



Federal Awards Reports in Accordance
with the Uniform Guidance
Fiscal Year Ended June 30, 2021

City of Jurupa Valley, California

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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 Members of the City Council
City of Jurupa Valley, California

We have audited, in accordance with 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 Jurupa Valley, California (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 March 4, 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) 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 over financial reporting 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 financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2021-001 that we consider to be a material weakness.

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*.

City's Response to Findings

The City's response to the findings identified in our audit are described in the accompanying *Schedule of Findings and questioned costs*. 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 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.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Rancho Cucamonga, California

March 4, 2022



Independent Auditor’s Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

To the Members of the City Council
City of Jurupa Valley, California

Report on Compliance for Each Major Federal Program

We have audited the City of Jurupa Valley, California’s (City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on 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 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 and 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, 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 the federal programs 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.

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 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. We issued our report thereon dated March 4, 2022, 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.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Rancho Cucamonga, California
July 7, 2022

City of Jurupa Valley, California
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2021

Federal Grantor/Pass-Through Grantor/Program or Cluster title	Federal Financial Assistance Listing/Federal CFDA Number	Grant Identification Number	Pass-Through Identifying Number	Federal Award Expenditures	Pass-through Award to Subrecipients
U.S. Department of Housing and Urban Development					
Direct Assistance					
		B-18-MC-06-0607			
		B-19-MC-06-0607			
Community Development Block Grant/Entitlement Grants	14.218	B-20-MC-06-0607	N/A	\$ 779,034	\$ 170,144
COVID-19 - Community Development Block Grant/Entitlement Grants (CDBG-CV)	14.218	B-20-MW-06-0607	N/A	637,274	240,793
Subtotal CDBG Entitlement Grants Cluster				<u>1,416,308</u>	<u>410,937</u>
Total U.S. Department of Housing and Urban Development				<u>1,416,308</u>	<u>410,937</u>
U.S. Department of the Treasury					
Pass-Through the California Department of Finance					
COVID-19 - Coronavirus Relief Fund - Allocation to Cities	21.019	N/A	10200	1,322,168	-
Total U.S. Department of the Treasury				<u>1,322,168</u>	<u>-</u>
U.S. Department of Transportation					
Pass-Through the California Department of Transportation					
Highway Safety Improvement Program	20.205	HSIPL-5487 (002)	08-RIV-0-JVLY	839,659	-
Subtotal Highway Planning and Construction Cluster				<u>839,659</u>	<u>-</u>
Total U.S. Department Transportation				<u>839,659</u>	<u>-</u>
U.S. Department of Justice					
Direct Assistance					
COVID-19 - Coronavirus Emergency Supplemental Funding (CESF) Program	16.034	N/A	N/A	41,460	-
Total U.S. Department of Justice				<u>41,460</u>	<u>-</u>
Total Federal Financial Assistance				<u>\$ 3,619,595</u>	<u>\$ 410,937</u>

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of the City of Jurupa Valley, California (City) under programs of the federal government for the year ended June 30, 2021. The City's reporting entity is defined in Note 1 of the City's financial statements. All federal awards received directly from federal agencies as well as federal awards passed through from other government agencies are included on the Schedule of Expenditures of Federal Awards. The information 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). Because the schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position or fund balance, or cash flows of the City.

Amounts reported in the accompanying Schedule of Expenditures of Federal Awards agree with the amounts reported in the related federal financial reports. However, certain federal financial reports are filed based on cash expenditures. As such, certain timing differences may exist in the recognition of revenues and expenditures between the Schedule of Expenditures of Federal Awards and the federal financial reports.

Note 2 - Summary of Significant Accounting Policies

Funds received under the various grant programs have been recorded within the special revenue funds of the City. The City utilizes the modified accrual basis of accounting for the special revenue funds. Expenditures reported in the schedule are reported on the *modified accrual* basis of accounting. When applicable, such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3 - Indirect Cost Rate

The City does not draw for indirect administrative expenses and has not elected to use the 10% de minimis cost rate.

Section I – Summary of Auditor’s Results

FINANCIAL STATEMENTS

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material Weaknesses identified	Yes
Significant deficiencies identified not considered to be material weaknesses	None Reported
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major federal programs:	
Material Weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None Reported
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 Uniform Guidance 2 CFR 200.516:	No

Identification of major federal programs:

Name of Federal Program or Cluster	Federal Financial Assistance Listing/ CFDA Number
COVID-19 Coronavirus Relief Fund	21.019
Highway Planning and Construction Cluster	20.205
Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
Auditee qualified as low-risk auditee?	No

Section II – Financial Statement Findings

2021-001 **Developers Deposits**
Material Weakness

Criteria:

The City reports deposits payable, which reflect deposits paid by developers to be applied to future permits and fees due to the City's General Fund and other agencies (such as TUMF and MSHCP). Once the fees have been applied, any remaining deposits are returned to the developers. As such, positive balances should reflect the amount due to developers as of June 30, 2021. Negative balances should be avoided, which would reflect City services or payments in excess of the developer deposits. The City's deposits payable were previously reported in an Agency fund, but due to the implementation of GASB 84, *Fiduciary Activities*, are now reported in the General fund.

Condition:

The City classified \$1,064,419 within the General Fund's accounts receivable balance, which reflect negative balances of deposits payable. These negative deposit balances for planning, building, and engineering deposits reflects services rendered by the City in excess of the developer's initial deposits; these amounts are owed by developers to the City. The City has made an effort in the current year to collect or write off these balances, but continues to have significant negative balances reported within the overall deposit balance as of June 30, 2021. This is a repeat finding.

Context:

The condition was noted during our testwork over the City's accounts receivables and developer deposits.

Effect:

\$1,064,419 reflects amounts applied to permits for developers, but fees have not been remitted from developers. To the extent cash was remitted from the deposits account, such cash could be related to developers balances on deposit for which services have not been performed.

Cause:

The City reported \$1,064,419 as Accounts Receivable within the City's General Fund.

Recommendation:

We recommend the City continue to develop and formalize procedures to ensure deposits and related amounts due for permits is properly captured, collected by the City, and reported within the General fund. For older balances due to the City for these permits, the City should consider plans for collection or write-off of such balances due.

Views of Responsible Officials and Planned Corrective Actions:

Management agrees. See separately issued Corrective Action Plan.

Section III – Federal Award Findings and Questioned Costs

None noted.

Financial Statement Findings

Finding No.	Area	Status of Corrective Action
2020-001	Agency Fund - Deposits	Partially implemented - See current year finding 2021-001
2020-002	Financial Reporting and Closing	Implemented
2020-003	Internal Controls Over Payroll	Implemented

Federal Awards Findings

Finding No.	Area	CFDA No.	Compliance Requirements	Status of Corrective Action
2020-004	Community Development Block Grant/Entitlement Grants	14.218	Reporting	Implemented