

# City of Santa Clarita

Report to the Honorable Mayor and Members  
of the City Council  
December 24, 2015





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December 24, 2015

To the Honorable Mayor and Members of the City Council  
of the City of Santa Clarita  
Santa Clarita, California

We are pleased to present this report related to our audit of the basic financial statements of the City of Santa Clarita (the City) as of and for the year ended June 30, 2015. This report summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility for the City's financial reporting process.

This report is intended solely for the information and use of the City Council and management, and is not intended to be, and should not be, used by anyone other than these specified parties. It will be our pleasure to respond to any questions you have about this report. We appreciate the opportunity to continue to be of service to the City of Santa Clarita.

*RSM US LLP*

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## Required Communications

Generally accepted auditing standards (AU-C 260, *The Auditor's Communication With Those Charged With Governance*) require the auditor to promote effective two-way communication between the auditor and those charged with governance. Consistent with this requirement, the following summarizes our responsibilities regarding the financial statement audit as well as observations arising from our audit that are significant and relevant to your responsibility to oversee the financial reporting process.

Area	Comments
<b>Our Responsibilities With Regard to the Financial Statement Audit</b>	Our responsibilities under auditing standards generally accepted in the United States of America have been described to you in our arrangement letter dated June 18, 2015
<b>Overview of the Planned Scope and Timing of the Financial Statement Audit</b>	We have issued a separate communication regarding the planned scope and timing of our audit and have discussed with you our identification of, and planned audit response to, significant risks of material misstatement.
<b>Accounting Policies and Practices</b>	<p><b>Preferability of Accounting Policies and Practices</b> Under generally accepted accounting principles, in certain circumstances, management may select among alternative accounting practices. In our view, in such circumstances, management has selected the preferable accounting practice.</p> <p><b>Adoption of, or Change in, Accounting Policies</b> Management has the ultimate responsibility for the appropriateness of the accounting policies used by the City. Following is a description of a significant accounting policy changed during the year:</p> <ul style="list-style-type: none"> <li>• Implementation of Governmental Accounting Standards Board (GASB) Statement No. 68, <i>Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27</i>, and GASB Statement No. 71, <i>Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment to GASB Statement No. 68</i>. See Note 12 to the financial statements for information regarding the impact the implementation had on the City.</li> </ul> <p><b>Significant or Unusual Transactions</b> We did not identify any significant or unusual transactions or significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.</p> <p><b>Management's Judgments and Accounting Estimates</b> Summary information about the process used by management in formulating particularly sensitive accounting estimates and about our conclusions regarding the reasonableness of those estimates is in the attached Summary of Significant Accounting Estimates.</p>
<b>Audit Adjustments</b>	Audit adjustments proposed by us and recorded by City of Santa Clarita are shown in the attached Summary of Recorded Audit Adjustments.
<b>Uncorrected Misstatements</b>	Uncorrected misstatements are summarized in the attached Summary of Uncorrected Misstatements.

<b>Area</b>	<b>Comments</b>
<b>Disagreements With Management</b>	We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit, or significant disclosures to be included in the basic financial statements.
<b>Consultations With Other Accountants</b>	We are not aware of any consultations management had with other accountants about accounting or auditing matters.
<b>Significant Issues Discussed With Management</b>	No significant issues arising from the audit were discussed with or were the subject of correspondence with management.
<b>Significant Difficulties Encountered in Performing the Audit</b>	We did not encounter any significant difficulties in dealing with management during the audit.
<b>Significant Written Communications Between Management and Our Firm</b>	Copies of significant written communications between our firm and the management of the City, which are the representation letters provided to us by management, are attached as Exhibit A.

## Summary of Significant Accounting Estimates

Accounting estimates are an integral part of the preparation of financial statements and are based upon management's current judgment. The process used by management encompasses its knowledge and experience about past and current events, and certain assumptions about future events. You may wish to monitor throughout the year the process used to determine and record these accounting estimates. The following describes the significant accounting estimates reflected in the City's June 30, 2015 basic financial statements.

Estimate	Accounting Policy	Management's Estimation Process	Basis for Our Conclusions on Reasonableness of Estimate
<b>Useful Lives of Long-Lived Assets</b>	<p>The estimated useful lives determined for assets have the following ranges:</p> <p>Site improvements, five to 25 years; buildings and related improvements are five to 50 years; equipment, two to five years; and infrastructure, 20 to 60 years.</p> <p>These assets are depreciated using the straight-line method. Land is a long-lived asset but is not depreciated. Construction in progress is not depreciated until placed into service.</p>	<p>Management determines useful lives based on past experience, engineer estimates and industry norms. Management monitors and updates useful lives on a regular basis. The impacts of prominent events or circumstances may require management to assess whether an impairment of a capital asset has occurred.</p> <p>A capital asset is considered impaired if both the decline in the service utility of the capital asset is large in magnitude and the event or change in circumstance is outside the normal life cycle of the capital asset.</p>	<p>We have tested the reasonableness of information underlying management's estimation on the useful lives of long-lived assets. Based on our procedures, we concluded that assigned useful lives of capital assets are reasonable.</p>
<b>Net Pension Liability</b>	<p>Pension plans that meet the criteria for recognition in accordance with GASB Statement No. 68 are measured at the net of actuarially determined total pension liabilities and fiduciary net plan assets. If the total pension liabilities exceed the fiduciary net plan assets, it results in a net pension liability, whereas a net pension asset is recorded if the</p>	<p>Management utilizes the California Public Employees' Retirement System's (CalPERS) actuaries for its defined benefit plan. Management reviewed and approved the actuarial assumptions and calculations used to determine the net pension liability and related components.</p>	<p>We tested the reasonableness of the information underlying the actuarial evaluations. Based on our procedures, we concluded that the net pension liability recorded is reasonable; however, an unrecorded adjustment is noted for difference between the 7.50 percent discount rate used to value the total pension liability and the 7.65 percent</p>

<b>Estimate</b>	<b>Accounting Policy</b>	<b>Management's Estimation Process</b>	<b>Basis for Our Conclusions on Reasonableness of Estimate</b>
<b>Net Pension Liability (Continued)</b>	total pension liability is less than the fiduciary net plan assets.		investment return excluding the administrative expense determined by CALPERS.
<b>Post-Employment Benefits Other Than Pensions (OPEB)</b>	An OPEB asset is recorded if contributions exceed the annual required contribution, whereas an OPEB liability is recorded if the contributions are less than the annual required contribution.	Management utilizes an actuarial consulting firm to perform an evaluation using the entry age actuarial cost method for its OPEB. Management reviewed and approved the actuarial assumptions and calculations used to determine the OPEB costs.	We tested the reasonableness of the information underlying the actuarial evaluations. Based on our procedures, we concluded that the OPEB costs recorded are reasonable.

# Summary of Recorded Audit Adjustments

Description	Governmental Activities Effect—Debit (Credit)				
	Assets	Liabilities	Net Position	Revenues	Expenses
• To adjust net OPEB asset	\$ 939,848	\$ -	\$ -	\$ -	\$ (939,848)
• To adjust capital assets for current year duplications	(2,608,731)	-	-	-	2,608,731
• Record sales tax fourth quarter true-up payment	665,542	(665,542)	-	-	-
• To adjust unavailable revenues	-	(11,852)	-	11,852	-
• Reverse contingent liability for unspent bond proceeds after approval from California Department of Finance	-	6,104,268	-	-	(6,104,268)
• To adjust unearned revenues	-	(29,190)	-	29,190	-
<b>Current year effect of change in net position</b>	-	-	(4,394,343)	\$ 41,042	\$ (4,435,385)
<b>Effect on ending net position</b>	<u>\$ (1,003,341)</u>	<u>\$ 5,397,684</u>	<u>\$ (4,394,343)</u>		

Description	General Fund Effect—Debit (Credit)				
	Assets	Liabilities	Fund Balance	Revenues	Expenditures
• Record sales tax fourth quarter true-up payment	\$ 665,542	\$ (665,542)	\$ -	\$ -	\$ -
• To adjust unearned revenues	-	(29,190)	-	29,190	-
<b>Current year effect of change in fund balance</b>	-	-	29,190	\$ 29,190	\$ -
<b>Effect on ending fund balance</b>	<u>\$ 665,542</u>	<u>\$ (694,732)</u>	<u>\$ 29,190</u>		

Description	Public Library Special Revenue Fund Effect—Debit (Credit)				
	Assets	Liabilities	Fund Balance	Revenues	Expenditures
• Reverse contingent liability for unspent bond proceeds approved by California Department of Finance	\$ -	\$ 6,104,268	\$ -	\$ -	\$ (6,104,268)
<b>Current year effect of change in fund balance</b>	-	-	(6,104,268)	\$ -	\$ (6,104,268)
<b>Effect on ending fund balance</b>	<u>\$ -</u>	<u>\$ 6,104,268</u>	<u>\$ (6,104,268)</u>		

Description	Nonmajor Governmental Funds Effect—Debit (Credit)				
	Assets	Liabilities	Fund Balance	Revenues	Expenditures
• To adjust unavailable revenues	\$ -	\$ (11,852)	\$ -	\$ 11,852	\$ -
<b>Current year effect of change in fund balance</b>	-	-	11,852	\$ 11,852	\$ -
<b>Effect on ending fund balance</b>	<u>\$ -</u>	<u>\$ (11,852)</u>	<u>\$ 11,852</u>		

Description	Fiduciary Activities Effect—Debit (Credit)				
	Assets	Liabilities	Net Position	Revenues	Expenses
• Reverse receivable from City for unspent bond proceeds that were approved by California Department of Finance	\$ (6,104,268)	\$ -	\$ -	\$ 6,104,268	\$ -
<b>Current year effect of change in net position</b>	-	-	6,104,268	\$ 6,104,268	\$ -
<b>Effect on ending net position</b>	<u>\$ (6,104,268)</u>	<u>\$ -</u>	<u>\$ 6,104,268</u>		

## Summary of Uncorrected Misstatements

During the course of our audit, we accumulated uncorrected misstatements that were determined by management to be immaterial, both individually and in the aggregate, to the financial position, results of operations, cash flows and related financial statement disclosures. Following is a summary of those differences.

Description	Governmental Activities				
	Assets	Liabilities	Net Position	Revenues	Expenses
	Effect—Debit (Credit)				
• Reversed opening net position misstatements	\$ -	\$ -	\$ 3,500	\$ -	\$ (3,500)
• Unrecorded accounts payables	-	(12,739)	-	-	12,739
• Estimated variance between 7.50% and 7.65% discount rate used to measure net pension liability	-	2,613,138	-	-	(2,613,138)
<b>Current year effect of change in net position</b>	-	-	(2,603,899)	\$ -	\$ (2,603,899)
<b>Effect on ending net position</b>	<u>\$ -</u>	<u>\$ 2,600,399</u>	<u>\$ (2,600,399)</u>		
	<b>Transit Enterprise Funds (Business-type Activities)</b>				
	Effect—Debit (Credit)				
Description	Assets	Liabilities	Net Position	Revenues	Expenses
• Estimated variance between 7.50% and 7.65% discount rate used to measure net pension liability	\$ -	\$ 95,058	\$ -	\$ -	\$ (95,058)
<b>Current year effect of change in net position</b>	-	-	(95,058)	\$ -	\$ (95,058.00)
<b>Effect on ending net position</b>	<u>\$ -</u>	<u>\$ 95,058</u>	<u>\$ (95,058)</u>		
	<b>Bridges and Thoroughfare Special Revenue Fund</b>				
	Effect—Debit (Credit)				
Description	Assets	Liabilities	Fund Balance	Revenues	Expenditures
• Unrecorded accounts payables	\$ -	\$ (12,739)	\$ -	\$ -	\$ 12,739
<b>Current year effect of change in fund balance</b>	-	-	12,739	\$ -	\$ 12,739
<b>Effect on ending fund balance</b>	<u>\$ -</u>	<u>\$ (12,739)</u>	<u>\$ 12,739</u>		
	<b>Aggregate Nonmajor Funds</b>				
	Effect—Debit (Credit)				
Description	Assets	Liabilities	Net Position	Revenues	Expenses
• Estimated variance between 7.50% and 7.65% discount rate used to measure net pension liability	\$ -	\$ 10,020	\$ -	\$ -	\$ (10,020)
<b>Current year effect of change in net position</b>	-	-	(10,020)	\$ -	\$ (10,020)
<b>Effect on ending net position</b>	<u>\$ -</u>	<u>\$ 10,020</u>	<u>\$ (10,020)</u>		

**Exhibit A—Significant Written Communications Between Management and Our Firm**



City of  
**SANTA CLARITA**

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December 24, 2015

RSM US LLP  
18401 Von Karman Ave., 5<sup>th</sup> Floor  
Irvine, CA 92612

This representation letter is provided in connection with your audit of the financial statements of the City of Santa Clarita (the City) as of and for the year ended June 30, 2015, and the related notes to the financial statements, for the purpose of expressing an opinion on whether the financial statements are presented fairly, in all material respects in accordance with accounting principles generally accepted in the United States (U.S. GAAP).

We confirm, to the best of our knowledge and belief, as of December 24, 2015:

*Financial Statements*

1. We have fulfilled our responsibilities, as set out in the terms of the audit arrangement letter dated June 18, 2015, for the preparation and fair presentation of the financial statements referred to above in accordance with U.S. GAAP.
2. We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
3. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
4. Significant assumptions used by us in making accounting estimates are reasonable and reflect our judgment based on our knowledge and experience about past and current events and our assumptions about conditions we expect to exist and courses of action we expect to take.
5. Related-party transactions, and interfund transactions, including interfund accounts and advances receivable and payable, sale and purchase transactions, interfund transfers, long-term loans, leasing arrangements, and guarantees, have been recorded in accordance with the economic substance of the transaction and appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
6. All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.
7. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.



8. We have no direct or indirect, legal or moral obligation for any debt of any organization, public or private, or to special assessment bond holders that is not disclosed in the financial statements.
9. We have complied with all aspects of contractual agreements that would have a material effect on the combined financial statements in the event of noncompliance.
10. We have provided all amendments to the California Public Employees' Retirement System (CalPERS) pension plan, and there were no amendments to the pension plan subsequent to the June 30, 2013 valuation date.
11. We do not plan to make frequent amendments to the pension plan.
12. We believe that the actuarial assumptions and methods used to measure the net pension liability and costs for financial accounting purposes are appropriate in the circumstances.
13. We have implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – and amendment to GASB Statement No. 68*, as discussed in Note 12 to the financial statements. The City has accurately disclosed the effect of adopting the guidance had on its financial position and the changes in net position.
14. We have not completed the process of evaluating the effect that would result from the implementation of GASB pronouncements that were issued but not effective at fiscal year ended June 30, 2015. The City is therefore unable to disclose the effect that adopting the guidance in the GASB pronouncements, as listed in Note 1, will have on its financial position and the results of operations when such guidance is adopted.
15. We have informed you of all uncorrected misstatements.

As of and for the Year Ended June 30, 2015, we believe that the effects of the uncorrected misstatements aggregated by you and summarized below are immaterial, both individually and in the aggregate to the basic financial statements. For purposes of this representation, we consider items to be material, regardless of their size, if they involve the misstatement or omission of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

Description	Governmental Activities				
	Effect—Debit (Credit)				
	Assets	Liabilities	Net Position	Revenues	Expenses
Reversed opening net position misstatements	\$ -	\$ -	\$ 3,500	\$ -	\$ (3,500)
Unrecorded accounts payables	-	(12,739)	-	-	12,739
Estimated variance between 7.50% and 7.65% discount rate used to measure net pension liability	-	2,613,138	-	-	(2,613,138)
Current year effect of change in net position			(2,603,899)	\$ -	\$ (2,603,899)
<b>Effect on ending net position</b>	<b>\$ -</b>	<b>\$ 2,600,399</b>	<b>\$ (2,600,399)</b>		

**Transit Enterprise Funds (Business-type Activities)**  
 Effect—Debit (Credit)

Description	Assets	Liabilities	Net Position	Revenues	Expenses
Estimated variance between 7.50% and 7.65% discount rate used to measure net pension liability	\$ -	\$ 95,058	\$ -	\$ -	\$ (95,058)
Current year effect of change in net position			(95,058)	\$ -	\$ (95,058)
<b>Effect on ending net position</b>	<b>\$ -</b>	<b>\$ 95,058</b>	<b>\$ (95,058)</b>		

**Bridges and Thoroughfare Special Revenue Fund**  
 Effect—Debit (Credit)

Description	Assets	Liabilities	Fund Balance	Revenues	Expenditures
Unrecorded accounts payables	\$ -	\$ (12,739)	\$ -	\$ -	\$ 12,739
Current year effect of change in fund balance			12,739	\$ -	\$ 12,739
<b>Effect on ending fund balance</b>	<b>\$ -</b>	<b>\$ (12,739)</b>	<b>\$ 12,739</b>		

**Aggregate Nonmajor Funds**  
 Effect—Debit (Credit)

Description	Assets	Liabilities	Net Position	Revenues	Expenses
Estimated variance between 7.50% and 7.65% discount rate used to measure net pension liability	\$ -	\$ 10,020	\$ -	\$ -	\$ (10,020)
Current year effect of change in net position			(10,020)	\$ -	\$ (10,020)
<b>Effect on ending net position</b>	<b>\$ -</b>	<b>\$ 10,020</b>	<b>\$ (10,020)</b>		

*Information Provided*

16. We have provided you with:
  - a. Access to all information, of which we are aware that is relevant to the preparation and fair presentation of the financial statements such as records, documentation, and other matters;
  - b. Additional information that you have requested from us for the purpose of the audit;
  - c. Unrestricted access to persons within the City from whom you determined it necessary to obtain audit evidence.
  - d. Minutes of the meetings of the City Council or summaries of actions of recent meetings for which minutes have not yet been prepared.
17. All transactions have been recorded in the accounting records and are reflected in the financial statements.
18. We have disclosed to you the results of our assessment of risk that the financial statements may be materially misstated as a result of fraud.

19. We have no knowledge of allegations of fraud or suspected fraud, affecting the City's financial statements involving:
  - a. Management.
  - b. Employees who have significant roles in the internal control.
  - c. Others where the fraud could have a material effect on the financial statements.
20. We have no knowledge of any allegations of fraud or suspected fraud affecting the City's financial statements received in communications from employees, former employees, analysts, regulators, or others.
21. We have no knowledge of noncompliance or suspected noncompliance with laws and regulations whose effects were considered when preparing financial statements.
22. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.
23. We have disclosed to you the identity of the City's related parties and all the related-party relationships and transactions of which we are aware.
24. We are aware of no significant deficiencies, including material weaknesses, in the design or operation of internal controls that could adversely affect the City's ability to record, process, summarize, and report financial data.
25. We are aware of no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.

*Supplementary Information*

26. With respect to supplementary information presented in relation to the financial statements as a whole:
  - a. We acknowledge our responsibility for the presentation of such information.
  - b. We believe such information, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America.
  - c. The methods of measurement or presentation have not changed from those used in the prior period.
27. With respect to the management's discussion and analysis, budgetary comparison information, schedules of funding progress, changes in the City's net pension liability and related ratios, and City contributions presented as required by the Governmental Accounting Standards Board to supplement the basic financial statements:
  - a. We acknowledge our responsibility for the presentation of such required supplementary information.
  - b. We believe such required supplementary information is measured and presented in accordance with guidelines prescribed by the Governmental Accounting standards Board.
  - c. The methods of measurement or presentation have not changed from those used in the prior period.

28. During the course of your audit, you may have accumulated records containing data that should be reflected in our books and records. All such data have been so reflected. Accordingly, copies of such records in your possession are no longer needed by us.

*Compliance Considerations*

In connection with your audit conducted in accordance with *Government Auditing Standards*, we confirm that:

29. We are responsible for the preparation and fair presentation of the financial statements in accordance with the applicable financial reporting framework.
30. We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to the auditee.
31. We are aware of no instances that have occurred, or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance.
32. We are aware of no instances that have occurred, or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that have a material effect on the determination of financial statement amounts.
33. Management is responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
34. Management acknowledges its responsibility for the design, implementation and maintenance of internal controls to prevent and detect fraud.
35. Management has taken timely and appropriate steps to remedy fraud; noncompliance with provisions of laws, regulations, contracts and grant agreements; or abuse that the auditor reports.
36. Management has a process to track the status of audit findings and recommendations.
37. Management has identified for the auditor previous audits, attestation engagements and other studies related to the audit objectives and whether related recommendations have been implemented.
38. Management acknowledges its responsibilities as it relates to non-audit services performed by the auditor, including a statement that it assumes all management responsibilities; that it oversees the services by Carmen Magana, Finance and Technology Manager, who possesses suitable skill, knowledge or experience; that it evaluates the adequacy and results of the services performed; and that it accepts responsibility for the results of the services.

In connection with your audit of federal awards conducted in accordance with OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, we confirm:

1. Management is responsible for complying, and has complied, with the requirements of Circular A-133.
2. Management is responsible for understanding and complying with the requirements of laws, regulations, and the provisions of contracts and grant agreements related to each of its federal programs.
3. Management is responsible for establishing and maintaining, and has established and maintained, effective internal control over compliance for federal programs that provides reasonable assurance that the City is managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on its federal programs.
4. Management has prepared the schedule of expenditures of federal awards in accordance with Circular A-133 and has included expenditures made during the period being audited for all awards provided by federal agencies in the form of grants, federal cost-reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance.
5. Management has identified and disclosed to the auditor the requirements of laws, regulations, and the provisions of contracts and grant agreements that are considered to have a direct and material effect on each major program.
6. Management has made available all contracts and grant agreements (including amendments, if any) and any other correspondence relevant to federal programs and related activities that have taken place with federal agencies or pass-through entities.
7. Management has identified and disclosed to the auditor all amounts questioned and all known noncompliance with the direct and material compliance requirements of federal awards.
8. Management believes that the City has complied with the direct and material compliance requirements (except for noncompliance it has disclosed to the auditor).
9. Management has made available all documentation related to compliance with the direct and material compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements.
10. Management has provided to the auditor its interpretations of any compliance requirements that are subject to varying interpretations.
11. Management has disclosed to the auditor any communications from grantors and pass-through entities concerning possible noncompliance with the direct and material compliance requirements, including communications received from the end of the period covered by the compliance audit to the date of the auditor's report.
12. Management has disclosed to the auditor the findings received and related corrective actions taken for previous audits, attestation engagements, and internal or external monitoring that directly relate to the objectives of the compliance audit, including findings received and corrective actions taken from the end of the period covered by the compliance audit to the date of the auditor's report.
13. Management is responsible for taking corrective action on audit findings of the compliance audit.
14. Management has provided the auditor with all information on the status of the follow-up on prior audit findings by federal awarding agencies and pass-through entities, including all management decisions.

15. Management has noted identified any subsequent events that provide additional evidence with respect to conditions that existed at the end of the reporting period that affect noncompliance during the reporting period.
16. Management has disclosed all known noncompliance with direct and material compliance requirements occurring subsequent to the period covered by the auditor's report or stating that there were no such known instances.
17. Management has not identified any changes in internal control over compliance or other factors that might significantly affect internal control, including any corrective action taken by management with regard to significant deficiencies and material weaknesses in internal control over compliance, have occurred subsequent to the date as of which compliance is audited.
18. Federal program financial reports and claims for advances and reimbursements are supported by the books and records from which the basic financial statements have been prepared.
19. The copies of federal program financial reports provided to the auditor are true copies of the reports submitted, or electronically transmitted, to the federal agency or pass-through entity, as applicable.
20. Management has monitored subrecipients to determine that they have expended pass-through assistance in accordance with applicable laws and regulations and have met the requirements of Circular A-133.
21. Management has charged costs to federal awards in accordance with applicable cost principles.
22. Management is responsible for, and has accurately prepared, the summary schedule of prior audit findings to include all findings required to be included by Circular A-133.
23. Management has accurately completed the appropriate sections of the data collection form.
24. If applicable, management has disclosed all contracts or other agreements with service organizations.

CITY OF SANTA CLARITA, CA



Darren Hernandez,  
Deputy City Manager and Director of Administrative Services



Carmen Magana,  
Finance and Technology Manager



City of  
**SANTA CLARITA**

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December 24, 2015

RSM US LLP  
18401 Von Karman Ave. 5<sup>th</sup> Floor  
Irvine, CA 92612

In connection with your engagement to perform, in accordance with attestation standards established by the American Institute of Certified Public Accountants, specified agreed-upon procedures with respect to certain records and transactions of the City of Santa Clarita (the City) for the year ended June 30, 2015 for the purpose of determining as to whether the City's appropriations limit calculation was computed in accordance with Article XIII-B of the Constitution of the State of California, we confirm, to the best of our knowledge and belief, the following representations made to you during the course of your engagement.

We confirm, to the best of our knowledge and belief, as of December 24, 2015:

1. We understand that we have the responsibility for the appropriations limit calculation.
2. We are responsible for determining that such criteria are appropriate for our purposes.
3. There are no known matters contradicting the compliance with the appropriations limit calculation for the year ended June 30, 2015 or through the date of this letter.
4. We have made available to you all records and related data relevant to the subject matter and the agreed-upon procedures.
5. There has been no knowledge of fraud or suspected fraud affecting the entity involving:
  - a. Management,
  - b. Employees who have significant roles in internal control.
  - c. Others where fraud could have a material effect on the appropriation limitation calculation.
6. We acknowledge our responsibility for the design and implementation of programs and controls to provide reasonable assurance that fraud is prevented and detected.
7. We have no knowledge of any allegations of fraud or suspected fraud affecting the City received in communication from employees, former employees, analysts, regulators or others.
8. We have responded fully to all inquiries made to us by you during your engagement.
9. During the course of your engagement, you may have accumulated records containing data that should be reflected in our books and records. All such data have been so reflected. Accordingly, copies of such records in your possession are no longer needed by us.



RSM US LLP  
December 24, 2016  
Page 2

CITY OF SANTA CLARITA, CALIFORNIA

A handwritten signature in black ink, appearing to read 'Darren Hernandez', written over a horizontal line.

Darren Hernandez,  
Deputy City Manager and Director of Administrative Services

A handwritten signature in black ink, appearing to read 'Carmen Magana', written over a horizontal line.

Carmen Magana,  
Finance and Technology Manager



City of  
**SANTA CLARITA**

23920 Valencia Boulevard • Suite 300 • Santa Clarita, California 91355-2196  
Phone: (661) 259-2489 • FAX: (661) 259-8125  
[www.santa-clarita.com](http://www.santa-clarita.com)

December 24, 2015

RSM US LLP  
18401 Von Karman Ave. 5<sup>th</sup> Floor  
Irvine, CA 92612

This representation letter is provided in connection with your audit of the financial statements of the Air Quality Improvement Special Revenue Fund (the Fund), a fund of the City of Santa Clarita, as of and for the year ended June 30, 2015 for the purpose of expressing an opinion on whether the financial statements are presented fairly, in all material respects in accordance with accounting principles generally accepted in the United States (U.S. GAAP).

We confirm, to the best of our knowledge and belief, as of December 24, 2015:

*Financial Statements*

1. We have fulfilled our responsibilities, as set out in the terms of the audit arrangement letter dated June 18, 2015, for the preparation and fair presentation of the financial statements referred to above in accordance with U.S. GAAP.
2. We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
3. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
4. Related-party relationships have been recorded in accordance with the economic substance of the transaction and appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
5. We have no knowledge of events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.
6. We have no knowledge of known or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.
7. We have no direct or indirect, legal or moral obligation for any debt of any organization, public or private that is not disclosed in the financial statement.
8. We have no knowledge of any uncorrected misstatements in the financial statements.



9. As of and for the year end June 30, 2015, we believe that the effects of the uncorrected misstatements aggregated by you and summarized below are immaterial, both individually and in the aggregate to the basic financial statements. For purposes of this representation, we consider items to be material, regardless of their size, if they involve the misstatement or omission of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

Description	AQMD Special Revenue Fund				
	Assets	Liabilities	Fund Balance	Revenues	Expenditures
AQMD revenue accrual	\$ 1,085	\$ -	\$ -	\$ (1,085)	\$ -
Current year effect of change in fund balance			(1,085)	\$ (1,085)	\$ -
<b>Effect on ending fund balance</b>	<b>\$ 1,085</b>	<b>\$ -</b>	<b>\$ (1,085)</b>		

*Information Provided*

10. We have provided you with:
- a. Access to all information, of which we are aware that is relevant to the preparation and fair presentation of the financial statements such as records, documentation, and other matters;
  - b. Additional information that you have requested from us for the purpose of the audit;
  - c. Unrestricted access to persons from whom you determined it necessary to obtain audit evidence.
  - d. Minutes of the meetings of the City Council and committees, or summaries of actions of recent meetings for which minutes have not yet been prepared.
11. All transactions have been recorded in the accounting records and are reflected in the financial statements.
12. We have disclosed to you the results of our assessment of risk that the financial statements may be materially misstated as a result of fraud.
13. We have no knowledge of allegations of fraud or suspected fraud, affecting the Fund's financial statements involving:
- a. Management.
  - b. Employees who have significant roles in the internal control.
  - c. Others where the fraud could have a material effect on the financial statements.
14. We have no knowledge of any allegations of fraud or suspected fraud affecting the Fund's financial statements received in communications from employees, former employees, analysts, regulators, or others.
15. We have no knowledge of noncompliance or suspected noncompliance with laws and regulations whose effects were considered when preparing the financial statements.
16. We are not aware of any pending or threatened litigation and claims whose effects should be considered when preparing the financial statements.

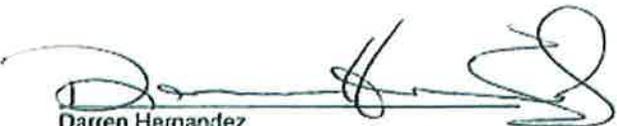
17. We have disclosed to you the identity of the Fund's related parties and all the related-party relationships and transactions of which we are aware.
18. We are aware of no significant deficiencies, including material weaknesses, in the design or operation of internal controls that could adversely affect the City's ability to record, process, summarize, and report financial data.

*Compliance Considerations*

In connection with your tests of compliance for the Fund conducted in accordance with Assembly Bill 2766, Chapter 1705 (Health and Safety Code Sections 44220 through 44247), (AB 2766), during the representations made to you during the course of your engagement:

19. We are responsible for the Fund's compliance with AB 2766.
20. We have performed an evaluation of the Fund's compliance with AB 2766. Based on our evaluation, the Fund has complied with AB 2766.
21. We have no knowledge of known noncompliance with AB 2766 during the year ended June 30, 2015, or through the date of this letter.
22. We have made available to you all documentation related to the Fund's compliance with AB 2766.
23. We have responded fully to all inquiries made to us by you during your engagement.
24. During the course of your audit, you may have accumulated records containing data that should be reflected in our books and records. All such data have been so reflected. Accordingly, copies of such records in your possession are no longer needed by us.

CITY OF SANTA CLARITA, CALIFORNIA

  
Darren Hernandez  
Deputy City Manager and Director of Administrative Services

  
Carmen Magana  
Finance and Technology Manager