

**CITY OF SANTA CLARA, CALIFORNIA**

**REPORT ON FEDERAL AWARDS  
IN ACCORDANCE WITH  
OMB CIRCULAR A-133**

**FOR THE YEAR ENDED JUNE 30, 2011**

# CITY OF SANTA CLARA, CALIFORNIA

FOR THE YEAR ENDED JUNE 30, 2011

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VAVRINEK, TRINE, DAY  
& COMPANY, LLP  
*Certified Public Accountants*

VALUE THE DIFFERENCE

**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**

The Honorable Mayor and  
Members of the City Council  
City of Santa Clara  
Santa Clara, California

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 Clara, California (the 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 January 27, 2012. Our report refers to the City's adoption of the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, effective July 1, 2010. Additionally, our report refers to Notes 22 relating to the impact of recent legislation for California Redevelopment Agencies. 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**

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 opinion 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 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 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*.

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

Varrinek, Trine, Day & Co., LLP.

Pleasanton, California  
January 27, 2012



VAVRINEK, TRINE, DAY  
& COMPANY, LLP  
*Certified Public Accountants*

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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS  
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE  
WITH OMB CIRCULAR A-133**

The Honorable Mayor and  
Members of the City Council  
City of Santa Clara  
Santa Clara, California

**Compliance**

We have audited the City of Santa Clara, California's (the 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, *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 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 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 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 City of Santa Clara, California, 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 January 27, 2012, which contained unqualified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by 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 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 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 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 basic financial statements as a whole.

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

Varrinek, Trine, Day & Co., LLP.

Pleasanton, California  
January 27, 2012

**CITY OF SANTA CLARA, CALIFORNIA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2011**

<u>Federal Grantor / Pass-through Grantor / Program Title</u>	<u>Grant Identifying Number</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
<b><u>U.S. Department of Housing and Urban Development</u></b>			
Community Development Block Grant			
Program Expenditures	B-09-MC-06-0022		\$ 1,156,208
Loan Program: Current Year Loan Additions \$153,984	B-10-MC-06-0022		
Total Community Development Block Grant		14.218	<u>1,156,208</u>
Home Investment Partnerships Program			
Program Expenditures *	M-07-MC-06-0217		1,016,844
Loan Program: Current Year Loan Additions \$851,691 *	M-08-MC-06-0217		
Total Home Investment Partnerships Program		14.239	<u>1,016,844</u>
<b>Total U.S. Department of Housing and Urban Development</b>			<b><u>2,173,052</u></b>
<b><u>U.S. Department of Justice</u></b>			
Equitable Sharing (seized assets)	CA0431400	16.000	18,712
Edward Byrne Memorial Justice Assistance Grant Program	2010-DJ-BX-0721	16.738	14,852
Passed through City of San Jose:			
Edward Byrne Memorial Justice Assistance Grant Program	2010-DJ-BX-0349	16.738	9,752
Passed through County of Santa Clara Office of the County Executive:			
ARRA - Edward Byrne Memorial Justice Assistance Grant Program	2009-SB-B9-0976	16.804	63,620
Passed through the Office of Justice Programs:			
National Institute of Justice Research, Evaluation, and Development Project Grants	2008-DN-BX-K305	16.560	<u>171,098</u>
<b>Total U.S. Department of Justice</b>			<b><u>278,034</u></b>
<b><u>U.S. Department of Energy</u></b>			
ARRA - Energy Efficiency and Conservation Block Grant Program *	DE-SC0003258	81.128	<b><u>579,087</u></b>
<b><u>U.S. Department of Transportation</u></b>			
Passed through State of California Department of Transportation:			
ARRA - Highway Planning and Construction	ESPL-5019 (022)	20.205	89,428
ARRA - Highway Planning and Construction	STPL-5019 (029)	20.205	1,728
Passed through County of Santa Clara Office of the Sheriff:			
State and Community Highway Safety	AL0456	20.600	<u>5,500</u>
<b>Total U.S. Department of Transportation</b>			<b><u>96,656</u></b>

See accompanying Notes to the Schedules of Expenditures of Federal Awards.

**CITY OF SANTA CLARA, CALIFORNIA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2011**

<u>Federal Grantor / Pass-through Grantor / Program Title</u>	<u>Grant Identifying Number</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
<b><u>U.S. Department of Education</u></b>			
Passed through State of California Department of Education: Even Start State Educational Agencies	08-14331-2027-01	84.213C	<u>104,981</u>
<b><u>U.S. Institute of Museum and Library Services</u></b>			
Passed through California State Library:			
Grants to States	LSTA40-7716	45.310	14,580
Grants to States	LSTA40-7465	45.310	<u>2,703</u>
<b>Total U.S. Institute of Museum and Library Services</b>			<u>17,283</u>
<b><u>U.S. Department of Homeland Security</u></b>			
Passed through California Task Force 3 Urban Search and Rescue: National Urban Search and Rescue Response System	CA-TF3	97.025	5,502
Passed through County of Santa Clara Office of Emergency Services:			
Buffer Zone Protection Program	BZPP 08	97.078	175,543
Emergency Management Performance Grant	FY10 EMPG	97.042	20,435
Homeland Security Grant Program	HSGP FY 09	97.073	156,818
Homeland Security Grant Program	HSGP FY 08	97.073	<u>9,773</u>
<b>Total U.S. Department of Homeland Security</b>			<u>368,071</u>
<b>Total Expenditures of Federal Awards</b>			<u>\$ 3,617,164</u>

\* Denotes a major Federal financial assistance program

See accompanying Notes to the Schedules of Expenditures of Federal Awards.

**CITY OF SANTA CLARA, CALIFORNIA**

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2011**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**General** – The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards programs of the City of Santa Clara (City). The City’s reporting entity is defined in Note 1 to the City’s basic financial statements. All federal awards received directly from federal agencies as well as federal awards passed through other government agencies are included in the schedule.

**Basis of Accounting** – The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting except for programs recorded in the City’s enterprise funds, which are presented using the accrual basis of accounting, which is described in Note 1 to the City’s basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

**Relationship to Basic Financial Statements** – The amounts reported in the accompanying Schedule of Expenditures of Federal Awards agrees, in all material respects, to amounts reported within the City’s financial statements. Federal award revenues are reported principally in the City’s financial statements as intergovernmental revenues in the General, Special Revenue, and Enterprise funds.

**Catalog of Federal Domestic Assistance (CFDA) Numbers** – The CFDA numbers included in this report were determined based on the program name, review of grant contract information, and the Office of Management and Budget’s Catalog of Federal Domestic Assistance.

**Pass-Through Entities’ Identifying Number** – When federal awards were received from a pass-through entity, the Schedule of Expenditures of Federal Awards shows, if available, the identifying number assigned by the pass-through entity. When no identifying number is shown, the city has determined that no identifying number is assigned for the program or the City was unable to obtain an identifying number from the pass-through entity.

**NOTE 2 – AMOUNT PROVIDED TO SUBRECIPIENTS**

Of the federal expenditures presented in the accompanying Schedule of Expenditures of Federal Awards, the City provided awards to subrecipients as follows:

<b>Program Title</b>	<b>Federal Catalog Number</b>	<b>Amount Provided to Subrecipients</b>
Community Development Block Grant Program Expenditures	14.218	\$ 162,459
Home Investment Partnership Program Capital Improvement Projects Expenditures	14.239	801,690
Even Start State Educational Agencies Total	84.213C	<u>103,861</u> <u>\$ 1,068,010</u>

**CITY OF SANTA CLARA, CALIFORNIA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2011**

**I. SUMMARY OF AUDITOR'S RESULTS**

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FINANCIAL STATEMENTS

Type of auditor's report issued:	<u>Unqualified</u>
Internal control over financial reporting:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified not considered to be material weaknesses?	<u>None Reported</u>
Noncompliance material to financial statements noted?	<u>No</u>

FEDERAL AWARDS

Internal control over major programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified not considered to be material weaknesses?	<u>None Reported</u>
Type of auditor's report issued on compliance for major programs:	<u>Unqualified</u>

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:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
<u>81.128 (ARRA)</u>	<u>ARRA - Energy Efficiency and Conservation Block Grant Program (Includes ARRA)</u>
<u>14.239</u>	<u>Home Investment Partnerships Program</u>

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

**CITY OF SANTA CLARA, CALIFORNIA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2011**

**II. FINANCIAL STATEMENT FINDINGS**

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None noted.

**CITY OF SANTA CLARA, CALIFORNIA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2011**

**III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

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None noted.

**CITY OF SANTA CLARA, CALIFORNIA**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND  
QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2011**

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None noted.