



Financial Report
June 30, 2020

City of Santa Clarita, California
Air Quality Improvement
Special Revenue Fund

Air Quality Improvement Fund
(a Special Revenue Fund of the City of Santa Clarita, California)

Table of Contents
June 30, 2020

Independent Auditor’s Report	1
Financial Statements	
Balance Sheet.....	4
Statement of Revenues, Expenditures and Changes in Fund Balance	5
Notes to Financial Statements	6
Required Supplementary Information	
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual	10
Note to Required Supplementary Information.....	11



Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Air Quality Improvement Special Revenue Fund (Fund) of the City of Santa Clarita, California (City) as of and for the year ended June 30, 2020, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility 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; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Fund of the City as of June 30, 2020, and the changes in its financial position for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, 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, 2020, or the changes in financial position for the year 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.

Other Matters*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the schedule of revenues, expenditures, and changes in fund balance – budget and actual and related note as described in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2020 on our consideration of the Fund's internal control over financial reporting and on our tests of the City's 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 the effectiveness of the Fund'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 Fund's internal control over financial reporting and compliance, as it relates to the Fund of the City.

A handwritten signature in cursive script that reads "Eide Sallly LLP".

Rancho Cucamonga, California
December 22, 2020

Air Quality Improvement Fund
(a Special Revenue Fund of the City of Santa Clarita, California)

Balance Sheet
June 30, 2020

Assets		
Pooled cash and investments	\$	548,874
Interest receivable		1,745
Due from South Coast Air Quality Management District		<u>190,259</u>
Total assets	\$	<u><u>740,878</u></u>
Liabilities, deferred Inflows and fund balance		
Liabilities		
Accounts payable and accrued liabilities	\$	<u>9,609</u>
Total Liabilities		<u>9,609</u>
Deferred inflows of resources:		
Unavailable revenues		<u>122,000</u>
Total deferred inflows of resources		<u>122,000</u>
Fund Balance		
Restricted		<u>609,269</u>
Total Fund Balance		<u>609,269</u>
Total liabilities, deferred inflows of resources and fund balance	\$	<u><u>740,878</u></u>

Air Quality Improvement Fund
(a Special Revenue Fund of the City of Santa Clarita, California)
Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended June 30, 2020

Revenues	
Assembly Bill 2766 revenues	\$ 276,639
Investment income	<u>21,639</u>
Total revenues	<u>298,278</u>
Expenditures	
Administrative	5,666
Air quality improvement program	<u>330,140</u>
Total expenditures	<u>335,806</u>
Net change in fund balance	(37,528)
Fund balance, beginning of year	<u>646,797</u>
Fund balance, end of year	<u><u>\$ 609,269</u></u>

Air Quality Improvement Fund
(a Special Revenue Fund of the City of Santa Clarita, California)

Notes to Financial Statements
June 30, 2020

Note 1 - Summary of Significant Accounting Policies

Basis of presentation: The Air Quality Improvement Special Revenue Fund's ("Fund") financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP). The financial statements reflect the financial position and changes in financial position of the Air Quality Improvement Special Revenue Fund (Fund) of the City of Santa Clarita, California ("City") only. The Governmental Accounting Standards Board (GASB) is the acknowledged standard-setting body for establishing accounting and financial reporting standards followed by governmental entities in the United States. The financial statements were prepared from only the accounts of the Fund. Accordingly, the financial statements do not purport to, and do not, present fairly the financial position of the City and changes in financial position thereof for the year then ended in conformity with generally accepted accounting principles in the United States of America.

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity with a self-balancing set of accounts. Monies received under Assembly Bill 2766 (AB 2766) are recorded in the Fund. AB 2766 authorizes the South Coast Air Quality Management District (SCAQMD) to impose an annual vehicle registration fee and to distribute a portion of the collected revenues to all local jurisdictions within the South Coast Air Basin. These revenues are to be used solely to reduce air pollution from motor vehicles by implementing new programs and studies necessary for the implementation of the California Clean Air Act.

Fund financial statements: Governmental fund financial statements include a balance sheet and a statement of revenues, expenditures and changes in fund balance.

The Fund is accounted for on a spending or "current financial resources" measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balance present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period.

Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The primary revenue sources are revenues associated with AB 2766 and interest revenue, which are measurable and considered to be available if they are collected within 90 days of the end of the current fiscal period.

The Fund recognizes assets of non-exchange transactions in the period when the underlying transaction occurs when all eligibility requirements are met. Non-exchange transactions occur when one government provides (or receives) value to (from) another party without receiving (or giving) equal or nearly equal value in return. The AB 2766 revenue is an example of a non-exchange transaction.

Expenditures are recorded in the accounting period in which the related fund liability is incurred.

Pooled cash and investments: The Fund's cash balance was pooled with various other City funds for deposit and investment purposes. The City's treasury is responsible for the cash management of the Fund's cash balance, which pools available cash for investment purposes. The cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturity of three months or less from the date of acquisition. Each City fund owns a share of pooled cash and investments, which are separately maintained, and interest income was apportioned based on its average month-end cash balances to the total of the pooled cash and investments.

Fund balance and spending policy: In the Fund's financial statements, fund balance is classified as follows:

Restricted: Restricted fund balances encompass the portion of net fund resources subject to externally enforceable legal restrictions. This includes externally imposed restrictions by creditors, such as through debt covenants, grantors, contributors, laws or regulations of other governments, as well as restrictions imposed by law through constitutional provisions or enabling legislation. Expenditures as they are incurred are applied against these restricted net resources.

Use of estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities. In addition, estimates affect the reported amount of expenses. Actual results could differ from these estimates and assumptions.

Deferred Inflows of Resources, Unavailable Revenue: Unavailable revenue represents amounts that has been earned but not received within the period of availability. Therefore, this does not provide an available financial resource in the current period, and the recognition is deferred until certain criteria have been met.

Note 2 - Pooled Cash and Investments

The Fund's pooled cash and investments at June 30, 2020 is \$548,874.

The deposit and investment disclosures required by GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, are reported in the annual report of the City. The City's pooled cash and investments are unrated, and average maturity is 30 days or less.

The Fund recognizes its position in the City investment pool at fair value based on information provided by the City. Deposits and withdrawals to the pool are made on the basis of \$1 and not fair value. Accordingly, the inputs used to measure fair value are uncategorized and not defined as Level 1, Level 2, or Level 3. Additional information regarding interest rate risk, concentration of credit risk, custodial credit risk and fair value measurements of the City's pooled cash and investments is presented in the City's Comprehensive Annual Financial Report.

Note 3 - Due from South Coast Air Quality Management District

The South Coast Air Quality Management District (SCAQMD) collects revenues from annual vehicle registration fees and allocates a percentage of the revenues collected to the City. As of June 30, 2020, the Fund's due from SCAQMD balance totaled \$190,259.

Note 4 - Contingencies

The Fund receives monies from the SCAQMD that are subject to review and audit by the SCAQMD. Although such audits could result in disallowed expenditures under terms of the program's guidelines, it is believed that any repayments resulting from disallowances will not be material. Any identified amounts as a result of these audits would be required to be remitted back to the SCAQMD or having future remittances from the SCAQMD deducted accordingly.



Required Supplementary Information
June 30, 2020

City of Santa Clarita, California
Air Quality Improvement
Special Revenue Fund

Air Quality Improvement Fund
(a Special Revenue Fund of the City of Santa Clarita, California)
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual
For the Year Ended June 30, 2020

	Original	Final	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues				
Assembly Bill 2766 revenues	\$ -	\$ 402,929	\$ 276,639	\$ (126,290)
Investment income (loss)	6,000	6,000	21,639	15,639
Total revenues	6,000	408,929	298,278	(110,651)
Expenditures				
Administrative	8,180	8,180	5,666	2,514
Air quality improvement program	27,330	730,653	330,140	400,513
Total Expenditures	35,510	738,833	335,806	403,027
Excess (Deficiency) of Revenues	(29,510)	(329,904)	(37,528)	(513,678)
Net Change in Fund Balance	\$ (29,510)	\$ (329,904)	(37,528)	\$ (513,678)
Fund Balance at Beginning of Year			646,797	
Fund Balance at End of Year			<u>\$ 609,269</u>	

Budgetary Information

Annual budgets are legally adopted on a basis consistent with generally accepted accounting principles in the United States of America for all governmental funds, except that encumbrances are shown in the year incurred for budgetary purposes.

On or before the last day in January of each year, all operational units submit requests for appropriations to the City Manager for budget preparation purposes. The proposed budget is presented to the City Council for review. The City Council holds public hearings, and a final budget must be adopted no later than June 30.

The appropriated budget is prepared by fund, function, and department at the category level. The City reports the following categories: personnel, operating and capital outlay. Additionally, the City separately prepares a capital improvement projects budget. The budgetary control for the Capital Improvement Program is at the program level.

The City's Department Heads, with approval of the City Manager, may make transfers of appropriations within certain line-items within a program, but may not exceed the total appropriated amounts for each category. City Manager may approve transfers that do not change the total appropriated amount within the fund. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the category level. The schedule does not present the legal level of budgetary control, which is at the category level. Refer to the City's CAFR for further information.

Under encumbrance accounting, purchase orders, contracts, and other commitments for expenditures are recorded to reserve that portion of the applicable appropriation. Encumbrance accounting is employed as an extension of formal budgetary accounting. Since encumbrances do not yet constitute expenditures or liabilities, encumbrances outstanding at year-end are classified as restricted fund balance. Unexpended appropriations lapse at year-end.