

CITY OF SANTA BARBARA, CALIFORNIA
SINGLE AUDIT OF FEDERALLY ASSISTED
GRANT PROGRAMS

JUNE 30, 2024



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**CITY OF SANTA BARBARA
TABLE OF CONTENTS
JUNE 30, 2024**

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 <i>GOVERNMENT AUDITING STANDARDS</i>	1
INDEPENDENT AUDITORS' 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	3
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	7
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	9
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	10
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS	12



**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**

Honorable Mayor and
Members of the City Council
of the City of Santa Barbara
Santa Barbara, 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, each major fund, and the aggregate remaining fund information of the City of Santa Barbara, California (the City), as of and for the year ended June 30, 2024, 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 7, 2025.

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 financial reporting (internal control) as a basis for designing 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 City'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 or significant deficiencies may exist that were not identified.

Honorable Mayor and
Members of the City Council
of the City of Santa Barbara

Report on 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 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 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.



CliftonLarsonAllen LLP

Irvine, California
March 7, 2025



**INDEPENDENT AUDITORS' 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**

Honorable Mayor and
Members of the City Council
of the City of Santa Barbara
Santa Barbara, California

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Santa Barbara's (the City) compliance with the types of compliance requirements identified as subject to audit 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, 2024. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City complied, in all material respects, with the 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, 2024.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

Honorable Mayor and
Members of the City Council
of the City of Santa Barbara

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the City's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal program as a whole.

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

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, 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 City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Honorable Mayor and
Members of the City Council
of the City of Santa Barbara

Report on 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 Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We have issued our report thereon, dated March 7, 2025, which contained unmodified opinions on those financial statement. 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.

Honorable Mayor and
Members of the City Council
of the City of Santa Barbara

The information has been subjected to the auditing procedures applied in the audit of the basic 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.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Irvine, California
June 18, 2025

**CITY OF SANTA BARBARA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2024**

Federal Grantor / Pass - Through Grantor / Program / Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Total Federal Expenditures	Passed Through to Subrecipients
<u>U.S. Department of Agriculture</u>				
Passed through the California Fire Safe Council:				
Cooperative Forestry Assistance	10.664	21 SFA 356597	\$ 4,487	\$ -
Passed through the Natural Resources				
Conservation Service	10.923	NR249104XXXXC001	143,584	-
Total U.S. Department of Agriculture			<u>148,071</u>	<u>-</u>
<u>U.S. Department of Housing and Urban Development</u>				
Direct Programs:				
Community Development Block Grant - Entitlement Grants Cluster:				
Community Development Block Grant	14.218	N/A	1,021,792	259,887
Community Development Block Grant - Entitlement Grants Cluster:				
Program Income	14.218	N/A	538,806	537,843
Subtotal Community Development Block Grants - Entitlement Grants Cluster			<u>1,560,598</u>	<u>797,730</u>
HOME Investment Partnerships Program				
Program Income	14.239	N/A	701,264	648,149
Subtotal HOME Investment Partnerships Program	14.239	N/A	<u>1,125,878</u>	<u>1,125,878</u>
Total U.S. Department of Housing and Urban Development			<u>1,827,142</u>	<u>1,774,027</u>
			<u>3,387,740</u>	<u>2,571,757</u>
<u>U.S. Dept of the Interior</u>				
Direct Program:				
Water SMART Grants	15.507	N/A	92,034	-
Direct Program:				
Reclamation States Emergency Drought Relief	15.514	N/A	1,142,197	-
Passed Through California Department of Parks and Recreation:				
Historic Preservation Fund Grants-In-Aid	15.904	P21AF10887	3,000	-
Total U.S. Dept of the Interior			<u>1,237,231</u>	<u>-</u>
<u>U.S. Department of Justice</u>				
Direct Programs:				
Bulletproof Vest Partnership Program	16.607	N/A	7,745	-
Total U.S. Department of Justice			<u>7,745</u>	<u>-</u>
<u>U.S. Department of Transportation</u>				
Direct Programs:				
Airport Improvement Program	20.106	N/A	5,962,306	437,036
Subtotal Airport Improvement Program			<u>5,962,306</u>	<u>437,036</u>
Passed-through State of California Department of Transportation:				
Highway Planning and Construction Cluster:				
Highway Planning and Construction	20.205	BRLO-5007(063)	28,226	-
Highway Planning and Construction	20.205	BRLS-5007(071)	170,949	-
Highway Planning and Construction	20.205	HSIPL-5007(090)	79,408	-
Highway Planning and Construction	20.205	BPMPL-5007(075)	4,869	-
Highway Planning and Construction	20.205	BRLS-5007(082)	199,573	-
Highway Planning and Construction	20.205	BRLS-5007(091)	2,665	-
Highway Planning and Construction	20.205	BRLS-5007(098)	20,499	-
Subtotal Highway Planning and Construction Cluster			<u>506,189</u>	<u>-</u>

See notes to Schedule of Expenditures of Federal Awards.

**CITY OF SANTA BARBARA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2024**

Federal Grantor / Pass-Through Grantor / Program	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Total Federal Expenditures	Passed Through to Subrecipients
<u>Passed-through State of California Office of Traffic Safety:</u>				
Highway Safety Cluster:				
State and Community Highway Safety	20.600	PT24186	\$ 38,421	\$ -
State and Community Highway Safety	20.600	PT23068	26,532	-
Subtotal Highway Safety Cluster			<u>64,953</u>	-
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	PT24186	54,462	-
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	PT23068	12,897	-
Subtotal Minimum Penalties for Repeat Offenders for Driving While Intoxicated			<u>67,359</u>	-
Total U.S. Department of Transportation			6,600,807	437,036
<u>U.S. Department of the Treasury</u>				
Passed-through State of California:				
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	N/A	1,426,559	-
Direct Programs:				
Coronavirus State and Local Fiscal Recovery Funds	21.027	N/A	2,841,067	-
Total U.S. Department of the Treasury			<u>4,267,626</u>	-
<u>National Endowment for the Humanities</u>				
Passed through California Humanities:				
Promotion of the Humanities Federal/State Partnership	45.129	SO-289878-23	300	-
Total Institute for Museum and Library Services			<u>300</u>	-
<u>U.S. Department of Health and Human Services</u>				
Passed through the Family Services Agency				
Healthy Marriage Promotion and Responsible Fatherhood Grants	93.086	90ZB0001/90ZJ0024	5,263	-
Total U.S. Department of Health and Human Services			<u>5,263</u>	-
<u>U.S. Department of Homeland Security</u>				
Passed through the State of California Governor's Office of Emergency Services:				
Disaster Grants - Public Assistance	97.036	FEMA-4308-DR-CA	103,692	-
Disaster Grants - Public Assistance	97.036	FEMA-4482-DR-CA	526,203	-
Disaster Grants - Public Assistance	97.036	FEMA-4699-DR-CA	9,478	-
Disaster Grants - Public Assistance	97.036	FEMA-4683-DR-CA	1,338,540	-
Hazard Mitigation Grant Program	97.039	FEMA-4305-DR-CA	138,378	-
Hazard Mitigation Grant Program	97.039	FEMA-4344-DR-CA	219,617	-
Passed through the State of California Governor's Office of Emergency Services:				
Homeland Security Grant Program	97.067	HSGP 2019-0035	33,089	-
Total U.S. Department of Homeland Security			<u>2,368,997</u>	-
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 18,023,780</u>	<u>\$ 3,008,793</u>

See notes to Schedule of Expenditures of Federal Awards.

CITY OF SANTA BARBARA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2024

NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the City of Santa Barbara (the City) under programs of the federal government as well as federal financial assistance passed through other government agencies for the year ended June 30, 2024. The information in this Schedule is presented in accordance with the 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). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial statements of the City. The City's reporting entity is defined in Note 1 of the notes to the City's financial statements.

NOTE 2 BASIS OF ACCOUNTING

The accompanying Schedule is presented using the modified accrual basis of accounting for governmental funds and the accrual basis for proprietary funds, which is described in the Note 1 of the notes to the City's financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance for all awards. The information in the SEFA is presented in accordance with the requirements of the Uniform Guidance. Therefore, some amounts presented in the SEFA may differ from amounts presented in, or used in the preparation of, the basic financial statements. Pass-through entity identifying numbers are identified where available.

NOTE 3 INDIRECT COST RATE

The City has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 4 CONTINGENCIES

Under the terms of federal and state grants, additional audits may be requested by the grantor agencies and certain costs may be questioned as not being appropriate expenditures under the terms of the grants. Such audits could lead to a request for reimbursement to the grantor agencies.

**CITY OF SANTA BARBARA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2024**

Section I – Summary of Auditors’ Results

Financial Statements

- | | | |
|--|------------|------------------------------|
| 1. Type of auditors’ report issued: | Unmodified | |
| 2. Internal control over financial reporting: | | |
| • Material weakness(es) identified? | _____ yes | _____ <u>x</u> no |
| • Significant deficiency(ies) identified? | _____ yes | _____ <u>x</u> none reported |
| 3. Noncompliance material to financial statements noted? | _____ yes | _____ <u>x</u> no |

Federal Awards

- | | | |
|---|------------|------------------------------|
| 1. Internal control over major federal programs: | | |
| • Material weakness(es) identified? | _____ yes | _____ <u>x</u> no |
| • Significant deficiency(ies) identified? | _____ yes | _____ <u>x</u> none reported |
| 2. Type of auditors’ report issued on compliance for major federal programs: | Unmodified | |
| 3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? | _____ yes | _____ <u>x</u> no |

Identification of Major Federal Programs

Assistance Listing Number(s)	Name of Federal Program or Cluster
14.218	Community Development Block Grant
21.027	COVID-19 - Coronavirus State and Local Recovery Funds
97.036	Disaster Grants - Public Assistance
97.039	Hazard Mitigation Grant Program

Dollar threshold used to distinguish between Type A and Type B programs:

\$ 750,000

Auditee qualified as low-risk auditee?	_____ yes	_____ <u>x</u> no
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**CITY OF SANTA BARBARA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2024**

Section II – Financial Statement Findings

Our audit did not disclose any matters required to be reported in accordance with *Government Auditing Standards*.

Section III – Findings and Questioned Costs – Major Federal Programs

Our audit did not disclose any matters required to be reported in accordance with 2 CFR 200.516(a).

**CITY OF SANTA BARBARA
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2024**

Section I – Financial Statement Findings

2023-001 – Revenue Recognition – Material Weakness

Condition: During the City’s internal audit process, several revenues were identified to be improperly accrued to the incorrect fiscal year in the Waterfront and Airport Funds (Enterprise Funds). In addition, it was identified that settlement revenue was recorded in the Water Fund in fiscal year 2021-2022; however, the revenue should have been recorded in an Other Governmental Fund.

Status: Corrected.

Section II – Findings and Questioned Costs – Major Federal Programs

None noted.



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