Block Grants/Entitlement Grants
21.027	Coronavirus State and Local Recovery Funds

Dollar threshold used to distinguish between type A and type B program $750,000

Auditee qualified as low-risk auditee? __X__yes _____no

SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

CITRUS HEIGHTS
Solid roots. New growth.

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The City of CITRUS HEIGHTS is committed to providing high quality, economical, responsive city services to our community.

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR THE FISCAL YEAR ENDED JUNE 30, 2022

SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No federal award findings.

TIM SCHAEFER, *Mayor* • BRET DANIELS, *Vice Mayor*
JAYNA KARPINSKI-COSTA, *Council Member* • MARIJANE LOPEZ-TAFF, *Council Member* • PORSCHE MIDDLETON, *Council Member*
ASHLEY J. FEENEY, *City Manager* • RYAN R. JONES, *City Attorney*