

**Measure W Safe Clean Water
Special Revenue Fund
of the City of Santa Clarita**

Santa Clarita, California

**Independent Auditors' Reports
and Statements of Revenues, Expenditures,
and Changes in Fund Balance**

For the Years Ended June 30, 2023, 2022 and 2021

**Measure W Safe Clean Water Special Revenue Fund
of the City of Santa Clarita
For the Years Ended June 30, 2023, 2022 and 2021**

Table of Contents

	<u>Page</u>
Independent Auditors' Reports:	
Report on the Audit of the Financial Statements	1
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>Governmental Auditing Standards</i>	3
Financial Statements:	
Statements of Revenues, Expenditures, and Changes in Fund Balances	7
Notes to the Financial Statements	9
Schedule of Finding and Response	11

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INDEPENDENT AUDITORS' REPORT



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

Report on the Audit of the Financial Statements

Opinion

We have audited the Statements of the Revenues, Expenditures, and Changes in Fund Balances of the Measure W Safe Clean Water Special Revenue Fund (the "Fund") of the City of Santa Clarita, California (the "City") for the years ended June 30, 2023, 2022 and 2021, and the related notes to the financial statements (the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the changes in the Fund's financial position for the years ended June 30, 2023, 2022, and 2021, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States ("*Government Auditing Standards*"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City, and to meet our other ethical responsibilities, in accordance with the 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 audit opinion.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Fund and do not purport to, and do not, present fairly the financial position of the City as of June 30, 2023, 2022 and 2021, the changes in its financial position, or, where applicable, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that is free from material misstatement, whether due to fraud or error.

Auditors' Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. 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 and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, 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 amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2023, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Santa Ana, California
December 21, 2023



**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 Auditors' Report

To the Honorable Mayor and the 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 ("*Government Auditing Standards*"), the Statements of Revenues, Expenditures, and Changes in Fund Balances of the Measure W Safe Clean Water Special Revenue Fund (the "Fund") of the City of Santa Clarita, California (the "City") for the years ended June 30, 2023, 2022 and 2021, and the related notes (the "financial statements"), and have issued our report thereon dated December 21, 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 the Measure W Safe Clean Water Special Revenue Fund's financial reporting ("internal control") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, 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, misstatement 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses as items 2023-001 that we consider to be significant deficiencies.

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Fund's financial statements is 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Finding and Response as items 2023-001.

The City's Response to the 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 Finding and Response. The 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 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.

A handwritten signature in black ink that reads "The PwC Group, LLP". The signature is written in a cursive, flowing style.

Santa Ana, California
December 21, 2023

FINANCIAL STATEMENTS

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**Measure W Safe Clean Water Special Revenue Fund
of the City of Santa Clarita**
Statements of Revenues, Expenditures, and Changes in Fund Balances
For the Years Ended June 30, 2023, 2022 and 2021

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Revenues:			
Municipal program	\$ 3,214,928	\$ 3,208,851	\$ 3,211,394
Regional program	-	1,801,103	-
Investment income (loss)	65,957	(118,812)	24,964
Total revenues	<u>3,280,885</u>	<u>4,891,142</u>	<u>3,236,358</u>
Expenditures:			
Municipal program	2,236,284	879,895	147,482
Total expenditures	<u>2,236,284</u>	<u>879,895</u>	<u>147,482</u>
Net changes in fund balances	<u>1,044,601</u>	<u>4,011,247</u>	<u>3,088,876</u>
Fund Balances:			
Beginning of year	5,513,313	1,502,066	(1,586,810)
End of year	<u>\$ 6,557,914</u>	<u>\$ 5,513,313</u>	<u>\$ 1,502,066</u>

See accompanying Notes to the Statement of Revenues, Expenditures, and Changes in Fund Balances.

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**Measure W Safe Clean Water Special Revenue Fund
of the City of Santa Clarita**
Notes to the Statement of Revenues, Expenditures, and Change in Fund Balance
For the Years Ended June 30, 2023, 2022 and 2021

Note 1 – Summary of Significant Accounting Policies

Reporting Entity

Measure W Safe Clean Water Special Revenue Fund (the “Fund”) of the City of Santa Clarita, California (the “City”) is used to account for the special parcel tax of 2.5 cents per square foot of impermeable surface area on private property in the Los Angeles County Flood Control District (the “District”) that Los Angeles County (the “County”) voters approved in November 2018 to pay for projects, infrastructure, and program to capture, treat, and recycle rainwater.

The Fund’s financial statements and related accounting policies conform with generally accepted accounting principles applicable to governments in the United States of America. The Governmental Accounting Standards Board (“GASB”) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The financial statements present only the Fund and do not purport to, and do not present, the City’s financial position and changes in financial position. The City’s basic financial statements are available from the Finance Department at City’s address and website.

Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Fund is a governmental fund type. Governmental funds are accounted for using a “*current financial resources*” measurement focus. The application of this measurement focus provides that the operating statements of these funds present revenues, expenditures, and change in fund balances.

The modified accrual basis of accounting is used for the Fund. Under the modified accrual basis of accounting, revenues are recognized when they become susceptible to accrual (i.e., both measurable and available). Measurable means that the amount of the transaction can be determined. Available means the funds are collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Expenditures of governmental funds are generally recognized when the related fund liability is incurred.

Note 2 – Safe Clean Water’s Municipal Program

Under the Safe Clean Water’s Municipal Program (the “Municipal Program”), 40% of the tax revenue is allocated to cities as local return with maximum flexibility. The Municipal Program is designed to maximize the ability of local governments to address local Stormwater and Urban Runoff challenges and opportunities. The City used the Municipal Program to fund the construction of Canyon Country Community Center Regional Infiltration Facility, the design of Via Princess Park Regional Infiltration Facility, the trash excluders in storm drains, the design of Regional Infiltration Best Management Practices, and salaries, benefits, and overhead to administer the program. The City incurred expenditures in the amounts of \$2,233,146, \$879,895 and \$147,482 during the years ended June 30, 2023, 2022 and 2021, respectively.

In addition, the Municipal Program allows municipality to use Municipal Program funds to pay for cost and expenses incurred on or after November 6, 2018, related to the continuation of programs implemented or the maintenance of projects implemented prior to November 6, 2018. The City reported expenditures in the amount of \$1,586,810 as of July 1, 2020 for program and project meeting this requirement.

**Measure W Safe Clean Water Special Revenue Fund
of the City of Santa Clarita**

**Notes to the Statement of Revenues, Expenditures, and Change in Fund Balance (Continued)
For the Years Ended June 30, 2023, 2022 and 2021**

Note 3 – Safe Clean Water’s Regional Program

Under the Safe Clean Water’s Regional Program (the “Regional Program”), 50% of the tax revenue is for the implementation of projects and programs that will increase water supply, improve water quality, and provide community enhancements. The City received the Regional Program fund for the Newhall Park Infiltration Infrastructure Project. As of June 30, 2023, the City has not incurred expenditures for the Regional Program.

**Measure W Safe Clean Water Special Revenue Fund
of the City of Santa Clarita
Schedule of Finding and Response
For the Years Ended June 30, 2023, 2022 and 2021**

Finding 2023-001 Measure W Reporting

Criteria:

Los Angeles County Code of Ordinance §18.06B requires each municipality prepare, prior to the start of the municipality's fiscal year, a plan for how SCW Program funds will be used in the ensuing fiscal year. In accordance with Safe, Clean Water Program - Municipal Program Transfer Agreement, Section IV A, the Municipality shall annually prepare and submit to the District, an Annual Plan. The Annual Plan for the 2020-21 Fiscal Year shall be submitted to the District no later than 45-days after the execution of this Agreement by the last party to sign. An Annual Plan for each subsequent Fiscal Year shall be submitted not later than 90-days prior to the start of the Fiscal Year for which the Plan is prepared.

Los Angeles County Code of Ordinance §18.06D requires each municipality prepare and submit an annual report to the Los Angeles County Flood Control District (the "District"), no later than six months after the end of the municipality's fiscal year.

In accordance with Safe, Clean Water Program - Municipal Program Transfer Agreement, Exhibit B – General Terms and Conditions, Section B-30, the Los Angeles County Flood Control District may withhold all or any portion of the SCW program payment for any fiscal year in the event that the Municipality has violate any provision of the Transfer Agreement or fail to submit annual reports on meeting SCW Program goals.

Los Angeles County Code of Ordinance §18.07F requires infrastructure program project developers prepare and submit quarterly progress and expenditures report for the regional program. It also requires submission of annual summary of the quarterly progress and expenditures reports.

In accordance with Safe, Clean Water Program - Regional Program Transfer Agreement, Exhibit B – General Terms and Conditions, Section B-33, the Quarterly Progress/Expenditure Reports are due within 45 days following the end of the calendar quarter and the annually, a summary of the Quarterly Progress/Expenditures Reports within 6 months after the close of the fourth quarter (June 30).

In accordance with Safe, Clean Water Program - Regional Program Transfer Agreement, Exhibit B – General Terms and Conditions, Section B-14, shall the recipient of regional program fail to submit timely Quarterly Progress/Expenditure Reports, the District shall provide a notice of default and give the recipient 10 calendar days or longer to cure the default. If the recipient fails to cure the default within the prescribed time, the District may 1) declare the contribution be immediately repaid, with interest at the rate equal to the State of California general obligation bond interest rate in effect at the time of the default, 2) terminate any obligation to make future payments to the recipient, 3) terminate the agreement, or 4) take any other action that it deems necessary.

**Measure W Safe Clean Water Special Revenue Fund
of the City of Santa Clarita
Schedule of Finding and Response (Continued)
For the Years Ended June 30, 2023, 2022 and 2021**

Finding 2023-001 Measure W Reporting (Continued)

Condition:

During our audit for the three years ended June 30, 2023, we noted the following late reporting.

<u>Required Report</u>	<u>Frequency</u>	<u>Period End</u>	<u>Deadline</u>	<u>Date Submitted</u>
<u>Municipal Program</u>				
Initial Annual Spending Plan	Annual	June 30, 2021	August 9, 2020	August 19, 2020
Subsequent Annual Spending Plan	Annual	June 30, 2023	April 1, 2022	April 11, 2022
Annual Progress/Expenditure Report	Annual	June 30, 2021	December 31, 2021	August 25, 2023
<u>Regional Program</u>				
Quarterly Progress/Expenditures Report	Quarterly	March 31, 2021	May 15, 2021	November 10, 2021
Quarterly Progress/Expenditures Report	Quarterly	June 30, 2021	August 15, 2021	December 2, 2021
Quarterly Progress/Expenditures Report	Quarterly	December 31, 2021	February 15, 2022	February 17, 2022
Quarterly Progress/Expenditures Report	Quarterly	September 30, 2022	November 15, 2022	March 6, 2023
Quarterly Progress/Expenditures Report	Quarterly	December 31, 2022	February 15, 2023	March 6, 2023
Quarterly Progress/Expenditures Report	Quarterly	June 30, 2023	August 15, 2023	August 25, 2023
Annual Progress/Expenditure Report	Annual	June 30, 2021	December 31, 2021	August 1, 2023
Annual Progress/Expenditure Report	Annual	June 30, 2022	December 31, 2022	March 7, 2023

Cause:

The City was unfamiliar with the Municipal Program reporting requirements since the reporting requirements were new in fiscal year 2021. For the Regional Program, there are inadequate monitoring controls to ensure the reports are filed timely.

Effect or Potential Effect:

Without timely submitting the required annual spending plan and the quarterly/annual reports, the City is not in compliance with the SCW Program requirements and could potentially delay the funding.

Recommendation:

We recommend the City develop policies and procedures to ensure timely submission of the annual spending plans and the reports.

View of Responsible Officials:

As a new program in Fiscal Year 2020-2021, the City worked closely with Los Angeles County to prepare and submit the required Measure W spending plans and progress/expenditure reports. For the report submittals that were delayed, City staff maintained regular communication with Los Angeles County staff, working together to ensure accuracy and completeness of the reports prior to their submittals. Procedures have been developed and implemented to ensure timely reporting going forward. Los Angeles County confirmed the City is in compliance with reporting documentation required to date.