

**CITY OF YREKA,
CALIFORNIA**



**SINGLE AUDIT ACT
REPORTS AND SCHEDULES
FOR THE YEAR ENDED
JUNE 30, 2022**

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CITY OF YREKA
Single Audit Act
For the Year Ended June 30, 2022

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Honorable Mayor and Members of the City Council
City of Yreka
Yreka, 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 Yreka, California, (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 March 27, 2023.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

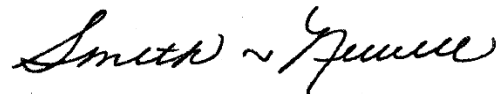
To the Honorable Mayor and Members of the City Council
City of Yreka
Yreka, California

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Smith & Newell CPAs
Yuba City, California
March 27, 2023

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY
THE UNIFORM GUIDANCE**

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Yreka, California's (City) compliance with the types of compliance requirements identified as subject to audit in the OMB Compliance Supplement that could have a direct and material effect on 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 auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 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 Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the City's federal programs.

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

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, Government Auditing Standards, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, Government Auditing Standards, and the Uniform Guidance, we:

- Exercise professional judgement 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, including 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.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2022-001 and 2022-002. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the noncompliance findings identified in our 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.

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

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 combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

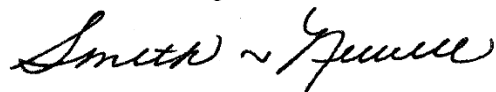
Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Yreka, California, (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 March 27, 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.



Smith & Newell CPAs
Yuba City, California
March 27, 2023

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CITY OF YREKA
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2022

Federal Grantor/Pass-Through Grantor/Program Title	Assistance Listing Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. Department of Agriculture				
Direct Program:				
Water and Waste Disposal Systems for Rural Communities	10.760	-	\$ -	\$ 5,071,901
Total U.S. Department of Agriculture			-	5,071,901
U.S. Department of Commerce				
Siskiyou Economic Development Council:				
Economic Adjustment Assistance	11.307	11-Unknown	-	10,620
Subtotal 11.307 - Economic Development Cluster			-	10,620
Total U.S. Department of Commerce			-	10,620
U.S. Department of Housing and Urban Development				
State Department of Housing and Community Development:				
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	20-CDBG-12037	-	66,222
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	20-CDBG-12091	-	2,309,149
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	21-CSBG-PL-30004	-	113
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	-	-	388,002
Subtotal 14.228			-	2,763,486
Total U.S. Department of Housing and Urban Development			-	2,763,486
U.S. Department of the Treasury				
State Controller's Office:				
Coronavirus State and Local Fiscal Recovery Funds	21.027	21-Unknown	-	489,431
Total U.S. Department of the Treasury			-	489,431
Environmental Protection Agency				
State Water Resource Control Board:				
Brownfields Assessment and Cleanup Cooperative Agreements	66.818	BF-99T61601-0	-	102,134
Total Environmental Protection Agency			-	102,134
Total			\$ -	\$ 8,437,572

See the accompanying Notes to Schedule of Expenditures of Federal Awards

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CITY OF YREKA
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2022

1. REPORTING ENTITY

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal financial assistance programs of the City of Yreka, California (City). The City's reporting entity is defined in Note 1 to the City's basic financial statements. All federal awards received directly from federal agencies as well as federal awards passed through other government agencies are included on the Schedule of Expenditures of Federal Awards. The information in this 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). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position or cash flows of the City.

2. BASIS OF ACCOUNTING

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus applied. The accompanying Schedule of Expenditures of Federal Awards, is presented using the modified accrual basis of accounting for grants accounted for in the governmental fund types and the accrual basis of accounting for grants accounted for in the proprietary fund types, as described in the notes to the City financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursements. In addition, the outstanding balance of prior years' loans that have significant continuing compliance requirements have been included in total federal expenditures.

3. INDIRECT COST RATE

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

4. RELATIONSHIP TO FEDERAL FINANCIAL REPORTS

The amounts reported in the accompanying Schedule of Expenditures of Federal Awards agree or can be reconciled with amounts reported in the related federal financial assistance reports.

5. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

The amounts reported in the accompanying Schedule of Expenditures of Federal Awards agree or can be reconciled with amounts reported in the City's basic financial statements.

6. PASS-THROUGH ENTITIES' IDENTIFYING NUMBER

When federal awards were received from a pass-through entity, the Schedule of Expenditures of Federal Awards shows, if available, the identifying number assigned by the pass-through entity. When no identifying number is shown, the City determined that no identifying number is assigned for the program or the City was unable to obtain an identifying number from the pass-through entity.

CITY OF YREKA
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2022

7. LOANS WITH CONTINUING COMPLIANCE REQUIREMENTS

The City participates in certain federal award programs that sponsor revolving loan programs, which are administered by the City. These programs require servicing arrangements with the City. The funds are returned to the programs upon repayment of the principal and interest. In accordance with Section 200.510 of the Uniform Guidance, the City has reported the outstanding balance of loans from previous years that have significant continuing compliance requirements as of June 30, 2022, along with the value of total outstanding and new loans made during the current year.

The programs listed below had the following aggregate, federally funded loans outstanding at June 30, 2022:

Assistance Listing Number	Program Title	<u>Amount Outstanding</u>	
		<u>July 1, 2021</u>	<u>June 30, 2022</u>
14.228	Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	<u>\$ 388,002</u>	<u>\$ 318,012</u>
	Total Loans Outstanding	<u>\$ 388,002</u>	<u>\$ 318,012</u>

CITY OF YREKA
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2022

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements	<u>Status</u>
1. Type of auditor's report issued	Unmodified
2. Internal controls over financial reporting:	
a. Material weaknesses identified?	No
b. Significant deficiencies identified and not considered to be material weaknesses?	No
3. Noncompliance material to financial statements noted?	No

Federal Awards

1. Internal control over major programs:	
a. Material weaknesses identified?	No
b. Significant deficiencies identified and not considered to be material weaknesses?	No
2. Type of auditor's report issued on compliance for major programs:	Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)?	Yes
4. Identification of major programs:	
10.760 Water and Waste Disposal Systems for Rural Communities	
14.228 Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	
5. Dollar threshold used to distinguish between Type A and Type B programs?	\$750,000
6. Auditee qualified as a low-risk auditee under 2 CFR Section 200.520?	No

SECTION II - FINANCIAL STATEMENT FINDINGS

None

SECTION III - FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

10.760 Water and Waste Disposal Systems for Rural Communities	2022-001
14.228 Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	2022-001
14.228 Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	2022-002

CITY OF YREKA
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2022

2022-001

Name: Water and Waste Disposal Systems for Rural Communities/
Community Development Block Grants/State's Program and
Non-Entitlement Grants in Hawaii

CFDA #: 10.760
14.228

Federal Grantor: U.S. Department of Agriculture
U.S. Department of Housing and Urban Development

Pass Through Entity: State Department of Housing and Community Development

Award No.: Various

Year: 2021/2022

Compliance Requirement: Other

Criteria

Internal control over the Schedule of Expenditures of Federal Awards (SEFA) requires that the City provide accurate Federal expenditure information to the City Auditor in a timely manner.

Condition

During our test of major programs we noted that the SEFA provided by the City at the beginning of audit fieldwork contained errors in the federal expenditures. Expenditures included on the SEFA provided at the beginning of the audit were more than actual expenditures by \$529,729 in the major programs listed above.

Cause

The City did not reconcile the federal expenditure claims to the SEFA that was provided to us at the start of the audit.

Effect

Federal expenditures reported on the original SEFA provided at the beginning of fieldwork was not materially correct and adjustments were overstated by approximately \$529,729.

Questioned Cost

No questioned costs were identified as a result of our procedures.

Context

The condition noted above was identified during our procedures related to reconciling federal expenditures to the SEFA.

Repeat Finding

This is not a repeat finding.

CITY OF YREKA
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2022

2022-001 (Continued)

Recommendation

We recommend that the City reconcile federal expenditures claimed to the City's general ledger and SEFA.

Views of Responsible Officials and Planned Corrective Action

Refer to separate Management's Corrective Action Plan for views of responsible officials and management's responses.

CITY OF YREKA
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2022

2022-002

Name: Community Development Block Grant/State's Program and Non-Entitlement Grants in Hawaii
CFDA #: 14.228
Federal Grantor: U.S. Department of Housing and Urban Development
Pass Through Entity: State Department of Housing and Community Development
Award No.: Various
Year: 2021/2022
Compliance Requirement: Program Income

Criteria

The loan documents require that recipients of CDBG loans continue to own and reside in their homes that were acquired using CDBG funding.

Condition

During our test of loan monitoring procedures, we noted that all of the loans tested did not include verification documentation regarding loan recipients were the homeowners during the 2021-2022 fiscal year. We also noted verification that the loan recipients occupied the homes obtained with CDBG funding was missing. We noted one of the loan recipients did not have proof of fire and flood insurance on file.

Cause

The City did not have formalized loan monitoring policies and procedures in place to ensure that loans were monitored on an annual basis in accordance with the loan agreements.

Effect

Information was not available to determine if the loan recipients were in compliance with the requirements of their loan agreements.

Questioned Cost

No questioned costs were identified as a result of our procedures.

Context

Not applicable.

Repeat Finding

This is not a repeat finding.

Recommendation

We recommend that the City develop and maintain policies and procedures regarding loan monitoring and ensure that all documentation of loan monitoring be maintained on an annual basis.

CITY OF YREKA
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2022

2022-002 (Continued)

Views of Responsible Officials and Planned Corrective Action

Refer to separate Management's Corrective Action Plan for views of responsible officials and management's responses.

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City of Yreka

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CITY OF YREKA, CALIFORNIA

Status of Prior Year Findings and Questioned Costs

And

Corrective Action Plan

For the Year Ended June 30, 2022

Compiled by: Emily Aldrich, Finance Director

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CITY OF YREKA
Schedule of Prior Year Findings and Questioned Costs
For the Year Ended June 30, 2022

<u>Audit Reference</u>	<u>Status of Prior Year Audit Recommendation</u>
2021-001	<p>Prior Period Adjustment</p> <p>Recommendation</p> <p>We recommend that the City review the financial records and ensure all items are recorded correctly.</p> <p>Status</p> <p>Implemented</p>

CITY OF YREKA
Management's Corrective Action Plan
For the Year Ended June 30, 2022

2022-001 Water and Waste Disposal Systems for Rural Communities/Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii

We recommend that the City reconcile federal expenditures claimed to the City's general ledger and SEFA.

Management's Response: The Municipal Projects Manager retains and holds all grant related documents. They create and submit the requests for reimbursements. Finance did not timely reconcile the variance of the general ledger with the Grant Manager's Life-to-Date Spreadsheet of Expenditures.

Responsible Individual: It is the Finance Director's, Emily Aldrich, responsibility to ensure that all schedules provided to the auditor reconcile with the general ledger.

Corrective Action Plan: The Finance Department has added two new positions of Staff Accountants. They have been charged with the responsibility of working with Public Works project managers to ensure complete and accurate reconciliation of the SEFA and general ledger on a routine basis.

Anticipated Completion Date: Employees have been hired and are in the process of being trained on how to reconcile the schedule to the general ledger.

2022-002 Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii

We recommend that the City develop and maintain policies and procedures regarding loan monitoring and ensure that all documentation of loan monitoring be maintained on an annual basis.

Management's Response: Finance was unaware of the need to have current utility bills included with the files.

Responsible Individual: It is the Finance Director's, Emily Aldrich, responsibility to ensure that all loan files are complete and accurate.

Corrective Action Plan: An annual checklist has been added to each loan file to ensure that all proper documentation is included.

Anticipated Completion Date: March 31, 2023 – all files will be updated with the necessary checklist and appropriate documentation.