

AGENDA
ITEM

5

PART 2

ATTACHMENT #2

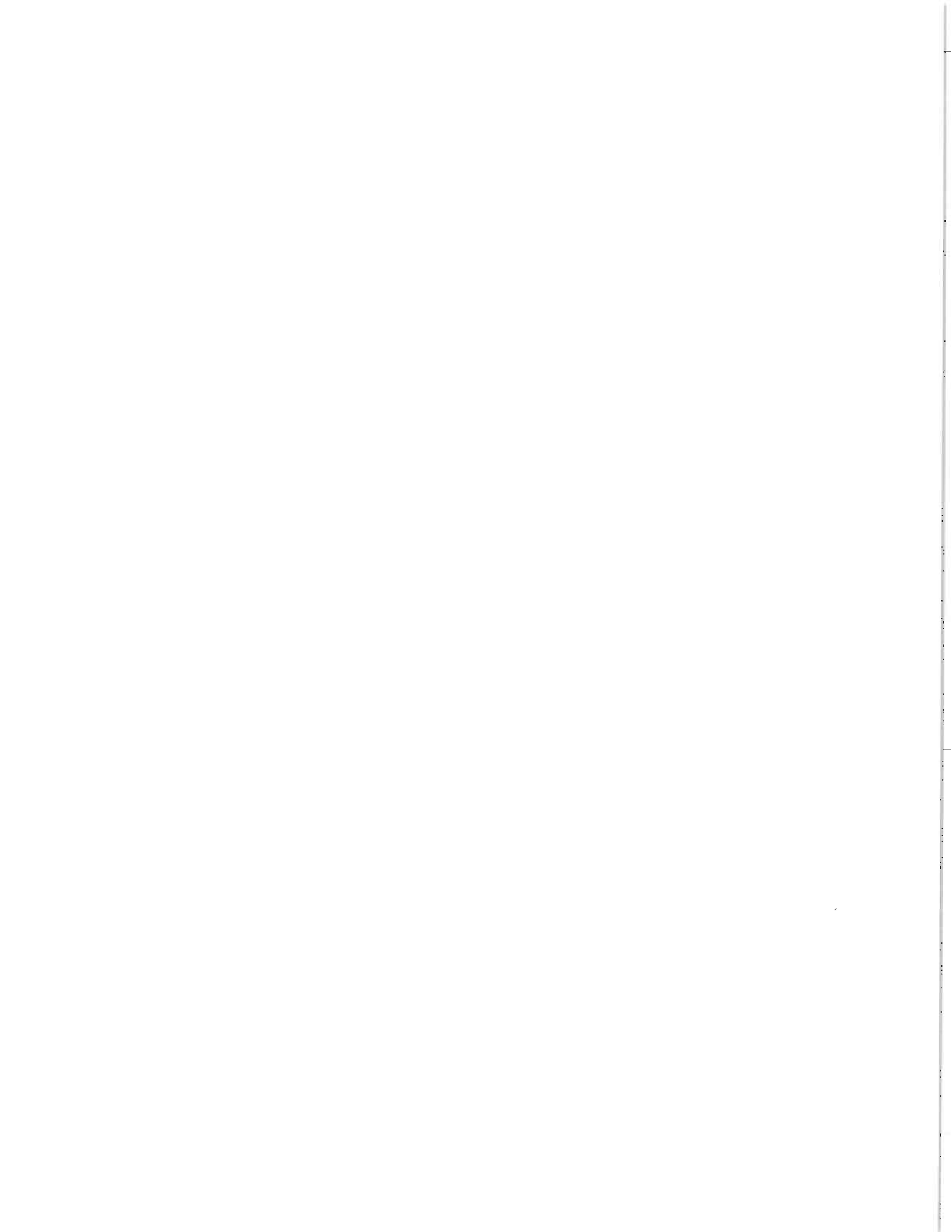
**City of Calexico
Transportation Development Act
Article 3 and Article 8e**

Calexico, California

**Financial Statements
and Independent Auditor's Report**

For the Years Ended June 30, 2023 and 2022





City of Calexico
Transportation Development Act – Article 3 and Article 8e
For the Years Ended June 30, 2023 and 2022

Table of Contents

	<u>Page</u>
Independent Auditors’ Report	1
Financial Statements:	
Balance Sheets – Article 3	9
Statements of Revenues, Expenditures, and Change in Fund Balance - Article 3.....	10
Balance Sheets – Article 8e.....	13
Statements of Revenues, Expenditures, and Change in Fund Balance - Article 8e.....	14
Notes to the Financial Statements.....	15
Supplementary Information:	
Schedules of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual for:	
Article 3 – For the Year Ended June 30, 2023.	21
Article 3 – For the Year Ended June 30, 2022.	22
Article 8e – For the Year Ended June 30, 2023.....	23
Article 8e – For the Year Ended June 30, 2022.....	24
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	25

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4660 La Jolla Village Drive, Suite 100
San Diego, California 92122



INDEPENDENT AUDITORS' REPORT

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To the Honorable Mayor and Members of the City Council
of the City of Calexico
Calexico, California

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the Transportation Development Act (TDA) Article 3 and Article 8e Funds (the "TDA Non-Transit Funds") of the City of Calexico, California (the "City") as of and for the years ended June 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the TDA Non-Transit Funds' financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the TDA Non-Transit Funds of the of the City, as of June 30, 2023 and 2022, and the respective changes in financial position, for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit 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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City, and to meet our other ethical responsibilities, in accordance with the 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 audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the TDA Non-Transit Fund's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Emphasis of Matter

As described in Note 1, the accompanying financial statements present only the TDA Non-Transit Funds and are not intended to, and do not, present fairly the financial position of the City as of June 30, 2023 and 2022, and the changes in fund balance thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.



To the Honorable Mayor and Members of the City Council
of the City of Calexico
Calexico, California
Page 2

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. 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 auditing standards generally accepted in the United States of America and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, 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 amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the TDA Non-Transit Fund's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the TDA Non-Transit Fund's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the TDA Non-Transit Fund's basic financial statements. The Schedules of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual are presented for purposes of additional analysis and are 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 Schedules of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual are 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
of the City of Calexico
Calexico, California
Page 3

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2024, on our consideration of the TDA Non-Transit Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the TDA Non-Transit Fund's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the TDA Non-Transit Fund's internal control over financial reporting and compliance.

The PwC Group, LLP

San Diego, California
March 28, 2024

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FINANCIAL STATEMENTS

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TDA ARTICLE (3)

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City of Calexico
Transportation Development Act Fund – Article 3
Balance Sheets
June 30, 2023 and 2022

	2023	2022
ASSETS		
Cash and investments	\$ 340,697	\$ 298,519
Due from other governmental agencies	-	34,650
Total assets	\$ 340,697	\$ 333,169
FUND BALANCE		
Fund balance:		
Restricted	\$ 340,697	\$ 333,169
Total fund balance	340,697	333,169
Total fund balance	\$ 340,697	\$ 333,169

City of Calexico
Transportation Development Act Fund – Article 3
Statements of Revenues, Expenditures, and Change in Fund Balance
For the Years Ended June 30, 2023 and 2022

	2023	2022
REVENUES:		
TDA funds	\$ -	\$ 34,650
Use of money and property	1,712	1,315
Other revenues	5,816	-
Total revenues	7,528	35,965
EXPENDITURES:		
Current expenditures:		
Capital outlay	-	132,286
Total expenditures	-	132,286
CHANGE IN FUND BALANCE	7,528	(96,321)
FUND BALANCE:		
Beginning of year	333,169	429,490
End of year	\$ 340,697	\$ 333,169

TDA ARTICLE (8e)

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City of Calexico
Transportation Development Act Fund – Article 8e
Balance Sheets
June 30, 2023 and 2022

	2023	2022
ASSETS		
Cash and investments	\$ 142,612	\$ 128,520
Due from other governmental agencies	-	41,962
Total assets	\$ 142,612	\$ 170,482
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable and accrued liabilities	\$ 1,046	\$ 388
Total liabilities	1,046	388
Fund balance:		
Restricted	141,566	170,094
Total fund balance	141,566	170,094
Total liabilities and fund balance	\$ 142,612	\$ 170,482

See accompanying Notes to the Financial Statements.

City of Calexico
Transportation Development Act Fund – Article 8e
Statements of Revenues, Expenditures, and Change in Fund Balance
For the Years Ended June 30, 2023 and 2022

	2023	2022
REVENUES:		
TDA funds	\$ -	\$ 41,962
Use of money and property	773	373
Total revenues	773	42,335
EXPENDITURES:		
Current expenditures:		
Public works	20,026	23,206
Capital outlay	9,275	12,050
Total expenditures	29,301	35,256
CHANGE IN FUND BALANCE	(28,528)	7,079
FUND BALANCE:		
Beginning of year	170,094	163,015
End of year	\$ 141,566	\$ 170,094

City of Calexico
Transportation Development Act – Article 3 and Article 8e
Notes to the Financial Statements
For the Years Ended June 30, 2023 and 2022

Note 1 – Summary of Significant Accounting Policies

The financial statements of the Transportation Development Act (TDA) Article 3 and Article 8e Funds (the "TDA Non-Transit Funds") of the City of Calexico, California (the "City") are in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") as applied to governmental agencies. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing accounting and financial reporting principles. The following is a summary of the more significant accounting policies.

The Reporting Entity

The City was incorporated in April 1908, under the General Laws of the State of California and enjoys all the rights and privileges pertaining to such "General Law" cities. It is governed by an elected five-member council.

The financial statements of the TDA Non-Transit Funds are intended to present the financial position and changes in financial position of only those transactions attributable to the TDA Non-Transit Funds administered and disbursed by the City.

Fund Accounting

The accounts of the City are organized on the basis of funds, which are considered to be separate accounting entities. The operations of the TDA Non-Transit Funds are accounted for in a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues and expenditures. Government resources are allocated to and for individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The funds represented in the TDA Non-Transit Funds' financial statements are special revenue fund types. The TDA Non-Transit Funds account for the City's share of the TDA Article 3, Article 8a, and Article 8e allocations. The TDA Non-Transit Funds are legally restricted for specific purposes and are included in the financial statements of the City.

Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus and basis of accounting. Financial statements for the special revenue fund type of governmental funds are presented using the current financial resources measurement focus and the modified accrual basis of accounting.

Basis of accounting refers to when revenues and the related assets and liabilities are recognized in the accounts and reported in the TDA Non-Transit Funds' financial statements. Specifically, it relates to the timing of measurements made, regardless of the nature of the measurement. Revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long term-liabilities, which is recognized when due. Additionally, consistent with the flow of "*current financial resources*" measurement focus required for governmental fund financial statements, unmatured long-term indebtedness are reported as a long-term liability of the City, not as a liability of the fund.

Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; that is, when they become both measurable and available to finance expenditures in the fiscal period. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For the TDA Non-Transit Funds, revenues and other governmental fund financial resources are recognized if measurable and collectible generally within 60 days following the end of the fiscal year. Revenues considered susceptible to accrual primarily include TDA Article 3 and Article 8e funds and interest.

City of Calexico
Transportation Development Act – Article 3 and Article 8e
Notes to the Financial Statements (Continued)
For the Years Ended June 30, 2023 and 2022

Note 1 – Summary of Significant Accounting Policies (Continued)

Cash and Investments

TDA Non-Transit Funds pool cash resources with all funds in the City in order to facilitate the management of cash and achieve the goal of obtaining the highest yield with the greatest safety and least risk. The balance in the pooled cash account is available to meet current operating requirements. Cash in excess of current requirements is invested in various interest-bearing accounts and other investments for varying terms.

Highly liquid money market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available.

The City considers amounts in demand deposits and short-term investments with a maturity date within three months of the date acquired by the City and are presented as “Cash and Investments” in the accompanying financial statements.

Revenue Recognition

Recognition of revenues arising from non-exchange transactions, which include revenues from taxes, certain grants, and contributions, is based on the primary characteristic from which the revenues are received by the City. Funds allocated under the capital improvements program obtain the characteristic of a voluntary non-exchange transaction similar to a grant.

Unavailable revenues arise when potential revenues do not meet both the “measurable” and “available” criteria for recognition in the current period. Unearned revenues also arise when the City receives resources before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualified expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the City has a legal claim to the resources, the liability for unearned revenue is removed from the balance sheet and revenue is recognized.

Budgetary Control and Encumbrances

The City adopts an annual budget on a basis consistent with accounting principles generally accepted in the United States of America and utilizes an encumbrance system as a management control technique to assist in controlling expenditures and enforcing revenue provisions. Under this system, the current year expenditures are charged against the budgeted appropriations.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

City of Calexico
Transportation Development Act – Article 3 and Article 8e
Notes to the Financial Statements (Continued)
For the Years Ended June 30, 2023 and 2022

Note 1 – Summary of Significant Accounting Policies (Continued)

Fund Balances

In the governmental fund financial statements, fund balances are classified in the following categories:

Nonspendable Fund Balance – Items that cannot be spent because they are not in spendable form, such as prepaid items and inventories and long-term receivables, or items that are legally or contractually required to be maintained intact, such as principal of an endowment or revolving loan funds

Restricted Fund Balance – Restricted fund balances encompass the portion of net fund resources subject to externally enforceable legal restrictions. This includes externally imposed restrictions by creditors, such as through debt covenants, grantors, contributors, laws or regulations of other governments, as well as restrictions imposed by law through constitutional provisions or enabling legislation.

Committed Fund Balance – Committed fund balances encompass the portion of net fund resources, the use of which is constrained by limitations imposed by the formal action of the government’s highest level of decision making authority normally through resolutions, etc., and that remain binding unless rescinded or modified in the same manner. The City Council is considered the highest authority for the City.

Assigned Fund Balance – Assigned fund balances encompass the portion of net fund resources reflecting the government’s intended use of resources. Assignment of resources can be done by the highest level of decision making or by a committee or official designated for that purpose. The Finance Director is authorized to determine and define the amount of assigned fund balances.

Unassigned Fund Balance – This amount indicates the portion of fund balance that do not fall into one of the above categories.

When expenditures are incurred for purposes for which both restricted and unrestricted fund balances are available, the City’s policy is to apply restricted fund balances first, then unrestricted fund balances as they are needed.

When expenditures are incurred for purposes where only unrestricted fund balances are available, the City uses the unrestricted resources in the following order: committed, assigned, and unassigned.

Note 2 – Cash and Investments

The City has pooled its cash and investments in order to achieve a higher return on investments while facilitating management of cash. Cash in excess of current requirements is invested in various interest-bearing accounts and other investments for varying terms. The balance of the TDA Non-Transit Funds’ cash, as of June 30, 2023 and 2022, respectively, was as follows:

	2023	2022
TDA Article 3	\$ 340,697	\$ 298,519
TDA Article 8e	\$ 142,612	\$ 128,520

The TDA Non-Transit Funds’ cash is deposited in the City’s internal investment pool, which is reported at fair value. Interest income is allocated based on average cash balances. Investment policies and associated risk factors applicable to the TDA Non-Transit Funds are those of the City and are included in the City’s financial statements.

City of Calexico
Transportation Development Act – Article 3 and Article 8e
Notes to the Financial Statements (Continued)
For the Years Ended June 30, 2023 and 2022

Note 3 - Restrictions

Funds received pursuant to TDA Article 3 may only be used for pedestrian and bicycle projects.

Funds received pursuant to TDA Article 8e may only be used to pay for capital expenses incurred while contracting for transit services with profit making or non-profit companies for public transportation services as described in TDA Article 8e.

Note 4 – Contingencies

A. *Litigation*

The City is a defendant in certain legal actions arising in the normal course of operations. Liabilities for the probable amounts of loss associated with these claims are covered through the City's self-insurance and the California State Association of Counties Excess Insurance Authority. The City management believes that the City's insurance programs are sufficient to cover any potential losses should an unfavorable outcome materialize.

B. *TDA Non-Transit Funds*

The TDA Non-Transit Funds are subject to program compliance audits by the grantors and their representatives. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

Note 5 – Pedestrian and Bicycle Projects

The City has planned a bikeway system in conformance with specifications of Caltrans' *Planning and Design Criteria for Bikeways in California*, and the Regional Transportation Plan using funds received pursuant to TDA Article 3.

SUPPLEMENTARY INFORMATION

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City of Calexico
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
TDA Article 3
For the Year Ended June 30, 2023

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Fund balance, July 1, 2022			\$ 333,169	
Resources (inflows):				
TDA funds	\$ 34,430	\$ 34,430	-	\$ (34,430)
Use of money and property	-	-	1,712	1,712
Other revenues	-	-	5,816	5,816
Amount available for appropriation	<u>34,430</u>	<u>34,430</u>	<u>7,528</u>	<u>(26,902)</u>
Charges to appropriations (outflows):				
Capital outlay	<u>152,000</u>	<u>152,000</u>	-	152,000
Total charges to appropriations	<u>152,000</u>	<u>152,000</u>	-	152,000
Excess of resources over (under) charges to appropriations	<u>\$ (117,570)</u>	<u>\$ (117,570)</u>	<u>7,528</u>	<u>\$ 125,098</u>
Fund balance, June 30, 2023			<u>\$ 340,697</u>	

City of Calexico
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
TDA Article 3
For the Year Ended June 30, 2022

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive/ (Negative)
Fund balance, July 1, 2020			\$ 429,490	
Resources (inflows):				
TDA funds	\$ 34,430	\$ 34,430	34,650	\$ 220
Use of money and property	-	-	1,315	1,315
Amount available for appropriation	34,430	34,430	35,965	1,535
Charges to appropriations (outflows):				
Capital outlay	152,000	152,000	132,286	19,714
Total charges to appropriations	152,000	152,000	132,286	19,714
Excess of resources over (under) charges to appropriations	\$ (117,570)	\$ (117,570)	(96,321)	\$ 21,249
Fund balance, June 30, 2022			\$ 333,169	

City of Calexico
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
TDA Article 8e
For the Year Ended June 30, 2023

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Fund balance, July 1, 2022			\$ 170,094	
Resources (inflows):				
TDA funds	\$ 41,810	\$ 41,810	-	\$ (41,810)
Use of money and property	-	-	773	773
Amount available for appropriation	41,810	41,810	773	(41,037)
Charges to appropriations (outflows):				
Current:				
Public works	34,165	34,165	20,026	14,139
Capital outlay	40,000	40,000	9,275	30,725
Total charges to appropriations	74,165	74,165	29,301	44,864
Excess of resources over (under) charges to appropriations	\$ (32,355)	\$ (32,355)	(28,528)	\$ 3,827
Fund balance, June 30, 2023			\$ 141,566	

City of Calexico
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
TDA Article 8c
For the Year Ended June 30, 2022

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Fund balance, July 1, 2020			\$ 163,015	
Resources (inflows):				
TDA funds	\$ 41,810	\$ 41,810	41,962	\$ 152
Use of money and property	-	-	373	373
Amount available for appropriation	<u>41,810</u>	<u>41,810</u>	<u>42,335</u>	<u>525</u>
Charges to appropriations (outflows):				
Current:				
Public works	62,115	62,115	23,206	38,909
Capital outlay	<u>12,050</u>	<u>12,050</u>	<u>12,050</u>	-
Total charges to appropriations	<u>74,165</u>	<u>74,165</u>	<u>35,256</u>	<u>38,909</u>
Excess of resources over (under) charges to appropriations	<u>\$ (32,355)</u>	<u>\$ (32,355)</u>	<u>7,079</u>	<u>\$ 39,434</u>
Fund balance, June 30, 2022			<u>\$ 170,094</u>	



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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*

Independent Auditors' Report

To the Honorable Mayor and Members of the City Council
of the City of Calexico
Calexico, California

We have audited, in accordance with generally accepted auditing standards 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 accompanying financial statements of the Transportation Development Act ("TDA") Article 3 and Article 8e Funds (the "TDA Non-Transit Funds") of the City of Calexico, California (the "City"), as of and for the years ended June 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the TDA Non-Transit Funds' financial statements, and have issued our report thereon dated March 28, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the TDA Non-Transit Funds' 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 TDA Non-Transit Funds' internal control. Accordingly, we do not express an opinion on the effectiveness of the TDA Non-Transit Funds' 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.



To the Honorable Mayor and Members of the City Council
of the City of Calexico
Calexico, California
Page 2

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the TDA Non-Transit Fund'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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

In connection with our audit referred to above, we also performed an audit for compliance with the Transportation Development Act, the *California Code of Regulations*, and the rules and regulations and allocation instructions of the Imperial County Transportation Commission, for the year ended June 30, 2023. In connection with our audit, we performed to the extent applicable, the compliance audit tasks set forth in Sections §6666 and §6667 of Title 21, Division 3, Chapter 2, Article 5.5 of the *California Code of Regulations*. The results of performing the tasks specified above disclosed one instance of noncompliance with the applicable statutes, rules, and regulations of the Act, and the allocation instructions and resolutions of the Imperial County Transportation Commission. In our opinion, the funds allocated to and received by the TDA Non-Transit Funds for the year ended June 30, 2023, pursuant to the Transportation Development Act, were accounted for and expended in conformance with the Transportation Development Act, the *California Code of Regulations*, and the rules and regulations and allocation instructions of the Imperial County Transportation Commission.

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 to express an opinion on the compliance of the TDA Non-Transit Funds with the Transportation Development Act, the California Code of Regulations, and the rules and regulations and allocation instructions of the Imperial County Transportation Commission, and not to provide an opinion on the effectiveness of the TDA Non-Transit Funds' internal control or on other compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the TDA Non-Transit Funds' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

The PwC Group, LLP

San Diego, California
March 28, 2024

ATTACHMENT #3

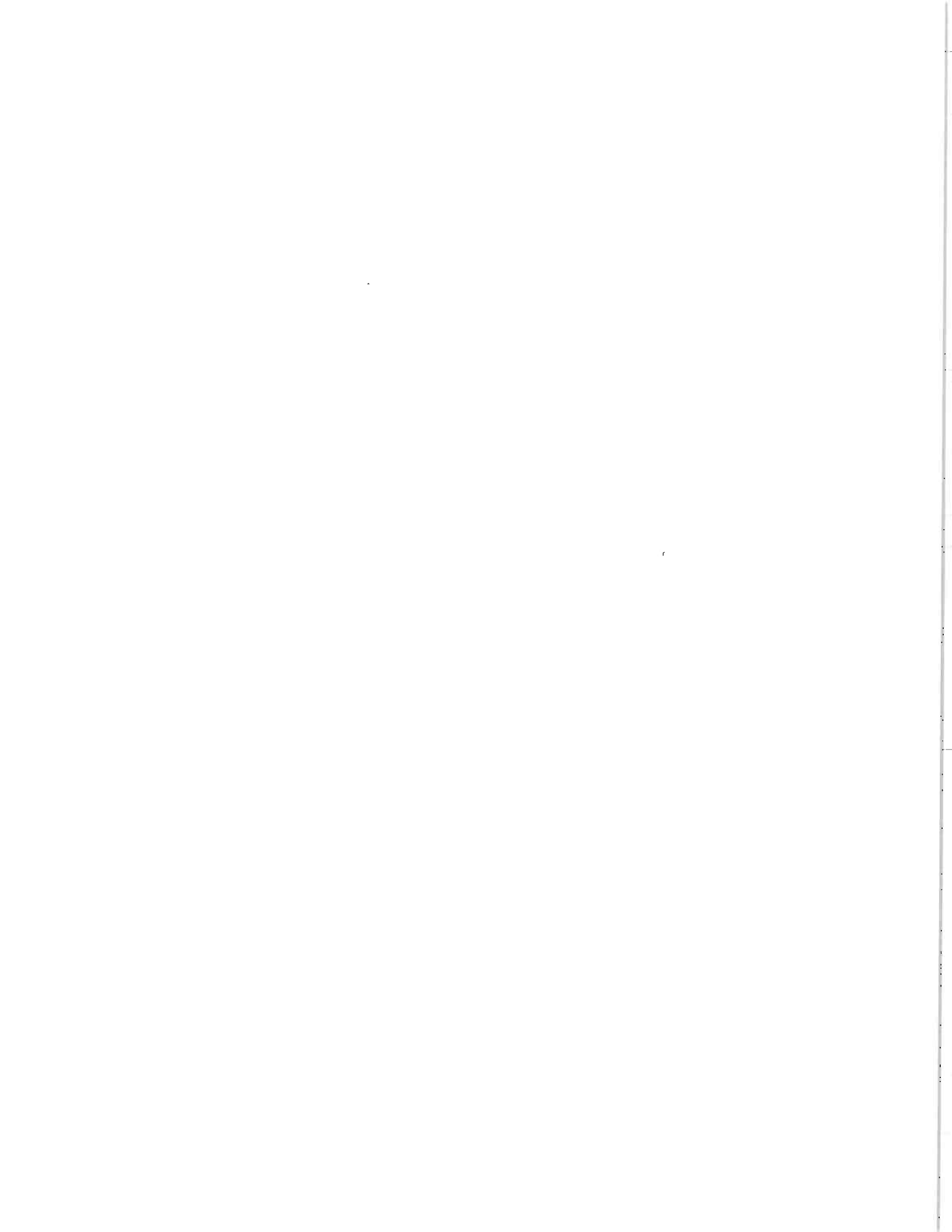
City of Calexico

Calexico, California

Single Audit and Independent Auditors' Reports

For the Year Ended June 30, 2023





City of Calexico

Table of Contents

	<i><u>Page</u></i>
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 <i>Government Auditing Standards</i>.....	1
Independent Auditors' Report on Compliance for Each Major Federal Program, on Internal Control Over Compliance Required by the Uniform Guidance, and on Schedule of Expenditures of Federal Awards.....	3
Schedule of Expenditures of Federal Awards	7
Notes to the Schedule of Expenditures of Federal Awards	8
Schedule of Findings and Questioned Costs	9

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**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***

Independent Auditors' Report

To the Honorable Mayor and Members of the City Council
of the City of Calexico
Calexico, 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 Calexico, 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 March 28, 2024.

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 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. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2023-001 that we consider to be a significant deficiency.

To the Honorable Mayor and Members of City Council
of the City of Calexico
Calexico, California
Page 2

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's basic 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*.

The City's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the findings identified in our audit and 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 the financial statements and, accordingly, we express no opinion on the response.

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

The PwC Group, LLP

San Diego, California
March 28, 2024



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

Independent Auditors' Report

To the Honorable Mayor and Members of City Council
of the City of Calexico
Calexico, California

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited City of Calexico, California's (the "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 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 auditors' 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 Auditors' 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.



To the Honorable Mayor and Members of City Council
of the City of Calexico
Calexico, California
Page 2

Auditors' 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 auditing standards generally accepted in the United States of America, *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.

To the Honorable Mayor and Members of City Council
of the City of Calexico
Calexico, California
Page 3

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' 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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2023-002 to be a significant deficiency.

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 findings 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

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 March 28, 2024, 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.



San Diego, California
May 6, 2024, except for the Schedule of Expenditures of Federal Awards,
which is as of March 28, 2024

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City of Calexico
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2023

Federal Grantor/Passed through Grantor Program Title	Assistance Listing Number	Grant Award Number	Federal Expenditures
U.S. Department of Housing and Urban Development:			
CDBG - Entitlement Grants Cluster:			
<i>Passed through the State of California Department of Housing and Community Development:</i>			
Home and Ownership Section	14.218	Program Income	\$ 6,214
Total CDBG - Entitlement Grants Cluster			<u>6,214</u>
<i>Passed through the State of California Department of Housing and Community Development:</i>			
HOME Investment Partnerships Program	14.239	Program Income	5,921
Total U.S. Department of Housing and Urban Development			<u>12,135</u>
U.S. Department of Transportation:			
Airport Improvement Program:			
<i>Direct Program:</i>			
Airport Improvement Program	20.106	3-06-0034-018-2020	110,149
Airport Improvement Program	20.106	3-06-0034-021-2021	953,811
Total Airport Improvement Program			<u>1,063,960</u>
Highway Planning and Construction Program:			
<i>Passed Through State of California Department of Transportation:</i>			
New River Bike Path	20.205	HPUL-5168(015)	60,497
Weakley Road Improvements	20.205	CML-5168(032)	67,724
Total Highway Planning and Construction Program			<u>128,221</u>
Total U.S. Department of Transportation			<u>1,192,181</u>
U.S. Department of Treasury:			
<i>Direct Programs:</i>			
State and Local Fiscal Recovery Fund	21.027	N/A	4,763,493
Total U.S. Department of Treasury			<u>4,763,493</u>
U.S. Environmental Protection Agency:			
<i>Passed through the County of Imperial:</i>			
Targeted Airshed Grant Program	66.956	N/A	765,683
Total U.S. Environmental Protection Agency			<u>765,683</u>
Executive Office of the President:			
<i>Passed through the County of San Diego:</i>			
High Intensity Drug Trafficking Areas (HIDTA)	95.001	N/A	4,307
Total Executive Office of the President			<u>4,307</u>
U.S. Department of Homeland Security:			
<i>Direct Program:</i>			
Public Assistance - Disaster Grants	97.036	FEMA-4482-DR-CA	1,002,098
<i>Passed through the County of Imperial:</i>			
Operation Stonegarden	97.067	15-ELCELC-05-001	21,038
Total U.S. Department of Homeland Security			<u>1,023,136</u>
Total Expenditures of Federal Awards			<u>\$ 7,760,935</u>

City of Calexico
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2023

Note 1 – Reporting Entity

The financial reporting entity consists of the primary government, City of Calexico (the “City”), organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete.

Note 2 – Basis of Accounting

The various grant programs have been recorded within the general fund and special revenue funds of the City. The City utilizes the modified accrual method of accounting for the general fund and special revenue funds. The accompanying Schedule of Expenditures of Federal Awards (“Schedule”) 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). Therefore, some amounts presented in the schedule may differ from amounts presented in, or used in, the preparation of the City’s basic financial statements.

Note 3 – Schedule of Expenditures of Federal Awards

The accompanying Schedule presents the activity of all federal financial assistance programs of the City. Federal financial assistance received directly from federal agencies as well as federal financial assistance passed through the State of California and County of Imperial is included in the Schedule. The Schedule was prepared from only the accounts of various grant programs and, therefore, does not present the financial position, change in fund balance, or results of operations of the City.

Note 4 – Subrecipients

During the fiscal year ended June 30, 2023, there were no amounts provided to subrecipients.

Note 5 – Indirect Cost Rate

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

City of Calexico
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2023

Section I – Summary of Auditors’ Results

Financial Statements

Type of report the auditors issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified? 2023-001

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified? 2023-002

Type of auditors’ report issued on compliance for major programs Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? No

Identification of major programs:

Major Programs	Assistance Listing Number	Federal Expenditures
State and Local Fiscal Recovery Fund	21.027	\$ 4,763,493
Targeted Airshed Grant Program	66.956	765,683
Public Assistance - Disaster Grants	97.036	1,002,098
Total major program expenditures		\$ 6,531,274
Total expenditures of federal awards		\$ 7,760,935
Percent of total federal award expenditures		84.16%

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

Auditee qualified as low-risk auditee in accordance with 2 CFR 200.520? No

City of Calexico
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2023

Section II – Financial Statement Findings

A. Current Year Findings – Financial Statement Audit

Finding 2023-001 Delay in Financial Reporting

Criteria:

Management is responsible for providing timely and accurate financial information. Since the City has expended over \$750,000 of expenditures of federal awards, Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Award* (Uniform Guidance), states the City is required to submit the Data Collection Form and the reporting package to the Federal Audit Clearinghouse and the State Controller's Office, which include the Basic Financial Statements of the City, within the earlier of 30 days after receipt of auditor's report, or nine month after the end of the audit period.

Condition:

The City has experienced significant delays in the preparation and issuance of the 2023 basic financial statements and its Single Audit required under Uniform Guidance.

Cause:

Due to changes in accounting staff and significant unforeseen workload impacts the Finance Department had difficulty handling the day-to-day operations and perform year-end closing procedures and the required external reporting functions simultaneously in order to provide timely financial statements.

Effect:

Delays in processing year-end closing procedures caused the financial statements release to be delayed. In addition, the City is neither in compliance with Uniform Guidance nor is it meeting its current demands for external financial reporting.

Questioned Costs:

None.

Identification as a Repeat Finding, If Applicable:

Yes. See finding 2022-001.

Recommendation:

Finance Department should look at increasing the amount of experienced finance staff to help facilitate year-end closing processes and the preparation of its basic financial statements. Because the basic financial statements are the responsibility of the City, it is in its own best interest to closely monitor the accounting process to ensure that financial position and operating results are accurately and timely reported. The following steps could be used to avoid future delays:

- Assign additional qualified accounting personnel to help process complex transactions;
- Identify critical due dates and develop a listing of assignment, including department coordinated items, based on available resources to meet those due dates;
- Hold periodic meetings to monitor the progress of assignments and responsibilities;

City of Calexico
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2023

Section II – Financial Statement Findings (Continued)

A. Current Year Findings – Financial Statement Audit (Continued)

Finding 2023-001 Delay in Financial Reporting (Continued)

Management’s View and Corrective Action Plan:

City management concurs with the auditors’ comments and recommendations. The Director of Finance will work closely with the City Manager to explore options for adding additional accounting staff. The Finance Department will also implement the other actions recommended by the auditor.

B. Prior Year Findings – Financial Statement Audit

Finding 2022-001 Delay in Financial Reporting

Criteria:

Management is responsible for providing timely and accurate financial information. Since the City has expended over \$750,000 of expenditures of federal awards, Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Award* (Uniform Guidance), states the City is required to submit the Data Collection Form and the reporting package to the Federal Audit Clearinghouse and the State Controller’s Office, which include the Basic Financial Statements of the City, within the earlier of 30 days after receipt of auditor’s report, or nine month after the end of the audit period.

Condition:

The City has experienced significant delays in the preparation and issuance of the 2022 basic financial statements and its Single Audit required under Uniform Guidance.

Management’s View and Corrective Action Plan:

City management concurs with the auditor’s comments and recommendations. The Director of Finance will work closely with the City Manager to explore options for adding additional accounting staff. The Finance Department will also implement the other actions recommended by the auditor.

Status:

Not implemented. See finding 2023-001.

City of Calexico
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2023

Section III – Federal Awards Findings and Questioned Costs

A. Current Year Findings and Questioned Costs – Major Federal Award Program Audit

Finding 2023-002 Reporting – Internal Control and Compliance over Reporting (Significant Deficiency)

Information on the Federal Program:

Assistance Listing Number:	20.106
Federal Program Name:	Airport Improvement Program
Federal Agency:	Department of Transportation
Pass-Through Entity:	N/A
Federal Award Number and Award Year:	3-06-0034-018-2020 – FY20-21 3-06-0034-021-2021 – FY21-22

Criteria:

CODE OF FEDERAL REGULATIONS, Title 49 – TRANSPORTATION, Part 18 – UNIFORM ADMINISTRATIVE REQUIREMENTS FOR GRANTS AND COOPERATIVE AGREEMENTS TO STATE AND LOCAL GOVERNMENTS, Subpart C – Post-Award Requirements:

18.41 Financial Report (a) General (4), Due date. When reports are required on a quarterly or semiannual basis, they will be due 30 days after the reporting period. When required on an annual basis, they will be due 90 days after the grant year. Final reports will be due 90 days after the expiration or termination of grant support.

18.58 (a) General. The Federal agency will close out the award when it determines that all applicable administrative actions and all required work of the grant has been completed.

18.50 (b) Reports. Within 90 days after the expiration or termination of the grant, the grantee must submit all financial, performance, and other reports required as a condition of the grant. Upon request by the grantee, Federal agencies may extend this time frame. These may include but are not limited to: (1) Final performance or progress report, (2) Financial Status Report (SF 269) or Outlay Report and Request for Reimbursement for Construction Programs (SF-271) (as applicable), (3) Final request for payment (SF-270) (if applicable), and (4) Invention disclosure (if applicable).

U.S. OFFICE OF MANAGEMENT AND BUDGET CIRCULAR A-133—AUDITS OF STATES, LOCAL GOVERNMENTS, AND NON-PROFIT ORGANIZATIONS (OMB Circular A-133), Subpart C— Auditees, Section .300—Auditee Responsibilities

(b) Maintain internal control over federal programs that provides reasonable assurance that the auditee is managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its federal programs.

Condition and Context:

For the Airport Improvement Program (AIP), the City did not submit the reports within the required deadline:

Report Type	Award Number	Period Ending	Date Due	Date Submitted
SF-425 Financial	3-06-0034-018-2020	5/2/2022	8/2/2022	11/8/2022
SF-425 Financial	3-06-0034-021-2021	5/2/2022	8/2/2022	11/8/2022

Two (2) financial reports were tested and all reports were not submitted by the required deadline.

City of Calexico
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2023

Section III – Federal Awards Findings and Questioned Costs (Continued)

A. Current Year Findings and Questioned Costs – Major Federal Award Program Audit (Continued)

**Finding 2023-002 Reporting – Internal Control and Compliance over Reporting (Significant Deficiency)
(Continued)**

Criteria (Continued):

Cause:

Due to the effects of COVID-19 and staff turnover, the City’s procedures did not consistently ensure that the reports were submitted timely in accordance with the timelines in the Uniform Guidance, or properly reviewed and approved prior to submission.

Effect:

Failure to submit the SF-425 financial reports timely results in noncompliance with the reporting requirements in the grant agreement.

Questioned Costs:

None noted.

Identification as a Repeat Finding, If Applicable:

Yes. See finding 2022-002.

Recommendation:

We recommend that the City strengthen their report submission process and procedures to ensure all required reports are properly reviewed and approved and submitted timely. When a report cannot be submitted by the due date, the City should request an extension from the funding agency and maintain a record of the approval.

Management’s View and Corrective Action Plan:

The City concurs with the auditor’s finding. The City will take steps to improve identification and monitoring of required grantor reporting deadlines.

B. Prior Year Findings and Questioned Costs – Major Federal Award Program Audit

Finding 2022-002 Reporting – Internal Control and Compliance over Reporting (Significant Deficiency)

Information on the Federal Program:

Assistance Listing Number:	20.106
Federal Program Name:	Airport Improvement Program
Federal Agency:	Department of Transportation
Pass-Through Entity:	N/A
Federal Award Number and Award Year:	3-06-0034-018-2020 – FY20-21 3-06-0034-021-2021 – FY21-22

City of Calexico
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2023

Section III – Federal Awards Findings and Questioned Costs (Continued)

B. Current Year Findings and Questioned Costs – Major Federal Award Program Audit (Continued)

**Finding 2022-002 Reporting – Internal Control and Compliance over Reporting (Significant Deficiency)
(Continued)**

Criteria:

CODE OF FEDERAL REGULATIONS, Title 49 – TRANSPORTATION, Part 18 – UNIFORM ADMINISTRATIVE REQUIREMENTS FOR GRANTS AND COOPERATIVE AGREEMENTS TO STATE AND LOCAL GOVERNMENTS, Subpart C – Post-Award Requirements:

18.41 Financial Report (a) General (4), Due date. When reports are required on a quarterly or semiannual basis, they will be due 30 days after the reporting period. When required on an annual basis, they will be due 90 days after the grant year. Final reports will be due 90 days after the expiration or termination of grant support.

18.58 (a) General. The Federal agency will close out the award when it determines that all applicable administrative actions and all required work of the grant has been completed.

18.50 (b) Reports. Within 90 days after the expiration or termination of the grant, the grantee must submit all financial, performance, and other reports required as a condition of the grant. Upon request by the grantee, Federal agencies may extend this time frame. These may include but are not limited to: (1) Final performance or progress report, (2) Financial Status Report (SF 269) or Outlay Report and Request for Reimbursement for Construction Programs (SF-271) (as applicable), (3) Final request for payment (SF-270) (if applicable), and (4) Invention disclosure (if applicable).

U.S. OFFICE OF MANAGEMENT AND BUDGET CIRCULAR A-133—AUDITS OF STATES, LOCAL GOVERNMENTS, AND NON-PROFIT ORGANIZATIONS (OMB Circular A-133), Subpart C— Auditees, Section .300—Auditee Responsibilities

(b) Maintain internal control over federal programs that provides reasonable assurance that the auditee is managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its federal programs.

Condition and Context:

For the Airport Improvement Program (AIP), the City did not submit the reports within the required deadline:

Report Type	Award Number	Period	Date Due	Date Submitted
SF-425 Financial	3-06-0034-018-2020	10/1/20 – 9/30/21	12/31/2021	Not submitted
SF-271 Financial	3-06-0034-018-2020	10/1/20 – 9/30/21	12/31/2021	Not submitted
SF-425 Financial	3-06-0034-021-2021	6/1/21 – 9/30/21	12/31/2021	Not submitted
SF-271 Financial	3-06-0034-021-2021	6/1/21 – 9/30/21	12/31/2021	Not submitted

Four (4) financial reports were tested and all reports were not submitted by the required deadline.

Management’s View and Corrective Action Plan:

The City concurs with the auditors’ finding. The City will take steps to improve identification and monitoring of required grantor reporting deadlines.

City of Calexico
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2023

Section III – Federal Awards Findings and Questioned Costs (Continued)

B. Current Year Findings and Questioned Costs – Major Federal Award Program Audit (Continued)

**Finding 2022-002 Reporting – Internal Control and Compliance over Reporting (Significant Deficiency)
(Continued)**

Status:

Not implemented. See finding 2023-002.

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ATTACHMENT #4



March 28, 2024

To the Honorable Mayor and Members of the City Council
of the City of Calexico
Calexico, California

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 of Calexico, California (the “City”) for the year ended June 30, 2023. Professional standards require that we provide you with information about our responsibilities under auditing standards generally accepted in the United States of America, *Government Auditing Standards*, and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated March 4, 2024. Professional standards also require that we communicate the following information related to our audit.

Qualitative Aspects of Accounting Practices

Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in Note 1 to the basic financial statements.

- In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations* (GASB Statement No. 91), to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. Application of this statement did not have an effect on the City’s financial reporting for the fiscal year ending June 30, 2023.
- In March 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Application of this statement did not have an effect on the City’s financial reporting for the fiscal year ending June 30, 2023.
- In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. Application of this statement did not have an effect on the City’s financial reporting for the fiscal year ending June 30, 2023.

We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. As part of our audit, we evaluated the key factors and assumptions used to develop the accounting estimates described above and in determining that it is reasonable in relation to the financial statements taken as a whole.

The most sensitive estimates affecting the City's financial statements were:

- Management's estimate of the investment fair market value is based on information provided by the State of California for its investment in the Local Agency Investment Fund and based on market price provided by the trustee for investments in U.S. government sponsored enterprise securities and negotiable certificates of deposit. We evaluated the key factors and assumptions used to develop the investment fair market value in determining that it is reasonable in relation to the financial statements taken as a whole.
- Management's estimate of the depreciation on capital assets is based on the industry standard and past experience on actual useful life of the asset groups. We evaluated the key factors and assumptions used to develop the depreciation on capital assets in determining that it is reasonable in relation to the financial statements taken as a whole.
- Management's estimate of the total OPEB liability is based on the actuarial valuation on total OPEB liability. We evaluated the key factors and assumptions used to develop the total OPEB liability in determining that it is reasonable in relation to the financial statements taken as a whole.
- Management's estimate of the net pension liability is based on the actuarial valuation on total pension liability and based on audited financial statements on fiduciary net position for CalPERS plans. We evaluated the key factors and assumptions used to develop the net pension liability in determining that it is reasonable in relation to the financial statements taken as a whole.

As part of our audit, we evaluated the key factors and assumptions used to develop the accounting estimates described above and in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

- Note 1 – Summary of Significant Accounting Policies
- Note 3 – Lease Receivable
- Note 10 – Pension Plans
- Note 11 – Other Postemployment Benefits
- Note 12 – Commitments and Contingencies
- Note 15 – Other Required Disclosures

The financial statement disclosures are neutral, consistent, and clear.

To the Honorable Mayor and Members of the City Council
of the City of Calexico
Calexico, California
Page 3

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. There were no misstatements identified during our audit that management had to correct and none of the misstatements detected as a result of audit procedures were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are communicated to us in the management representation letter dated March 28, 2024.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Information in Documents Containing Audited Financial Statements

Our responsibility for the supplementary information accompanying the financial statements, as described by professional standards, is to evaluate the presentation of the supplementary information in relation to the financial statements as a whole and to report on whether the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole. We applied certain limited procedures to the Budgetary Comparison Schedules, Schedules of the Proportionate Share of the Net Pension Liability and Related Ratios, Schedule of Changes in Net Pension Liability and Related Ratios, and the Schedules of Contributions for Pension, Schedule of Changes in Total OPEB Liability and Related Ratios, which are Required Supplementary Information ("RSI") that supplement the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

To the Honorable Mayor and Members of the City Council
of the City of Calexico
Calexico, California
Page 4

We were engaged to report on the Combining and Individual Non-major Fund Financial Statements, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method.

Restriction on Use

This information is intended solely for the use of the City Council and management of the City and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

The PwC Group, LLP

San Diego, California

ATTACHMENT #5

City of Calexico

Calexico, California

Independent Accountants' Report on Agreed-Upon Procedures Applied to Appropriations Limit Schedule

For the Year Ending June 30, 2024





INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Honorable Mayor and Members of City Council
of the City of Calexico
Calexico, California

We have performed the procedures enumerated below on the accompanying Appropriations Limit Schedule of the City of Calexico, California (the "City") for the year ending June 30, 2024. The City is responsible for the Appropriations Limit Schedule.

The City has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of meeting the requirements of Section 1.5 of Article XIII-B of the California Constitution. The League of California Cities (as presented in the publication entitled *Agreed-upon Procedures Applied to the Appropriations Limitation Prescribed by Article XIII-B of the California Constitution*) has agreed to and acknowledged that the procedures performed are appropriate for its purposes. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and the associated findings are as follows:

1. We obtained the completed worksheets used by the City to calculate its appropriations limit for the year ending June 30, 2024, and determined that the limit and annual calculation factors were adopted by resolution of City Council. We also determined that the population and inflation options were selected by a recorded vote of the City Council.
Finding: No exceptions were noted as a result of our procedures.
2. For the accompanying Appropriations Limit Schedule, we added the prior year's limit to the total adjustments, and agreed the resulting amount to the current year's limit.
Finding: No exceptions were noted as a result of our procedures.
3. We agreed the current year information presented in the accompanying Appropriations Limit Schedule to corresponding information in worksheets used by the City.
Finding: We noted the prior year's limit used by the City was the corrected amount of \$37,723,607, instead of the limit adopted in the prior year which used the incorrect population factor in the calculation.
4. We agreed the appropriations limit presented in the accompanying Appropriations Limit Schedule to the appropriations limit adopted by the City Council.
Finding: No exceptions were noted as a result of our procedures.

To the Honorable Mayor and Members of City Council
of the City of Calexico
Calexico, California
Page 2

We were engaged by the City to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respective on the accompanying Appropriation Limit Schedule. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters have come to our attention that would have been reported to you.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended solely for the information and use of the City Council and management of the City and is not intended to be and should not be, used by anyone other than these specified parties.

The PwC Group, LLP

San Diego, California
March 28, 2024

City of Calexico
Appropriations Limit Schedule
For the Year Ending June 30, 2024

	<u>Amount</u>	<u>Source</u>
A. Appropriations Limit FY 2022-2023	\$ 37,723,607	Prior year
B. Calculation Factors:		
1) Population increase %	1.0011	State Department of Finance
2) Inflation increase %	1.0444	State Department of Finance
3) Total adjustment %	<u>1.0455</u>	(B1*B2)
C. Annual Adjustment Increase	1,718,267	[A*(B3-1)]
D. Other Adjustments:		
1) Loss responsibility (-)	-	N/A
2) Transfer to private (-)	-	N/A
3) Transfer to fees (-)	-	N/A
4) Assumed responsibility (+)	-	N/A
E. Total Adjustments	<u>1,718,267</u>	(C+D)
F. Appropriations Limit FY 2023-2024	<u>\$ 39,441,874</u>	(A+E)

See accompanying Notes to Appropriations Limit Schedule.

City of Calexico
Notes to Appropriations Limit Schedule
For the Year Ending June 30, 2024

Note 1 – Purpose of Limited Procedures Review

Under Article XIII B of the California Constitution (the Gann Spending Limitation Initiative), California governmental agencies are restricted as to the amount of annual appropriations from proceeds of taxes. Effective for years beginning on or after July 1, 1990, under Section 1.5 of Article XIII B, the annual calculation of the appropriations limit is subject to a limited procedures review in connection with the annual audit.

Note 2 – Method of Calculation

Under Section 10.5 of Article XIII B, for fiscal years beginning on or after July 1, 1990, the appropriations limit is required to be calculated based on the limit for the fiscal year 1986-87, adjusted for the inflation and population factors discussed in Notes 3 and 4 below.

Note 3 – Population Factors

A California governmental agency may use as its population factor either the annual percentage change of the jurisdiction's own population or the annual percentage change in population of the county where the jurisdiction is located. The factor adopted by the City for the year 2023-2024 represents the annual percentage change in population for the City.

Note 4 – Inflation Factors

A California governmental agency may use as its inflation factor either the annual percentage change in the 4th quarter per capita personal income (which percentage is supplied by the State Department of Finance) or the percentage change in the local assessment roll from the preceding year due to the change of local nonresidential construction. The factor adopted by the City for the year 2023-2024 represents the percentage change in California per capita personal income.

Note 5 – Other Adjustments

A California government agency may be required to adjust its appropriations limit when certain events occur, such as the transfer of responsibility for municipal services to, or from, another government agency or private entity. The City had no such adjustments for the year 2023-2024.