

**CITY OF MCFARLAND  
SINGLE AUDIT REPORT  
YEAR ENDED JUNE 30, 2024**



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**INDEPENDENT AUDITORS' 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***

Honorable Mayor and Members of the City Council  
City of McFarland  
McFarland, 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 McFarland (the City) as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 22, 2025.

***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 purposes 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.

We identified a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2024-001 that we consider to be a material weakness.

**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*.

**The City of McFarland’s Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on the City of McFarland’s response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The City of McFarland’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.



**CliftonLarsonAllen LLP**

Roseville, California  
January 22, 2025



**INDEPENDENT AUDITORS' 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**

Honorable Mayor and Members of the City Council  
City of McFarland  
McFarland, California

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited the City of McFarland, 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, 2024. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City complied, in all material respects, with the 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, 2024.

***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 (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

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

***Responsibilities of Management for Compliance***

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

***Auditors' Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *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 GAAS, *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.

### **Other Matters**

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2024-002. Our opinion on each major federal program is not modified with respect to this matter.

*Government Auditing Standards* requires the auditor to perform limited procedures on the City's response to the noncompliance finding identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### **Report on Internal Control Over Compliance**

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify a certain deficiency in internal control over compliance that we consider to be a significant deficiency.

*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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2024-002 to be a significant deficiency.

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

*Government Auditing Standards* requires the auditor to perform limited procedures on the City's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

**Report on Schedule of Expenditures of Federal Awards 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, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We have issued our report thereon, dated January 22, 2025, 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 basic 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.



**CliftonLarsonAllen LLP**

Roseville, California  
January 22, 2025

**CITY OF MCFARLAND**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED JUNE 30, 2024**

Federal Grantor/Pass-Through Grantor/ Program/Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Total Federal Expenditures	Passed Through to Subrecipients
<b>U.S. Department of Agriculture</b>				
Direct Programs:				
Community Facilities Direct Loan and Grant Program	10.766	N/A	\$ 744,229	\$ -
Total U.S. Department of Agriculture			744,229	-
<b>U.S. Department of Housing and Urban Development</b>				
Passed-Through State of California Department of Housing and Community Development:				
HOME Investment Partnership Program (Outstanding Loans)	14.239	N/A	709,906	-
Total U.S. Department of Housing and Urban Development			709,906	-
<b>U.S. Department of Transportation</b>				
Passed-Through the State Department of Transportation:				
Highway Planning and Construction	20.205	H8-06-012	335,158	-
Formula Grants for Rural Areas and Tribal Transit Program	20.509	N/A	51,355	-
Total U.S. Department of Transportation			386,513	-
<b>U.S. Department of Treasury</b>				
Passed-Through the State Department of Finance COVID-19 Coronavirus				
State and Local Fiscal Recovery Funds	21.027	N/A	2,162,996	-
Total U.S. Department of Treasury			2,162,996	-
Total Expenditures of Federal Awards			<u>\$ 4,003,644</u>	<u>\$ -</u>

See accompanying Notes to Schedule of Expenditures of Federal Awards.

**CITY OF MCFARLAND**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**JUNE 30, 2024**

**NOTE 1 BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the Schedule) presents the activity of all federal awards programs of the City of McFarland (the City) for the year ended June 30, 2024. The information in this Schedule is presented in accordance with the requirements of 2 CFR 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.

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance for all awards. Under these principles, certain types of expenditures are not allowable or are limited as to reimbursement. Therefore, some amounts presented in the Schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

**NOTE 3 ASSISTANCE LISTING NUMBERS**

The program titles and Assistance Listing Numbers were obtained from the federal or pass-through grantor.

**NOTE 4 INDIRECT COST RATE**

The City did not elect to use the 10 percent de minimis indirect cost rate as covered in 2 CFR §200.414.

**NOTE 5 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.

**CITY OF MCFARLAND  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
JUNE 30, 2024**

**NOTE 6 LOANS WITH CONTINUING COMPLIANCE REQUIREMENTS**

The City offers property rehabilitation and first-time home buyer loans to eligible individuals as part of its HOME program. The loans have continuing compliance requirements and therefore the outstanding balances are reflected on the Schedule. No new loans were issued during the fiscal year ended June 30, 2024.

Assistance Listing Number	Federal Program	Outstanding Loans	Loans with Continuing Compliance Requirements
10.766	Community Facilities Direct Loan and Grant Program	\$ 744,229	\$ 744,229
14.239	Home Investment Partnership Program	709,906	709,906

**CITY OF MCFARLAND  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2024**

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***Section I – Summary of Auditors’ Results***

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***Financial Statements***

1. Type of auditors’ report issued: Unmodified
2. Internal control over financial reporting:
- Material weakness(es) identified?   x   yes            no
  - Significant deficiency(ies) identified?            yes   x   no
3. Noncompliance material to financial statements noted?            yes   x   no

***Federal Awards***

1. Internal control over major federal programs:
- Material weakness(es) identified?            yes   x   no
  - Significant deficiency(ies) identified?   x   yes            none reported
2. Type of auditors’ report issued on compliance for major federal programs: Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?   x   yes            no

***Identification of Major Federal Programs***

**Assistance Listing Number(s)**

21.027

**Name of Federal Program or Cluster**

COVID -19 Coronavirus State and Local Fiscal Recovery Funds

Dollar threshold used to distinguish between Type A and Type B programs:

\$   750,000  

Auditee qualified as low-risk auditee?

           yes   x   no

**CITY OF MCFARLAND  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2024**

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***Section II – Financial Statement Findings***

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**2024 – 001 Financial Reporting**

**Type of Finding:** Material Weakness in Internal Control over Financial Reporting

**Condition:** During our Audit, we determined that management does not have sufficient controls in place to ensure that the financial statement are properly presented in accordance with U.S. generally accepted accounting principles (GAAP). We specifically noted the following:

- The City recognized revenue, in the amount of \$5,000,000, received to build a new police station, however applicable expenditures, required to earn this revenue, were not incurred.
- The City recorded revenue in the amount of \$50,500 for the year ended June 30, 2024, that was earned as of June 30, 2023, and should have been reported as revenue in the prior period.
- The City incorrectly accrued 2 items in the amount of \$41,585 to accounts receivables and did not accrue 2 items received subsequent to year end that were for current year activity in the amount of \$253,256, for a net change in receivables of \$211,671.
- The City incorrectly identified 4 contracts as Subscription-Based Information Technology Arrangements (SBITAs) that did not qualify as SBITAs.

**Criteria or specific requirement:** U.S. GAAP requires that voluntary nonexchange revenue transactions cannot be recognized until all applicable eligibility requirements are met, that items be recorded in the period in which they are earned and that SBITAs with a maximum term of one year or less do not meet the requirements of a SBITA as defined in GASB Statement No. 96.

**Context:** During the course of our audit, we inspected one grant agreement, 24 accounts receivable items, 34 subsequent receipts and 4 SBITA additions. After our review, we determined that the grant agreement inspected did not meet the revenue recognition requirements, 2 items tested in accounts receivable were improperly recorded, 2 items in our subsequent receipts testing were improperly not reported as accounts receivable and all SBITA additions were improperly identified as a SBITA as the term was less than 12 months.

**Effect:** We determined that revenue was overstated by \$4,838,829, unearned revenue was understated by \$5,000,000, receivables were understated by \$211,671, beginning net position and fund balance was understated by \$50,500 and SBITA assets and liabilities were overstated by \$313,145.

**CITY OF MCFARLAND**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**  
**YEAR ENDED JUNE 30, 2024**

**Cause:** The City did not design controls with enough precision to ensure that the financial statements were presented in accordance with the requirements of U.S. GAAP for several items.

**Repeat Finding:** This is not a repeat finding

**Recommendation:** We recommend that management enhance its current controls to ensure that the controls are designed properly to ensure the financial statements are materially consistent with the requirements of U.S. GAAP.

**Views of Responsible Officials and Planned Corrective Actions:** There is no disagreement with this finding. The Finance Department will establish written procedures for reconciliations of all major accounts which are to be completed the end of each month and fiscal year.

**CITY OF MCFARLAND  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2024**

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***Section III – Findings and Questioned Costs – Major Federal Programs***

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**2024 – 002 Procurement**

Federal Agency: U.S. Department of the Treasury

Federal Program Title: COVID -19 Coronavirus State and Local Fiscal Recovery Funds

Assistance Listing Number: 21.027

Award Period: July 1, 2023 – June 30, 2024

Type of Finding:

- Significant Deficiency in Internal Control over Compliance
- Other Noncompliance

**Criteria:** For purchases greater than the micro-purchase threshold recipients of federal funds must obtain quotes from an adequate number of qualified sources. Noncompetitive procurement is allowed only under specific circumstances. The recipient must maintain records documenting the history of the procurement including the method of procurement and the rationale for the method.

**Condition:** Our testing noted that two purchases from one vendor were made without obtaining multiple quotes. Documentation for the use of non-competitive procurement was not maintained.

**Questioned Costs:** None noted.

**Context:** CLA inspected 5 purchases and for 2 of those contracts totaling \$51,201, the bid/quote process was not followed and justification for the use of non-competitive procurement was not documented prior to the disbursement of federal funds.

**Cause:** The city determined that the procurements were sole source, meaning the contractor used was the only option available, and were not aware that documentation of this determination was required.

**Effect:** The city could have been out of compliance with grant requirements.

**Repeat Finding:** This is not a repeat finding.

**Recommendation:** CLA recommends the City implement procedures to ensure that federal guidance is followed relating to procurement.

**Views of responsible officials:** There is no disagreement with the audit findings.



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