

City of Calexico

Calexico, California

Single Audit and Independent Auditors' Reports

For the Year Ended June 30, 2022



City of Calexico

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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, 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 April 19, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered The City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of The City's internal control. Accordingly, we do not express an opinion on the effectiveness of The City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies 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 2022-001 that we consider to be a significant deficiency.

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

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

San Diego, California
April 19, 2023



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, 2022. 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, 2022.

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.

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
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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 2022-002 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, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated April 19, 2023, which contained unmodified opinions on those financial statements. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.



San Diego, California
April 19, 2023

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City of Calexico
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2022

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	\$ 5,354
Total CDBG - Entitlement Grants Cluster			<u>5,354</u>
<i>Passed through the State of California Department of Housing and Community Development:</i>			
HOME Investment Partnerships Program	14.239	Program Income	5,432
Total U.S. Department of Housing and Urban Development			<u>10,786</u>
U.S. Department of Transportation:			
Airport Improvement Program:			
<i>Direct Program:</i>			
Airport Improvement Program	20.106	3-06-0034-018-2020	1,444,787
Airport Improvement Program	20.106	3-06-0034-021-2021	1,068,673
COVID-19 - CRRSA - Airport Rescue Grant Program	20.106	3-06-0034-022-2021	22,000
Total Airport Improvement Program			<u>2,535,460</u>
Highway Planning and Construction Cluster:			
<i>Passed Through State of California Department of Transportation:</i>			
New River Bike Path	20.205	HPUL-5168(015)	1,454,985
Weakley Road Improvements	20.205	CML-5168(032)	12,312
Total Highway Planning and Construction Cluster			<u>1,467,297</u>
Total U.S. Department of Transportation			<u>4,002,757</u>
U.S. Department of Treasury:			
Coronavirus Relief Fund:			
<i>Passed through County of Imperial:</i>			
Coronavirus Relief Fund	21.019	N/A	83,528
<i>Direct Programs:</i>			
State and Local Fiscal Recovery Fund	21.027	N/A	4,763,493
<i>Passed through the State of California:</i>			
California Water and Wastewater Arrearage Payment Program	21.027	CA1310002	30,826
Total State and Local Fiscal Recovery Fund			<u>4,794,319</u>
Total U.S. Department of Treasury			<u>4,877,847</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	13,286
Total Executive Office of the President			<u>13,286</u>
U.S. Department of Homeland Security:			
<i>Passed through the County of Imperial:</i>			
Operation Stonegarden	97.067	15-ELCELC-05-001	3,814
Total U.S. Department of Homeland Security			<u>3,814</u>
Total Expenditures of Federal Awards			<u>\$ 8,908,490</u>

City of Calexico
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2022

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, 2022, 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, 2022

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? 2022-001

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified? 2022-002

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 2 CFR 200.516(a)? No

Identification of major programs:

Major Programs	Assistance Listing Number	Federal Expenditures
Airport Improvement Program	20.106	\$ 2,535,460
Highway Planning and Construction Cluster	20.205	1,467,297
State and Local Fiscal Recovery Fund	21.027	4,794,319
Total major program expenditures		\$ 8,797,076
Total expenditures of federal awards		\$ 8,908,490
Percent of total federal award expenditures		98.75%

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
Summary of Prior Audit Findings Status (Continued)
For the Year Ended June 30, 2022

Section II – Financial Statement Findings

A. Current 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.

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:

No.

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; and

City of Calexico
Summary of Prior Audit Findings Status (Continued)
For the Year Ended June 30, 2022

Section II – Financial Statement Findings (Continued)

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

Finding 2022-001 Delay in Financial Reporting (Continued)

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.

B. Prior Year Findings – Financial Statement Audit

No financial statement findings were noted for the year ended June 30, 2021.

Section III – Federal Awards Findings and Questioned Costs

A. Current 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

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).

City of Calexico
Summary of Prior Audit Findings Status (Continued)
For the Year Ended June 30, 2022

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

A. 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 (Continued):

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.

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 and SF-271 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:

No.

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.

City of Calexico
Summary of Prior Audit Findings Status (Continued)
For the Year Ended June 30, 2022

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

A. 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)**

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

No findings or questioned costs were noted on the City’s major federal programs for the year ended June 30, 2021.

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