

CITY OF SANTA CLARITA, CALIFORNIA

SINGLE AUDIT REPORT

FOR THE YEAR ENDED JUNE 30, 2017

CITY OF SANTA CLARITA, CALIFORNIA
SINGLE AUDIT REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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Certified Public Accountants

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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

To the Honorable Mayor and Members of the City Council
of the City of Santa Clarita
Santa Clarita, 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 Santa Clarita, California (City), as of and for the year ended June 30, 2017, 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 28, 2017.

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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 determination of financial statement amounts. 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.



Rancho Cucamonga, California
December 28, 2017



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

To the Honorable Mayor and Members of the City Council
of the City of Santa Clarita
Santa Clarita, California

Report on Compliance for Each Major Federal Program

We have audited the City of Santa Clarita, 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, 2017. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated December 28, 2017, 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.



Rancho Cucamonga, California
December 28, 2017

**CITY OF SANTA CLARITA, CALIFORNIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

| <u>Federal grantor / pass-through grantor / program or cluster title</u> | <u>Federal CFDA Number</u> | <u>Pass-Through/ Identification Number</u> | <u>Federal Expenditures</u> | <u>Amount Provided to Subrecipients</u> |
|--|------------------------------------|--|---------------------------------|---|
| U.S. Department of Housing and Urban Development | | | | |
| Direct Assistance: | | | | |
| Community Development Block Grant/Entitlement Grants | 14.218 | B-14-MC-06-0576 | \$ 4,667 | \$ 58 |
| Community Development Block Grant/Entitlement Grants | 14.218 | B-15-MC-06-0576 | 150,145 | 49,034 |
| Community Development Block Grant/Entitlement Grants | 14.218 | B-16-MC-06-0576 | 602,920 | 511,488 |
| Subtotal CDBG Entitlement Grants Cluster | | | <u>757,732</u> | <u>560,580</u> |
| Total U.S. Department of Housing and Urban Development | | | <u>757,732</u> | <u>560,580</u> |
| U.S. Department of Justice | | | | |
| Direct Assistance: | | | | |
| Edward Byrne Memorial Justice Assistance Grant Program | 16.738 | 2014-DJ-BX-0319 | 11,080 | - |
| Edward Byrne Memorial Justice Assistance Grant Program | 16.738 | 2015-DJ-BX-0303 | 3,534 | - |
| Edward Byrne Memorial Justice Assistance Grant Program | 16.738 | 2016-DJ-BX-0408 | 24,677 | - |
| Subtotal Edward Byrne Memorial Justice Assistance Grant Program | | | <u>39,291</u> | <u>-</u> |
| Total U.S. Department of Justice | | | <u>39,291</u> | <u>-</u> |
| U.S. Department of Labor | | | | |
| Workforce Investment Act (WIA) Cluster: | | | | |
| Passed through the Antelope Valley Workforce Development Consortium: | | | | |
| Workforce Investment Act - Adult Program | 17.258 | ADW091001 | 366,753 | - |
| Workforce Investment Act - Dislocated Worker Formula Grants | 17.278 | ADW091001 | 164,936 | - |
| Subtotal WIA Cluster | | | <u>531,689</u> | <u>-</u> |
| Total U.S. Department of Labor | | | <u>531,689</u> | <u>-</u> |
| U.S. Department of Transportation | | | | |
| Passed through the State of California, Transportation Department: | | | | |
| Highway Planning and Construction | 20.205 | HSIPL-5450(085) | 1,495 | - |
| Highway Planning and Construction | 20.205 | BP MPL-5450(086) | 2,929 | - |
| Highway Planning and Construction | 20.205 | BHLS-5405(082) | 906,222 | - |
| Highway Planning and Construction | 20.205 | BHLO-5450(066)/BHLS-5450(008) | 30,780 | - |
| Highway Planning and Construction | 20.205 | HSIPL-5450(084) | 3,997 | - |
| Highway Planning and Construction | 20.205 | CML-5450(083) | 72,667 | - |
| Highway Planning and Construction | 20.205 | STPL-5450(078)/(089) | 875,308 | - |
| Subtotal Highway Planning and Construction Cluster | | | <u>1,893,398</u> | <u>-</u> |

See accompanying notes to Schedule of Expenditures of Federal Awards

**CITY OF SANTA CLARITA, CALIFORNIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

| <u>Federal grantor / pass-through grantor / program or cluster title</u> | <u>Federal CFDA Number</u> | <u>Pass-Through/ Identification Number</u> | <u>Federal Expenditures</u> | <u>Amount Provided to Subrecipients</u> |
|--|------------------------------------|--|---------------------------------|---|
| U.S. Department of Transportation (Continued) | | | | |
| Direct Assistance: | | | | |
| Federal Transit Formula Grants | 20.500 | CA-04-0246-00 | \$ 39,656 | \$ - |
| Federal Transit Formula Grants | 20.507 | CA-90-Y276-01 | 12,114 | - |
| Federal Transit Formula Grants | 20.507 | CA-90-Y276-01 | 42,525 | - |
| Federal Transit Formula Grants | 20.507 | CA-90-Y276-01 | 76,590 | - |
| Federal Transit Formula Grants | 20.507 | CA-90-Y276-01 | 1,203,582 | - |
| Federal Transit Formula Grants | 20.507 | CA-90-Y276-01 | 237,317 | - |
| Federal Transit Formula Grants | 20.507 | CA-90-Y276-01 | 3,848,579 | - |
| Federal Transit Formula Grants | 20.507 | CA-90-Y719-01 | 39,508 | - |
| Federal Transit Formula Grants | 20.507 | CA-90-Y851-01 | 636,831 | - |
| Federal Transit Formula Grants | 20.507 | CA-2016-044-00 | 772,957 | - |
| Federal Transit Formula Grants | 20.507 | CA-2016-051-00 | 262,043 | - |
| Federal Transit Formula Grants | 20.507 | CA-95-X137-01 | 1,556,433 | - |
| Subtotal Federal Transit Cluster | | | <u>8,728,135</u> | <u>-</u> |
| Total U.S. Department of Transportation | | | <u>10,621,533</u> | <u>-</u> |
| U.S. Department of Homeland Security | | | | |
| Direct Assistance: | | | | |
| Pre-Disaster Mitigation | 97.047 | LPDM10-PJ06 2012-1001 | 11,145 | - |
| Total U.S. Department of Homeland Security | | | <u>11,145</u> | <u>-</u> |
| Total Federal Awards | | | <u>\$11,961,390</u> | <u>\$ 560,580</u> |

See accompanying notes to Schedule of Expenditures of Federal Awards

**CITY OF SANTA CLARITA, CALIFORNIA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE #1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. General

The accompanying Schedule of Expenditures of Federal Awards presents the activity of federal award programs of the City of Santa Clarita, California (City). The City's reporting entity is defined in Note 1 of the City's financial statements. All federal awards received directly from federal agencies as well as federal awards passed through from other government agencies are included on the Schedule of Expenditures of Federal Awards.

B. Basis of Accounting

Funds received under the various grant programs have been recorded within the special revenue and enterprise funds of the City. The City utilizes the modified accrual basis of accounting for the special revenue funds, and the accrual basis of accounting for the enterprise funds. Expenditures/expenses are recognized following the cost principles contained within Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (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. The City has elected to use the 10-percent de minimis cost rate as allowed under the Uniform Guidance, when applicable.

C. Relationship to Federal Financial Reports

Amounts reported in the accompanying Schedule of Expenditures of Federal Awards agree with the amounts reported in the related federal financial reports. However, certain federal financial reports are filed based on cash expenditures. As such, certain timing differences may exist in the recognition of revenues and expenditures between the Schedule of Expenditures of Federal Awards and the federal financial reports.

**CITY OF SANTA CLARITA, CALIFORNIA
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

I. SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS

| | |
|--|----------------------|
| Type of auditors' report issued on whether the financial statements audited were prepared in accordance with GAAP: | <u>Unmodified</u> |
| Internal control over financial reporting: | |
| Material Weaknesses identified? | <u>No</u> |
| Significant Deficiencies identified? | <u>None reported</u> |
| Noncompliance material to financial statements noted? | <u>No</u> |

FEDERAL AWARDS

| | |
|--|----------------------|
| Internal control over major federal programs: | |
| Material Weaknesses identified? | <u>No</u> |
| Significant Deficiencies identified? | <u>None reported</u> |
| Type of auditors' report issued on compliance for major federal programs: | <u>Unmodified</u> |
| Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200 section 200.516(a)? | <u>No</u> |
| Identification of major federal programs: | |

| <u>CFDA Number</u> | <u>Name of Federal Program or Cluster</u> |
|------------------------|---|
| <u>14.218</u> | <u>CDBG Entitlement Grants Cluster</u> |
| <u>20.500 / 20.507</u> | <u>Federal Transit Cluster</u> |

| | |
|--|-------------------|
| Dollar threshold used to distinguish between Type A and Type B programs: | <u>\$ 750,000</u> |
| Auditee qualified as low-risk auditee? | <u>No</u> |

**CITY OF SANTA CLARITA, CALIFORNIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

II. FINANCIAL STATEMENT FINDINGS

None noted.

**CITY OF SANTA CLARITA, CALIFORNIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017**

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None noted.

**CITY OF SANTA CLARITA, CALIFORNIA
 SCHEDULE OF PRIOR YEAR AUDIT FINDINGS AND RECOMMENDATIONS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Financial Statement Findings

| Finding No. | Area | Status of Corrective Action |
|-------------|------------------|-----------------------------|
| 2016-001 | Payroll | Implemented |
| 2016-002 | Accounts Payable | Implemented |
| 2016-003 | Journal Entries | Implemented |

Federal Awards Findings

| Finding No. | Program | CFDA No. | Compliance Requirements | Status of Corrective Action |
|-------------|--|----------|-----------------------------------|-----------------------------|
| 2016-004 | Community Development Block Grant (CDBG) | 14.218 | Subrecipients - Risk Assessment | Implemented |
| 2016-005 | Community Development Block Grant (CDBG) | 14.218 | Allowable Costs - Compensation | Implemented |
| 2016-006 | Community Development Block Grant (CDBG) | 14.218 | Cash Management - Cost Principals | Implemented |