

CITY OF SANTA ROSA

Single Audit Reports

For the Year Ended June 30, 2017



Certified
Public
Accountants

Attachment 3
CITY OF SANTA ROSA

**Single Audit Reports
For the 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 on Financial
Statements Performed in Accordance with *Government Auditing Standards***

City Council of the City of Santa Rosa
Santa Rosa, 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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Santa Rosa, 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 March 29, 2018.

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.

Macias Gini & O'Connell LLP

Walnut Creek, California
March 29, 2018



**Independent Auditor's Report on Compliance for Each Major Federal Program;
Report on Internal Control Over Compliance; and Report on Schedule of
Expenditures of Federal Awards Required by the Uniform Guidance**

City Council of the City of Santa Rosa
Santa Rosa, California

Report on Compliance for Each Major Federal Program

We have audited the City of Santa Rosa, 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 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 the 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 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 a 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 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, the discretely presented component unit, 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 March 29, 2018 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 City's 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.

Macias Gini & O'Connell LLP

Walnut Creek, California
March 29, 2018

Attachment 3
CITY OF SANTA ROSA
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2017

Federal Grantor/Pass-Through Entity/Program Title	Federal CFDA No.	Grant / Pass-Through Entity's Identifying Number	Federal Expenditures	Passed Through to Subrecipients
U.S. Department of Housing and Urban Development:				
<u>Direct Programs</u>				
Community Development Block Grants/Entitlement Grants	14.218	B-16-MC-06-0025	\$ 465,292	\$ 198,980
Home Investment Partnerships Program	14.239	M-12-MC-06-0219	193,778	193,778
Home Investment Partnerships Program	14.239	M-13-MC-06-0219	384,817	384,817
Home Investment Partnerships Program	14.239	M-14-MC-06-0219	412,058	412,058
Home Investment Partnerships Program	14.239	M-15-MC-06-0219	112,622	112,622
Home Investment Partnerships Program	14.239	M-16-MC-06-0219	119,237	74,552
Total Home Investment Partnerships Program			1,222,512	1,177,827
Housing for Persons with AIDS	14.241	CAHI6F012	391,313	384,928
Lower Income Housing Assistance Program Section 8 Moderate Rehabilitation	14.856	CA088MR0002	106,900	-
Section 8 Housing Choice Vouchers	14.871	CA088	21,537,700	-
Total U.S. Department of Housing and Urban Development			23,723,717	1,761,735
U.S. Department of Justice:				
<u>Direct Programs</u>				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2013-DJ-BX-0359	29,844	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2014-DJ-BX-0321	37,463	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2015-DJ-BX-0168	45,802	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2016-DJ-BX-0273	37,994	-
Total Edward Byrne Memorial Justice Assistance Grant Program			151,103	-
<u>Passed through the California Office of Emergency Services and YWCA</u>				
Crime Victim Assistance	16.575	Not Available	8,628	-
Total U.S. Department of Justice			159,731	-
U.S. Department of Transportation:				
<u>Direct Program</u>				
Federal Transit Formula Grants	20.507	CA-2016-124	4,474	-
Federal Transit Formula Grants	20.507	CA-2017-060	2,218,872	-
Federal Transit Formula Grants	20.507	CA-90-Z126	55,861	-
Federal Transit Formula Grants	20.507	CA-2017-0007	156,390	-
Total Federal Transit Formula Grants			2,435,597	-
<u>Passed through the State Department of Transportation</u>				
Highway Planning and Construction	20.205	CML-5028(072)	437,380	-
Highway Planning and Construction	20.205	HSIPL-5028(073)	45,060	-
Highway Planning and Construction	20.205	STPL-5028(064)	12,291	-
Highway Planning and Construction	20.205	STPL-5028(075)	34,184	-
Total Highway Planning and Construction			528,915	-
<u>Passed through the State Office of Traffic Safety</u>				
State and Community Highway Safety	20.600	PT16142	50,061	-
State and Community Highway Safety	20.600	PT17122	205,268	-
Total State and Community Highway Safety			255,329	-
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	AL1627	86,964	-
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	15C061048	5,062	-
Total Minimum Penalties for Repeat Offenders for Driving While Intoxicated			92,026	-
<u>Passed through the Metropolitan Transportation Commission</u>				
Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research	20.505	SRTP	30,000	-
Total U.S. Department of Transportation			3,341,867	-
Total Expenditures of Federal Awards			\$ 27,225,315	\$ 1,761,735

See accompanying notes to the schedule of expenditures of federal awards.

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CITY OF SANTA ROSA

Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2017

NOTE 1 – REPORTING ENTITY

The City of Santa Rosa, California (City), for purposes of the schedule of expenditures of federal awards (Schedule), includes all the funds of the primary government as defined by GASB Statement No. 14, *The Financial Reporting Entity* as amended by GASB Statement No. 61, *The Financial Reporting Entity: Omnibus, An Amendment of GASB Statements No. 14 and No. 34*. It also includes the Housing Authority of the City of Santa Rosa, a discretely presented component unit of the City.

NOTE 2 – BASIS OF PRESENTATION

The Schedule is presented using the modified accrual basis of accounting for program expenditures accounted for in the governmental funds and the accrual basis of accounting for program expenses accounted for in the proprietary funds, as described in Note 2 to the City's basic financial statements.

NOTE 3 – RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

Federal award expenditures agree to or can be reconciled with amounts reported in the City's basic financial statements.

NOTE 4 – RELATIONSHIP TO FEDERAL FINANCIAL REPORTS

Amounts reported in the Schedule agree to or can be reconciled with amounts reported in the related federal financial reports.

NOTE 5 – INDIRECT COSTS

The City did not elect to use the 10% de minimis cost rate as covered in 2 CFR Section 200.414 Indirect (F&A) costs.

Attachment 3
CITY OF SANTA ROSA

Schedule of Findings and Questioned Costs
 For the Year Ended June 30, 2017

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued on whether the financial statements audited were prepared in accordance with accounting principles generally accepted in the United States of America:	Unmodified
Internal control over financial reporting:	
• Material weaknesses identified?	No
• Significant deficiencies identified?	None reported
Noncompliance material to the financial statements noted?	No

Federal Awards

Internal control over major federal programs:	
• Material weaknesses identified?	No
• Significant deficiencies identified?	None reported
Type of auditor’s report issued on compliance for major programs:	Unmodified
Any audit findings required to be reported in accordance with 2 CFR 200.516(a)?	No

Identification of major federal programs:

Name of Major Federal Program or Cluster	CFDA Number
Home Investment Partnerships Program	14.239
Section 8 Housing Choice Vouchers	14.871

Dollar threshold used to distinguish between type A and type B programs:	\$816,759
Auditee qualified as a low-risk auditee?	Yes

Section II – Financial Statement Findings

No current year findings are reported.

Section III – Federal Award Findings and Questioned Costs

No current year findings are reported.



Summary Schedule of Prior Audit Findings and Corrective Action Plan

There were no financial statements nor federal award findings for the year ended June 30, 2016.