

CITY OF SANTA ROSA, CALIFORNIA

Single Audit Reports

For the Fiscal Year Ended June 30, 2013

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Single Audit Reports
For the Fiscal Year Ended June 30, 2013

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CITY OF SANTA ROSA, CALIFORNIA

Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2013

Federal Agency <i>Direct or Pass Through Agency</i> Federal Program	Federal CFDA Number	Pass-Through Entity's Identifying Number	Federal Expenditures
U.S. Department of Agriculture:			
<i>Direct Program</i>			
Watershed Protection and Flood Prevention	10.904		\$ 128,780
U.S. Department of Housing and Urban Development:			
<i>Direct Programs</i>			
Community Development Block Grants/Entitlement Grants	14.218		2,473,283
Community Development Block Grants/Entitlement Grants - Prior year loans with continuing compliance requirements	14.218		18,555,843
Total Community Development Block Grants/Entitlement Grants			21,029,126
ARRA - Community Development Block Grants ARRA Entitlement Grants (CDBG-R) (Recovery Act Funded)	14.253		258,683
Total CDBG - Entitlement Grants Cluster			21,287,809
Home Investment Partnerships Program	14.239		2,021,964
Home Investment Partnerships Program - Prior year loans with continuing compliance requirements	14.239		12,238,639
Total Home Investment Partnership Program			14,260,603
Lower Income Housing Assistance Program - Section 8 Moderate Rehabilitation	14.856		103,091
Section 8 Housing Choice Vouchers	14.871		18,129,562
Total U.S. Department of Housing and Urban Development			53,781,065
U.S. Department of Justice:			
<i>Direct Programs</i>			
ARRA - Recovery Act - Edward Byrne Memorial Competitive Grant Program	16.808		8,165
Edward Byrne Memorial Justice Assistance Grant Program	16.738		38,576
<i>Passed through the County of Sonoma</i>			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2009-DJ-BX-0243	4,153
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2011-DJ-BX-3223	15,947
Total Edward Byrne Memorial Justice Assistance Grant Program			58,676
Total U.S. Department of Justice			66,841
U.S. Department of Transportation:			
<i>Direct Program</i>			
Federal Transit - Formula Grants	20.507		5,476,088
New Freedom Program	20.521		53,479
<i>Passed through the Metropolitan Transportation Commission</i>			
Job Access - Reverse Commute Program	20.516	CA-37-X151-01	6,142
Job Access - Reverse Commute Program	20.516	CA-37-X170-01	249,123
Total Job Access - Reverse Commute Program			255,265
Total Transit Services Programs Cluster			308,744

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, 2013

Federal Agency	Federal	Pass-Through	Federal
<i>Direct or Pass Through Agency</i>	CFDA	Entity's Identifying	Expenditures
<i>Federal Program</i>	Number	Number	
U.S. Department of Transportation (continued):			
<i>Passed through the State Department of Transportation</i>			
Highway Planning and Construction	20.205	HSIPL-5028(059)	\$ 611,888
Highway Planning and Construction	20.205	SRTS-5028(058)	390,193
Highway Planning and Construction	20.205	CML-5028(069)	184,487
Total Highway Planning and Construction			<u>1,186,568</u>
<i>Passed through the State Office of Traffic Safety</i>			
State and Community Highway Safety	20.600	PT14114	53,669
State and Community Highway Safety	20.600	CT10394	51,802
State and Community Highway Safety	20.600	SC13394	47,725
Total State and Community Highway Safety			<u>153,196</u>
Total U.S. Department of Transportation			<u>7,124,596</u>
U.S. Department of Energy:			
<i>Direct Programs</i>			
ARRA - Energy Efficiency and Conservation Block Grant Program (EECBG)	81.128		<u>75,655</u>
Total U.S. Department of Energy			<u>75,655</u>
U.S. Department of Homeland Security:			
<i>Direct Program</i>			
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083		373,347
<i>Passed through the County of Sonoma</i>			
Emergency Management Performance Grant (EMPG)	97.042	CalEMA 2012-0027	44,012
Homeland Security Grant Program	97.067	HSGP11	22,074
Total U.S. Department of Homeland Security			<u>439,433</u>
Total Expenditures of Federal Awards			<u>\$ 61,616,370</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, 2013

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 component units of the City as follows:

- The Housing Authority 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

CITY OF SANTA ROSA, CALIFORNIA

Notes to the Schedule of Expenditures of Federal Awards (Continued)
For the Fiscal Year Ended June 30, 2013

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, 2013:

<u>Program Title</u>	<u>CFDA Number</u>	<u>June 30, 2013 Loans Outstanding</u>	<u>Prior Year Loans With Continuing Compliance Requirements</u>	<u>Fiscal Year 2013 Loan Disbursements</u>
Community Development Block Grants/Entitlement Grants	14.218	\$20,591,541	\$ 18,555,843	\$ 2,035,698
Home Investment Partnerships Program	14.239	<u>14,162,876</u>	<u>12,238,639</u>	<u>1,924,237</u>
		<u>\$34,754,417</u>	<u>\$ 30,794,482</u>	<u>\$ 3,959,935</u>

**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 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 the City of Santa Rosa, California (City), as of and for the year ended June 30, 2013, 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 10, 2013.

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.

Macie Mei & O'Connell LLP

Sacramento, California

December 10, 2013

**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 OMB Circular A-133**

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 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, 2013. 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 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 fiscal year ended June 30, 2013.

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 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 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 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 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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City, as of and for the fiscal year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated December 10, 2013, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming our 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.

Maclean Hui & O'Connell LLP

Sacramento, California
March 26, 2014

CITY OF SANTA ROSA, CALIFORNIA

Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2013

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

Financial Statements

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

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: Unmodified

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: 14.218 and 14.253 – CDBG - Entitlement Grants Cluster
20.507 – Federal Transit - Formula Grants

Dollar threshold used to distinguish between
type A and type B programs: \$1,848,491

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, 2013

Section II Financial Statement Findings

No matters were reported.

Section III Federal Award Findings and Questioned Costs

No matters were reported.

CITY OF SANTA ROSA, CALIFORNIA

Status of Prior Year Recommendations
For the Fiscal Year Ended June 30, 2013

No Prior Year Recommendations.