

CITY OF GOLETA

SINGLE AUDIT REPORT
For the Fiscal Year Ended
June 30, 2021

CITY OF GOLETA
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For the Fiscal Year Ended June 30, 2021

SINGLE AUDIT REPORT

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Moss, Levy & Hartzheim LLP

Certified Public Accountants

**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***

City Council
City of Goleta
Goleta, 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, business-type activities, each major fund, and the aggregate remaining fund information of City of Goleta (the City), as of and for the fiscal year ended June 30, 2021, 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 24, 2022.

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.

Moss, Levy & Halperin LLP

Santa Maria, California
February 24, 2022

CITY OF GOLETA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FISCAL YEAR ENDED JUNE 30, 2021

	Federal Catalog Number	Identifying Number	Amount
<u>U.S. Department of Housing and Community Development</u>			
Direct Assistance:			
Community Development Block Grant	14.218	B-09-MC-06-0597	\$ 294,381
Total CDBG - Entitlement Grants			<u>294,381</u>
Total U.S. Department of Housing and Community Development			<u>294,381</u>
<u>U.S. Department of Transportation</u>			
Passed through the State of California Department of Transportation:			
Highway Planning and Construction			
Highways and Bridge Projects *	20.205	BPMPL-5481 (009)	2,335,868
Federal-Aid Highway Program *	20.205	HSIPL-5481 (019)	195,269
Total Highway Planning and Construction *			<u>2,531,137</u>
Surface Transportation			
Transportation Investment Generating Economic Recovery	20.932	TGR2 5481 (018)	27,645
Total Surface Transportation			<u>27,645</u>
Total passed through the California Department of Transportation			<u>2,558,782</u>
Passed through the State of California Office of Traffic Safety:			
State and Community Highway Safety Planning Grant	20.600	PS21045	4,332
Total passed through the California Office of Traffic Safety			<u>4,332</u>
Total U.S. Department of Transportation			<u>2,563,114</u>
<u>U.S. Department of the Treasury</u>			
Passed through the State of California:			
Coronavirus Relief Fund - CARES Act	21.019	Not available	397,862
Total passed through the State of California			<u>397,862</u>
Total U.S. Department of the Treasury			<u>397,862</u>
Total Expenditures of Federal Awards			<u>\$ 3,255,357</u>

* Denotes major program

The note to the schedule of expenditures of federal awards is an integral part of this statement.

CITY OF GOLETA
NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2021

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Goleta and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the *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. The City has not elected to use the ten percent de minimus cost rate as covered in Section 200.414 Indirect (F&A) costs of the Uniform Guidance.



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

City Council
City of Goleta
Goleta, California

Report on Compliance for Each Major Federal Program

We have audited City of Goleta's (the 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 fiscal year ended June 30, 2021. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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 of Goleta, 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 fiscal year ended June 30, 2021.

Report on Internal Control Over Compliance

Management of the City of Goleta 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 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. We did identify one significant deficiency in internal controls over compliance as noted in Finding 2021-001.

City of Goleta's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. City of Goleta's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 Expenditure of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Goleta, as of and for the fiscal year ended June 30, 2021, and the related notes to the financial statements which collectively comprise the City of Goleta's basic financial statements. We issued our report thereon February 24, 2022, which contained an unmodified opinion 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 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.

Moss, Remy & Hartzheim LLP

Santa Maria, California
February 24, 2022

FINDINGS AND RECOMMENDATIONS

CITY OF GOLETA
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2021

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued Unmodified

Internal control over financial reporting:
Material weaknesses identified? _____ Yes X No

Significant deficiencies identified not considered
to be material weaknesses? _____ Yes X None reported

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs:
Material weaknesses identified? _____ Yes X No

Significant deficiencies identified not considered
to be material weaknesses? X Yes _____ None reported

Type of auditors’ report issued on compliance for major
programs: Unmodified

Any audit findings disclosed that are required to be
reported in accordance with the Uniform Guidance,
Section 200.516? _____ Yes X No

Identification of major programs:

CFDA Number(s) Name of Federal Program
20.205 Highway Planning and Construction Grant

Dollar threshold used to distinguish between Type A
and Type B programs: \$ 750,000

Auditee qualify as low-risk auditee: _____ Yes X No

CITY OF GOLETA
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2021

Financial Statement Findings:

There were no financial statement findings.

CITY OF GOLETA
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2021

Federal Award Findings and Questioned Costs:

FINDING 2021-001
HIGHWAY PLANNING AND CONSTRUCTION (CFDA #20.205)
EQUIPMENT AND REAL PROPERTY MANAGEMENT

Criteria:

Per 2 CFR section 200.313(d)(1), property records must be maintained that include a description of the property, a serial number or other identification number, the source of funding for the property (including the federal award identification number), who holds title, the acquisition date, cost of the property, percentage of federal participation in the project costs for the federal award under which the property was acquired, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sales price of the property.

Condition:

During our examination of real property purchased with the federal funds, we noted that the City did not include the required information in the capital asset depreciation schedule nor in any supplemental schedules.

Effect:

Without tracking the property records as required in the criteria listed above, the risk of non-compliance with Federal regulations is elevated if the property is later sold.

Cause:

The City did not have a procedure established to track the property records for equipment or real property purchased with Federal funding.

Identification as a Repeat Finding, if Applicable:

Not a repeat finding.

Recommendation:

The City should establish a formal procedure to either on the depreciation schedule or on another supplement schedule list and track the property records. The listing of the property records including the federally funded portion of the property must be clearly recorded and noted on the City's formal depreciation schedules so that if the property was even sold, the appropriate portion of net property sales could be returned to the federal agency.

City's Corrective Action Plan:

See City response on the following page.



August 26, 2022

CITY COUNCIL

Paula Perotte
Mayor

Stuart Kasdin
Mayor Pro Tempore

Roger S. Aceves
Councilmember

James Kyriaco
Councilmember

Kyle Richards
Councilmember

CITY MANAGER
Michelle Greene

Adam Guise
Moss, Levy, Hartzheim LLP
2400 Professional Parkway, Ste 205
Santa Maria, CA 93455

RE: FY 2020/21 Single Audit Corrective Action Plan

Dear Mr. Guise,

FINDING 2021-001

Management's or Department's Response:
We concur.

Views of Responsible Officials and Corrective Action Plan:

The City agrees that the absence of a procedure established in the capital asset schedule to track property records for equipment or real property purchased with federal funding poses an elevated risk of non-compliance with federal regulations if the property is later sold. The City will update its formal procedures and include the additional information in the City's capital asset schedule for both current property and future property. The additional information for the property records will include a description of the property, a serial number or other identification number, the source of funding for the property (including the federal award identification number), who holds title, the acquisition date, cost of the property, location and use of the property, condition of the property and the percentage of the federally funded portion of the property.

Planned Implementation Date: October 31, 2022

Name of Responsible Persons: Brenda Robinson, Accountant, Tony Gonzalez, Accounting Manager and Luke Rioux, Finance Director

Sincerely,

Luke Rioux
Finance Director

CITY OF GOLETA
SUMMARY OF PRIOR FISCAL YEAR AUDIT FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2021

Financial Statement Findings:

There were no prior fiscal year financial statement findings.

CITY OF GOLETA
SUMMARY OF PRIOR FISCAL YEAR AUDIT FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2021

Federal Award Findings and Questioned Costs:

There were no prior fiscal year federal award findings or questioned costs.