

City of Petaluma

Petaluma, California

Single Audit Reports

For the year ended June 30, 2023



City of Petaluma
Single Audit Reports
For the year ended June 30, 2023
Table of Contents

	<u>Page</u>
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	1
Report on Compliance for Each Major Program and Report on Internal Control over Compliance in Accordance with the Uniform Guidance And on the Schedule of Expenditures of Federal Awards	3
Schedule of Expenditures of Federal Awards.....	7
Notes to the Schedule of Expenditures of Federal Awards	9
Schedule of Findings and Questioned Costs.....	10

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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 Auditor's Report

To the Honorable Mayor and Members of City Council
of the City of Petaluma
Petaluma, 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 Petaluma, California (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 December 29, 2023. Our report included emphasis of matters paragraphs disclosing the certain conditions that raise substantial doubt about the Marina Enterprise Fund's ability to continue as a going concern.

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 preceding paragraph 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.

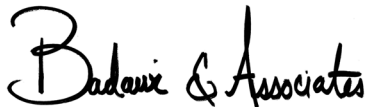
To the Honorable Mayor and Members of City Council
of the City of Petaluma
Petaluma, California
Page 2

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.



Badawi & Associates, CPAs
Berkeley, CA
December 29, 2023

**REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND REPORT ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE AND
ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

Independent Auditor's Report

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Petaluma, 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, 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 Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of 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 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.

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 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 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 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 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 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 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 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that were not identified.

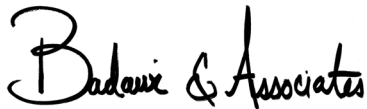
Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

To the Honorable Mayor and Members of City Council
of the City of Petaluma
Petaluma, California
Page 6

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, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated December 29, 2023, 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.



Badawi & Associates CPAs
Berkeley, California
March 28, 2024 except for the schedule of expenditures of federal awards
which are as of December 29, 2023

City of Petaluma
Single Audit Report
Schedule of Expenditures of Federal Awards
For the year ended June 30, 2023

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	Agency or Pass-Through Number	Federal Expenditures	Subrecipient Expenditures
<u>U.S. Department of Housing and Urban Development:</u>				
CDBG - Entitlement Grants Cluster				
<i>Direct Programs:</i>				
Community Development Block Grants/Entitlement Grants	14.218	B-20-MW-06-0049	\$ 117,395	\$ 117,395
Community Development Block Grants/Entitlement Grants	14.218	B-22-MC-06-0049	329,527	287,836
Subtotal CDBG - Entitlement Grants Cluster			446,922	405,231
Total U.S. Department of Housing and Urban Development			446,922	405,231
<u>U.S. Department of Transportation:</u>				
Highway Safety Cluster				
<i>Passed through State of California Office of Traffic Safety</i>				
State and Community Highway Safety	20.600	PT 22055	6,812	-
State and Community Highway Safety	20.600	PT 23142	35,585	-
Subtotal Highway Safety Cluster			42,397	-
Highway Planning and Construction Cluster				
<i>Passed through State of California Department of Transportation/MTC</i>				
Highway Planning and Construction (Federal-Aid Highway Program)	20.205	STPL-5022(060)	1,205,241	-
Highway Planning and Construction (Federal-Aid Highway Program)	20.205	HSIPL-5022(062)	35,339	-
Highway Planning and Construction (Federal-Aid Highway Program)	20.205	HSIPL-5022(063)	1,000	-
Subtotal Highway Planning and Construction Cluster			1,241,580	-
Federal Transit Cluster				
<i>Direct Programs</i>				
Federal Transit Formula Grants (Urbanized Area Formula Program)	20.507	N/A	102,395	-
Subtotal Federal Transit Cluster			102,395	-
Airport Improvement Program	20.106	3-06-0186-030-2022	1,047,720	-
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	64SO21-01757	96,840	-
<i>Passed through State of California Office of Traffic Safety</i>				
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	22C061106	10,000	-
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	PT 22055	10,656	-
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	PT 23142	90,878	-
Total U.S. Department of Transportation			2,642,466	-
<u>U.S. Department of Justice:</u>				
<i>Direct Programs:</i>				
Public Safety Partnership and Community Policing Grants	16.710		125,000	-
Total U.S. Department of Justice			125,000	-
<u>U.S. Department of Health and Human Services:</u>				
<i>Passed through California Department of Community Services and Development:</i>				
Low Income Household Water Assistance Program	93.499	N/A	91,700	-
Total U.S. Department of Health and Human Services			91,700	-

See accompanying Notes to Schedule of Expenditures of Federal Awards.

City of Petaluma
Single Audit Report
Schedule of Expenditures of Federal Awards
For the year ended June 30, 2023

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	Agency or Pass-Through Number	Federal Expenditures	Subrecipient Expenditures
<u>U.S. Department of Homeland Security:</u>				
<i>Direct Programs:</i>				
Assistance to Firefighters Grant	97.044	EMW-2021-FG-01368	126,909	-
<i>Passed through California Governor's Office of Emergency Services:</i>				
Disaster Grants - Public Assistance	97.036	N/A	41,140	-
<i>Passed through County of San Francisco:</i>				
Homeland Security Grant Program	97.067	11710	19,845	-
Homeland Security Grant Program	97.067	13094	15,850	-
Total U.S. Department of Homeland Security			203,744	-
Total Expenditures of Federal Award			\$ 3,509,832	\$ 405,231

See accompanying Notes to Schedule of Expenditures of Federal Awards.

City of Petaluma
Notes to the Schedule of Expenditures of Federal Awards
For the year ended June 30, 2023

A. Reporting Entity

The City was incorporated as a general law City by the state legislature on April 12, 1858. The City currently operates under a Council-Manager form of government established under a charter election in 1947. The City provides the following services as authorized by its charter: police and fire protection, transit service, parks and recreation, public works, community development, and general administrative services. In addition, the City owns and operates a water and waste water system, a municipal airport, and a marina.

B. Basis of Accounting

Funds received under the various grant programs have been recorded with separated account codes. The City utilizes the modified accrual method of accounting for the special revenue funds. Modified accrual accounting recognizes revenues when they become available and measurable and, with a few exceptions, recognizes expenditures when liabilities are incurred. The accompanying Schedule of Expenditures of Federal Awards (Schedule) has been prepared on the modified accrual basis of accounting.

C. Relationship of Schedule of Expenditures of Federal Awards to Financial Statements

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 is included in the Schedule.

The Schedule was prepared only from the accounts of various grant programs and, therefore, does not present the financial position or results of operations of the City.

D. Pass-Through Entities' Identifying Number

When federal awards were received from a pass-through entity, the Schedule 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.

E. Indirect Costs

The City did not elect to use the 10% de minimis indirect cost rate.

City of Petaluma
Single Audit Reports
Schedule of Findings and Questioned Costs
For the year ended June 30, 2023

Section I - Summary of Auditor's Results

Financial Statements

Types of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified? None noted

Any noncompliance material to the financial statements noted? No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified? None noted

Type of auditor's report issued on compliance for major programs Unmodified

Any audit findings disclosed that are required to be reported in Accordance with section 200.516(a) No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster	Expenditures
20.106	Airport Improvement Program	\$ 1,047,720
20.205	Highway Planning and Construction	1,241,580
	Total Expenditures of All Major Federal Programs	\$ 2,289,300
	Total Expenditures of Federal Awards	\$ 3,509,832
	Percentage of Total Expenditures of Federal Awards	65.2%

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

Auditee qualified as low-risk auditee under section 200.520? Yes

City of Petaluma
Single Audit Reports
Schedule of Findings and Questioned Costs
For the year ended June 30, 2023

Section II – Financial Statement Findings

No financial statements findings in the current year or in the prior year.

Section III – Federal Award Program Audit Findings

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

No findings or questioned costs were noted in the current year.

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

No findings or questioned costs were noted in the prior year.