

# City of Santa Clarita, California

Compliance Report  
Year Ended June 30, 2015

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**City of Santa Clarita, California**

**Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2015**

Federal Agency/Grant Name	Federal CFDA Number	Pass-Through/ Identification Number	Federal Expenditures
<u>U.S. Department of Housing and Urban Development:</u>			
Direct Program:			
Community Development Block Grant*	14.218	B-13-MC-06-0576	\$ 1,123,057
<b>Total U.S. Department of Housing and Urban Development</b>			<b>1,123,057</b>
<u>U.S. Department of Justice:</u>			
Direct Program:			
Justice Assistance Grant Program - 2011	16.738	2011-DJ-BX-2744	901
Justice Assistance Grant Program - 2012	16.738	2012-DJ-BX-0827	22,473
Justice Assistance Grant Program - 2013	16.738	2013-DJ-BX-0988	8,193
Justice Assistance Grant Program - 2014	16.738	2014-DJ-BX-0319	465
Total Justice Assistance Grant Program			32,032
Passed through the County of Los Angeles:			
Equitable Sharing Program	16.922	CAEQ01940	9,403
<b>Total U.S. Department of Justice</b>			<b>41,435</b>
<u>U.S. Department of Labor:</u>			
Passed through Antelope Valley Workforce Development Consortium:			
Workforce Investment Act - Adult Program	17.258	ADW091001	308,191
Workforce Investment Act - Dislocated Workers	17.278	ADW091001	192,500
Total Workforce Investment Act Cluster			500,691
<b>Total U.S. Department of Labor</b>			<b>500,691</b>
<u>U.S. Department of Transportation:</u>			
Passed through the State of California, Transportation Department:			
Highway Planning and Construction*	20.205	BHLO-5450(066)	13,001
Highway Planning and Construction*	20.205	BHLS-5450(080)	170,585
Highway Planning and Construction*	20.205	BHLS-5450(082)	676,987
Highway Planning and Construction*	20.205	BPMPL-5450(080)	9,193
Highway Planning and Construction*	20.205	CML-5450(083)	37,791
Highway Planning and Construction*	20.205	HSIPL-5450(079)	401,702
Highway Planning and Construction*	20.205	HSIPL-5450(081)	269,803
Highway Planning and Construction*	20.205	RPSTPLE-5450(059)	138,243
Highway Planning and Construction*	20.205	STPL-5450(068)	39,713
Highway Planning and Construction*	20.205	STPL-5450(078)	1,732,416
Total Highway Planning and Construction Program			3,489,434

(Continued)

**City of Santa Clarita, California**

**Schedule of Expenditures of Federal Awards (Continued)  
Year Ended June 30, 2015**

Federal Agency/Grant Name	Federal CFDA Number	Pass-Through/ Identification Number	Federal Expenditures
<u>U.S. Department of Transportation (Continued):</u>			
Direct Program:			
Federal Transit Formula Grant	20.500	CA-04-0246-00	\$ 13,604
Federal Transit Formula Grant	20.507	CA-90-Y276-01	1,200,669
Federal Transit Formula Grant	20.507	CA-90-Y719-00	29,260
Federal Transit Formula Grant	20.507	CA-95-X137-00	116,062
ARRA - Federal Transit Formula Grant	20.507	CA-96-X071-01	42,353
Total Federal Transit Cluster			1,401,948
<b>Total U.S. Department of Transportation</b>			<b>4,891,382</b>
<u>U.S. Department of Homeland Security:</u>			
Direct Program:			
Pre-Disaster Mitigation	97.047	PDM 11-PJ21 2011-0002	163,138
Pre-Disaster Mitigation	97.047	LPDM-PJ-09-CA-2010-002	45,108
Total Pre-Disaster Mitigation Program			208,246
<b>Total U.S. Department of Homeland Security</b>			<b>208,246</b>
<b>Total Expenditures of Federal Awards</b>			<b>\$ 6,764,811</b>

\* Major Program

See Notes to Schedule of Expenditures of Federal Awards.

**City of Santa Clarita, California**

**Notes to Schedule of Expenditures of Federal Awards**

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**Note 1. Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) presents the activity of all federal award programs of the City of Santa Clarita (the City) for the year ended June 30, 2015. The Schedule includes federal awards received directly from federal agencies, as well as federal awards passed through other governmental agencies. The information in this Schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. 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 position, changes in net position, or cash flows of the City. The City's reporting entity is defined in Note 1 to the City's basic financial statements.

**Note 2. Summary of Significant Accounting Policies**

Funds received under the various grant programs have been recorded within the special revenue and enterprise funds of the City. The City utilizes the modified accrual basis of accounting for the special revenue funds, and the accrual basis of accounting is used for the enterprise funds. Expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

**Note 3. Subrecipients**

Of the federal expenditures presented in the Schedule, the City provided federal awards to subrecipients as follows:

CFDA	Program Name	Grant Identifying Number	Amount Provided to Subrecipients
14.218	Community Development Block Grant	B-13-MC-06-0576	\$ 332,178



RSM US LLP

**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***

**Independent Auditor's Report**

To the Honorable Mayor and Members of the City Council  
of the City of Santa Clarita, California  
Santa Clarita, 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 Clarita, California (the City) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 24, 2015, which includes an emphasis of matter paragraph for the implementation of Governmental Accounting Standards Board Statement Nos. 68 and 71.

**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 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 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 of 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.

RSM US LLP

Irvine, California  
December 24, 2015

**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 OMB Circular A-133**

**Independent Auditor's Report**

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

**Report on Compliance for Each Major Federal Program**

We have audited the City of Santa Clarita, California'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 year ended June 30, 2015. 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 the requirements of laws, regulations, contracts and grants 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 Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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, 2015.

## **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 OMB Circular A-133, 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.

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

## **Report on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133**

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, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated December 24, 2015, which contained unmodified opinions on those financial statements and an emphasis-of-matter paragraph for the implementation of Governmental Accounting Standards Board Statement Nos. 68 and 71. 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 OMB Circular A-133 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.

*RSM US LLP*

Irvine, California  
December 24, 2015



**City of Santa Clarita, California**

**Schedule of Findings and Questioned Costs (Continued)  
For the Fiscal Year Ended June 30, 2015**

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**II. Financial Statement Findings**

No matters were reported.

**III. Federal Awards Findings and Questioned Costs**

No matters were reported.

City of Santa Clarita, California

Schedule of Prior Year Findings and Questioned Costs  
For the Fiscal Year Ended June 30, 2015

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I. Financial Statement Findings

*Material Weaknesses*

<u>Number</u>	<u>Comment</u>	<u>Status</u>	<u>Corrective Action or Other Explanation</u>
2014-001	There were proposed audit adjustments identified during our audit related to capital assets. These adjustments included restatements of net position of the governmental activities for a combination of infrastructure that had not been recorded and the removal of capital assets inconsistent with the City's records.	Corrected	

II. Federal Awards Findings and Questioned Costs

No matters were reported for the fiscal year ended June 30, 2014.