

CITY OF NEWPORT BEACH
Single Audit Report on Federal Awards
Year Ended June 30, 2023

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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 Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance	3
Schedule of Expenditures of Federal Awards	6
Notes to the Schedule of Expenditures of Federal Awards	7
Schedule of Findings and Questioned Costs	8

**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

City Council
City of Newport Beach
Newport Beach, 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 (*Government Auditing Standards*), the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Newport Beach (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 27, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion 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 or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Dawn Farn LLP

Irvine, California
December 27, 2023

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

INDEPENDENT AUDITOR'S REPORT

City Council
City of Newport Beach
Newport Beach, California

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the

requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the City's federal programs.

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 to 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.

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

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

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

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

We have audited the financial statements of the governmental activities, 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. We issued our report thereon, dated December 27, 2023, which contained unmodified opinions on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. 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 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 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 financial statements or to the 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.

Dawn Furr LLP

Irvine, California
March 15, 2024, except for the Schedule of Expenditure of Federal Awards,
as to which the date is December 27, 2023

CITY OF NEWPORT BEACH
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2023

Federal Grantor/Pass-Through Grantor/Program Title	Assistance Listing Number	Program Identification Number	Federal Expenditures	Amount Provided to Subrecipients	Loan Balance at Beginning of Year
<u>U.S. Department of Housing and Urban Development</u>					
Direct Program:					
Community Development Block Entitlement Grants Cluster:					
COVID-19 - Community Development Block Grant	14.218	B-20-MW-06-0546	\$ 537,627	532,127	-
Community Development Block Grant	14.218	B-22-MC-06-0546	130,120	72,765	-
Section 108 Loan	14.218	n/a	-	-	208,000
Total U.S. Department of Housing and Urban Development			667,747	604,892	208,000
<u>U.S. Department of Justice</u>					
Direct Program:					
Bulletproof Vest Partnership Program	16.607	n/a	6,720	-	-
Equitable Sharing Program	16.922	n/a	25,139	-	-
Total U.S. Department of Justice			31,859	-	-
<u>U.S. Department of Transportation</u>					
Passed through the State of California:					
Orange County Transportation Authority's Bicycle Corridor Improvement Program:					
Highway Planning and Construction	20.205	CML-5151	1,034,551	-	-
Total Highway Planning and Construction			1,034,551	-	-
Passed through the State of California Office of Traffic Safety:					
Highway Safety Cluster:					
State and Community Highway Safety	20.600	PT22042	22,259	-	-
State and Community Highway Safety	20.600	PT23055	77,268	-	-
National Priority Safety Programs	20.616	PT22042	5,848	-	-
Total Highway Safety Cluster			105,375	-	-
Passed through the State of California Office of Traffic Safety:					
Minimum Penalties for Repeat Offenders for Driving While Intoxicated					
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	PT22042	46,661	-	-
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	PT23055	145,874	-	-
Total Minimum Penalties for Repeat Offenders for Driving While Intoxicated			192,535	-	-
Total U.S. Department of Transportation			1,332,461	-	-
<u>U.S. Department of Treasury</u>					
Direct Program:					
Coronavirus State and Local Fiscal Recovery Funds (CSLFRF)	21.027	n/a	3,188,587	-	-
Passed through California State Water Resources Control Board:					
California Wastewater Arrearage Payment Program (ARPA)	21.027	n/a	24,411	-	-
Total U.S. Department of Treasury			3,212,998	-	-
<u>U.S. Department of Health and Human Services</u>					
Direct Program:					
Provider Relief Fund	93.498	n/a	39,793	-	-
Total U.S. Department of Health and Human Services			39,793	-	-
<u>U.S. Department of Homeland Security</u>					
Passed through the County of Orange:					
Emergency Management Performance Grants	97.042	n/a	1,280	-	-
Federal Emergency Management Agency	97.036	FEMA-4482-DR-CA	138,797	-	-
Homeland Security Grant Program	97.067	n/a	63,083	-	-
Total U.S. Department of Homeland Security			203,160	-	-
Total Expenditures of Federal Awards			\$ 5,488,018	604,892	208,000

See Notes to Schedule of Expenditures of Federal Awards.

CITY OF NEWPORT BEACH

Notes to the Schedule of Expenditures of Federal Awards

Year Ended June 30, 2023

(1) Summary of Significant Accounting Policies Applicable to the Schedule of Expenditures of Federal Awards

Scope of Presentation

The accompanying Schedule of Expenditures of Federal Awards (Schedule) presents the activity of all federal financial assistance programs of the City of Newport Beach (City) under programs of the federal government for the year ended June 30, 2023. All financial assistance received directly from federal agencies is included in the accompanying Schedule. The information in 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* (Uniform Guidance). The City did not use the 10% de minimis indirect cost rate as covered in section 200.414 of the Uniform Guidance.

Basis of Accounting

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting for governmental funds and the accrual basis of accounting for proprietary funds. Such expenditures are recognized following the cost principles contained in the Uniform Guidance wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

(2) Federal Loans

The City was approved by the Department of Housing and Urban Development to receive a Section 108 loan totaling \$2,400,000 to assist with the funding of the Balboa Village Improvement Program. The amount listed for this loan includes the beginning of the period loan balance. The loan was paid in full as of June 30, 2023.

Both the current and prior year loan balances are reported on the City's schedule of changes in long-term liabilities (Note 7) in the City's financial statements for the fiscal year ended June 30, 2023.

CITY OF NEWPORT BEACH

Schedule of Findings and Questioned Costs

Year Ended June 30, 2023

Section I - Summary of Auditor's Results

Financial Statements

- | | |
|---|---------------|
| 1. Type of auditor's report issued on whether the financial statements audited were prepared in accordance with GAAP: | Unmodified |
| 2. Internal control over financial reporting: | |
| a. Material weakness(es) identified? | No |
| b. Significant deficiency(ies) identified? | None Reported |
| 3. Noncompliance material to the financial statements noted? | No |

Federal Awards

- | | | |
|--|---|---------------|
| 1. Internal control over major programs: | | |
| a. Material weakness(es) identified? | | No |
| b. Significant deficiency(ies) identified? | | None Reported |
| 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 200.516 (a)? | | No |
| 4. Identification of major programs: | | |
| <u>CFDA Number</u> | <u>Name of Federal Program or Cluster</u> | |
| 20.205 | Highway Planning and Construction | |
| 21.027 | Coronavirus State and Local Fiscal Recovery Funds | |
| 5. Dollar threshold used to distinguish between Type A and Type B programs: | | \$750,000 |
| 6. Auditee qualified as a low-risk auditee? | | Yes |

Section II - Financial Statement Findings

There were no financial statement findings for the year ended June 30, 2023.

CITY OF NEWPORT BEACH

Schedule of Findings and Questioned Costs

(Continued)

Section III - Federal Award Findings and Questioned Costs

There were no federal award findings or questioned costs for the year ended June 30, 2023.

Section IV – Summary of Prior Audit Findings and Current Status

There are no prior year audit findings.