

**CITY OF SANTA ROSA, CALIFORNIA**

Single Audit Reports

For the Fiscal Year Ended June 30, 2012

**CITY OF SANTA ROSA, CALIFORNIA**  
**Single Audit Reports**  
**For the Fiscal Year Ended June 30, 2012**

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**CITY OF SANTA ROSA, CALIFORNIA**

Schedule of Expenditures of Federal Awards  
For the Fiscal Year Ended June 30, 2012

<b>Federal Agency</b> <i>Direct or Pass Through Agency</i> Federal Program	Federal CFDA Number	Pass-Through Entity's Identifying Number	Federal Expenditures
<b>U.S. Department of Agriculture:</b>			
<i>Direct Program</i>			
Watershed Protection and Flood Prevention	10.904		\$ 89,352
<b>U.S. Department of Housing and Urban Development:</b>			
<i>Direct Programs</i>			
Community Development Block Grants/Entitlement Grants	14.218		473,967
Community Development Block Grants/Entitlement Grants - Prior year loans with continuing compliance requirements	14.218		18,816,722
Total Community Development Block Grants/Entitlement Grants			19,290,689
ARRA - Community Development Block Grants ARRA Entitlement Grants (CDBG-R) (Recovery Act Funded)	14.253		28,561
Total CDBG - Entitlement Grants Cluster			19,319,250
Home Investment Partnerships Program	14.239		492,405
Home Investment Partnerships Program - Prior year loans with continuing compliance requirements	14.239		12,020,080
Total Home Investment Partnership Program			12,512,485
Lower Income Housing Assistance Program - Section 8 Moderate Rehabilitation	14.856		127,978
Section 8 Housing Choice Vouchers	14.871		15,252,617
Total U.S. Department of Housing and Urban Development			47,212,330
<b>U.S. Department of Justice:</b>			
<i>Direct Programs</i>			
ARRA - Recovery Act - Edward Byrne Memorial Competitive Grant Program	16.808		416,068
Edward Byrne Memorial Justice Assistance Grant Program	16.738		31,464
<i>Passed through the County of Sonoma</i>			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2009-DJ-BX-0243	32,983
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2011-DJ-BX-3223	28,830
Total Edward Byrne Memorial Justice Assistance Grant Program			93,277
ARRA - Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program / Grants to Units of Local Government	16.804	2009-SB-B9-2363	150,863
Total JAG Program Cluster			244,140
Total U.S. Department of Justice			660,208
<b>U.S. Department of Transportation:</b>			
<i>Direct Program</i>			
Federal Transit - Formula Grants	20.507		4,710,304
ARRA - Federal Transit - Formula Grants	20.507		979,544
Total Federal Transit - Formula Grants			5,689,848
New Freedom Program	20.521		192,024
<i>Passed through the Metropolitan Transportation Commission</i>			
Job Access - Reverse Commute Program	20.516	CA-37-X151-01	148,906
Total Transit Services Programs Cluster			340,930

See Accompanying Notes to the Schedule of Expenditures of Federal Awards.

**CITY OF SANTA ROSA, CALIFORNIA**

Schedule of Expenditures of Federal Awards (Continued)  
For the Fiscal Year Ended June 30, 2012

<b>Federal Agency</b>	Federal	Pass-Through	Federal
<i>Direct or Pass Through Agency</i>	CFDA	Entity's Identifying	Expenditures
<i>Federal Program</i>	Number	Number	
<b>U.S. Department of Transportation (continued):</b>			
<i>Passed through the State Department of Transportation</i>			
Highway Planning and Construction	20.205	STPL-5028(064)	\$ 1,994,085
Highway Planning and Construction	20.205	SR2SF-5028(047)	784
Highway Planning and Construction	20.205	HSIPL-5028(059)	272,118
Highway Planning and Construction	20.205	SRTS-5028(058)	18,729
Total Highway Planning and Construction (non-ARRA)			<u>2,285,716</u>
ARRA - Highway Planning and Construction	20.205	ESPL-5028(057)	616,662
Total Highway Planning and Construction (ARRA and non-ARRA)			<u>2,902,378</u>
<i>Passed through the State Office of Traffic Safety</i>			
State and Community Highway Safety	20.600	PT1130	64,394
State and Community Highway Safety	20.600	OTS20578	159,131
State and Community Highway Safety	20.600	PS1005	40,699
Total State and Community Highway Safety			<u>264,224</u>
Total U.S. Department of Transportation			<u>9,197,380</u>
<b>U.S. Environmental Protection Agency:</b>			
<i>Direct Program</i>			
Brownfields Assessment and Cleanup Cooperative Agreements	66.818		<u>204,547</u>
<b>U.S. Department of Energy:</b>			
<i>Direct Programs</i>			
ARRA - Renewable Energy Research and Development	81.087		271,166
ARRA - Energy Efficiency and Conservation Block Grant Program (EECBG)	81.128		<u>615,723</u>
Total U.S. Department of Energy			<u>886,889</u>
<b>U.S. Department of Homeland Security:</b>			
<i>Direct Program</i>			
Buffer Zone Protection Program	97.078		165,030
<i>Passed through the County of Sonoma</i>			
Homeland Security Grant Program	97.067	HSGP11	<u>4,877</u>
Total U.S. Department of Homeland Security			<u>169,907</u>
<b>Total Expenditures of Federal Awards</b>			<u><u>\$ 58,420,613</u></u>

See Accompanying Notes to the Schedule of Expenditures of Federal Awards.

**CITY OF SANTA ROSA, CALIFORNIA**

Notes to the Schedule of Expenditures of Federal Awards  
For the Fiscal Year Ended June 30, 2012

**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*. It also includes the component units of the City as follows:

- The Housing Authority of the City of Santa Rosa
- The Redevelopment Agency of the City of Santa Rosa

**NOTE 2 – BASIS OF PRESENTATION**

The Schedule is presented using the modified accrual basis of accounting, which is described in Note 2 to the City’s basic financial statements, except for programs recorded in the City’s enterprise funds. The enterprise funds are presented using the accrual basis of accounting, which is described in Note 2 to the City’s basic financial statements.

American Recovery and Reinvestment Act (ARRA) funds have been separately identified in the Schedule.

**NOTE 3 – RELATIONSHIP TO BASIC FINANCIAL STATEMENTS**

Federal award expenditures agree to or can be reconciled with the 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 the amounts reported in the related federal financial reports.

**NOTE 5 – SUBRECIPIENTS**

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

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Provided to Subrecipients</u>
Community Development Block Grants/ Entitlement Grants	14.218	\$ 175,060
ARRA – Renewable Energy Research and Development	81.087	92,573

**CITY OF SANTA ROSA, CALIFORNIA**

Notes to the Schedule of Expenditures of Federal Awards (Continued)  
For the Fiscal Year Ended June 30, 2012

**NOTE 6 – LOAN PROGRAMS**

The City participates in certain federal award programs that sponsor revolving loan programs, which are administered by the City. These programs maintain servicing and trust arrangements with the City to collect loan repayments. The funds are returned to each respective program upon repayment of the principal and interest and programs funded by these repayments are reported as expenditures in the Schedule. The federal government has imposed certain continuing compliance requirements with respect to the loans rendered under these programs. In accordance with Subpart B, Section 205 of the Office of Management and Budget Circular A-133, the City has reported the value of total outstanding and new loans made during the current year.

The following is a summary of the loan programs balances and activities that have continuing compliance requirements at June 30, 2012:

<u>Program Title</u>	<u>CFDA Number</u>	<u>June 30, 2012 Loans Outstanding</u>	<u>Prior Year Loans With Continuing Compliance Requirements</u>	<u>Fiscal Year 2012 Loan Disbursements</u>
Community Development Block Grants/Entitlement Grants	14.218	\$18,872,023	\$ 18,816,722	\$ 55,301
Home Investment Partnerships Program	14.239	<u>12,414,356</u>	<u>12,020,080</u>	<u>394,276</u>
		<u>\$31,286,379</u>	<u>\$ 30,836,802</u>	<u>\$ 449,577</u>

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

**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***

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Santa Rosa, California (City), as of and for the fiscal year ended June 30, 2012, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 18, 2012. Our report contained an emphasis of a matter paragraph discussing the California State Legislature enacted legislation that dissolved redevelopment agencies in the State of California as of February 1, 2012 and another emphasis of a matter paragraph discussing the uncertainties relating to the State Department of Finance's rejection of a number of obligations that the City considers enforceable, including \$6.6 million due to the City. We conducted our audit in accordance with 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.

***Internal Control Over Financial Reporting***

Management of the City is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

***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*.

We noted certain matters that we reported to management of the City of Santa Rosa in a separate letter dated December 18, 2012.

This report is intended solely for the information and use of the members of the City Council, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Macie Mei & O'Connell LLP*

Sacramento, California  
December 18, 2012



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

**Independent Auditor's Report on Compliance with Requirements that  
Could Have a Direct and Material Effect on Each Major Program, on Internal  
Control Over Compliance and Schedule of Expenditures of Federal Awards in  
Accordance with OMB Circular A-133**

***Compliance***

We have audited the City of Santa Rosa, California's (City) compliance with the types of compliance requirements described in the *OMB Circular A-133 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, 2012. 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. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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 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. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the 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, 2012.

***Internal Control Over Compliance***

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance 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 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.

Our consideration of the 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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

### ***Schedule of Expenditures of Federal Awards***

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City, as of and for the fiscal year ended June 30, 2012, and have issued our report thereon dated December 18, 2012, which contained unqualified opinions on those financial statements. Our report contained an emphasis of a matter paragraph discussing the California State Legislature enacted legislation that dissolved redevelopment agencies in the State of California as of February 1, 2012 and another emphasis of a matter paragraph discussing the uncertainties relating to the State Department of Finance's rejection of a number of obligations that the City considers enforceable, including \$6.6 million due to the City. Our audit was conducted for the purpose of forming our opinions on the financial statements that collectively comprise the City's financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the 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 financial statements or to the 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 financial statements as a whole.

This report is intended solely for the information and use of the members of the City Council, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Maciel Gini & O'Connell LLP*

Sacramento, California  
March 13, 2013

**CITY OF SANTA ROSA, CALIFORNIA**

Schedule of Findings and Questioned Costs  
For the Fiscal Year Ended June 30, 2012

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**Section I**                      **Summary of Auditor's Results**

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*Financial Statements*

Type of auditor's report issued on the basic financial statements of the City:                      Unqualified

Internal control over financial reporting:

- ◆ Material weaknesses identified?                      No
- ◆ Significant deficiencies identified that are not considered to be material weaknesses?                      None reported

Noncompliance material to the financial statements noted?                      No

*Federal Awards*

Internal control over major programs:

- ◆ Material weaknesses identified?                      No
- ◆ Significant deficiencies identified that are not considered to be material weaknesses?                      None reported

Type of auditor's report issued on compliance for major programs:                      Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?                      No

Identification of major programs:                      14.871 – Section 8 Housing Choice Vouchers  
20.205 – Highway Planning and Construction (ARRA and non-ARRA)  
81.087 – ARRA – Renewable Energy Research and Development  
81.128 – ARRA – Energy Efficiency and Conservation Block Grant Program (EECBG)

Dollar threshold used to distinguish between type A and type B programs:                      \$1,752,618

Auditee qualified as a low-risk auditee?                      Yes

**CITY OF SANTA ROSA, CALIFORNIA**

Schedule of Findings and Questioned Costs (Continued)  
For the Fiscal Year Ended June 30, 2012

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**Section II      Financial Statement Findings**

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No matters were reported.

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**Section III      Federal Award Findings and Questioned Costs**

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No matters were reported.

## CITY OF SANTA ROSA, CALIFORNIA

Status of Prior Year Recommendations  
For the Fiscal Year Ended June 30, 2012

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**Reference Number:** 2011-1  
**Federal Program Title:** Section 8 Housing Choice Vouchers  
**Federal Catalog Number:** 14.871  
**Federal Award Number and Year:** CA088; 2010  
**Federal Agency:** U.S. Department of Housing and Urban Development (HUD)  
**Category of Finding:** Special Tests and Provisions

**Criteria:**

In accordance with 24 CFR 982.156(c), Public Housing Authority's (PHAs) are required to enter into depository agreements with their financial institutions in the form required by HUD.

**Condition:**

The Housing Authority was unable to provide documentation of a depository agreement with their financial institution on the form required by HUD, HUD-51999 – General Depository Agreement.

**Questioned Costs:**

There are no questioned costs.

**Context:**

The Housing Authority uses one financial institution for this program.

**Effect:**

The depository agreement serves as a safeguard for federal funds and provides third-party rights to HUD. Housing Authority funds may not be insured by a federal insurance organization or collateralized fully (100%) with specific and identifiable U.S. Government or Agency securities prescribed by HUD.

**Cause:**

The Housing Authority was unaware of the requirement.

**Recommendation:**

The Housing Authority should complete a depository agreement with their financial institution on the form required by HUD and keep it on file.

**Management Response:**

Management agrees with the condition and entered into a General Depository Agreement (form HUD-51999) with their financial institution.

**Current Year Status:**

As of January 31, 2012, the Housing Authority entered into the depository agreement as noted in the management response. As such, this prior year finding is considered resolved.

**CITY OF SANTA ROSA, CALIFORNIA**

Status of Prior Year Recommendations (Continued)  
For the Fiscal Year Ended June 30, 2012

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**Reference Number:** 2011-2  
**Federal Program Title:** ARRA – Energy Efficiency and Conservation Block Grant (EECBG)  
**Federal Catalog Number:** 81.128  
**Federal Award Number and Year:** DE-SC0001512; 2010  
**Federal Agency:** U.S. Department of Energy  
**Category of Finding:** Subrecipient Monitoring

**Criteria:**

In accordance with OMB Circular A-133 section 400(d)(1), the City must identify federal awards made by informing each subrecipient of the CFDA title and number, award name and number and award year.

**Condition:**

The City did not include the CFDA number in the subrecipient agreement.

**Questioned Costs:**

There are no questioned costs.

**Context:**

The City has one subrecipient.

**Effect:**

Proper documentation of the source of funding is not being provided to the City's subrecipient, which may result in improper administration of the program by the subrecipient.

**Cause:**

The City inadvertently omitted the required information from the agreement with its subrecipient.

**Recommendation:**

The City should develop procedures that will ensure compliance with the subrecipient monitoring requirements over the EECBG program set forth by OMB Circular A-133, specifically procedures to include the federal award CFDA number in all of its contracts with subrecipients.

**Management Response:**

Management agrees with the finding and will incorporate the required federal award information in all of its contracts with subrecipients.

**Current Year Status:**

There were no new subrecipient awards made during the year ended June 30, 2012, therefore, the City could not correct communications at the time of award. However, the City did communicate the CFDA number to the existing subrecipient. As such, this prior year finding is considered resolved.