

CITY OF SAN FERNANDO

**Single Audit Report on
Federal Award Programs**

June 30, 2017

CITY OF SAN FERNANDO
SINGLE AUDIT REPORT ON FEDERAL AWARD PROGRAMS
Year Ended June 30, 2017

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**Independent Auditor's 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 San Fernando
San Fernando, 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 the City of San Fernando (City) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the basic financial statements of the City, and have issued our report thereon dated December 21, 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 opinion 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 and therefore, material weaknesses may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we considered to be material weakness. However, material weakness 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 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.

Van Lant + Fankhanel, LLP

December 21, 2017



**Independent Auditor's 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**

City Council
City of San Fernando
San Fernando, California

Report on Compliance for Each Major Federal Program

We have audited the City of San Fernando's 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 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.

Auditor's 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 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 San Fernando 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.

Report on Schedule of Expenditures 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 San Fernando, 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 21, 2017, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming an opinion 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 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.

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.

Van Lant & Fankhaenel, LLP

March 13, 2018

CITY OF SAN FERNANDO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(SUPPLEMENTARY INFORMATION)
Year Ended June 30, 2017

| Federal Grantor/ Pass-through Grantor/Program Title | Federal Domestic Assistance Number | Program Identification Number | Program Expenditures |
|--|---|-------------------------------------|-------------------------|
| <u>U.S. Department of Housing and Urban Development</u> | | | |
| <i>Passed through the County of Los Angeles Community Development Commission:</i> | | | |
| Community Development Block Grant | | | |
| Street Overlay and Improvements Project | 14.218 | 601716-15 | \$ 194,000 |
| Alexander St. Overlay Project | 14.218 | 601819-16 | 266,923 |
| Total | | | <u>460,923*</u> |
| <u>U.S. Department of Justice</u> | | | |
| <i>Direct Assistance:</i> | | | |
| Public Safety Partnership and Community Policing Grant | 16.710 | 2015UMWX0006 | 18,023 |
| Total | | | <u>18,023</u> |
| <u>U.S. Department of Transportation</u> | | | |
| <i>Passed through the California Department of Transportation:</i> | | | |
| State Planning and Research | 20.505 | 74A0882 | 128,331 |
| Federal Transit Capital Investment Grant | 20.500 | CA-04-0088-00 | 80,424 |
| Highway Planning and Construction | 20.205 | HSIPL 5252 (017) | 51,181 |
| Total | | | <u>259,936</u> |
| <u>U.S. Department of Health and Human Services</u> | | | |
| <i>Passed through the County of Los Angeles Community and Senior Citizens Service:</i> | | | |
| Special Program for the Aging, Title III – Part B | 93.044 | AAA-ENP-1216-013 | 29 |
| Special Program for the Aging, Title III – Part CI | 93.045 | AAA-ENP-1216-013 | 47,519 |
| Special Program for the Aging, Title III – Part CII | 93.045 | AAA-ENP-1216-013 | 33,094 |
| Nutrition Services Incentive Program – Part CI | 93.053 | AAA-ENP-1216-013 | 5,402 |
| Nutrition Services Incentive Program – Part CII | 93.053 | AAA-ENP-1216-013 | 3,497 |
| Total | | | <u>89,541</u> |

CITY OF SAN FERNANDO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - Continued
(SUPPLEMENTARY INFORMATION)
Year Ended June 30, 2017

| Federal Grantor/ Pass-through Grantor/Program Title | Federal Domestic Assistance Number | Program Identification Number | Program Expenditures |
|---|---|-------------------------------------|-------------------------|
| <u>National Endowment for the Arts</u> | | | |
| <i>Direct Assistance:</i> | | | |
| Promotion of the Arts Grant to Organizations and Individuals | 45.024 | 15-5100-7056 | \$ 16,646 |
| Promotion of the Arts Grant to Organizations and Individuals | 45.024 | 12-5100-7024 | <u>37,090</u> |
| Total | | | <u>53,736</u> |
| Total Federal Financial Assistance | | | <u>\$ 882,159</u> |

*Major Program

CITY OF SAN FERNANDO
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2017

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES APPLICABLE TO THE SCHEDULE OF FEDERAL AWARDS

A) Scope of Presentation

The accompanying schedule presents only the expenditures incurred (and related awards received) by the City of San Fernando that are reimbursable under programs of federal agencies providing financial assistance. For the purpose of this schedule, financial assistance includes both federal financial assistance received directly from a federal agency, as well as federal funds received from pass-through entities by the City of San Fernando. Only the portion of program expenditures reimbursable with such federal funds is reported in the accompanying schedule. Program expenditures in excess of the maximum federal reimbursement authorized or the portion of the program expenditures that were funded with the state, local or other non-federal funds are excluded from the accompanying schedule.

B) Basis of Accounting

The expenditures included in the accompanying schedule were reported on the modified accrual basis of accounting. Under the modified accrual basis of accounting, expenditures are incurred when the City of San Fernando becomes obligated for payment as a result of the receipt of the related goods and services. Expenditures reported include any property or equipment acquisitions incurred under the federal program. The City did not elect to use the 10% de minimis cost rate as covered in Section 200.414 Indirect (F & A) costs.

C) Major Programs

The City had a major program for the year ended June 30, 2017, consisting of the Community Development Block Grant, which had total disbursements of \$460,923. This amount calculates to 52.2% of the total disbursements from federal awards.

CITY OF SAN FERNANDO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2017

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

| | |
|--|------------|
| Type of Auditors’ Report Issued: | Unmodified |
| Internal Control Over Financial Reporting: | |
| Material Weakness(es) Identified? | No |
| Significant Deficiencies Identified not Considered to be Material Weaknesses? | No |
| Noncompliance Material to Financial Statements Noted? | No |

Federal Awards

| | |
|---|------------|
| Internal Control Over Major Programs: | |
| Material Weakness(es) Identified? | No |
| Significant Deficiencies Identified not Considered to be Material Weaknesses? | No |
| Type of Auditors’ Report Issued on Compliance for Major Programs: | Unmodified |
| Any Audit Findings Disclosed that are Required to be Reported in Accordance With Uniform Guidance? | No |

Identification of Major Programs:

| CFDA Numbers | Name of Federal Program or Cluster |
|--------------|---|
| 14.218 | U.S. Department of Housing and Urban Development Community Development Block Grant |

| | |
|---|-------------------|
| Dollar Threshold used to Distinguish Between Type A And Type B Programs: | \$ <u>750,000</u> |
|---|-------------------|

| | |
|--|----|
| Auditee Qualified as Low-Risk Auditee? | No |
|--|----|

CITY OF SAN FERNANDO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2017

SECTION II – FINANCIAL STATEMENT FINDINGS

There were no auditor's findings to be reported in accordance with *Government Auditing Standards*.

CITY OF SAN FERNANDO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2017

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no auditor's findings to be reported in accordance with the *Uniform Guidance*.

CITY OF SAN FERNANDO
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2017

SECTION II – FINANCIAL STATEMENT FINDINGS

There were no auditor's findings to be reported in accordance with *Government Auditing Standards*.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no auditor's findings to be reported in accordance with the *Uniform Guidance*.