CITY OF RICHMOND, VIRGINIA

REPORT ON SINGLE AUDIT

JUNE 30, 2025

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CITY OF RICHMOND, VIRGINIA
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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*

The Honorable Members of the City Council
City of Richmond, Virginia

We have audited, in accordance with the 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 *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Richmond, Virginia (the City), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated February 27, 2026. Our report includes a reference to other auditors who audited the financial statements of the following discretely presented component units: Richmond School Board, Richmond Economic Development Authority, Richmond Behavioral Health Authority and Richmond Redevelopment and Housing Authority, as described in our report on the City's financial statements. We also did not audit the financial statements of the Richmond Retirement System which was included in the aggregate remaining fund information, as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of Richmond Retirement System were not audited in accordance with *Government Auditing Standards*.

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 City's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified.

We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2025-001 that we consider to be material weaknesses.

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*.

City of Richmond's Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Arlington, Virginia
February 27, 2026

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

The Honorable Members of the City Council
City of Richmond, Virginia

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Richmond, Virginia'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, 2025. 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, 2025.

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.

Report on Internal Control Over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The Honorable Members of the City Council
City of Richmond, Virginia

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, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated February 27, 2026, 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 City's financial statements include the operations of Richmond School Board, Richmond Ambulance Authority, Richmond Redevelopment and Housing Authority, Economic Development Authority and Richmond Retirement Systems for the year ended June 30, 2025. The federal expenditures, where applicable, for Richmond School Board, Richmond Ambulance Authority, Richmond Redevelopment and Housing Authority, Economic Development Authority and Richmond Retirement System are not included in the schedule of expenditures of federal awards. 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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Arlington, Virginia
June 22, 2026

CITY OF RICHMOND, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2025

Federal Grantor/Pass Through Grantor/Program/Cluster Title	Federal Assistance Listing Number	Pass Through Entity Identifying Number	Passed-Through to Subrecipients	Total Federal Expenditures
OFFICE OF NATIONAL DRUG CONTROL POLICY				
Passed Through Mercy Hurst University				
High Intensity Drug Trafficking Agency	07.999	2023TXRICHMOND	$ -	174
	07.999	2024TXRICHMOND	-	109,699
Passed Through Cal Ripken Sr. Foundation				
High Intensity Drug Trafficking Agency	07.999	2024-2025-FED-WBHIDTA-B4B-VA-3	-	4,085
Total High Intensity Drug Trafficking Agency			-	113,958
TOTAL OFFICE OF NATIONAL DRUG CONTROL			**-**	**113,958**
U.S. DEPARTMENT OF AGRICULTURE:				
Direct Payments:				
USDA Coalition Based Urban Greening	10.727	24-DG-11083150-548	-	1,209,985
Community Compost and Food Waste Reduction Pilot Projects: Richmond Compost Initiative	10.935	USDA-NRCS-NHQ-CCFWR-21	-	1,492
Richmond Grows Gardens	10.935	NR2333A7XXXXC001	-	18,041
Total Direct Payment			-	1,229,518
Passed Through VA Department of Agriculture:				
FY25 USDA	10.935	4098A	-	98,789
Total Urban Agriculture and Innovative Production Grants Program			-	98,789
Passed Through Virginia Department of Education:				
Child Nutrition Cluster:				
Summer Food Service Program	10.559	N/a	-	256,351
Total Child Nutrition Cluster:			-	256,351
Passed Through Virginia Department of Social Services:				
Supplemental Nutrition Assistance Program (SNAP) Cluster:				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	Laser Report	-	6,461,097
Total SNAP Cluster				6,461,097
TOTAL U.S. DEPARTMENT OF AGRICULTURE			**-**	**8,045,755**
U.S. DEPARTMENT OF COMMERCE:				
Direct Payments:				
The Richmond Environment: Students as Teachers in Their Watershed	17.289	23A60CP000087-01-01	-	394,167
Total Direct Payment			-	394,167
TOTAL U.S. DEPARTMENT OF COMMERCE			**-**	**394,167**
U.S. DEPARTMENT OF COMMERCE				
Direct Payments:				
The Richmond Environment: Students as Teachers	11.457	NA21NMF4570487	-	24,860
TOTAL U.S. DEPARTMENT OF COMMERCE			**-**	**24,860**
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Direct Payments:				
Community Development Block Grant Cluster				
Community Development Block Grant Program:				
Entitlement Grants (CDBG)	14.218	B22MC510019	2,427,056	4,110,944
COVID-19 Community Development Block Grant - CV	14.218	B-20-MW-51-0019	176,266	176,266
Total Community Development Block Grant Cluster			2,603,322	4,287,210
Emergency Shelter Grant Program (ESG)	14.231	E-24-MC-51-0019	317,548	324,531
Home Program:				
Home Investment Partnerships Program (HOME)	14.239	M-24-MC-51-0205	212,500	566,287
HOME - ARP Special Fund	14.239	M21-MP510205	-	350
Total Home Investment Partnership Program (HOME)			212,500	566,637
Housing Opportunities for Persons with AIDS (HOPWA)	14.241	E-24-MC-51-0019	1,654,599	1,672,830
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			**4,787,969**	**6,851,208**
U.S. DEPARTMENT OF JUSTICE				
Direct Payments:				
Dementia & Developmental Disabilities	16.015	15PBJA-22-GG-03599-MAPX	-	55,341
Gun Violence Prevention & Intervention Grant	16.045	15PBJA-22-GG-04726-CVIP	-	293,446
BJA State Criminal Alien Assistance Program	16.606	15PBJA-24-RR-06020-SCAA	-	68,176

CITY OF RICHMOND, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2025

Federal Grantor/Pass Through Grantor/Program/Cluster Title	Federal Assistance Listing Number	Pass Through Entity Identifying Number	Passed-Through to Subrecipients	Total Federal Expenditures
U.S. DEPARTMENT OF JUSTICE (CONTINUED)				
Direct Payments (Continued):				
2021 Community Policing Development - "Microgrants"	16.710	15JCOPS-21-GG-02301-SPPS	$ -	39,138
2021 Community Policing Development - DEI	16.710	15JCOPS-22-GG-04514-PPSE	-	7,274
Total Community Policing Development			-	46,412
Richmond Retooled Comprehensive Second Chance				
FY21 2nd Chance Act Re-Entry Grant	16.812	15PBJA-21-GG-04037-SCAX	-	211,775
Total Reentry Program			-	211,775
Byrne JAG Grant PS Program COR Restorative Justice	16.738	15PBJA-21-GG-01941-JAGX	-	9,592
FY19 Edward Byrne Memorial Justice Assistance Grant (JAG) Program	16.738	15BJA-22-GG-02130-JAGX	-	33,956
FY2021 Edward Byrne Justice Assistance Grant (JAG)	16.738	15BJA-23-GG-03889-JAGX	-	86,288
FY22 Edward Byrne Justice Assistance Grant (JAG)	16.738	15BJA-24-GG-05206-JAGX	-	45,740
Total Edward Byrne Justice Assistance Grant (JAG) Program			-	175,576
Passed Through Virginia Department of Criminal Justice Services:				
Victim Witness Services	16.575	25-O1193VW22	-	687,860
Juv. Justice & Delinquency Prevention - Peer Justice	16.540	2018-JX-FX-0016	-	16,571
VA Youth Violence & Substance Use Grant	16.540	521709	-	39,302
VA Youth Violence & Substance Use Grant | Non-Departmental	16.540	521709	-	160,250
Total Juvenile Justice and Delinquency PreventionProgram			-	216,123
DCJS RVA League for Safer Streets	16.609	514154	-	38,804
DCJS BJA JAG Law Enforcement Equipment	16.738	528481	-	56,000
DCJS JAG - Vehicle Cameras Special Fund	16.738	Byrne/JAG DCJS#544418	-	75,000
Passed Through Virginia Office of Attorney General:				
OAG Community-Based Crime Reduction (CBCR)	16.817	N/A	-	12
Passed Through Richmond Behavioral Health Authority:				
CCBHD - RBHA	16.745	N/a	-	76,434
TOTAL U.S. DEPARTMENT OF JUSTICE			**-**	**2,000,959**
U.S. DEPARTMENT OF TRANSPORTATION				
Passed Through Virginia Department of Transportation:				
Highway Planning and Construction (Capital Projects) -	20.205	290-8130 TRAFFIC SAFETY	-	21,198,644
Passed Through Virginia Division of Motor Vehicles:				
Highway Safety Cluster				
Selective Enforcement - Police Traffic Services	20.600	BPT-2024-54051-24051	-	12,256
Selective Enforcement - Traffic	20.600	BPT-2025-55019-25019	-	83,480
Total Highway Safety Cluster			-	95,736
Alcohol Open Container Requirements	20.607	ENF-AL-2024-54198-24198	-	22,895
Alcohol Open Container Requirements	20.607	ENF-AL-2025-55016-25016	-	43,621
Total Alcohol Open Container Requirements			-	66,516
TOTAL U.S. DEPARTMENT OF TRANSPORTATION			**-**	**21,360,896**

CITY OF RICHMOND, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2025

Federal Grantor/Pass Through Grantor/Program/Cluster Title	Federal Assistance Listing Number	Pass Through Entity Identifying Number	Passed-Through to Subrecipients	Total Federal Expenditures
ENVIRONMENTAL PROTECTION AGENCY				
Direct Payment:				
PHMSA-Pipeline & Hazardous Materials Safety Administration (Federal)	20.708	N/a	-	1,205,680
TOTAL ENVIRONMENTAL PROTECTION AGENCY			**-**	**1,205,680**
ENVIRONMENTAL PROTECTION AGENCY:				
Brownfields Coalition Assessment	66.818	96368501-0	$ -	4,780
TOTAL ENVIRONMENTAL PROTECTION AGENCY			**-**	**4,780**
U.S. DEPARTMENT OF ENERGY:				
Direct Payment:				
Energy Efficiency & Conservation Block Grant	81.128	DE-SE0000476	-	249,869
TOTAL U.S. DEPARTMENT OF ENERGY			**-**	**249,869**
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Direct Payments:				
Human Services Integration Grant	93.493	90XP0485-01-00	-	72,772
Total Direct payments			-	72,772
Passed Through Virginia Department of Social Services:				
KinGap	93.090	RSDSS LASER		18,802
IV-E Prevention Services	93.472	RSDSS LASER	-	107,384
Promoting Safe and Stable Families	93.556	RSDSS LASER	-	195,764
Temporary Assistance for Needy Families	93.558	RSDSS LASER	-	3,815,413
Healthy Families Virginia	93.558	FAM-21-083A-25		335,874
2024 VDSS Sole Source Special Funds	93.558	2301VATANF	-	135,135
Refugee and Entrant Assistance State/Replacement Designee Administered Programs	93.566	RSDSS LASER	-	11,883
Low-Income Home Energy Assistance	93.568	RSDSS LASER	-	831,969
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	RSDSS LASER	-	797,025
Child Care Mandatory and Matching Funds of the Child Care and Development Fund Cluster			-	797,025
Chafee Education and Training Vouchers Program (ETV)	93.599	RSDSS LASER	-	22,254
Adoption Incentive	93.603	RSDSS LASER	-	3,303
IVB1 Admin.	93.645	RSDSS LASER	-	14,988
Foster Care Title IV-E RECOVERY	93.658	RSDSS LASER	-	2,449,789
Adoption Assistance RECOVERY	93.659	RSDSS LASER	-	2,970,191
SSBG (Block Grant), Adopt Subs/ SSG (Block Grant) Adult Svc	93.667	RSDSS LASER	-	3,678,333
Social Services Block Grant (Children's Services Act-CSA)	93.667	RSDSS LASER	-	374,676
Independent Living & Admin.	93.674	RSDSS LASER	-	41,159
Local Medicaid -FAM Admin.	93.767	RSDSS LASER	-	47,482
Medical Assistance Program	93.778	RSDSS LASER	-	5,058,938
Medical Assistance Program Cluster			-	5,058,938
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			**-**	**20,910,362**
AMERICORPS (CORPORATION FOR NATIONAL AND COMMUNITY SERVICE) :				
Passed Through Virginia Department of Social Services:				
AmeriCorps - RHOPE	94.006	22AFBVA0010011	-	89,138
AmeriCorps - RHOPE	94.006	22ACBVA001	-	189,804
AmeriCorps - 2025 RVA Health Corps	94.006	22ACBVA001 (PHA)	-	130,594
AmeriCorps - RHOPE	94.006	CVS-22-066-06	-	84,606
Total AmeriCorps			-	494,142
TOTAL AMERICORPS (CORPORATION FOR NATIONAL AND COMMUNITY SERVICE) TOTAL			**-**	**494,142**

CITY OF RICHMOND, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2025

Federal Grantor/Pass Through Grantor/Program/Cluster Title	Federal Assistance Listing Number	Pass Through Entity Identifying Number	Passed-Through to Subrecipients	Total Federal Expenditures
U.S. DEPARTMENT OF HOMELAND SECURITY				
Direct Payments:				
Assistance to Firefighters Grants (AFG)	97.044	EMW-2023-FG-01418	$ -	194,700
FY22 FEMA Fire Prevention and Safety (FP&S) Grant	97.044	EMW-2022-FP-00178	-	338,409
Total Assistance to Firefighters Grant			-	533,109
SAFER Grant - Fire Staffing	97.083	EMW-2021-FF-00797	-	6,349,473
Passed Through Virginia Department of Emergency Management:				
FFY23 LEMPG	97.042	EMP-2023-EP-00006	-	53,815
FFY24 LEMPG	97.042	EMP-2024-EP-05008	-	37,570
FY23 SHSP Vehicle Barrier System	97.067	EMW-2023-SS-0109	-	249,976
FY23 SHSP Mobile Camera Platform	97.067	EMW-2023-SS-00109	-	49,999
Total VDEM Program			-	391,360
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY TOTAL			**-**	**7,273,942**
U.S. DEPARTMENT OF TREASURY:				
Direct Payment:				
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	Various	2,372,841	66,770,243
Passed Through Virginia Department of Environmental Quality:				
COVID-19 Coronavirus State and Local Fiscal Recovery Funds DPU ARPA-Wastewater	21.027	SLFRP1026	-	35,167,147
Passed through Virginia Department of Criminal Justices:				
COVID-19 Coronavirus State and Local Fiscal Recovery Funds DCJS ARPA Law Enforcement Equipment & T	21.027	504678	-	119,944
Total Coronavirus State and Local Fiscal Recovery Funds			2,372,841	102,057,334
TOTAL U.S. DEPARTMENT OF TREASURY			**2,372,841**	**102,057,334**
TOTAL EXPENDITURES OF FEDERAL AWARDS			**7,160,810**	**171,060,684**

NOTE 1 BASIS OF PRESENTATION

Organization

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the primary government of the City of Richmond, Virginia (the City), and is presented on the modified-accrual basis of accounting. Federal awards of component units of the City reporting entity are not included in this Schedule.

The information in this Schedule is also 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). Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in, the preparation of the basic financial statements.

Expenditures of federal award grant funds are made for the purposes specified by the grantor, and are subject to certain restrictions. Expenditures are also subject to audit by the relevant federal agency. In the opinion of management, disallowed costs, if any, from such audits will not have a material effect on this Schedule or the financial position of the City.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the 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. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

NOTE 3 INDIRECT COST

The City did not elect to use the de minimis indirect cost rate as allowed under Uniform Guidance.

CITY OF RICHMOND, VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2025

Section I – Summary of Auditors' Results

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___ none reported
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? ______ yes ___x___ 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)? ______ yes ___x___ no

Identification of Major Federal Programs

CFDA Number(s)	Name of Federal Program or Cluster
21.027	COVID-19 – Coronavirus State and Local Fiscal Recovery Funds
93.558	Temporary Assistance for Needy Families
93.667	Social Services Block Grant
93.778	Medicaid Cluster

Dollar threshold used to determine Type A programs: $3,000,000

Auditee qualified as low-risk auditee? ______ yes ___x___ no

Section II – Financial Statement Findings

2025 – 001 – Restatement of Governmental Activities, Debt Service Fund, and Custodial Fund

Type of Finding: Material Weakness in Internal Control over Financial Reproting

Condition: During our audit of the City of Richmond's fiscal year 2025 Annual Comprehensive Financial Statements, we noted that the City improperly recorded the Public Improvement Bonds, Series 2024 as a liability of the City. The Bonds were also properly reported as a liability of the Economic Development Authority (EDA), a discretely presented component unit of the City.

As a result of recording the Bonds as City obligations, the City's June 30, 2024 financial statements reflected the following misstatements:

- Governmental Activities: Bonds payable and cash and cash equivalents were overstated by $33,745,000, with no impact on net position.
- Debt Service Fund: Cash and cash equivalents, bond proceeds, and fund balance were overstated by $33,745,000.

During fiscal year 2025, management restated the prior-year financial statements to remove the improperly reported bond liability. Management also reclassified the associated cash and cash equivalents from the Debt Service Fund to the Custodial Fund to reflect the City's role as a custodian rather than an obligor for the bond proceeds.

Criteria: Accounting principles generally accepted in the United States (GAAP) require governments to report debt only when they are legally obligated or otherwise financially responsible for repayment. Debt issued by a legally separate entity, such as an Economic Development Authority, should not be reported as a liability of the primary government unless the government is obligated for the debt or has assumed responsibility for repayment. Additionally, fund classification standards require that cash and cash equivalents be reported in the appropriate fund based on the nature of the City's involvement and custodial responsibility.

Effect: Recording the Series 2024 EDA Bonds as a City liability resulted in material overstatements of bonds payable, cash and cash equivalents, bond proceeds, and fund balance in the City's fiscal year 2024 financial statements. Although the error did not impact net position at the government-wide level, it affected the accuracy of the City's reported liabilities and fund balances and reduced the reliability of the financial statements for users. If not identified and corrected, such errors could mislead financial statement users regarding the City's true debt position and fiscal responsibility.

Cause: The improper recording of the Series 2024 EDA Bonds resulted from a misunderstanding of the City's financial reporting responsibilities related to debt arrangements and the distinction between City obligations and component unit obligations. This misunderstanding contributed to the misclassification of both the bond liability and the related cash and cash equivalents in the City's governmental activities and fund financial statements.

Recommendation: We recommend that the City strengthen its internal controls over financial reporting related to debt issuance and fund classification. Specifically, management should:

- Implement formal review procedures to evaluate the accounting and reporting implications of all new debt issuances, including component unit debt, prior to recording transactions in the general ledger.

- Enhance documentation and supervisory review over the classification of bond proceeds and related cash balances to ensure amounts are reported in the appropriate funds.

- Provide targeted training or guidance to finance personnel on governmental accounting standards related to component units, debt, and fiduciary activities.

Views of responsible officials and planned corrective actions: The City acknowledge and agree that there is a need to strengthen our internal controls over financial reporting related to debt issuance and fund classification. By strengthening governance, financial oversight, and accountability, the City will enhance the reliability of its financial reporting and reinforce public trust. Management will implement a monthly supervisory review with documented sign-off.

Finance staff involved in financial reporting will complete targeted governmental accounting training focused on component units, debt obligations, and fiduciary reporting requirements. These actions are intended to enhance the reliability of the City's financial reporting and ensure sustained compliance in future reporting periods.

The City is hiring an outside consultant to conduct an assessment of the year-end audit process to identify issues in our business process flows, internal controls, and standard roles and responsibilities generally used to complete a successful financial close.

Section III – Federal Award Findings and Questioned Costs

Our audit did not disclose any matters required to be reported in accordance with 2 CFR 200.516(a).

Section IV – Schedule of Prior Year Findings

2024-001 - Adjustments to Financial Statements Related to Pension Debt Issuance and Related Contribution

Repeated: See finding 2025-001.