

CITY OF COLUSA, CALIFORNIA



**SINGLE AUDIT ACT
REPORTS AND SCHEDULES
FOR THE YEAR ENDED
JUNE 30, 2021**

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CITY OF COLUSA
Single Audit Act
For the Year Ended June 30, 2021

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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 Colusa
Colusa, 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 Colusa, California, (City) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 6, 2021.

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 that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

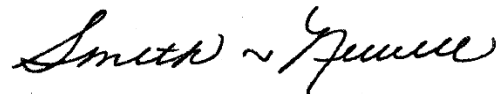
To the Honorable Mayor and Members of the City Council
City of Colusa
Colusa, California

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.

A handwritten signature in black ink, appearing to read "Smith & Newell", is written over a horizontal line.

Smith & Newell CPAs
Yuba City, California
December 6, 2021

**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 Colusa
Colusa, California

Report on Compliance for Each Major Federal Program

We have audited the City of Colusa, California's (City) compliance with the types of compliance requirements described 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, 2021. 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.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

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, 2021.

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

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. We did identify a certain deficiency in internal control over compliance as described in the accompanying schedule of findings and questioned costs as item 2021-001 that we consider to be a significant deficiency.

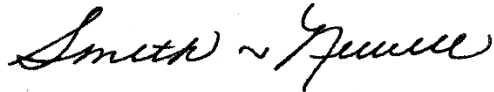
The City's response to the internal control over compliance finding identified in our audit is described in the accompanying management's corrective action plan. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion 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.

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

Report on 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 of Colusa, California, (City) as of and for the year ended June 30, 2021 and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated December 6, 2021, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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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Smith & Newell CPAs
Yuba City, California
December 6, 2021

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CITY OF COLUSA
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

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				
State Department of Housing and Community Development:				
Rural Development Grant	10.351	-	\$ -	\$ 100,651
Community Facilities Loans and Grants	10.766	-	-	50,000
Total U.S. Department of Agriculture			-	150,651
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	-	-	10,950
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	-	-	1,595,803
Subtotal 14.228			-	1,606,753
Home Investment Partnerships Program	14.239	-	-	1,017,391
Total U.S. Department of Housing and Urban Development			-	2,624,144
U.S. Department of the Treasury				
State Controller's Office:				
Coronavirus Relief Fund	21.019	-	-	76,244
Coronavirus State and Local Fiscal Recovery Funds	21.027	-	-	4,239
Total U.S. Department of the Treasury			-	80,483
U.S. Environmental Protection Agency				
State Water Resources Control Board:				
Capitalization Grants for Clean Water State Revolving Funds	66.458	-	-	4,350,000
Total U.S. Environmental Protection Agency			-	4,350,000
Total			\$ -	\$ 7,205,278

See the accompanying Notes to Schedule of Expenditures of Federal Awards

CITY OF COLUSA
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

1. REPORTING ENTITY

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal financial assistance programs of the City of Colusa, 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 COLUSA
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

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, 2021, 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, 2021:

Assistance Listing Number	Program Title	Amount Outstanding	
		July 1, 2020	June 30, 2021
14.228	Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	\$ 1,595,803	\$ 1,564,424
14.239	Home Investment Partnerships Program	<u>1,017,391</u>	<u>1,032,993</u>
	Total Loans Outstanding	<u>\$ 2,613,194</u>	<u>\$ 2,597,417</u>

8. CORONAVIRUS RELIEF FUNDS

The City was certified to receive funding through the Coronavirus Relief Funds passed through the State of California . Expenditures incurred from March to June 2020, are reported on the City's Schedule of Expenditures of Federal Awards for the fiscal year ending June 30, 2021.

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CITY OF COLUSA, CALIFORNIA

Status of Prior Year Findings and Questioned Costs

And

Corrective Action Plan

For the Year Ended June 30, 2021

Compiled by: Ishrat Aziz-Khan

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CITY OF COLUSA
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2021

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?	Yes
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:	
14.239 Home Investment Partnerships Program	
66.458 Capitalization Grants for Clean Water State Revolving Funds	
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?	Yes

SECTION II - FINANCIAL STATEMENT FINDINGS

None

SECTION III - FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

66.458 Capitalization Grants for Clean Water State Revolving Funds	2021-001
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CITY OF COLUSA
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2021

2021-001 (Significant Deficiency)

Name:	Capitalization Grants for Clean Water State Revolving Funds
AL#:	66.458
Federal Grantor:	U.S. Environmental Protection Agency
Pass-Through Entity:	State Water Resources Control Board
Award No.:	Various
Year:	2020-21
Compliance Requirement:	Other

Criteria

Good 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 testing 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 less than actual expenditures by \$4,350,000 in the major program listed above.

Cause

The City was not aware that the funds received for the expenditures were federal.

Effect

The SEFA provided at the beginning of fieldwork was not materially correct and adjustments were needed to accurately reflect all federal expenditures.

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 reporting over the federal programs.

Repeat Finding

This is not a repeat finding.

Recommendation

We recommend that the City provide accurate federal expenditure information at the beginning of audit fieldwork.

CITY OF COLUSA
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2021

2021-001 (Significant Deficiency) (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.

CITY OF COLUSA
Management's Corrective Action Plan
For the Year Ended June 30, 2021

2021-001 Capitalization Grants for Clean Water State Revolving Funds (Significant Deficiency)

We recommend that the City provide accurate federal expenditure information at the beginning of audit fieldwork.

Management's Response: The new Finance Director was hired middle of fiscal year 2020-21 to replace the retired Finance Director. It was not addressed during the transition period from retired to new director and most of the paperwork states, "State Water Resource Control Board."

However, the City Manager and the City Engineer were aware of the nature of funding and the source that it was a combination of federal loan and state grant administer by the State Water Resources Control Board.

Responsible Individual: The Finance Director is responsible to inquire the type of grant and the source of funding to book them correctly.

Corrective Action Plan: Create and insert a form in grant folder to explain the type of grant and the source of funding.

Anticipated Completion Date: January 1, 2022