

CITY OF SANTA FE SPRINGS

Single Audit Report

For the Year Ended June 30, 2011

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The Honorable City Council
of the City of Santa Fe Springs, 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, each major fund, and the aggregate remaining fund information of the City of Santa Fe Springs, California (City), as of and for the year ended June 30, 2011, which collectively comprise the City’s basic financial statements, and have issued our report thereon dated December 28, 2011. Our report included an explanatory paragraph indicating that the City adopted the provisions of Governmental Accounting Standard Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and an emphasis of a matter regarding the dissolution of redevelopment agencies in the State of California Assembly Bill X1 26. 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 combination of significant 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 the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control 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 basic 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 in a separate letter dated March 27, 2012.

This report is intended solely for the information and use of the City Council, management and others within the City, and the City's 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.

Macias Fini & O'Connell LLP

Newport Beach, California
December 28, 2011

The Honorable City Council
of the City of Santa Fe Springs, California

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

Compliance

We have audited the City of Santa Fe Springs, 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 year ended June 30, 2011. 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. 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 consider 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 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, 2011.

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 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 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 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, each major fund, and the aggregate remaining fund information of the City as of and for the year ended June 30, 2011, and have issued our report thereon dated December 28, 2011. Our report included an explanatory paragraph indicating that the City adopted the provisions of Governmental Accountant Standard Board (GASB) Statement No. 54, *Fund Balance reporting and Governmental Fund Type Definitions*, and an emphasis of a matter regarding the dissolution of redevelopment agencies in the State of California Assembly Bill X1 26. Our audit was performed for the purpose of forming our opinions 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 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 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 information 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 City Council, management and others within the City, and the City's 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.

Macias Fini & O'Connell LLP

Newport Beach, California

March 27, 2012, except for the Schedule of Expenditures of Federal Awards, to which the date is December 28, 2011.

CITY OF SANTA FE SPRINGS
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2011

Federal Grantor/ Pass-through Grantor/ <u>Program Title</u>	<u>CFDA Number</u>	<u>Program Identification Number</u>	<u>Federal Awards Expenditures</u>	<u>Provided to Subrecipients</u>
U. S. Department of Housing and Urban Development:				
Pass-through from the County of Los Angeles:				
Community Development Block Grants/Entitlement Grants				
	14.218	D97605-10	\$ 6,286	\$ -
Community Development Block Grants/Entitlement Grants				
	14.218	D96602-10	<u>26,645</u>	<u>-</u>
Subtotal Community Development Block Grants/Entitlement Grants			<u>32,931</u>	<u>-</u>
Direct Assistance:				
Section 8 Housing Choice Vouchers	14.871	SF-578 CA147VO	<u>2,067,513</u>	<u>2,067,513</u>
Total U.S. Department of Housing and Urban Development			<u>2,100,444</u>	<u>2,067,513</u>
U. S. Department of Agriculture:				
Pass-through from the California State Department of Education:				
Child and Adult Care Food Program	10.558	19.2155-9C	<u>87,092</u>	<u>-</u>
Total U.S. Department of Agriculture			<u>87,092</u>	<u>-</u>
U.S. Department of Homeland Security:				
Pass-through from the County of Los Angeles Office of Emergency Management:				
Homeland Security Grant Program	97.067	2007-2008	373,086	-
Homeland Security Grant Program	97.067	2009-2010	<u>165,000</u>	<u>-</u>
Total U.S. Department of Homeland Security			<u>538,086</u>	<u>-</u>
U. S. Department of Justice:				
Pass-through from the City of Los Angeles:				
ARRA - Edward Byrne Memorial Justice Assistance Grant (JAG) Program				
	16.804	-	52,420	-
Edward Byrne Memorial Justice Assistance Grant Program				
	16.738	-	<u>13,906</u>	<u>-</u>
Total U.S. Department of Justice			<u>66,326</u>	<u>-</u>

See Note to the Schedule of Expenditures of Federal Awards.

(Continued)

CITY OF SANTA FE SPRINGS
Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended June 30, 2011

Federal Grantor/ Pass-through Grantor/ <u>Program Title</u>	<u>CFDA Number</u>	Program Identification <u>Number</u>	Federal Awards <u>Expenditures</u>	Amount Provided to <u>Subrecipients</u>
U. S. Department of Treasury:				
Pass-through from the City of Whittier:				
Narcotics Forfeitures/Seizures	21.000	-	103,974	-
Total U.S. Department of Treasury			103,974	-
U.S. Department of Transportation :				
Pass-through from the State of California:				
Highway Planning and Construction				
Valley View Grade Separation	20.205	DEML02-5340(011)	226,500	-
Total U.S. Department of Transportation			226,500	-
Total Federal Expenditures			\$3,122,422	\$2,067,513

See Note to the Schedule of Expenditures of Federal Awards.

CITY OF SANTA FE SPRINGS
Note to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2011

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

Monies received under the various grant programs have been recorded within the general, special revenue, capital projects and agency funds of the City of Santa Fe Springs (City). The City utilizes the accrual basis of accounting for the agency funds, and the modified accrual basis of accounting for the remaining aforementioned funds. The accompanying Schedule of Expenditures of Federal Awards has been prepared accordingly.

Federal Awards Schedule Presentation

The Schedule of Expenditures of Federal Awards is prepared from the accounts of the various grant programs and, therefore, does not present the financial position or results of operations of the City of Santa Fe Springs.

Relationship to Federal Financial Reports

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

Relationship to Basic Financial Statements

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

CITY OF SANTA FE SPRINGS
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2011

Section I - Summary of Auditor's Results

A. Financial Statements:

- | | |
|---|---------------|
| 1. Type of auditor's report issued: | Unqualified |
| 2. Internal control over financial reporting: | |
| a. Material weakness(es) identified? | No |
| b. Significant deficiency(ies) identified not considered to be material weaknesses? | None reported |
| 3. Noncompliance material to financial statements noted? | No |

B. Federal Awards:

- | | |
|--|---------------|
| 1. Internal control over major programs: | |
| a. Material weakness(es) identified? | No |
| b. Significant deficiency(ies) identified not considered to be material weakness? | None reported |
| 2. Type of auditor's report issued on compliance for major programs: | Unqualified |
| 3. Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section 510? | No |

4. Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.871	Section 8 Housing Choice Vouchers
20.205	Highway Planning and Construction

- | | |
|---|-----------|
| 5. Dollar threshold used to distinguish between Type A and Type B programs: | \$300,000 |
| 6. Auditee qualified as a low-risk auditee? | Yes |

CITY OF SANTA FE SPRINGS
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2011

Section II - Financial Statement Findings

No matters were reported.

Section III - Federal Award Findings and Questioned Costs

No matters were reported.

CITY OF SANTA FE SPRINGS
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2011

There were no prior year findings.