

City of Fresno

Fresno, California

Single Audit and Independent Auditors' Reports

For the Year Ended June 30, 2023



City of Fresno
Single Audit and Independent Auditors' Reports
For the Year Ended June 30, 2023

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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 City Council
of the City of Fresno
Fresno, 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 basic financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Fresno, 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 20, 2024. Our report includes a reference to other auditors who audited the financial statements of the Successor Agency to the Fresno Redevelopment Agency Private-Purpose Trust Fund, the Low and Moderate Income Housing Asset Special Revenue Fund, the Fire and Police Retirement System Pension Trust Fund, and the Employees Retirement System Pension Trust Fund, blended component units of the City, as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

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 items 2023-001 that we consider to be a significant deficiency.

To the Honorable Mayor and Members of City Council
of the City of Fresno
Fresno, 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 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.

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Santa Ana, California
March 20, 2024



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

Independent Auditors' Report

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited City of Fresno, 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 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, 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 Fresno
Fresno, California
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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.

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. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

To the Honorable Mayor and Members of City Council
of the City of Fresno
Fresno, California
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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 the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

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. Other auditors audited the financial statements the Successor Agency to the Fresno Redevelopment Agency Private-Purpose Trust Fund, the Low and Moderate Income Housing Asset Special Revenue Fund, the Fire and Police Retirement System Pension Trust Fund, and the Employees Retirement System Pension Trust Fund, as described in our report on the City's financial statements. We issued our report thereon dated March 20, 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.

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Santa Ana, California
March 26, 2024, except for the Schedule of Expenditures and Federal Awards,
as to which the date is March 20, 2024

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

Federal Grantor/Pass - Through Grantor/Program Title	Assistance Listing Number	Grant Identification Number	Federal Expenditures	Amount Provided to Subrecipients
U.S. Department of Commerce				
Economic Development Cluster:				
<i>Direct Programs:</i>				
COVID-19 - Economic Adjustment Assistance	11.307	EDA 07-39-02434	\$ 858,972	\$ 858,972
Revolving Loan Fund - Economic Adjustment Assistance	11.307	EDA 07-39-02434	1,822,396	1,822,396
Subtotal - Program 11.311			2,681,368	2,681,368
Total Economic Development Cluster			2,681,368	2,681,368
		Total U.S. Department of Commerce	2,681,368	2,681,368
U.S. Department of Housing and Urban Development				
Community Development Block Grant (CDBG) - Entitlement Grants Cluster:				
<i>Direct Programs:</i>				
Community Development Block Grant	14.218	B-15-MC-06-0001	2,427,545	-
Community Development Block Grant	14.218	B-16-MC-06-0001	481,225	-
Community Development Block Grant	14.218	B-17-MC-06-0001	2,734,020	-
Community Development Block Grant	14.218	B-18-MC-06-0001	374,088	-
Community Development Block Grant	14.218	B-19-MC-06-0001	863,894	14,701
Community Development Block Grant	14.218	B-20-MC-06-0001	1,495,939	388,575
COVID-19 - Community Development Block Grant	14.218	B-20-MW-06-0001	2,717,488	2,708,158
Community Development Block Grant	14.218	B-21-MC-06-0001	1,503,609	435,121
Community Development Block Grant	14.218	B-22-MC-06-0001	3,735,209	2,656,870
Community Development Block Grant	14.218	B-23-MC-06-0001	14,214	-
Total CDBG - Entitlement Grants Cluster			16,347,231	6,203,425
COVID-19 - Emergency Solutions Grant Program	14.231	E-20-MW-06-0001	3,334,950	2,763,113
Emergency Solutions Grant Program	14.231	E-21-MC-06-0001	429,677	391,022
Emergency Solutions Grant Program	14.231	E-22-MC-06-0001	106,852	100,868
Total Emergency Solutions Grant Program			3,871,479	3,255,003
HOME Investment Partnership	14.239	M-17-MC-06-0204	181,557	181,557
HOME Investment Partnership	14.239	M-18-MC-06-0204	1,104,086	-
HOME Investment Partnership	14.239	M-19-MC-06-0204	3,631,082	-
HOME Investment Partnership	14.239	M-20-MC-06-0204	2,748,878	-
HOME Investment Partnership	14.239	M-21-MC-06-0204	516,300	-
HOME Investment Partnership - ARP	14.239	M-21-MP-06-0204	1,590	-
HOME Investment Partnership	14.239	M-22-MC-06-0204	206,651	80,467
HOME Investment Partnership	14.239	M-23-MC-06-0204	116,879	-
Total HOME Investment Partnership			8,507,023	262,024
Housing Opportunities for Persons with AIDS (HOPWA)	14.241	CAH20F011	71,302	66,191
Housing Opportunities for Persons with AIDS (HOPWA)	14.241	CAH21F011	646,348	626,640
Housing Opportunities for Persons with AIDS (HOPWA)	14.241	CAH22F011	58,726	58,043
Total Housing Opportunities for Persons with AIDS (HOPWA)			776,376	750,874
		Total U.S. Housing and Urban Development	29,502,109	10,471,326
U.S. Department of Justice				
<i>Direct Programs:</i>				
Edward Byrne Memorial Justice Assistance Grant	16.738	2019-DJ-BX-0536	23,147	-
Edward Byrne Memorial Justice Assistance Grant	16.738	2020-DJ-BX-0227	196,009	-
Edward Byrne Memorial Justice Assistance Grant	16.738	15PBJA-21-GG-01222-JAGX	45,841	-
Total - Program 16.738			264,997	-

See accompanying Notes to the Schedule of Expenditures of Federal Awards

City of Fresno
Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended June 30, 2023

Federal Grantor/Pass - Through Grantor/Program Title	Listing Number	Identification Number	Federal Expenditures	Provided to Subrecipients
<i>Direct Programs:</i>				
Sexual Assault Kit Initiative Grant	16.833	2019-AK-BX-0021	80,764	-
Sexual Assault Kit Initiative Grant	16.833	2020-AK-BX-0002	877,256	44,190
Total - Program 16.883			958,020	44,190
Community-Based Violence Prevention Program - Support for Victims of Gang Violence Grant	16.123	2019-MU-MU-0013	109,840	-
Project Safe Neighborhoods	16.609	15PBJA-22-GG-00714-GUNP	346,873	-
Byrne Discretionary Community Program Funding	16.753	15PBJA-22-GG-01211-BRND	3,407	-
Law Enforcement Mental Health and Wellness Act (LEMHWA)	16.710	2020-MH-WX-K011	11,747	-
Community Policing Development (CPD) De-Escalation Training	16.710	15JCOPS-21-GG-02451-SPPS	158,063	-
Total - Program 16.710			169,810	-
		Total U.S. Department of Justice	1,852,947	44,190
U.S. Department of Transportation				
<i>Airport Improvement Program:</i>				
<i>Direct Programs:</i>				
Airport Improvement Program	20.106	3-06-0087-082-2018	203,023	-
Airport Improvement Program	20.106	3-06-0087-086-2020	764,711	-
COVID-19 - Airport Improvement Program	20.106	3-06-0087-085-2020-CARES ACT	5,218,231	-
Airport Improvement Program	20.106	3-06-0087-091-2021	1,021,881	-
Airport Improvement Program	20.106	70T0402079CAP1093	138,865	-
Airport Improvement Program	20.106	3-06-0087-094-2022	3,175,398	-
Airport Improvement Program	20.106	3-06-0087-095-2022	22,710	-
Airport Improvement Program	20.106	3-06-0088-028-2022	80,370	-
Airport Improvement Program	20.106	3-06-0087-096-2022	70,358	-
Total - Airport Improvement Program			10,695,547	-
<i>Passed through the California Department of Transportation:</i>				
Highway Planning and Construction Program	20.205	Master Agreement 06-5060	17,555,653	-
Total - Program 20.205			17,555,653	-
<i>Passed through the California High Speed Rail Authority:</i>				
ARRA - High Speed Rail (Engineering & Plan Review Contract)	20.319	HSR 11-29	66,216	-
High Speed Rail (Engineering & Plan Review Contract)	20.319	HSR 16-57	1,302,146	-
Total - Program 20.319			1,368,362	-
<i>Passed through the Fresno Council of Governments:</i>				
Technical Assistance and Workforce Development Program	20.513	CA-2018-126	6,109	-
Highway Safety Cluster:				
<i>Passed through California Office of Traffic Safety:</i>				
Selective Traffic Enforcement Program (STEP) FFY2022	20.600	PT22174	20,828	-
Selective Traffic Enforcement Program (STEP) FFY2022	20.600	PT23032	73,354	-
Pedestrian and Bicycle Safety Program	20.600	PS22034	6,700	-
Pedestrian and Bicycle Safety Program	20.600	PS23004	65,287	-
Total Highway Safety Cluster			166,169	-
<i>Passed through California Office of Traffic Safety:</i>				
Selective Traffic Enforcement Program (STEP) FFY2022	20.608	PT22174	105,406	-
Selective Traffic Enforcement Program (STEP) FFY2022	20.608	PT23032	215,295	-
Total - Program 20.608			320,701	-

See accompanying Notes to the Schedule of Expenditures of Federal Awards

City of Fresno
Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended June 30, 2023

Grantor/Program Title	Number	Number	Expenditures	Subrecipients
Federal Transit Cluster:				
<i>Direct Program:</i>				
Federal Transit Capital Investment Grants	20.500	CA-03-0821	31,001	-
Urban Mass Transportation Capital, CMAQ	20.507	CA-95-X072-01	82,290	-
Urban Mass Transportation Capital, CMAQ	20.507	CA-2018-044	9,464	-
Urban Mass Transportation Capital Planning, Operating Assistance	20.507	CA-90-Y947	4,176	-
Urban Mass Transportation Capital Planning, Operating Assistance	20.507	CA-2017-081-00	249,061	-
Urban Mass Transportation Capital Planning, Operating Assistance	20.507	CA-2018-002-00	148,095	-
Urban Mass Transportation Capital Planning, Operating Assistance	20.507	CA-2018-006-00	83,167	-
Urban Mass Transportation Capital Planning, Operating Assistance	20.507	CA-2019-044-01	279,821	-
Urban Mass Transportation Capital Planning, Operating Assistance	20.507	CA-2019-044-02	146,964	-
Urban Mass Transportation Capital Planning, Operating Assistance	20.507	CA-2022-047-00	125,611	-
FAX FY20 and FY21 Capital and Planning Grant	20.507	CA-2022-047-00	162,032	-
FY21 CRRSAA/Section 5307 Operating Assistance Grant	20.507	CA-2023-080-00	5,605,241	-
FY21 ARP/5307 Operating Assistance Grant	20.507	CA-2023-081-00	28,944,625	-
Total - Program 20.507			<u>35,840,547</u>	-
Bus and Bus Facilities Formula Program	20.526	CA-2016-106	2,145,991	-
Bus and Bus Facilities Formula Program	20.526	CA-2019-045	1,078,344	-
Total - Program 20.526			<u>3,224,335</u>	-
Total Federal Transit Cluster			<u>39,095,883</u>	-
Total U.S. Department of Transportation			<u>69,208,424</u>	-
U.S. Department of Treasury				
<i>Direct Program:</i>				
State and Local Fiscal Recovery Fund	21.027	SLT-1246	<u>44,050,309</u>	<u>7,878,153</u>
<i>Direct Program:</i>				
Emergency Rental Assistance Program (ERAP)	21.023	ERA2-0092	5,944,099	5,944,099
<i>Passed through the State of California Department of Housing and Community Development:</i>				
Emergency Rental Assistance Program (ERAP)	21.023	20-ERAP-00015	6,609,285	113,836
Emergency Rental Assistance Program (ERAP)	21.023	21-ERAP-20015	12,265,688	1,302,029
Total - Program 21.023			<u>24,819,072</u>	<u>7,359,964</u>
Total U.S. Department of Treasury			<u>68,869,381</u>	<u>15,238,117</u>
Environmental Protection Agency				
<i>Direct Program:</i>				
Brownfields Training, Research, and Technical Assistance	66.814	99T91201	<u>112,120</u>	-
Grants and Cooperative Agreements				
Brownfields Multipurpose, Assessment, Revolving Loan Fund, and Cleanup Cooperative Agreements	66.818	BF98T08001	<u>191,637</u>	<u>191,000</u>
Total Environmental Protection Agency			<u>303,757</u>	<u>191,000</u>
U.S. Department of Health and Human Services				
Aging Cluster:				
<i>Passed through the Fresno-Madera Area Agency on Aging:</i>				
Special Programs for the Aging: Senior Hot Meals	93.045	22-0310ARP	<u>20,966</u>	-
Total Aging Cluster			<u>20,966</u>	-
<i>Direct Program:</i>				
Equitable Community Response to COVID-19	93.137	1 CPIMP211263-01-00	<u>1,493,231</u>	-
Total U.S. Department of Health and Human Services			<u>1,514,197</u>	-

See accompanying Notes to the Schedule of Expenditures of Federal Awards

City of Fresno
Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended June 30, 2023

Grantor/Program Title	Number	Number	Expenditures	Subrecipients
<u>U.S. Department of Homeland Security</u>				
<i>Passed through the California Governor's Office of Emergency Services:</i>				
COVID-19 Screening	97.036	FEMA-4482-DR-CA, Cal OES ID:	53,616	-
<i>Passed through the California Department of Emergency Services:</i>				
Homeland Security Grant Program (HSGP)	97.067	2020-0095	210,324	-
Homeland Security Grant Program (HSGP)	97.067	2021-0081	63,147	-
Total - Program 97.067			273,471	-
<i>Direct Programs:</i>				
Staffing for Adequate Fire and Emergency Response Grant Program	97.083	EMW-2020-FF-01300	4,283,536	-
Staffing for Adequate Fire and Emergency Response Grant Program	97.083	EMW-2021-FF-00276	502,077	-
Total - Program 97.083			4,785,613	-
Total U.S. Department of Homeland Security				5,112,700
Total Expenditures of Federal Awards				\$ 179,044,883 \$ 28,626,001

See accompanying Notes to the Schedule of Expenditures of Federal Awards

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

Note 1 – Reporting Entity

The financial reporting entity, as defined by the Governmental Accounting Standard Board (“GASB”), consists of the primary government, which is the City of Fresno, California (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. The City’s reporting entity is defined further in Note 1a to the City’s basic financial statements.

Note 2 – Basis of Accounting

Funds received under the various grant programs have been recorded within the general fund, special revenue funds and proprietary funds of the City. The City utilizes the modified accrual method of accounting for the General Fund and special revenue funds and accrual method of accounting for proprietary funds. The accompanying Schedule of Expenditures of Federal Awards (the “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* (the “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 Fresno Council of Governments, 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 – Assistance Listing Numbers

The Assistance Listing Numbers (ALNs) included in the accompanying Schedule were determined based on the federal program name, review of grant contract information, and the U.S. General Services Administration’s SAM.gov website.

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.

Note 6 – State Revolving Loan Funds

Beginning in fiscal year 2007, the City received Federal cross-cut revolving grant funds from the State in the form of loans from the U.S. Environmental Protection Agency, Office of Water, passed through the California State Water Resources Control Board and the California Department of Public Health, under Capitalization Grants for Clean Water State Revolving Funds (Assistance Listing Number 66.458) and Capitalization Grants for Safe Drinking Water State Revolving Funds (Assistance Listing Number 66.468). The purpose of the grants/loans is to assist in financing the construction of projects that will enable the City to comply with statutory clean and safe drinking standards. The City received funds under ten grants/loans.

City of Fresno
Notes to the Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended June 30, 2023

Note 6 – State Revolving Loan Funds (Continued)

The terms of the grants/loans and the outstanding balances as of June 30, 2023, are as follows:

Grant Fiscal Year	Agreement Number	Description	Project Number	Not to Exceed	Interest Rate and Term	Outstanding Loan Balances as of June 30, 2023
2007	SRF06CX150	Wellsite Chlorination Project	10100007-004	\$ 2,210,000	2.2923% / 20 yrs*	\$ 937,950
2000	SRF08SWX101	Enterprise/Jefferson Canal Project	10100007-011	1,968,136	2.2923% / 20 yrs*	599,244
2011	SRF11CX104	Residential Water Meter Project	10100007-026C	51,405,432	0.0000% / 20 yrs*	28,272,988
2015	C-06-7893-110	Wastewater Treatment Plant	C-067893-110	33,138,638	1.00-1.70% / 30 yrs*	26,320,280
2016	D15-01011	Recycled Water Distribution Southwest	C-068061-110	52,475,049	1.00% / 30yrs*	52,914,446
2016	D15-02012	Southeast Surface Water Treatment Facility	1010007-028C	195,489,000	1.663% / 30yrs*	154,193,470
2016	D15-02040	Friant-Kern Canal Raw Water Pipeline	1010007-029C	26,520,000	1.6% / 30yrs*	18,507,233
2016	D15-02042	Kings River Pipeline	1010007-031C	75,165,000	1.6% / 30yrs*	49,992,361
2017	D16-02031	Regional Transuission Mains	1010007-030C	75,900,000	1.6% / 30yrs*	61,137,447
2018	D18-02014	Northeast Surface WaterTreatment Facility	1010007-032C	14,000,000	1.8% / 30 yrs*	13,347,542
						<u>\$ 406,222,961</u>

* Term begins at completion of project.

These loans are not considered to have continuing compliance requirements under Title 2 CFR Part 200, and, therefore, are only reported on the Schedule in the year in which funds are expended and drawn. The City expended \$0 in federal funds under the loans during fiscal year ended June 30, 2023.

Note 7 – Economic Development Assistance Revolving Loan Fund (RLF) Calculation

The amount reported on the Schedule for expenditures related to the Economic Adjustment Assistance Revolving Loan Fund (RLF) Grant ALN 11.307 is calculated using various criteria as defined by Title 2 CFR Part 200. The calculation for the year ended June 30, 2023, is as follows:

EDA Program Revolving Loan Fund	
Grant Award Number	07-39-02434
Balance of RLF loans outstanding at June 30, 2023	\$ 797,220
Cash and investment balance in the RLF at June 30, 2023	835,422
Administrative expenses paid out of RLF income during the fiscal year ended June 30, 2023	50,091
Write offs during the fiscal year ended June 30, 2023	<u>139,663</u>
Subtotal	<u>1,822,396</u>
Federal share (calculated grant rate)	<u>100%</u>
Economic Adjustment Assistance RLF Grant federal award expenditures for the fiscal year ended June 30, 2023	<u>\$ 1,822,396</u>

City of Fresno
Notes to the Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended June 30, 2023

Note 8 – Economic Development Assistance CARES Revolving Loan Fund (RLF) Calculation

The amount reported on the Schedule for expenditures related to the Economic Adjustment Assistance CARES Revolving Loan Fund (RLF) Grant ALN 11.307 is calculated using various criteria as defined by Title 2 CFR Part 200. The calculation for the year ended June 30, 2023, is as follows:

EDA CARES Program Revolving Loan Fund	
Grant Award Number	07-39-02434
Balance of RLF loans outstanding at June 30, 2023	\$ 699,786
Cash and investment balance in the RLF at June 30, 2023	60,271
Administrative expenses paid out of RLF income during the fiscal year ended June 30, 2023	23,915
Write offs during the fiscal year ended June 30, 2023	<u>75,000</u>
Subtotal	<u>858,972</u>
Federal share (calculated grant rate)	<u>100%</u>
Economic Adjustment Assistance RLF Grant federal award expenditures for the fiscal year ended June 30, 2023	<u><u>\$ 858,972</u></u>

Note 9 – Prior Year Expenditures included in the Schedule of Expenditures of Federal Awards

The Schedule includes the following expenditures that were incurred in the prior year:

The City incurred costs totaling \$758,579 under the Airport Improvement Program (AIP) during the year ended June 30, 2022, for which funding was approved in fiscal year 2023.

The City incurred pre-award costs as follows: \$5,605,241 under the FY21 CRRSAA/Section 5307 Operating Assistance Grant, and \$28,944,625 under the FY21 ARP/5307 Operating Assistance Grant under the ALN 20.507 during the year ended June 30, 2023, prior to receiving the official grant awards.

City of Fresno
Notes to the Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended June 30, 2023

Note 10 – Nonfederal Awards Listed Separately as Required by the Grantor

The following is a list of nonfederal (state and local) award expenditures that are required to be listed separately by the Grantor:

State or Local Grantor/Pass - Through Grantor/Program Title	State Agency	Pass-through Grantor	Grant Identification Number	State or Local Expenditures
<u>California State Department of Finance</u>				
<i>CA Division of Mass Transportation - Direct Program:</i>				
Prop 1B-FAX		DOF	Prop 1B	\$ 8,657,088
			Total California State Department of Finance	8,657,088
<i>Caltrans - Pass-Through Program:</i>				
SB1 - State of Good Repair Program		DOT	SB1_FAX	487,254
			Total California State Department of Transportation	487,254
<u>California State Water Resources Control Board</u>				
<i>Office of Water - Direct Program:</i>				
Capitalization Grant GroundWater Contruction/Implementation - PCE P117	CSWRBC		PCE-D181252400	1,052,924
			Total Office of Water - Direct Program	1,052,924
			Total California State Water Resources Control Board	1,052,924
			Total Expenditures of State and Local Awards	\$ 10,197,266

City of Fresno
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? None Reported

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:

Federal Assistance Listing Number(s)	Name of Federal Program or Cluster	Expenditures
14.239	HOME Investment Partnership Program	\$ 8,507,023
21.023	Emergency Rental Assistance Program	24,819,072
21.027	State and Local Fiscal Recovery Fund Program	44,050,309
97.083	Staffing for Adequate Fire and Emergency Response Grant Program	4,785,613
	Total Expenditures of All Major Federal Programs	<hr/> \$ 82,162,017
	Total Expenditures of Federal Awards	<hr/> \$ 179,044,883
	Percentage of Total Expenditures of Federal Awards	<hr/> 45.89%

Dollar threshold used to distinguish between type A and type B program \$3,000,000

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

City of Fresno
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 Improve Internal Controls Over Financial Reporting

Criteria:

Management is responsible for the preparation and fair presentation, as well as the accuracy of its financial statements, including disclosures in accordance with accounting principles generally accepted in the United States of America; this includes 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. As part of satisfying that responsibility, staff should possess the skills, knowledge, and experience necessary to complete year-end close and diligently employ that knowledge, skill, and experience to produce reliable and accurate financial information.

Generally accepted auditing standards defined internal control as a process – affected by the Members of City Council, management, and other personnel – designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

- Reliability of financial reporting
- Effectiveness and efficiency of operations, and
- Compliance with applicable laws and regulations.

The Committee of Sponsoring Organizations of the Treadway Commission (“COSO”) established the following framework that stress the need for policies and procedures to promote effective internal control for an entity:

Control Environment – Establish structures, reporting lines, authorities and responsibilities

Risk Assessment – Select and develop control activities that mitigate risks

Control Activities – Deploy control activities through policies and procedures

Information and Communication – Communicate internal control information internally

Monitoring – Evaluations are used to determine if controls are present and functioning

An overall purpose of internal control over financial reporting is to foster the preparation of reliable financial statements and that reliable financial statements must be materially accurate.

Condition:

The City’s monthly bank reconciliation process was not properly completed during the period of the audit. During our review of the bank reconciliation process, we found that the bank reconciliations for fiscal year 2022/23 had not been finalized timely.

Cause:

The City implemented a new Accounting Software (Tyler) during the fiscal year that created challenges in the bank reconciliation process. Staff had to take on additional responsibilities and did not have sufficient resources to properly review and reconcile the sub-ledger to the general ledger to ensure the accuracy of the financials. Additionally, the lack of documented policies and procedures exacerbated the challenges when staff responsible for key elements of the work were unavailable.

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

Section II – Financial Statement Findings (Continued)

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

Finding 2023-001 Improve Internal Controls Over Financial Reporting (Continued)

Context:

Reconciliations and adjustments to year end balances that either are not recorded or are posted after the preparation of fiscal year end reports decreases the reliability and usefulness of the reports. In addition, not following formal policies and procedures regarding internal control over individual transaction cycles could lead to inconsistency in processing transactions and increase the risk that errors will not be detected and corrected in a timely manner.

Effect:

Due to the change in the accounting system during the audit period ended June 30, 2023, the City did not have a process for ensuring that the timely reconciliation of the bank accounts is completed, by the end or soon after the fiscal year-end. The challenges with the transition were further complicated by staffing issues.

Recommendation:

We recommend that the City put in place procedures in order to improve the timeliness of the reconciliation of the bank accounts to the general ledger. Additional personnel should be considered to enhance the City's internal control over the financial reporting and within each transaction cycle to ensure transactions are thoroughly evaluated, reviewed and recorded in order to facilitate the accurate and complete year-end closing of the general ledger.

View of Responsible Official:

The City agrees with this recommendation and the Treasury Unit is working on developing a manual reconciliation process that will occur outside of the accounting system to ensure timeliness of all bank reconciliations moving forward. Given that the bank reconciliation module within the Tyler financial system has been deemed ineffective, the team has had to result to this alternative process. In addition, the Treasury Unit will work in close collaboration with the Accounting/GL and Accounts Receivable units to ensure all activity for prior periods is posted timely so that a reconciliation for each transaction cycle can be completed monthly.

C. Current 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, 2023.

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PRIOR AUDIT FINDINGS STATUS

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City of Fresno
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2023

Reference Number: **Financial Statement Finding 2022-001 (Significant Deficiency)**

Audit Finding: During the audit, as discussed in Note 15 to the basic financial statements, the City restated its beginning net position/fund balance of the government-wide governmental activities, the governmental funds and the custodial funds, in order to correct the previously reported financial statements to comply with the GASB Statement No. 84, Fiduciary Activities, that was required to be implemented as of the year ended June 30, 2021. The governmental activities beginning net position was restated by \$3.9 million.

Status of Management's
Corrective Action:

Implemented.

Reference Number: **Financial Statement Finding 2022-002 (Significant Deficiency)**

Audit Finding: During our review of the Schedule of Expenditures of Federal Awards (“Schedule”) provided by the City, we noted the City federal expenditures for the Emergency Rental Assistance Program, passed through the State of California in the amount of \$12,239,896 were excluded in the schedule. We also noted federal expenditures in the schedule for the State and Local Fiscal Recovery Fund were understated by \$14,391,754.

Status of Management's
Corrective Action:

Implemented.

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