

CITY OF SIGNAL HILL, CALIFORNIA

**SINGLE AUDIT OF FEDERALLY
ASSISTED GRANT PROGRAMS**

JUNE 30, 2012

CITY OF SIGNAL HILL

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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

To the Honorable Mayor
and Members of the City Council
of the City of Signal Hill
Signal Hill, California

We have audited the financial statements of the governmental activities, the business-type activity, each major fund and the aggregate remaining fund information of the City of Signal Hill, California, (the City), as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements and have issued our report thereon dated January 30, 2013. 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 City'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 of Signal Hill, California'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 a certain matter that we reported to City Council and management of the City of Signal Hill in a separate letter dated January 30, 2013.

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

White Nelson Nick Evans LLP

Irvine, California
January 30, 2013

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 AND ON THE SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS

The Honorable Mayor and City Council
City of Signal Hill
Signal Hill, California

Compliance

We have audited the City of Signal Hill, California's (the City) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (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, 2012. The City's major federal programs are identified in the summary of auditors' 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 on 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, 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 as a basis for designing our 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 activity, each major fund, and the aggregate remaining fund information of the City of Signal Hill, California, as of and for the year ended June 30, 2012, and have issued our report thereon dated January 30, 2013, which contained an unqualified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. 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 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 taken as a whole.

The purpose of this report is solely to describe the scope of our testing of compliance with the types of compliance requirements applicable to each of the City's major programs and our testing of internal control over compliance and the results of our testing, and to provide an opinion on the City's compliance but not to provide an opinion on the effectiveness of City's internal control over compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's compliance with requirements applicable to each major program and its internal control over compliance. Accordingly, this report is not suitable for any other purpose.

White Nelson Nield Evans LLP

Irvine, California

March 29, 2013, except to the date for the Schedule of Expenditures of Federal Awards, to which the date is January 30, 2013.

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

CITY OF SIGNAL HILL

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the year ended June 30, 2012

| Federal Grantor / Pass - Through Grantor / Program / Cluster Title | Catalog of Federal Domestic Assistance Number | Program Identification Number | Federal Expenditures |
|---|---|-------------------------------------|-------------------------|
| <u>United States Department of Housing and Urban Development</u> | | | |
| Passed through the County of Los Angeles: | | | |
| Community Development Block Grants - | | | |
| Entitlement Grants | 14.218 | 106257 | \$ 8,252 |
| | | 106256 | 16,504 |
| | | 105786 | 137,966 |
| | | 106255 | 97,805 |
| | | 105967 | 42,954 |
| | | | <u>303,481</u> |
| <u>United States Department of Justice</u> | | | |
| Direct Assistance: | | | |
| Bullet Proof Vest Partnership Program | 16.607 | Unknown | <u>641</u> |
| Public Safety Partnership and Community Policing Grants: | | | |
| COPS Technology Program | 16.710 | 2009CKWX0069 | 10,430 |
| ARRA - COPS Hiring Recovery Program | | 2009RKWX0122 | 109,732 |
| | | | <u>120,162</u> |
| Passed through the City of Los Angeles: | | | |
| ARRA - Edward Byrne Memorial Competitive Grant | 16.808 | MOU C-116430 | <u>10,502</u> |
| Total United States Department of Justice | | | <u>131,305</u> |

(Continued)

See Accompanying 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 and on the Schedule of Expenditures of Federal Awards (pages 3 through 4) and Notes to Schedule of Federal Awards (page 7).

CITY OF SIGNAL HILL

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(CONTINUED)

For the year ended June 30, 2012

| Federal Grantor / Pass - Through Grantor / Program / Cluster Title | Catalog of Federal Domestic Assistance Number | Program Identification Number | Federal Expenditures |
|--|---|-------------------------------------|--------------------------|
| <u>United States Department of Transportation</u> | | | |
| Passed through California Department of Transportation: | | | |
| Highway Planning and Construction: | 20.205 | | |
| DEMO SAFETEA-LU | | HPLUL-5262(003) | \$ 182,638 |
| Highway Safety Improvement Grant | | HSIPL-5262(007) | 30,946 |
| Interstate Maintenance Discretionary | | IMDL 5262(006) | <u>4,147</u> |
| Total California Department of Transportation | | | 217,731 |
| Passed through State of California Office of Traffic Safety: | | | |
| State and Community Highway Safety - | | | |
| Avoid the 100 DUI Campaign | 20.600 | AL0911 | <u>10,116</u> |
| Total United States Department of Transportation | | | <u>227,847</u> |
| <u>United States Department of Energy</u> | | | |
| Passed through the State of California Water Resources Control Board: | | | |
| ARRA - Energy Efficiency Conservation Block Grant | 81.128 | CBG-09-068 | <u>60,853</u> |
| Total United States Department of Energy | | | <u>60,853</u> |
| TOTAL EXPENDITURES OF FEDERAL AWARDS | | | <u><u>\$ 723,486</u></u> |

See Accompanying 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 and on the Schedule of Expenditures of Federal Awards (pages 3 through 4) and Notes to Schedule of Federal Awards (page 7).

CITY OF SIGNAL HILL

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the year ended June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES APPLICABLE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS:

A. Scope of Presentation:

The accompanying Schedule of Expenditures of Federal Awards presents only the expenditures incurred by the City of Signal Hill (the City) that are reimbursable under programs of federal agencies providing federal awards. For the purposes of this schedule, federal awards include both federal financial assistance received directly from a federal agency, as well as federal funds received indirectly by the City from a non-federal agency or other organization. Only the portion of program expenditures reimbursable with such federal funds is reported in the accompanying schedule. Program expenditures in excess of the maximum federal reimbursement authorized or the portion of the program expenditures that were funded with other state, local or other non-federal funds are excluded from the accompanying schedule.

B. Basis of Accounting:

The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting for governmental funds, which is described in the Note 1 of the notes to the City's financial statements. Expenditures reported include any property or equipment acquisitions incurred under the Federal program.

C. Relationship to Comprehensive Annual Financial Report:

Amounts reported in the accompanying Schedule of Expenditures of Federal Awards agree to amounts reported within the City's Comprehensive Annual Financial Report.

D. Relationship to Federal Financial Report:

Amounts reported in the accompanying Schedule of Expenditures of Federal Awards agree with amounts reported in federal financial reports.

E. Contingencies:

Under the terms of federal and state grants, additional audits may be requested by the grantor agencies, and certain costs may be questioned as not being appropriate expenditures under the terms of the grants. Such audits could lead to a request for reimbursement to the grantor agencies.

See 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 and on the Schedule of Expenditures of Federal Awards (pages 3 through 4) and the Schedule of Expenditures of Federal Awards (pages 5 and 6).

CITY OF SIGNAL HILL

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the year ended June 30, 2012

1. SUMMARY OF AUDITORS' RESULTS:

Financial Statements

Type of auditor's report issued:

- Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? ___ yes x no
- Significant deficiency(es) identified? ___ yes x none reported

Noncompliance material to financial statements noted: ___ yes x no

Federal Awards:

Internal control over major programs:

- Material weakness(es) identified? ___ yes x no
- Significant deficiency(es) identified? ___ yes x 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?

___ yes x no

Identification of major programs:

| <u>CFDA Number(s)</u> | <u>Name of Federal Program or Cluster</u> |
|-----------------------|---|
| 14.218 | Community Development Block Grants/Entitlement Grants |
| 16.710 | Public Safety Partnership and Community Policing Grants |

Dollar threshold used to distinguish between type A and type B programs:

\$ 300,000

Auditee qualified as low-risk auditee?

___ yes x no

See 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 and 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 and on the Schedule of Expenditures of Federal Awards (pages 1 through 4).

CITY OF SIGNAL HILL

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(CONTINUED)

For the year ended June 30, 2012

2. FINDINGS RELATING TO FINANCIAL STATEMENTS:

None

3. FINDINGS AND QUESTIONED COSTS RELATING TO MAJOR FEDERAL AWARDS:

None

See 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 and 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 and on the Schedule of Expenditures of Federal Awards (pages 1 through 4).

CITY OF SIGNAL HILL

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

For the year ended June 30, 2012

4. SUMMARY OF SCHEDULE OF PRIOR AUDIT FINDINGS:

There were no findings or questioned costs reported for the year ended June 30, 2010, the last year in which a single audit was performed.

See 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 and 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 and on the Schedule of Expenditures of Federal Awards (pages 1 through 4).