



Federal Awards Reports in Accordance
with the Uniform Guidance
Fiscal Year Ended June 30, 2022

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 (City), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated January 9, 2023. Our report included an emphasis of matter paragraph regarding the City's adoption of Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, for the year ended June 30, 2022.

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 the 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. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2022-001 and 2022-002 that we consider to be material weaknesses.

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*.

City's Responses to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City's responses to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The City's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

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.

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

Rancho Cucamonga, California
January 9, 2023



Independent Auditor’s Report on Compliance for the 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 the Major Federal Program

Opinion on the Major Federal Program

We have audited City of Jurupa Valley’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 the City’s major federal program for the year ended June 30, 2022. The City’s major federal program is 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 its major federal program for the year ended June 30, 2022.

Basis for Opinion on the 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 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 City’s federal program.

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 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 City's compliance with the requirements of the 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 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 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 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.

Other Matter

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2022-003. Our opinion on the major federal program is not modified with respect to this matter.

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the noncompliance finding identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below we did identify a certain deficiency in internal control over compliance that we consider to be a material weakness.

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2022-003 to be a material weakness.

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.

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the internal control over compliance finding identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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, 2022, and the related notes to the financial statements, which collectively comprise City's basic financial statements. We issued our report thereon dated January 9, 2023, which contained unmodified opinions on those financial statements. Our report included an emphasis of matter paragraph regarding the City's adoption of Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, for the year ended June 30, 2022. 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 basic 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.

Eide Bailly LLP

Rancho Cucamonga, California
March 29, 2023

City of Jurupa Valley, California
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2022

Federal Grantor/Pass-Through Grantor/Program or Cluster title	Federal Financial Assistance Listing	Grant Identification Number	Pass-Through Identifying Number	Expenditures	Amounts Passed- Through to Subrecipients
U.S. Department of Housing and Urban Development					
Direct Assistance					
CDBG Entitlement Grants Cluster:					
Community Development Block Grants/Entitlement Grants	14.218	B-19-MC-06-0607	N/A	\$ 350	\$ -
Community Development Block Grants/Entitlement Grants	14.218	B-20-MC-06-0607	N/A	494,618	-
Community Development Block Grants/Entitlement Grants	14.218	B-21-MC-06-0607	N/A	1,187,303	161,311
COVID-19 - Community Development Block Grants/ Entitlement Grants (CDBG-CV)	14.218	B-20-MW-06-0607	N/A	<u>547,422</u>	<u>266,062</u>
Subtotal CDBG Entitlement Grants Cluster				<u>2,229,693</u>	<u>427,373</u>
Total U.S. Department of Housing and Urban Development				<u>2,229,693</u>	<u>427,373</u>
U.S. Department of the Treasury					
Direct Assistance:					
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	N/A	N/A	29,400	-
Total U.S. Department of the Treasury				<u>29,400</u>	<u>-</u>
U.S. Department of Transportation					
Pass-Through the California Department of Transportation					
Highway Planning and Construction Cluster:					
Highway Safety Improvement Program	20.205	HSIPL-5487	08-RIV-0-JVLY	112,748	-
Subtotal Highway Planning and Construction Cluster				<u>112,748</u>	<u>-</u>
Total U.S. Department Transportation				<u>112,748</u>	<u>-</u>
Total Federal Financial Assistance				<u>\$ 2,371,841</u>	<u>\$ 427,373</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, 2022. 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, except for subrecipient expenditures, which are recorded on the cash basis. 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	Yes
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:	Yes

Identification of major federal programs:

Name of Federal Program	Federal Financial Assistance Listing
Community Development Block Grants/Entitlement Grants Cluster	14.218
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

2022-001 **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 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, 2022. Negative balances should be avoided, which would reflect City services or payments in excess of the developer deposits.

Condition:

The City reported \$1,146,902 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, 2022. This is a repeat finding.

Cause:

The City reported \$1,146,902 as Accounts Receivable within the City’s General Fund.

Effect:

\$1,146,902 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.

Context:

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

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:

Management agrees with the finding. See attached Corrective Action Plan.

**2022-002 Financial Reporting and Closing
Material Weakness**

Criteria:

Management is responsible for the preparation of the basic financial statements and all accompanying information and well as representations contained therein, and the fair presentation in conformity with U.S. generally accepted accounting principles. This requires management to perform a year-end closing process to accumulate, reconcile and summarize information for inclusion in the annual financial statements.

Condition:

During the audit, we identified adjustments, which were posted as part of the audit, for the following:

- Reconciliation of beginning fund balance for the General Fund and the Gas Tax fund for \$1,075,859 and \$19,155, respectively.
- \$300,411 reclassification of accounts receivables to due from other governments within the General Fund.
- \$101,594 to defer revenue within the General Fund received outside the period of availability.
- The City's lease implementation entries were posted government-wide instead to the fund level. The lease calculations were proper, but recorded within the wrong fund. As a result, approximately \$1.4 million of lease receivables and deferred inflows were adjusted during the audit within governmental funds.
- \$1,140,902 to remove revenue and increase developer contributions to deposits within the General Fund.
- \$815,004 reduction in LAIF investments due to the GASB 31 fair market value adjustment.

Cause:

The City's procedures did not allow for the proper classification or timely adjustments required for financial reporting.

Effect:

Journal entries were posted, and adjustments made to the financial statements, in order to fairly present the financial statements.

Context:

The condition was noted during our audit of the City for the year ended June 30, 2022.

Recommendation:

We recommend the City review its closing policies and procedures in place to ensure amounts are properly captured, reconciled, classified, and reported in a timely manner.

Views of Responsible Officials:

Management agrees with the finding. See attached Corrective Action Plan.

Section III – Federal Award Findings and Questioned Costs

2022-003: **Federal Agency:** U.S. Department of Housing and Urban Development
Federal Financial Assistance Listing: 14.218
Program Name: CDBG Entitlement Grants Cluster
Award No. and Year: 2021 B-21-MC-0607 and 2020 B-20-MW-06-0607

Compliance Requirement: Reporting

Type of Finding: *Material Weakness in Internal Control over Compliance, Instance of Non-compliance*

Criteria:

2 CFR 200.329(b) requires that reports submitted to the federal awarding agency include all activity of the reporting period, are supported by applicable accounting or performance records, and are fairly presented in accordance with program requirements.

For direct recipients of grants or cooperative agreements who make first-tier subawards of \$30,000 or more are required to register in the Federal Funding Accountability and Transparency Act (FFATA) Subaward Reporting System (FSRS) and report subaward data through FSRS.

The City must report the following items:

- All subaward obligations/modifications that have been reported
- Subaward date
- Subrecipient DUNS number
- Amount of subaward
- Subaward obligation/action date
- Date of report submission
- Subaward number

Condition:

FFATA reporting was not completed through FSRS.

	Transactions Tested	Subaward Not Reported	Report Not Timely	Subaward Amount Incorrect	Subaward Missing Key Elements
Quantity	1	1	1	1	1

	Transactions Tested	Subaward Not Reported	Report Not Timely	Subaward Amount Incorrect	Subaward Missing Key Elements
Dollar Value	\$ 407,372	\$ 407,372	\$ 407,372	\$ 407,372	\$ 407,372

Cause:

The City's internal controls did not ensure the FFATA reporting was completed in accordance with governing requirements.

Effect:

Information was not reported to the federal awarding agency.

Questioned Costs:

None reported.

Context/Sampling:

The entire population of one subrecipient who received in excess of \$30,000 was selected for testing.

Repeat Finding from Prior Year:

No

Recommendation:

We recommend the City enhance internal controls to ensure FFATA reporting is prepared in accordance with program requirements.

Views of Responsible Officials:

Management agrees. See separately issued Corrective Action Plan.

Summarized below is the status of all audit findings reported in the prior year audit’s schedule of audit findings and questioned costs.

Financial Statement Findings:

Finding No.	Area	Status of Corrective Action
2021-001	Developers Deposits	Partially implemented -refer to finding 2022-001

Federal Award Findings:

None reported.