

City of Santa Clarita

Report to the Honorable Mayor and Members
of the City Council
January 29, 2014



January 29, 2014

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

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, 2013. 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.

McGladrey LLP

Contents

Required Communications	1-3
Summary of Significant Accounting Estimates	4-5
Summary of Recorded Audit Adjustments	6
Summary of Uncorrected Misstatements	7-8
Exhibit A—Letter Communicating Material Weaknesses in Internal Control Over Financial Reporting	
Exhibit B—Significant Written Communication Between Management and Our Firm Representation Letter	
Exhibit C—Summary of Restatements to Fund Balance and Net Position for the Year Ended June 30, 2012	

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 basic 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
Our Responsibilities With Regard to the Financial Statement Audit	Our responsibilities under auditing standards generally accepted in the United States of America and <i>Government Auditing Standards</i> , issued by the Comptroller General of the United States, have been described to you in our arrangement letter dated August 30, 2013.
Overview of the Planned Scope and Timing of the Financial Statement Audit	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.
Accounting Policies and Practices	<p data-bbox="592 829 1433 856">Preferability of Accounting Policies and Practices</p> <p data-bbox="592 877 1433 999">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 data-bbox="592 1031 1433 1058">Adoption of, or Change in, Accounting Policies</p> <p data-bbox="592 1079 1433 1201">Management has the ultimate responsibility for the appropriateness of the accounting policies used by the City. Following is a description of significant accounting policies or their application that were either initially selected or changed during the year.</p> <ul data-bbox="649 1232 1433 1503" style="list-style-type: none"><li data-bbox="649 1232 1433 1503">• For the period ended June 30, 2013, the City adopted Governmental Accounting Standards Board (GASB) Statement No. 62, <i>Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements</i>; GASB Statement No. 63, <i>Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position</i>; and GASB Statement No. 65, <i>Items Previously Reported as Assets and Liabilities</i>. <p data-bbox="698 1535 1433 1717">The implementation of these GASB Statements impacted certain terminology used, and restated the net position at June 30, 2012 in the governmental activities and the RDA Successor Agency Trust by \$1,425,731 and \$1,198,052, respectively, for the write-off of long-term debt issuance costs.</p>
	<p data-bbox="592 1749 1433 1776">Significant or Unusual Transactions</p> <p data-bbox="592 1797 1433 1885">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>

Area	Comments
Accounting Policies and Practices (Continued)	<p>Management’s Judgments and Accounting Estimates</p> <p>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>
Audit Adjustments	<p>Audit adjustments proposed by us and recorded by the City are included in the attached Summary of Recorded Audit Adjustments.</p>
Uncorrected Misstatements	<p>Uncorrected misstatements are summarized in the attached Summary of Uncorrected Misstatements.</p>
Disagreements With Management	<p>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.</p>
Consultations With Other Accountants	<p>Other than communications with the prior auditor related to proposed restatement of previous years’ financial statement balances, we are not aware of any consultations management had with other accountants about accounting or auditing matters</p>
Significant Issues Discussed With Management	<p>Following is a description of significant issues arising from the audit that were discussed with management:</p> <ul style="list-style-type: none"> • At June 30, 2013, the Transit Fund has a zero cash balance and has temporarily borrowed \$1,738,468 from the General Fund. This is due to a \$3,788,590 receivable for reimbursable expenditures, which were incurred between March and June 2013; however, reimbursement was not received until July 2013. • In accordance with GASB Statement No. 34, <i>Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments</i>, the City has reported the Santa Clarita Watershed and Recreation Conservancy Authority and the Santa Clarita Public Television Authority as agency funds in the fiduciary fund statements because the City holds the assets of these agencies in a trustee or agency capacity and the assets cannot be used to support the City’s own programs. • Restatements to the fund balances and net position of various funds as of June 30, 2012 were discussed with and approved by management. These are listed in more detail in Exhibit C.
Significant Difficulties Encountered in Performing the Audit	<p>We did not encounter any significant difficulties in dealing with management during the audit.</p>

Area	Comments
Letter Communicating Material Weaknesses in Internal Control Over Financial Reporting	We have separately communicated the material weaknesses in internal control over financial reporting identified during our audit of the basic financial statements and major awards, as required by the <i>Government Auditing Standards</i> and Office of Management and Budget Circular A-133. This communication is attached as Exhibit A.
Significant Written Communication Between Management and Our Firm	Copies of a significant written communication between our Firm and the management of the City, which is the representation letter provided to us by management, is attached as Exhibit B.

**City of Santa Clarita
Summary of Significant Accounting Estimates
Year Ended June 30, 2013**

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, 2013 basic financial statements:

Estimate	Accounting Policy	Management's Estimation Process	Basis for Our Conclusions on Reasonableness of Estimate
Useful Lives of Long-Lived Assets	<p>The estimated useful lives determined for assets have the following ranges:</p> <p>Site improvements, five to 25 years; buildings and improvements, 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>
Allowance for Uncollectible Receivables	<p>Accounts receivable are reported at net realizable value</p>	<p>Management has estimated the allowance for uncollectible receivables based on historical experience, evaluating creditor's ability to pay and aging of receivables.</p>	<p>We have tested the reasonableness of the allowance for uncollectible receivables through analytical procedures. Based on our procedures, we concluded that estimations for allowance for uncollectible receivables are reasonable.</p>

Estimate	Accounting Policy	Management's Estimation Process	Basis for Our Conclusions on Reasonableness of Estimate
Franchise Tax Receivable	Certain franchise tax receivables are estimated for the portion that is attributed and earned during the fiscal year.	Management reviews historical information and determines the estimate based on the average amounts received for the three previous calendar years.	We have tested the reasonableness of the underlying information for developing the estimate. Based on our procedures, we concluded that the estimate was reasonable.

**City of Santa Clarita
Summary of Recorded Audit Adjustments
Year Ended June 30, 2013**

City of Santa Clarita

0808.01

Year End: June 30, 2013

Trial balance

Date: 07/01/2012 To 06/30/2013

Prepared by 1 ND40 01/09/2014	Prepared by 2	Prepared by 3	In-Charge ND40 01/09/2014
Manager KC92 01/28/2014	Reviewed by	Partner	A&A

Number	Date	Name	Account No	Debit	Credit
AJE #1	06/30/2013	Interest Payable	550-SETUP 550		330,770.00
AJE #1	06/30/2013	Interest Payable	551-SETUP 551		99,570.00
AJE #1	06/30/2013	Bond Discount	550-SETUP1 550	146,090.00	
AJE #1	06/30/2013	Bond Discount	550-SETUP1 550		7,834.00
AJE #1	06/30/2013	LT LOANS PAY-RDA NON-HSNG	550-550-2121.012 550		28,605,000.00
AJE #1	06/30/2013	LT LOANS PAY-RDA NON-HSNG	550-550-2121.012 550	450,000.00	
AJE #1	06/30/2013	FUND BALANCE	550-550-3021.001 550	28,605,000.00	
AJE #1	06/30/2013	FUND BALANCE	550-550-3021.001 550	334,487.00	
AJE #1	06/30/2013	FUND BALANCE	550-550-3021.001 550		146,090.00
AJE #1	06/30/2013	LT LOANS PAY-RDA HSNB	551-551-2121.012 551		8,480,000.00
AJE #1	06/30/2013	LT LOANS PAY-RDA HSNB	551-551-2121.012 551	135,000.00	
AJE #1	06/30/2013	FUND BALANCE	551-551-3021.001 551	8,480,000.00	
AJE #1	06/30/2013	FUND BALANCE	551-551-3021.001 551	100,689.00	
AJE #1	06/30/2013	AMOUNT TO BE PROVIDED	902-902-1151.001 902		36,500,000.00
AJE #1	06/30/2013	LT LOANS PAY-RDA NON-HSNG	902-902-2121.012 902	28,155,000.00	
AJE #1	06/30/2013	LT LOANS PAY-RDA HSNB	902-902-2121.013 902	8,345,000.00	
AJE #1	06/30/2013	PRINCIPAL	550-19102-5301.001 550		450,000.00
AJE #1	06/30/2013	INTEREST	550-19102-5301.002 550	330,770.00	
AJE #1	06/30/2013	INTEREST	550-19102-5301.002 550		334,487.00
AJE #1	06/30/2013	INTEREST	550-19102-5301.002 550	7,834.00	
AJE #1	06/30/2013	PRINCIPAL	551-19107-5301.001 551		135,000.00
AJE #1	06/30/2013	INTEREST	551-19107-5301.002 551	99,570.00	
AJE #1	06/30/2013	INTEREST	551-19107-5301.002 551		100,689.00

(1)To remove the RDA LTD from fund 902 and record in fund 550 in accordance with the full accrual method of accounting and correct opening fund balance (2) To correct the principal payments during the year, reducing the LTD and removing principal expense (3) to record the PY interest payable and CY interest payable in the funds (4) to record the bond discount and amortize it for the current year.

AJE #2	06/30/2013	Advances to Successor Agency	SETUP 100	7,884,071.00	
AJE #2	06/30/2013	Advance to Successor Agency	SETUP 306	5,476,016.00	
AJE #2	06/30/2013	Allowance for Advances to Successor Agency	SETUP1 100		7,013,892.00
AJE #2	06/30/2013	Allowance for Advances to Successor Agency	SETUP1 306		5,319,886.00
AJE #2	06/30/2013	ALLOW UNCOLLECTABLE ACCTS	100-100-1024.008 100	7,013,892.00	
AJE #2	06/30/2013	ADVANCES TO OTHER FUNDS	100-100-1051.003 100		7,884,071.00
AJE #2	06/30/2013	ALLOW UNCOLLECTABLE ACCTS	306-306-1024.008 306	5,319,886.00	
AJE #2	06/30/2013	ADVANCES TO OTHER FUNDS	306-306-1051.003 306		5,476,016.00

To net the advances between the City and the former redevelopment agency and the allowance for doubtful accounts. For presentation purposes the advances, net will be shown as a loan receivable by the City and a LT liability by the Successor Agency Fund.

City of Santa Clarita

Year End: June 30, 2013

Trial balance

Date: 07/01/2012 To 06/30/2013

0808.01-1

Prepared by 1 ND40 01/09/2014	Prepared by 2	Prepared by 3	In-Charge ND40 01/09/2014
Manager KC92 01/28/2014	Reviewed by	Partner	A&A

Number	Date	Name	Account No	Debit	Credit
AJE #3	06/30/2013	FAIR VALUE ADJUST OTHERS	104-104-1014.002 104	57,647.00	
AJE #3	06/30/2013	CASH DEPOSIT-OPEB	104-104-1015.001 104		19,800,875.00
AJE #3	06/30/2013	FUND BALANCE	104-104-3021.001 104	19,743,228.00	
To correct the posting of the OPEB contribution from 2012.					
AJE #4	06/30/2013	OPEB Asset	SETUP 901	6,223,930.00	
AJE #4	06/30/2013	AMOUNT TO BE PROVIDED	901-901-1151.001 901		6,223,930.00
To record the OPEB asset on the GL as of 6/30/13.					
AJE #7	06/30/2013	SALES & USE TAXES RECEIVA	100-100-1021.002 100	300,548.00	
AJE #7	06/30/2013	DEFERRED REVENUE	100-100-2051.001 100		300,548.00
To record the September true-up in (balance portion) which is applicable to the 4th quarter of FY 13.					
AJE #8	06/30/2013	Accrued LTD Interest Payable	SETUP1 901		496,960.00
AJE #8	06/30/2013	AMOUNT TO BE PROVIDED	901-901-1151.001 901	496,960.00	
To record the current year accrued interest amount for City LTD.					
AJE #9	06/30/2013	AMOUNT TO BE PROVIDED	901-901-1151.001 901		154,641.00
AJE #9	06/30/2013	LTD Discounts	901-901-1161.002 901	240,921.00	
AJE #9	06/30/2013	LTD Premiums	901-901-2131.003 901		86,280.00
To record the discounts and premiums for debt issuances in the General LTD fund.					
AJE#10	06/30/2013	FAIR VALUE ADJUST OTHERS	100-100-1014.002 100	57,647.00	
AJE#10	06/30/2013	FAIR VALUE ADJUST OTHERS	100-100-1014.002 100	6,134.00	
AJE#10	06/30/2013	FUND BALANCE	100-100-3021.001 100	8,998.00	
AJE#10	06/30/2013	UNREALIZED GAIN/LOSS INV	100-100-4305.001 100		57,647.00
AJE#10	06/30/2013	UNREALIZED GAIN/LOSS INV	100-100-4305.001 100		6,134.00
AJE#10	06/30/2013	PROFESSIONAL SERVICES	100-11000-5161.002 100		8,998.00
To correct the cash postings from CJE#9 for the double-posting of \$57,647 reversal and the back-wards entry of \$3,067. Also, to remove the \$8,998 from CJE#9 which was paid with Trust funds not pooled cash.					
AJE#11	06/30/2013	B&T CREDITS	300-300-2141.002 300	14,954,351.00	
AJE#11	06/30/2013	FUND BALANCE	300-300-3021.001 300		14,954,351.00
AJE#11	06/30/2013	B&T CREDITS	301-301-2141.002 301	4,231,737.00	

City of Santa Clarita

Year End: June 30, 2013

Trial balance

Date: 07/01/2012 To 06/30/2013

0808.01-2

Prepared by 1 ND40 01/09/2014	Prepared by 2	Prepared by 3	In-Charge ND40 01/09/2014
Manager KC92 01/28/2014	Reviewed by	Partner	A&A

Number	Date	Name	Account No	Debit	Credit
AJE#11	06/30/2013	FUND BALANCE	301-301-3021.001 301		4,231,737.00
AJE#11	06/30/2013	B&T CREDITS	303-303-2141.002 303	15,837,646.00	
AJE#11	06/30/2013	FUND BALANCE	303-303-3021.001 303		15,837,646.00

To remove the PY B&T credit balance from the fund level statements as they do not required the use of current financial resources.

AJE#12	06/30/2013	B&T Credit Debt Service Expense	300-SETUP 300	13,944,197.00	
AJE#12	06/30/2013	B&T Credit Debt Service Expense	301-SETUP 301	92,491.00	
AJE#12	06/30/2013	B&T Credit Debt Service Expense	303-SETUP 303	331,731.00	
AJE#12	06/30/2013	B&T CREDITS	300-300-2141.002 300		13,944,197.00
AJE#12	06/30/2013	B&T CREDITS	301-301-2141.002 301		92,491.00
AJE#12	06/30/2013	B&T CREDITS	303-303-2141.002 303		331,731.00

To remove the CY activity related to the redemption of credits which were used to pay for CY developer fees in lieu of cash. The client already recorded the revenue, however since we need to reduce the government-wide liability, we need to record principal expense (MG will consider this a LTD similar to a line of credit)

AJE#13	06/30/2013	Issuance of B&T Credits	SETUP2 300		12,270,335.00
AJE#13	06/30/2013	B&T CREDITS	300-300-2141.002 300	12,270,335.00	

To remove the entries related to the CY contributions of infrastructure and issuance of district credit from the fund.

AJE#14	06/30/2013	CASH CHECKING ACCOUNT	100-100-1001.001 100	5,156,328.00	
AJE#14	06/30/2013	ADVANCES TO OTHER FUNDS	100-100-1051.003 100	935,620.00	
AJE#14	06/30/2013	FUND BALANCE	100-100-3021.001 100		935,620.00
AJE#14	06/30/2013	CASH CHECKING ACCOUNT	721-721-1001.001 721	5,156,328.00	
AJE#14	06/30/2013	ADVANCES TO OTHER FUNDS	721-721-1051.003 721	935,620.00	
AJE#14	06/30/2013	FUND BALANCE	721-721-3021.001 721	5,156,328.00	
AJE#14	06/30/2013	FUND BALANCE	721-721-3021.001 721	935,620.00	
AJE#14	06/30/2013	Self-Insurance Reserve	SETUP INSURANCE ASSI		5,156,328.00

To remove the excess reserves in the Self-Insurance that have been transferred from the General Fund over prior fiscal years. Also, to move the advances to the B&T fund that were made from the Self-Insurance Fund but was from excess funds.

AJE#15	06/30/2013	Bridge and Thoroughfare District Payables	SETUP2 901		32,925,650.00
AJE#15	06/30/2013	AMOUNT TO BE PROVIDED	901-901-1151.001 901	32,925,650.00	

City of Santa Clarita

Year End: June 30, 2013

Trial balance

Date: 07/01/2012 To 06/30/2013

0808.01-3

Prepared by 1 ND40 01/09/2014	Prepared by 2	Prepared by 3	In-Charge ND40 01/09/2014
Manager KC92 01/28/2014	Reviewed by	Partner	A&A

Number	Date	Name	Account No	Debit	Credit
To post the ending balance of the B&T district payables in the Long-term debt fund.					
AJE#16	06/30/2013	AMOUNT TO BE PROVIDED	901-901-1151.001 901	185,819.00	
AJE#16	06/30/2013	LTD Discounts	901-901-1161.002 901		185,819.00
To record the write-off of \$213,347 of issuance costs in accordance of GASB 65 that were recorded with LTD discounts. Noted a variance of \$27,528 to arrive at the correct ending total of \$55,102.					
AJE#17	06/30/2013	CASH CHECKING ACCOUNT	100-100-1001.001 100	67,478.00	
AJE#17	06/30/2013	CASH CHECKING ACCOUNT	721-721-1001.001 721		67,478.00
AJE#17	06/30/2013	TRANSFERS IN FROM GF	721-721-4711.100 721	67,478.00	
AJE#17	06/30/2013	TRANSFERS OUT TO SELF INS	100-10019500-5501.721 1C		67,478.00
To unwind the transfer from the General Fund to the Self-Insurance Fund to transfer excess funds.					
AJE#18	06/30/2013	FUND BALANCE	233-233-3021.001 233	1,310,602.00	
AJE#18	06/30/2013	TDA ARTICLE 8 (STREETS)	233-233-4421.002 233		1,310,602.00
To record revenue from that was recognized in FY 11/12 but was received after the 90-day availability period and should have been deferred in FY 11/12. The revenue would be recognized in FY 12/13.					
CJE #1	06/30/2013	DEPOSITS-MISCELLANEOUS	100-100-1061.003 100		200.00
CJE #1	06/30/2013	DEPOSIT-LA REG WATER QLTY	356-356-1061.004 356		417,042.00
CJE #1	06/30/2013	INTEREST-OTHER INVESTMENT	356-356-4303.001 356	42.00	
CJE #1	06/30/2013	DEPOSITS-MISCELLANEOUS	358-358-1061.003 358		3,000.00
CJE #1	06/30/2013	LAND	900-900-1111.001 900	2,000.00	
CJE #1	06/30/2013	INVEST GEN FIXED ASSETS	900-900-3032.001 900		2,000.00
CJE #1	06/30/2013	TELEPHONE UTILITY	100-12201-5131.003 100	200.00	
CJE #1	06/30/2013	CONTRACTUAL SERVICES	356-14600-5161.001 356	417,000.00	
CJE #1	06/30/2013	CONTRACTUAL SERVICES	358-12592-5161.001 358	1,000.00	
CJE #1	06/30/2013	LAND	358-12592-5201.004 358	2,000.00	
Expense escrow balance to LA Regional Water Quality Board deposited in May 2012. Expense 2005 deposit of \$200 forfeited to Unicom Communications for Verizon security deposit. Expense OSPD deposits made in 2008 - \$1,000 for Robin's Nest RV Park forfeited; \$2,000 to Lawyer's Title for Soledad Canyon purchase. Add Deposits to GFAAG.					
CJE #2	06/30/2013	A/R MISC	356-356-1024.004 356		205,143.00
CJE #2	06/30/2013	ALLOW UNCOLLECTABLE ACCTS	356-356-1024.008 356	205,143.00	

City of Santa Clarita

Year End: June 30, 2013

Trial balance

Date: 07/01/2012 To 06/30/2013

0808.01-4

Prepared by 1 ND40 01/09/2014	Prepared by 2	Prepared by 3	In-Charge ND40 01/09/2014
Manager KC92 01/28/2014	Reviewed by	Partner	A&A

Number	Date	Name	Account No	Debit	Credit
Write-off Stormwater Utility Fees for agencies > 120 days.					
CJE #3	06/30/2013	ALLOW UNCOLLECTABLE ACCTS	356-356-1024.008 356		71,800.00
CJE #3	06/30/2013	STORMWATER UTLTY USER FEE	356-356-4531.016 356	71,800.00	
Adjust allowance for doubtful accounts for Stormwater Fund. Stormwater utility fees of \$205,144 were written off requiring adjustment of the allowance.					
CJE #4	06/30/2013	DUE FROM OTHER GOVT	260-260-1031.005 260	109,050.00	
CJE #4	06/30/2013	DUE FROM OTHER GOVT	260-260-1031.005 260	731,102.00	
CJE #4	06/30/2013	DEFERRED REVENUE	260-260-2051.001 260		109,050.00
CJE #4	06/30/2013	DEFERRED REVENUE	260-260-2051.001 260		731,102.00
To accrue I0006 and S1003 retention. Defer revenue.					
CJE #5	06/30/2013	Due from State	230-230-1031.002 230	10,000.00	
CJE #5	06/30/2013	Due from State	230-230-1031.002 230	134,229.00	
CJE #5	06/30/2013	Due from State	230-230-1031.002 230	61,240.00	
CJE #5	06/30/2013	Due from State	230-230-1031.002 230	43,663.00	
CJE #5	06/30/2013	Due from State	230-230-1031.002 230	86,284.00	
CJE #5	06/30/2013	2107.5 GAS TAX	230-230-4411.001 230		10,000.00
CJE #5	06/30/2013	2106 GAS TAX	230-230-4411.002 230		43,663.00
CJE #5	06/30/2013	2107 GAS TAX	230-230-4411.003 230		86,284.00
CJE #5	06/30/2013	2105 GAS TAX	230-230-4411.004 230		61,240.00
CJE #5	06/30/2013	7360 GAS TAX (NEW PROP 42	230-230-4411.007 230		134,229.00
Accrue July Gas Tax Payment for 6/24/13-7/23/13. Although the dates listed on the remittance advice are July, the payment is for fiscal year 2013. Payment should be accrued to prior year.					
CJE #6	06/30/2013	DEFERRED REVENUE	233-233-2051.001 233	1,862,342.00	
CJE #6	06/30/2013	TDA ARTICLE 8 (STREETS)	233-233-4421.002 233		1,862,342.00
Reverse JE 108133. There are no restrictions on how much money can be spent in a year, revenue should be recognized; not deferred. The City is allowed to spend the total funds claimed and received.					
CJE #7	06/30/2013	DUE FROM FEDERAL GOVT	100-100-1031.003 100	250.00	
CJE #7	06/30/2013	DUE FROM FEDERAL GOVT	100-100-1031.003 100	716.00	
CJE #7	06/30/2013	DUE FROM FEDERAL GOVT	100-100-1031.003 100	1,025.00	
CJE #7	06/30/2013	MISCELLANEOUS REVENUES	100-100-4621.001 100		250.00

City of Santa Clarita

Year End: June 30, 2013

Trial balance

Date: 07/01/2012 To 06/30/2013

0808.01-5

Prepared by 1 ND40 01/09/2014	Prepared by 2	Prepared by 3	In-Charge ND40 01/09/2014
Manager KC92 01/28/2014	Reviewed by	Partner	A&A

Number	Date	Name	Account No	Debit	Credit
CJE #7	06/30/2013	MISCELLANEOUS REVENUES	100-100-4621.001 100		716.00
CJE #7	06/30/2013	MISCELLANEOUS REVENUES	100-100-4621.001 100		1,025.00
CJE #7	06/30/2013	DUE FROM FEDERAL GOVT	700-700-1031.003 700	66,348.00	
CJE #7	06/30/2013	DUE FROM FEDERAL GOVT	700-700-1031.003 700	68,436.00	
CJE #7	06/30/2013	DUE FROM FEDERAL GOVT	700-700-1031.003 700	78,621.00	
CJE #7	06/30/2013	CNG FUEL	700-700-4501.005 700		66,348.00
CJE #7	06/30/2013	CNG FUEL	700-700-4501.005 700		68,436.00
CJE #7	06/30/2013	CNG FUEL	700-700-4501.005 700		78,621.00

To accrue CNG IRS Rebate for 4/1-6/30/11 and 1/1-6/30/13. 4/1-6/30/11 was not claimed and reimbursement has not been received; claim form was re-submitted 9/19/13. 1/1-6/30/13 should be accrued. Annual claim to be submitted in January 2014.

CJE #8	06/30/2013	Allowance for Advances to Successor Agency	SETUP1 100		870,179.00
CJE #8	06/30/2013	Allowance for Advances to Successor Agency	SETUP1 306		156,130.00
CJE #8	06/30/2013	DEFERRED INT INC-RDA	100-100-2051.002 100	870,179.00	
CJE #8	06/30/2013	DEFERRED INT INC-RDA	306-306-2051.002 306	156,130.00	

Transfer the deferred interest for RDA advances from deferred revenue to the allowance for doubtful accounts.

CJE #9	06/30/2013	CASH CHECKING ACCOUNT	100-100-1001.001 100	144,444.00	
CJE #9	06/30/2013	CASH PAYROLL	100-100-1001.002 100		66,694.00
CJE #9	06/30/2013	FAIR VALUE ADJUST OTHERS	100-100-1014.002 100		60,717.00
CJE #9	06/30/2013	FAIR VALUE ADJUST OTHERS	100-100-1014.002 100		3,067.00
CJE #9	06/30/2013	FUND BALANCE	100-100-3021.001 100	3,067.00	
CJE #9	06/30/2013	FUND BALANCE	100-100-3021.001 100		77,750.00
CJE #9	06/30/2013	FUND BALANCE	100-100-3021.001 100		573.00
CJE #9	06/30/2013	INTEREST-OTHER INVESTMENT	100-100-4303.001 100	573.00	
CJE #9	06/30/2013	UNREALIZED GAIN/LOSS INV	100-100-4305.001 100	60,717.00	
CJE #9	06/30/2013	PARS Cash	102-102-1012.014 102	23,604,017.00	
CJE #9	06/30/2013	PARS Cash Liability	102-102-2101.004 102		23,604,017.00
CJE #9	06/30/2013	CASH CHECKING ACCOUNT	104-104-1001.001 104		743.00
CJE #9	06/30/2013	CASH CHECKING ACCOUNT	104-104-1001.001 104		144,444.00
CJE #9	06/30/2013	CASH PAYROLL	104-104-1001.002 104	66,694.00	
CJE #9	06/30/2013	FAIR VALUE ADJUST OTHERS	104-104-1014.002 104		959,555.00
CJE #9	06/30/2013	FAIR VALUE ADJUST OTHERS	104-104-1014.002 104	762.00	
CJE #9	06/30/2013	FAIR VALUE ADJUST OTHERS	104-104-1014.002 104		60,717.00
CJE #9	06/30/2013	FAIR VALUE ADJUST OTHERS	104-104-1014.002 104	3,067.00	
CJE #9	06/30/2013	CASH DEPOSIT-OPEB	104-104-1015.001 104		836,751.00
CJE #9	06/30/2013	CASH DEPOSIT-OPEB	104-104-1015.001 104	46,448.00	
CJE #9	06/30/2013	CASH DEPOSIT-OPEB	104-104-1015.001 104	45,130.00	
CJE #9	06/30/2013	CASH DEPOSIT-OPEB	104-104-1015.001 104	471,769.00	
CJE #9	06/30/2013	CASH DEPOSIT-OPEB	104-104-1015.001 104	85,658.00	

City of Santa Clarita

Year End: June 30, 2013

Trial balance

Date: 07/01/2012 To 06/30/2013

0808.01-6

Prepared by 1 ND40 01/09/2014	Prepared by 2	Prepared by 3	In-Charge ND40 01/09/2014
Manager KC92 01/28/2014	Reviewed by	Partner	A&A

Number	Date	Name	Account No	Debit	Credit
CJE #9	06/30/2013	CASH DEPOSIT-OPEB	104-104-1015.001 104	22,398.00	
CJE #9	06/30/2013	CASH DEPOSIT-OPEB	104-104-1015.001 104		2,679,000.00
CJE #9	06/30/2013	INTEREST REC-OTHERS	104-104-1022.001 104		217.00
CJE #9	06/30/2013	ACCOUNTS PAYABLE	104-104-2001.001 104	1,075.00	
CJE #9	06/30/2013	ACCOUNTS PAYABLE	104-104-2001.001 104	26,064.00	
CJE #9	06/30/2013	FUND BALANCE	104-104-3021.001 104	573.00	
CJE #9	06/30/2013	FUND BALANCE	104-104-3021.001 104		3,067.00
CJE #9	06/30/2013	FUND BALANCE	104-104-3021.001 104	77,750.00	
CJE #9	06/30/2013	FUND BALANCE	104-104-3021.001 104		8,998.00
CJE #9	06/30/2013	INTEREST-OTHER INVESTMENT	104-104-4303.001 104	836,751.00	
CJE #9	06/30/2013	INTEREST-OTHER INVESTMENT	104-104-4303.001 104		46,448.00
CJE #9	06/30/2013	INTEREST-OTHER INVESTMENT	104-104-4303.001 104		45,130.00
CJE #9	06/30/2013	INTEREST-OTHER INVESTMENT	104-104-4303.001 104	743.00	
CJE #9	06/30/2013	INTEREST-OTHER INVESTMENT	104-104-4303.001 104	217.00	
CJE #9	06/30/2013	INTEREST-OTHER INVESTMENT	104-104-4303.001 104		573.00
CJE #9	06/30/2013	UNREALIZED GAIN/LOSS INV	104-104-4305.001 104	959,555.00	
CJE #9	06/30/2013	UNREALIZED GAIN/LOSS INV	104-104-4305.001 104		762.00
CJE #9	06/30/2013	UNREALIZED GAIN/LOSS INV	104-104-4305.001 104	57,650.00	
CJE #9	06/30/2013	UNREALIZED GAIN/LOSS INV	104-104-4305.001 104	3,067.00	
CJE #9	06/30/2013	PERS	104-19003-5011.006 104		26,064.00
CJE #9	06/30/2013	RETIREE MEDICAL	104-19003-5011.009 104		471,769.00
CJE #9	06/30/2013	RETIREE MEDICAL	104-19003-5011.009 104		85,658.00
CJE #9	06/30/2013	RETIREE MEDICAL	104-19003-5011.009 104	2,679,000.00	
CJE #9	06/30/2013	PROFESSIONAL SERVICES	104-19003-5161.002 104		13,400.00
CJE #9	06/30/2013	PROFESSIONAL SERVICES	104-19003-5161.002 104		1,075.00

Remove PARS balances from general ledger. Correct fund balance as of 7/1/12 and reverse all Fy12/13 transactions. Transfer PARS balance to T&A and non-PARS cash to General Fund.

CJE#10	06/30/2013	LAND	103-103-1111.001 103	4,574,400.00	
CJE#10	06/30/2013	INVEST GEN FIXED ASSETS	103-103-3032.001 103		4,574,400.00

To record purchase of 1,030 acres in Soledad Canyon. Purchase made with various funding sources (OSPD, MRC grant & State of CA-Wildfire Conservation Board grant). Title was assigned to SCWRCA.

CJE#11	06/30/2013	ACCOUNTS PAYABLE	100-100-2001.001 100		26,064.00
CJE#11	06/30/2013	PERS Expense	100-19000-5011.006 100	26,064.00	

Record accrual of PERS; previously recorded in error in Fund 104.

CJE#12	06/30/2013	CASH CHECKING ACCOUNT	100-100-1001.001 100	743.00	
CJE#12	06/30/2013	INTEREST-OTHER INVESTMENT	100-100-4303.001 100		743.00

City of Santa Clarita

Year End: June 30, 2013

Trial balance

Date: 07/01/2012 To 06/30/2013

0808.01-7

Prepared by 1 ND40 01/09/2014	Prepared by 2	Prepared by 3	In-Charge ND40 01/09/2014
Manager KC92 01/28/2014	Reviewed by	Partner	A&A

Number	Date	Name	Account No	Debit	Credit
		Reverse Fund 104 Interest Allocaiton JE 108362.			
CJE#13	06/30/2013	BUSES	700-700-1123.002 700	2,335,964.00	
CJE#13	06/30/2013	BUSES	700-700-1123.002 700	100,000.00	
CJE#13	06/30/2013	BUSES	700-700-1123.002 700		77,950.00
CJE#13	06/30/2013	ACC. DEPRECIATION - BUSES	700-700-1133.002 700		2,335,964.00
CJE#13	06/30/2013	ACC. DEPRECIATION - BUSES	700-700-1133.002 700		16,667.00
CJE#13	06/30/2013	ACC. DEPRECIATION - BUSES	700-700-1133.002 700	3,789.00	
CJE#13	06/30/2013	ACC. DEPRECIATION - BUSES	700-700-1133.002 700	26,171.00	
CJE#13	06/30/2013	MISCELLANEOUS REVENUES	700-700-4621.001 700		100,000.00
CJE#13	06/30/2013	MISCELLANEOUS REVENUES	700-700-4621.001 700	34,475.00	
CJE#13	06/30/2013	DEPRECIATION EXPENSE	700-12400-5183.001 700	16,667.00	
CJE#13	06/30/2013	DEPRECIATION EXPENSE	700-12400-5183.001 700		3,789.00
CJE#13	06/30/2013	Loss on the disposal of capital asset	700-12400-5185.002 700	51,779.00	
CJE#13	06/30/2013	Loss on the disposal of capital asset	700-12400-5185.002 700		34,475.00

To correct buses on Transit fixed asset schedules. Reverse the disposal of six MCI buses; in contingency fleet as of 6/30/13. Add 4 Ford Elkhard mini buses acquired from AVTA valued @ \$25,000 each and record depreciation. Remove Bus #357 totaled in accident November 2012. Rec'd settlement from MV Transportation.

CJE#14	06/30/2013	Construction in Progress	392-392-1111.002 392	3,628,587.00	
CJE#14	06/30/2013	Construction in Progress	392-392-1111.002 392		3,470,374.00
CJE#14	06/30/2013	Construction in Progress	392-392-1111.002 392		126,483.00
CJE#14	06/30/2013	Construction In Progress Infrastructure	392-392-1111.003 392	156,787.00	
CJE#14	06/30/2013	Infrastructure	392-392-1124.001 392	3,313,587.00	
CJE#14	06/30/2013	FUND BALANCE	392-392-3021.001 392		3,628,587.00
CJE#14	06/30/2013	FUND BALANCE	392-392-3021.001 392	126,483.00	
CJE#14	06/30/2013	CONSTRUCTION IN PROGRESS	900-900-1111.002 900		3,628,587.00
CJE#14	06/30/2013	CONSTRUCTION IN PROGRESS	900-900-1111.002 900	3,470,374.00	
CJE#14	06/30/2013	CONSTRUCTION IN PROGRESS	900-900-1111.002 900	126,483.00	
CJE#14	06/30/2013	CONSTRUCTION IN PROGRESS	900-900-1111.002 900		31,730.00
CJE#14	06/30/2013	INFRASTRUCTURE-CIP	900-900-1111.003 900		156,787.00
CJE#14	06/30/2013	PAVEMENTS	900-900-1124.001 900		3,313,587.00
CJE#14	06/30/2013	INVEST GEN FIXED ASSETS	900-900-3032.001 900	3,628,587.00	
CJE#14	06/30/2013	INVEST GEN FIXED ASSETS	900-900-3032.001 900		126,483.00
CJE#14	06/30/2013	INVEST GEN FIXED ASSETS	900-900-3032.001 900	31,730.00	

Correct prior year transfer of construction in progress from City to Successor Agency. Record fixed assets in SA; remove CIP transferred from GFAAG; restore CIP in GFAAG for infrastructure; reclass CIP to Infrastr and Infrast-CIP. Add B2012 costs to capitalize and remove B2008

City of Santa Clarita

Year End: June 30, 2013

Trial balance

Date: 07/01/2012 To 06/30/2013

0808.01-8

Prepared by 1 ND40 01/09/2014	Prepared by 2	Prepared by 3	In-Charge ND40 01/09/2014
Manager KC92 01/28/2014	Reviewed by	Partner	A&A

Number	Date	Name	Account No	Debit	Credit
costs not to be capitalized.					
CJE#15	06/30/2013	Construction in Progress	392-392-1111.002 392	78,580.00	
CJE#15	06/30/2013	Construction in Progress	392-392-1111.002 392		110,310.00
CJE#15	06/30/2013	Construction In Progress Infrastructure	392-392-1111.003 392	102,937.00	
CJE#15	06/30/2013	Construction In Progress Infrastructure	392-392-1111.003 392	42,835.00	
CJE#15	06/30/2013	Site Improvements	392-392-1121.001 392	110,310.00	
CJE#15	06/30/2013	Infrastructure	392-392-1124.001 392	580,413.00	
CJE#15	06/30/2013	Site Improvements Accumulated Depreciaiton	392-392-1131.003 392		2,206.00
CJE#15	06/30/2013	Infrastructure Accumulated Depreciation	392-392-1134.001 392		113,527.00
CJE#15	06/30/2013	Infrastructure Accumulated Depreciation	392-392-1134.001 392		32,450.00
CJE#15	06/30/2013	FUND BALANCE	392-392-3021.001 392		761,930.00
CJE#15	06/30/2013	FUND BALANCE	392-392-3021.001 392	113,527.00	
CJE#15	06/30/2013	FUND BALANCE	392-392-3021.001 392		42,835.00
CJE#15	06/30/2013	FUND BALANCE	392-392-3021.001 392	34,656.00	
CJE#15	06/30/2013	INFRASTRUCTURE-CIP	900-900-1111.003 900		77,661.00
CJE#15	06/30/2013	SITE IMPROVEMENT	900-900-1121.001 900	48,453.00	
CJE#15	06/30/2013	ACC. DEPR - SITE IMPROV	900-900-1131.003 900		969.00
CJE#15	06/30/2013	ACC. DEPR - PAVEMENT	900-900-1134.001 900	113,527.00	
CJE#15	06/30/2013	ACC. DEPR - PAVEMENT	900-900-1134.001 900	143,042.00	
CJE#15	06/30/2013	INVEST GEN FIXED ASSETS	900-900-3032.001 900		113,527.00
CJE#15	06/30/2013	INVEST GEN FIXED ASSETS	900-900-3032.001 900	77,661.00	
CJE#15	06/30/2013	INVEST GEN FIXED ASSETS	900-900-3032.001 900		48,453.00
CJE#15	06/30/2013	INVEST GEN FIXED ASSETS	900-900-3032.001 900		143,042.00
CJE#15	06/30/2013	INVEST GEN FIXED ASSETS	900-900-3032.001 900	969.00	
<p>Correct GFAAG and Successor Agency capital assets. Capitalize PY costs in GFAAG. Record accumulated depreciation; record prior year additions; transfer CIP to site improvements.</p>					
CJE#16	06/30/2013	Land	392-392-1111.001 392	532,878.00	
CJE#16	06/30/2013	Contributions from City	392-392-4621.015 392		532,878.00
CJE#16	06/30/2013	LAND	900-900-1111.001 900		532,878.00
CJE#16	06/30/2013	INVEST GEN FIXED ASSETS	900-900-3032.001 900	532,878.00	
<p>To transfer portion of 24158 Newhall Avenue from City to Successor Agency. City retained portion for Traffic Circle. Costs in GFAAG \$763,436 - 69.8% transferred to Successor Agency in November 2012.</p>					
CJE#17	06/30/2013	CASH IN LIEU-CONST IMPROV	100-100-2013.003 100	357,301.00	
CJE#17	06/30/2013	FUND BALANCE	100-100-3021.001 100		357,301.00
<p>Correct cash in lieu of construction - recognize prior year balances not due to the developer as revenue (prior year adjustment).</p>					

City of Santa Clarita

Year End: June 30, 2013

Trial balance

Date: 07/01/2012 To 06/30/2013

0808.01-9

Prepared by 1 ND40 01/09/2014	Prepared by 2	Prepared by 3	In-Charge ND40 01/09/2014
Manager KC92 01/28/2014	Reviewed by	Partner	A&A

Number	Date	Name	Account No	Debit	Credit
CJE#18	06/30/2013	TREES	900-900-1124.008 900		5,610,236.00
CJE#18	06/30/2013	INVEST GEN FIXED ASSETS	900-900-3032.001 900	5,610,236.00	
Remove trees from GFAAG.					
CJE#19	06/30/2013	AMOUNT TO BE PROVIDED	901-901-1151.001 901	45,768.00	
CJE#19	06/30/2013	AMOUNT TO BE PROVIDED	901-901-1151.001 901	4,825.00	
CJE#19	06/30/2013	AMOUNT TO BE PROVIDED	901-901-1151.001 901		40,943.00
CJE#19	06/30/2013	AMOUNT TO BE PROVIDED	901-901-1151.001 901		3,806.00
CJE#19	06/30/2013	AMOUNT TO BE PROVIDED	901-901-1151.001 901		614.00
CJE#19	06/30/2013	LEASE PURCHASE OTHERS	901-901-2111.003 901		45,768.00
CJE#19	06/30/2013	LEASE PURCHASE OTHERS	901-901-2111.003 901		4,825.00
CJE#19	06/30/2013	LEASE PURCHASE OTHERS	901-901-2111.003 901	40,943.00	
CJE#19	06/30/2013	LEASE PURCHASE OTHERS	901-901-2111.003 901	3,806.00	
CJE#19	06/30/2013	LEASE PURCHASE OTHERS	901-901-2111.003 901	614.00	
To correct the capital lease balance for the additional \$4,825 payment that was recorded for the July payment.					
CJE#20	06/30/2013	RIGHTS OF WAY	721-721-1111.004 721		5,000,000.00
CJE#20	06/30/2013	VEHICLES	721-721-1123.001 721		33,509.00
CJE#20	06/30/2013	ACC. DEPR - VEHICLES	721-721-1133.001 721	6,702.00	
CJE#20	06/30/2013	ACC. DEPR - VEHICLES	721-721-1133.001 721	22,897.00	
CJE#20	06/30/2013	FUND BALANCE	721-721-3021.001 721	5,010,612.00	
CJE#20	06/30/2013	RIGHTS OF WAY	723-723-1111.004 723		2,669,393.00
CJE#20	06/30/2013	FUND BALANCE	723-723-3021.001 723	2,669,393.00	
CJE#20	06/30/2013	CONSTRUCTION IN PROGRESS	900-900-1111.002 900	31,730.00	
CJE#20	06/30/2013	CONSTRUCTION IN PROGRESS	900-900-1111.002 900	31,730.00	
CJE#20	06/30/2013	INFRASTRUCTURE-CIP	900-900-1111.003 900	156,787.00	
CJE#20	06/30/2013	RIGHTS OF WAY	900-900-1111.004 900	7,669,393.00	
CJE#20	06/30/2013	VEHICLES	900-900-1123.001 900	33,509.00	
CJE#20	06/30/2013	PAVEMENTS	900-900-1124.001 900		580,413.00
CJE#20	06/30/2013	PAVEMENTS	900-900-1124.001 900	97,843.00	
CJE#20	06/30/2013	ACC. DEPR - VEHICLES	900-900-1133.001 900		29,599.00
CJE#20	06/30/2013	ACC. DEPR - PAVEMENT	900-900-1134.001 900		113,527.00
CJE#20	06/30/2013	INVEST GEN FIXED ASSETS	900-900-3032.001 900		31,730.00
CJE#20	06/30/2013	INVEST GEN FIXED ASSETS	900-900-3032.001 900		31,730.00
CJE#20	06/30/2013	INVEST GEN FIXED ASSETS	900-900-3032.001 900		156,787.00
CJE#20	06/30/2013	INVEST GEN FIXED ASSETS	900-900-3032.001 900	580,413.00	
CJE#20	06/30/2013	INVEST GEN FIXED ASSETS	900-900-3032.001 900		97,843.00
CJE#20	06/30/2013	INVEST GEN FIXED ASSETS	900-900-3032.001 900	113,527.00	
CJE#20	06/30/2013	INVEST GEN FIXED ASSETS	900-900-3032.001 900		7,673,303.00
CJE#20	06/30/2013	DEPRECIATION EXPENSE	721-12001-5183.001 721		6,702.00

City of Santa Clarita

0808.01-10

Year End: June 30, 2013

Trial balance

Date: 07/01/2012 To 06/30/2013

Prepared by 1 ND40 01/09/2014	Prepared by 2	Prepared by 3	In-Charge ND40 01/09/2014
Manager KC92 01/28/2014	Reviewed by	Partner	A&A

Number	Date	Name	Account No	Debit	Credit
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To correct CJE #14 and CJE#15.
Also, to transfer capital assets that were posted in the internal service fund to the GFAAG.

CJE#21	06/30/2013	Deposit Payable	306-306-2010.067 306		35,097.00
CJE#21	06/30/2013	DEFERRED REVENUE	306-306-2051.001 306	134,722.00	
CJE#21	06/30/2013	DEFERRED REVENUE	306-306-2051.001 306	7,362.00	
CJE#21	06/30/2013	DEFERRED REVENUE	306-306-2051.001 306	499,712.00	
CJE#21	06/30/2013	DEFERRED REVENUE	306-306-2051.001 306	35,097.00	
CJE#21	06/30/2013	DEFERRED REVENUE	306-306-2051.001 306	358,102.00	
CJE#21	06/30/2013	DEFERRED REV-SPECIAL DIST	306-306-2051.006 306	3,387.00	
CJE#21	06/30/2013	DEFERRED REV-SPECIAL DIST	306-306-2051.006 306	451,126.00	
CJE#21	06/30/2013	LAW ENFORCE FACILITY FEE	306-306-2051.008 306	266,206.00	
CJE#21	06/30/2013	LAW ENFORCE FACILITY FEE	306-306-2051.008 306	104,889.00	
CJE#21	06/30/2013	FUND BALANCE	306-306-3021.001 306	7,362.00	
CJE#21	06/30/2013	FUND BALANCE	306-306-3021.001 306	499,712.00	
CJE#21	06/30/2013	FUND BALANCE	306-306-3021.001 306	556,015.00	
CJE#21	06/30/2013	Restricted for Sewer Infrastructure	306-306-3023.007 306		134,722.00
CJE#21	06/30/2013	Restricted for Sewer Infrastructure	306-306-3023.007 306		7,362.00
CJE#21	06/30/2013	Restriction for Mikes Tire	306-306-3023.008 306		10,000.00
CJE#21	06/30/2013	Restricted for Williams Homes	306-306-3023.009 306		388,712.00
CJE#21	06/30/2013	Restricted for Caltrans	306-306-3023.010 306		101,000.00
CJE#21	06/30/2013	Restricted for Fire Safety	306-306-3023.011 306		3,387.00
CJE#21	06/30/2013	Restricted for Fire Safety	306-306-3023.011 306		451,126.00
CJE#21	06/30/2013	Restricted for Law Enforcement	306-306-3023.012 306		266,206.00
CJE#21	06/30/2013	Restricted for Law Enforcement	306-306-3023.012 306		104,889.00
CJE#21	06/30/2013	Committed to capital projects	306-306-3023.013 306		358,102.00
CJE#21	06/30/2013	DEVELOPER FEES	306-306-4572.001 306		7,362.00
CJE#21	06/30/2013	DEVELOPER FEES	306-306-4572.001 306		499,712.00
CJE#21	06/30/2013	DEV-LAW ENFORCE FEES	306-306-4572.005 306		104,889.00
CJE#21	06/30/2013	DEV-FIRE DISTRICT FEES	306-306-4572.006 306		451,126.00

To recognize developer fee revenue. Reclass balances to restricted accounts.

CJE#22	06/30/2013	Construction In Progress Infrastructure	392-392-1111.003 392	90,782.00	
CJE#22	06/30/2013	Site Improvements Accumulated Depreciaton	392-392-1131.003 392		4,412.00
CJE#22	06/30/2013	Infrastructure Accumulated Depreciation	392-392-1134.001 392		77,880.00
CJE#22	06/30/2013	INFRASTRUCTURE-CIP	900-900-1111.003 900		90,782.00
CJE#22	06/30/2013	ACC. DEPR - PAVEMENT	900-900-1134.001 900		36,341.00
CJE#22	06/30/2013	ACC. DEPR - PAVEMENT	900-900-1134.001 900	112,264.00	
CJE#22	06/30/2013	INVEST GEN FIXED ASSETS	900-900-3032.001 900	90,782.00	
CJE#22	06/30/2013	INVEST GEN FIXED ASSETS	900-900-3032.001 900		75,923.00
CJE#22	06/30/2013	Depreciation Expense	392-13404-5183.001 392	4,412.00	
CJE#22	06/30/2013	Depreciation Expense	392-13404-5183.001 392	29,157.00	
CJE#22	06/30/2013	Depreciation Expense	392-13404-5183.001 392	48,723.00	
CJE#22	06/30/2013	CONTRACTUAL SERVICES	392-C2022392-5161.001 392		90,782.00

City of Santa Clarita

Year End: June 30, 2013

Trial balance

Date: 07/01/2012 To 06/30/2013

0808.01-11

Prepared by 1 ND40 01/09/2014	Prepared by 2	Prepared by 3	In-Charge ND40 01/09/2014
Manager KC92 01/28/2014	Reviewed by	Partner	A&A

Number	Date	Name	Account No	Debit	Credit
<p>To correct Fy12/13 additions and depreciation for Infrastructure-Const in Progress for project C2022 - Newhall Traffic Circle. Addition was posted to GFAAG, however, portion belongs to SA. Correct depreciation for Streetscape projects (S2004/2005) and SCRRA (B2012) based on corrected 7/1/12 balances.</p>					
CJE#23	06/30/2013	SETUP DEFERRED REVENUE	SETUP DEF REV 202		124,712.00
CJE#23	06/30/2013	SETUP DEFERRED REVENUE	SETUP DEF REV 259		45,650.00
CJE#23	06/30/2013	SETUP DEFERRED REVENUE	SETUP DEF REV 259		302,520.00
CJE#23	06/30/2013	DEFERRED REVENUE	201-201-2051.001 201		4,046.00
CJE#23	06/30/2013	HOME PROGRAM	201-201-4552.003 201	4,046.00	
CJE#23	06/30/2013	STPL REVENUE	202-202-4531.022 202	124,712.00	
CJE#23	06/30/2013	DEFERRED REVENUE	229-229-2051.001 229		10,416.00
CJE#23	06/30/2013	DEFERRED REVENUE	229-229-2051.001 229		138,992.00
CJE#23	06/30/2013	DEFERRED REVENUE	229-229-2051.001 229		112,733.00
CJE#23	06/30/2013	MISC FEDERAL GRANTS	229-229-4424.009 229	10,416.00	
CJE#23	06/30/2013	MISC FEDERAL GRANTS	229-229-4424.009 229	138,992.00	
CJE#23	06/30/2013	MISC FEDERAL GRANTS	229-229-4424.009 229	112,733.00	
CJE#23	06/30/2013	WIA GRANT	259-259-4441.002 259	302,520.00	
CJE#23	06/30/2013	OTS MINI GRANT	259-259-4461.007 259	45,650.00	
<p>To record deferred revenue based on analysis of intergovernmental revenues not received within 90 days.</p>					
CJE#24	06/30/2013	DUE FROM STATE	100-100-1031.002 100	715,000.00	
CJE#24	06/30/2013	DUE FROM OTHER FUNDS	100-100-1041.002 100		715,000.00
CJE#24	06/30/2013	Due From State	103-103-1031.002 103	715,000.00	
CJE#24	06/30/2013	Due to City Nominn	103-103-2001.001 103		715,000.00
CJE#24	06/30/2013	DUE FROM STATE	259-259-1031.002 259		715,000.00
CJE#24	06/30/2013	DUE TO OTHER FUNDS	259-259-2031.001 259	715,000.00	
CJE#24	06/30/2013	MISCELLANEOUS REVENUES	259-259-4621.001 259	715,000.00	
CJE#24	06/30/2013	LAND	259-15501-5201.004 259		715,000.00
<p>Correct advance for \$715,000 reimbursement from MRCA from grant fund to general fund as GF advanced the funds for the purchase. Reverse all entries in Fund 259 as MRCA grant was not for the City. Record receivable in GF from SCWRCA for the advance. Record receivable and payable in SCWRCA fund.</p>					
CJE#25	06/30/2013	ACCRUED VACATION	100-100-2101.002 100	260,357.00	
CJE#25	06/30/2013	ACCRUED VACATION	203-203-2101.002 203	1,809.00	
CJE#25	06/30/2013	ACCRUED VACATION	230-230-2101.002 230	9,756.00	
CJE#25	06/30/2013	ACCRUED VACATION	262-262-2101.002 262	689.00	

City of Santa Clarita

Year End: June 30, 2013

Trial balance

Date: 07/01/2012 To 06/30/2013

0808.01-12

Prepared by 1 ND40 01/09/2014	Prepared by 2	Prepared by 3	In-Charge ND40 01/09/2014
Manager KC92 01/28/2014	Reviewed by	Partner	A&A

Number	Date	Name	Account No	Debit	Credit
CJE#25	06/30/2013	ACCRUED VACATION	300-300-2101.002 300	382.00	
CJE#25	06/30/2013	ACCRUED VACATION	356-356-2101.002 356	7,860.00	
CJE#25	06/30/2013	ACCRUED VACATION	357-357-2101.002 357	4,629.00	
CJE#25	06/30/2013	ACCRUED VACATION	359-359-2101.002 359	335.00	
CJE#25	06/30/2013	AMOUNT TO BE PROVIDED	901-901-1151.001 901	285,817.00	
CJE#25	06/30/2013	ACCRUED VACATION	901-901-2101.002 901		285,817.00
CJE#25	06/30/2013	VACATION PAY	100-11000-5004.001 100		11,868.00
CJE#25	06/30/2013	VACATION PAY	100-11301-5004.001 100		4,899.00
CJE#25	06/30/2013	VACATION PAY	100-11302-5004.001 100		692.00
CJE#25	06/30/2013	VACATION PAY	100-11303-5004.001 100		2,498.00
CJE#25	06/30/2013	VACATION PAY	100-11303-5004.001 100		6,392.00
CJE#25	06/30/2013	VACATION PAY	100-11500-5004.001 100		3,567.00
CJE#25	06/30/2013	VACATION PAY	100-12000-5004.001 100		6,653.00
CJE#25	06/30/2013	VACATION PAY	100-12002-5004.001 100		1,291.00
CJE#25	06/30/2013	VACATION PAY	100-12003-5004.001 100		1,010.00
CJE#25	06/30/2013	VACATION PAY	100-12100-5004.001 100		9,969.00
CJE#25	06/30/2013	VACATION PAY	100-12101-5004.001 100		1,802.00
CJE#25	06/30/2013	VACATION PAY	100-12102-5004.001 100		448.00
CJE#25	06/30/2013	VACATION PAY	100-12200-5004.001 100		9,999.00
CJE#25	06/30/2013	VACATION PAY	100-12202-5004.001 100		801.00
CJE#25	06/30/2013	VACATION PAY	100-12300-5004.001 100		1,764.00
CJE#25	06/30/2013	VACATION PAY	100-13000-5004.001 100		3,331.00
CJE#25	06/30/2013	VACATION PAY	100-13100-5004.001 100		19,330.00
CJE#25	06/30/2013	VACATION PAY	100-13200-5004.001 100		3,706.00
CJE#25	06/30/2013	VACATION PAY	100-14000-5004.001 100		5,169.00
CJE#25	06/30/2013	VACATION PAY	100-14100-5004.001 100		17,651.00
CJE#25	06/30/2013	VACATION PAY	100-14200-5004.001 100		23,523.00
CJE#25	06/30/2013	VACATION PAY	100-14300-5004.001 100		15,169.00
CJE#25	06/30/2013	VACATION PAY	100-14400-5004.001 100		11,335.00
CJE#25	06/30/2013	VACATION PAY	100-14501-5004.001 100		551.00
CJE#25	06/30/2013	VACATION PAY	100-14503-5004.001 100		2,053.00
CJE#25	06/30/2013	VACATION PAY	100-14507-5004.001 100		3,732.00
CJE#25	06/30/2013	VACATION PAY	100-14601-5004.001 100		7,109.00
CJE#25	06/30/2013	VACATION PAY	100-14601-5004.001 100		1,127.00
CJE#25	06/30/2013	VACATION PAY	100-15000-5004.001 100		7,339.00
CJE#25	06/30/2013	VACATION PAY	100-15100-5004.001 100		22,004.00
CJE#25	06/30/2013	VACATION PAY	100-15200-5004.001 100		23,653.00
CJE#25	06/30/2013	VACATION PAY	100-15300-5004.001 100		14,111.00
CJE#25	06/30/2013	VACATION PAY	100-15400-5004.001 100		6,360.00
CJE#25	06/30/2013	VACATION PAY	100-15500-5004.001 100		9,451.00
CJE#25	06/30/2013	VACATION PAY	203-13311-5004.001 203		1,809.00
CJE#25	06/30/2013	VACATION PAY	230-14504-5004.001 230		9,756.00
CJE#25	06/30/2013	VACATION PAY	262-15206-5004.001 262		689.00
CJE#25	06/30/2013	VACATION PAY	300-14403-5004.001 300		382.00
CJE#25	06/30/2013	VACATION PAY	356-14600-5004.001 356		7,860.00
CJE#25	06/30/2013	VACATION PAY	357-12500-5004.001 357		4,629.00
CJE#25	06/30/2013	VACATION PAY	359-12593-5004.001 359		335.00

City of Santa Clarita

Year End: June 30, 2013

Trial balance

Date: 07/01/2012 To 06/30/2013

0808.01-13

Prepared by 1 ND40 01/09/2014	Prepared by 2	Prepared by 3	In-Charge ND40 01/09/2014
Manager KC92 01/28/2014	Reviewed by	Partner	A&A

Number	Date	Name	Account No	Debit	Credit
To remove compensated absences that have been recorded at the fund level.					
CJE#26	06/30/2013	DEFERRED REVENUE	306-306-2051.001 306	5,319,886.00	
CJE#26	06/30/2013	FUND BALANCE	306-306-3021.001 306		5,319,886.00
To adjust JE 108191 to record the allowance for doubtful accounts for the RDA advances which offset fund balance in Developer Fees (Fund 306). The advances did not pass through net income and were deferred, and should offset the deferred revenues.					
CJE#27	06/30/2013	FLOODWAY STUDIES	202-202-4531.002 202	124,712.00	
CJE#27	06/30/2013	FLOODWAY STUDIES	202-202-4531.002 202		124,712.00
To correct deferred grant revenues					
CJE#28	06/30/2013	DEFERRED REVENUE	234-234-2051.001 234	22,344.00	
CJE#28	06/30/2013	SUPPL LAW ENF GR (COPS)	234-234-4461.003 234		22,344.00
CJE#28	06/30/2013	DEFERRED REVENUE	238-238-2051.001 238	70,962.00	
CJE#28	06/30/2013	FUND BALANCE	238-238-3021.001 238		70,962.00
CJE#28	06/30/2013	DEFERRED REVENUE	259-259-2051.001 259	2,424.00	
CJE#28	06/30/2013	DEFERRED REVENUE	259-259-2051.001 259	505.00	
CJE#28	06/30/2013	DEFERRED REVENUE	259-259-2051.001 259	5,600.00	
CJE#28	06/30/2013	DEFERRED REVENUE	259-259-2051.001 259	5,171.00	
CJE#28	06/30/2013	DEFERRED REVENUE	259-259-2051.001 259	750.00	
CJE#28	06/30/2013	DEFERRED REVENUE	259-259-2051.001 259	181,839.00	
CJE#28	06/30/2013	DEFERRED REVENUE	259-259-2051.001 259		119,817.00
CJE#28	06/30/2013	FUND BALANCE	259-259-3021.001 259		505.00
CJE#28	06/30/2013	FUND BALANCE	259-259-3021.001 259		181,839.00
CJE#28	06/30/2013	FUND BALANCE	259-259-3021.001 259		50,675.00
CJE#28	06/30/2013	DRUG FORFEITS & SEIZURES	259-259-4201.002 259		2,424.00
CJE#28	06/30/2013	STATE RECYCLING GRANTS	259-259-4471.004 259	50,675.00	
CJE#28	06/30/2013	STATE RECYCLING GRANT #2	259-259-4471.007 259	119,817.00	
CJE#28	06/30/2013	MISCELLANEOUS REVENUES	259-259-4621.001 259		5,600.00
CJE#28	06/30/2013	MISCELLANEOUS REVENUES	259-259-4621.001 259		5,171.00
CJE#28	06/30/2013	MISCELLANEOUS REVENUES	259-259-4621.001 259		750.00
To recognize unearned revenues which were not restricted.					
CJE#29	06/30/2013	SETUP WC NONCURRENT LIABILITY	SETUP WC 721		466,141.00
CJE#29	06/30/2013	CLAIMS PAYMENT	721-12001-5151.002 721	466,141.00	
Increase the workers compensation					

City of Santa Clarita

Year End: June 30, 2013

Trial balance

Date: 07/01/2012 To 06/30/2013

0808.01-14

Prepared by 1 ND40 01/09/2014	Prepared by 2	Prepared by 3	In-Charge ND40 01/09/2014
Manager KC92 01/28/2014	Reviewed by	Partner	A&A

Number	Date	Name	Account No	Debit	Credit
		liability as of 6/30/13 to match Actuarial Study estimated outstanding losses at 90% confidence level of \$1,064,117.			
CJE#30	06/30/2013	CASH CHECKING ACCOUNT	100-100-1001.001 100		1,360,980.00
CJE#30	06/30/2013	FUND BALANCE	100-100-3021.001 100	1,360,980.00	
CJE#30	06/30/2013	CASH CHECKING ACCOUNT	306-306-1001.001 306	1,360,980.00	
CJE#30	06/30/2013	FUND BALANCE	306-306-3021.001 306		1,360,980.00
CJE#30	06/30/2013	FUND BALANCE	306-306-3021.001 306	1,256,430.00	
CJE#30	06/30/2013	Restricted for Sewer Infrastructure	306-306-3023.007 306	142,084.00	
CJE#30	06/30/2013	Restriction for Mikes Tire	306-306-3023.008 306		289.00
CJE#30	06/30/2013	Restricted for Caltrans	306-306-3023.010 306		2,921.00
CJE#30	06/30/2013	Restricted for Fire Safety	306-306-3023.011 306		911,820.00
CJE#30	06/30/2013	Restricted for Law Enforcement	306-306-3023.012 306		25,218.00
CJE#30	06/30/2013	Committed to capital projects	306-306-3023.013 306		241,898.00
CJE#30	06/30/2013	Assigned to Sewer capital projects	306-306-3023.014 306		142,084.00
CJE#30	06/30/2013	Assigned to Sewer capital projects	306-306-3023.014 306		21,744.00
CJE#30	06/30/2013	Assigned to Sewer capital projects	306-306-3023.014 306		52,540.00
		To transfer funds from the General Fund to the Developer Fee Fund to cover the advanced funds for construction costs for the water and sewer lines that were part of the Golden Valley Road projects (S4013306). Transfer fund balance to restricted fund balance accounts.			
CJE#31	06/30/2013	ACCOUNTS PAYABLE	229-229-2001.001 229		1,050,123.00
CJE#31	06/30/2013	NSP payment	229-13103-5161.001 229	1,050,123.00	
		Subsequent Event -To record payable for ARRA NSP grant funds. HCD is demanding the return of the grant funds as the timeline for the project was not met. Payment is scheduled for January 2014.			
CJE#32	06/30/2013	Property Held for Resale	306-306-1082.001 306	703,345.00	
CJE#32	06/30/2013	Allowance for Decline in Value	306-306-1082.002 306		453,835.00
CJE#32	06/30/2013	Nonspendable Fund Balance	306-306-3023.015 306		249,510.00
CJE#32	06/30/2013	Property Held for Resale	392-392-1082.001 392	2,850,000.00	
CJE#32	06/30/2013	Allowance for Decline in Value	392-392-1082.002 392		1,838,969.00
CJE#32	06/30/2013	FUND BALANCE	392-392-3021.001 392		1,011,031.00
CJE#32	06/30/2013	Property Held for Resale	393-393-1082.001 393	2,648,243.00	
CJE#32	06/30/2013	Allowance for Decline in Value	393-393-1082.002 393		1,708,784.00
CJE#32	06/30/2013	Fund Balance	393-393-3021.001 393		939,459.00
CJE#32	06/30/2013	LAND	900-900-1111.001 900		6,201,588.00
CJE#32	06/30/2013	INVEST GEN FIXED ASSETS	900-900-3032.001 900	6,201,588.00	
		To record the following transactions for the Avery City Block; to remove property from			

City of Santa Clarita

Year End: June 30, 2013

Trial balance

Date: 07/01/2012 To 06/30/2013

0808.01-15

Prepared by 1 ND40 01/09/2014	Prepared by 2	Prepared by 3	In-Charge ND40 01/09/2014
Manager KC92 01/28/2014	Reviewed by	Partner	A&A

Number	Date	Name	Account No	Debit	Credit	
		GFAAG, to record the property as land available for resale based on the following percentages 45.96% Non-Housing, 42.70% Housing, and 11.34% as City.				
				348,667,197.00	348,667,197.00	

Net Income (Loss) 20,503,217.00

City of Santa Clarita
Summary of Uncorrected Misstatements
Year Ended June 30, 2013

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 and cash flows, and to the related basic financial statement disclosures. Following is a summary of those differences:

Description	Governmental Activities				
	Effect—Debit (Credit)				
	Assets	Liabilities	Equity	Revenue	Expenses
Impact From Previous Years					
Over-depreciation of capital assets	\$ -	\$ -	\$ (1,046,799)	\$ -	\$ 1,046,799
Assets that were not expensed	-	-	417,042	-	(417,042)
Highway users taxes not recorded on accrual basis	-	-	(484,919)	484,919	-
OPEB asset being understated	-	-	(691,000)	-	691,000
Capital assets not capitalized	-	-	(1,071,884)	-	1,071,884
Capital assets not disposed	-	-	140,153	-	(140,153)
Capital assets not transferred to RDA Successor Agency	-	-	220,656	-	(220,656)
Current Year Misstatement					
Over-estimation of liability accrual	-	84,351	-	-	(84,351)
	<u>\$ -</u>	<u>\$ 84,351</u>	<u>(2,516,751)</u>	<u>\$ 484,919</u>	<u>\$ 1,947,481</u>
Current year effect of change in net position			2,432,400		
Effect on ending net position			<u>\$ (84,351)</u>		

Description	Business-Type Activities				
	Effect—Debit (Credit)				
	Assets	Liabilities	Equity	Revenue	Expenses
Impact From Previous Years					
Correction of receivable accruals	\$ -	\$ -	\$ (148,911)	\$ 148,911	\$ -
	<u>\$ -</u>	<u>\$ -</u>	<u>(148,911)</u>	<u>\$ 148,911</u>	<u>\$ -</u>
Current year effect of change in net position			148,911		
Effect on ending net position			<u>\$ -</u>		

Description	General Fund				
	Effect—Debit (Credit)				
	Assets	Liabilities	Equity	Revenue	Expenses
Impact From Previous Years					
Deferred recognition of interest receivable	\$ -	\$ -	\$ (346,524)	\$ 346,524	\$ -
Compensated absences recorded as governmental fund liability	-	-	(247,580)	-	247,580
	<u>\$ -</u>	<u>\$ -</u>	<u>(594,104)</u>	<u>\$ 346,524</u>	<u>\$ 247,580</u>
Current year effect of change in net position			594,104		
Effect on ending net position			<u>\$ -</u>		

Bridge and Thoroughfare Special Revenue Fund

Effect—Debit (Credit)

Description	Assets	Liabilities	Equity	Revenue	Expenses
Impact From Previous Years					
Deferred recognition of interest receivable	\$ -	\$ -	\$ (62,333)	\$ 62,333	\$ -
	<u>\$ -</u>	<u>\$ -</u>	<u>(62,333)</u>	<u>\$ 62,333</u>	<u>\$ -</u>
Current year effect of change in net position			62,333		
Effect on ending net position			<u>\$ -</u>		

Public Library Special Revenue Fund

Effect—Debit (Credit)

Description	Assets	Liabilities	Equity	Revenue	Expenses
Impact From Previous Years					
Current Year Misstatement					
Over-estimation of liability accrual	\$ -	\$ 1,902	\$ -	\$ -	\$ (1,902)
	<u>\$ -</u>	<u>\$ 1,902</u>	<u>-</u>	<u>\$ -</u>	<u>\$ (1,902)</u>
Current year effect of change in net position			(1,902)		
Effect on ending net position			<u>\$ (1,902)</u>		

Landscape Maintenance District #1 Special Revenue Fund

Effect—Debit (Credit)

Description	Assets	Liabilities	Equity	Revenue	Expenses
Impact From Previous Years					
Deferred recognition of interest receivable	\$ -	\$ -	\$ (79,133)	\$ 79,133	\$ -
	<u>\$ -</u>	<u>\$ -</u>	<u>(79,133)</u>	<u>\$ 79,133</u>	<u>\$ -</u>
Current year effect of change in net position			79,133		
Effect on ending net position			<u>\$ -</u>		

Transit Enterprise Fund

Effect—Debit (Credit)

Description	Assets	Liabilities	Equity	Revenue	Expenses
Impact From Previous Years					
Correction of prior year receivable accruals	\$ -	\$ -	\$ (148,911)	\$ 148,911	\$ -
	<u>\$ -</u>	<u>\$ -</u>	<u>(148,911)</u>	<u>\$ 148,911</u>	<u>\$ -</u>
Current year effect of change in net position			148,911		
Effect on ending net position			<u>\$ -</u>		

Aggregate Non-major Funds

Effect—Debit (Credit)

Description	Assets	Liabilities	Equity	Revenue	Expenses
Impact From Previous Years					
Deferred recognition of interest receivable	\$ -	\$ -	\$ (183,454)	\$ 183,454	\$ -
Assets that were not expensed	-	-	417,042	-	(417,042)
Highway users taxes not recorded on accrual basis	-	-	(484,919)	484,919	-
Current Year Misstatement					
Over-estimation of liability accrual	-	82,449	-	-	(82,449)
	<u>\$ -</u>	<u>\$ 82,449</u>	<u>(251,331)</u>	<u>\$ 668,373</u>	<u>\$ (499,491)</u>
Current year effect of change in net position			168,882		
Effect on ending net position			<u>\$ (82,449)</u>		

**Exhibit A—Letter Communicating Material Weaknesses in Internal Control Over
Financial Reporting**



**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**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Santa Clarita, California (the City), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 29, 2014, which included an emphasis of a matter paragraph modification for several restatements of net position and fund balance as of June 30, 2012.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies; therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the Schedule of Findings and Questioned Costs as items 2013-001, 2013-002, 2013-003 and 2013-004 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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*.

The City's Response to Findings

The City's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "McGladrey LLP".

Irvine, CA
January 29, 2014

City of Santa Clarita, California

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

II. Financial Statement Findings

Material Weaknesses

Finding Number: 2013-001 – Collectibility of Notes to RDA Successor Agency

Criteria: Procedures should be in place to periodically evaluate the collectibility of all receivables, including loans, to determine whether an allowance for doubtful accounts should be recorded.

Condition: At January 31, 2012, the redevelopment agencies for the State of California were dissolved. Prior to the dissolution, the City had given loans to the former redevelopment agency, and as of June 30, 2012, the unpaid principal and interest on the loans totaled \$13,318,896. The City did not evaluate the collectibility of these loans; therefore, an allowance for doubtful accounts was not established. During the audit as of June 30, 2013, McGladrey reviewed the circumstances surrounding the loans and determined that they had not been approved by the California Department of Finance as an enforceable obligation of the Successor Agency. This was brought to management's attention and it was unable to demonstrate that these loans had a high likelihood of being collectible. As a result, an allowance for doubtful accounts was established in the funds that held the receivables. This was required to be recorded as of June 30, 2012, which resulted in the fund balance of the General Fund to be restated as of June 30, 2012 by \$7,013,892, and the net position of the governmental activities to be restated as of June 30, 2012 by \$13,360,087.

Cause: The issue was systemic, as personnel within the Finance Department were not evaluating the collectibility of the loans receivable from the Successor Agency.

Effect: The fund balance and/or net position of certain opinion units have been restated as of June 30, 2012.

Recommendation: We recommend the City implement procedures to evaluate the collectibility of all receivables, including loans receivable from the Successor Agency, and determine whether an allowance for doubtful accounts should be recorded when the collectibility is uncertain.

Management's Response: Management agrees with the recommendation and has established a separate allowance for doubtful accounts for the notes to the RDA Successor Agency.

Finding Number: 2013-002 – Capital Asset Recording and Record Keeping

Criteria: Due to the significant balance of capital assets, the detailed internal capital asset records should be reconciled to the City's general ledger and Governmental Accounting Standards Board (GASB) 34 conversion schedule, and reviewed by the Finance Department on a periodic basis to ensure that all capital assets are recorded and reported in the correct fund.

City of Santa Clarita, California

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

II. Financial Statement Findings (Continued)

Finding Number: 2013-002 – Capital Asset Recording and Record Keeping (Continued)

Condition: There were several matters noted relating to the City's capital assets, which, in conjunction, constitute a material weakness. They include:

- A restatement to the net position of the governmental activities and the RDA Successor Agency Trust as of June 30, 2012 totaling \$530,099 for assets not properly transferred to the RDA Successor Agency upon the dissolution of the former redevelopment agency.
- A restatement to the net position of the governmental activities and the RDA Successor Agency Trust and fund balances of non-major governmental funds as of June 30, 2012 totaling \$6,201,589 to remove an asset from capital assets and properly record it as land held for resale. This also required the asset to be written down to net realizable value, which totaled \$2,200,000 at June 30, 2012, resulting in a write-down of \$4,001,589 for the year ended June 30, 2012.
- A restatement to the net position of the internal service funds as of June 30, 2012 totaling \$7,680,005 to remove capital assets reported in the internal service funds, which should only have been reported in the governmental activities.
- A restatement to the net position of the governmental activities as of June 30, 2012 of \$5,640,350 to remove infrastructure that was not being depreciated and did not meet the criteria listed in the capitalization policy.
- Adjusting entries were recorded to correct assets that were recorded as deletions during the year ended June 30, 2013; however, the assets were not disposed of, they were taken out of service. The City still maintains custody of them.

Cause: These issues were systemic, as the City's reconciliation of capital assets was inconsistent with policies and procedures per the City's capital assets policy. In addition, the Finance Division did not accurately segregate assets owned by the former redevelopment agency when the dissolution occurred.

Effect: Adjusting entries were made that resulted in both material adjustments for the year ended June 30, 2013 and material restatements to the net position of certain opinion units as of June 30, 2012.

Recommendation: We recommend implementing procedures and internal controls to help to ensure the accuracy and completeness of capital assets reported.

Management's Response: Management agrees with the response and will implement procedures and internal controls to ensure the accuracy and completeness of capital assets reported.

City of Santa Clarita, California

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

II. Financial Statement Findings (Continued)

In December 2007, an external firm specializing in infrastructure valuation services was retained by the City to prepare a comprehensive infrastructure valuation for the purpose of reporting the current net book value infrastructure assets in compliance with GASB Statement No. 34. In this valuation is included a net book value for street trees in excess of \$5.6 million as a component of an infrastructure network. The City accepted this recommendation and subsequently capitalized these street trees. During management's discussions with McGladrey, it was determined that capitalization of street trees is inconsistent with the City's capitalization policy and have agreed to remove street trees from its capital assets.

Finding Number: 2013-003 – Recognition of Revenue Previously Reported as Liabilities

Criteria: GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, gives guidance for revenue recognition for derived tax revenues, government-mandated nonexchange transactions, imposed nonexchange revenues and voluntary nonexchange transactions.

Condition: As of June 30, 2012, the City had not properly recognized revenue for certain in-lieu fees and developer contributions that qualified as government-mandated and imposed nonexchange transactions in accordance with GASB Statement No. 33. The City recorded certain revenues as liabilities (deposits payable and unearned revenue) until certain program expenditure had been incurred, at which time the City would recognize revenues. As a result, the fund balance of the General Fund as of June 30, 2012 was restated by \$357,299, the fund balance of the aggregate non-major governmental funds as of June 30, 2012 was restated by \$1,066,398, and the net position of the governmental activities as of June 30, 2012 was restated by \$1,423,697.

Cause: These issues were systemic, as the City had not properly complied with the provisions of GASB Statement No. 33.

Effect: The fund balance and/or net position of certain opinion units have been restated as of June 30, 2012.

Recommendation: We recommend the City continue to evaluate amounts received to help ensure revenues are recorded in accordance with the provisions of GASB Statement No. 33.

Management's Response: Management agrees with the recommendation and will evaluate transactions to determine whether it presents an obligation of the City, or if revenue should be recognized in the period received in accordance with the provisions of GASB Statement No. 33.

Finding Number: 2013-004 – Defined Availability Period

Criteria: National Council on Governmental Accounting (NCGA) Statement 1, *Governmental Accounting and Financial Reporting Principles*, requires governmental agencies to adopt a defined availability period, which is used to determine when revenues should be recognized under the modified accrual basis of accounting in governmental funds.

City of Santa Clarita, California

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

II. Financial Statement Findings (Continued)

Finding Number: 2013-004 – Defined Availability Period (Continued)

Condition: As of June 30, 2012, the City had not adopted an availability period for the revenue recognition in the governmental funds. This accounting treatment was not in accordance with the modified accrual basis of accounting as required by generally accepted accounting principles.

Starting with the fiscal year ended June 30, 2013, the City implemented an availability period of 60 days for property and sales tax revenues and 90 days for all other revenue sources. This correction was required to be implemented retroactively. As of June 30, 2012, one receivable was identified that was not received until more than 180 days after year-end. This item was recognized as revenue as of June 30, 2012; however, it should have been deferred and the revenue should have been recognized during the year ended June 30, 2013.

Cause: As of June 30, 2012, the City had not formally adopted an availability period for the revenue recognition in the governmental funds. The City utilized an availability period of 365 days for all revenues except property tax and sales tax revenue. This accounting treatment was not in accordance with the modified accrual basis of accounting as required by generally accepted accounting principles.

Effect: The fund balance and/or net position of certain opinion units have been restated as of June 30, 2012. Adjusting entries were also prepared to correct the overstatement of governmental revenues in the current year and record the deferred inflows of resource for revenues that were not received within the period of availability as of June 30, 2013.

Recommendation: We recommend the City adopt a formalized revenue recognition policy and continue to perform analysis to help determine if revenues are recorded in accordance with the adopted policy.

Management's Response: Management agrees with the recommendation and will establish a formalized revenue recognition policy, which will guide the availability for recognition of revenues for modified accrual basis of accounting in the governmental funds.

Exhibit B—Significant Written Communication Between Management and Our Firm



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

January 29, 2014

McGladrey LLP
18401 Von Karman Avenue, Floor 5
Irvine, CA 92612

This representation letter is provided in connection with your audit of the basic financial statements of the City of Santa Clarita, California (City), as of and for the year ended June 30, 2013 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 January 29, 2014:

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit arrangement letter dated August 30, 2013, 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, including those measured at fair value, 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, including those with the City having accountability for the Santa Clarita Watershed and Recreation Conservancy Authority and the Santa Clarita Public Television Authority, component units for which the City is accountable, other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the reporting City's financial statements to be misleading or incomplete, and jointly governed organizations in which City participates, and interfund transactions, including interfund accounts and advances receivable and payable, sale and purchase transactions, interfund transfers, long-term loans, 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 are not aware of any pending or threatened litigation, claims, or assessments that are required to be accrued or disclosed in the financial statements in accordance with Statement of Financial



Accounting Standards No. 5 and/or GASB Statement No. 10 and we have not consulted a lawyer concerning litigation claims or assessments.

9. 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.
10. We have complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
11. We have reviewed and determined that all interfund advances outstanding at June 30, 2013 are collectible.
12. The City has not used restrictive funding sources for any other purpose than the specific purpose stipulated by the external resource provided, or enabling legislation.
13. The City has satisfactory title to all owned assets.
14. Tax exempt bonds issued have retained their tax-exempt status.
15. We agree with the restatement of the previously issued financial statements discussed in Note 12 and Note 22 which are comprised of:

	General Fund	Bridge and Thoroughfare Special Revenue Fund	Non-Major Governmental Funds
Fund balance, as previously reported at June 30, 2012	\$ 69,942,023	\$ (21,818,543)	\$ 28,914,252
Collapse of the Public Facilities Replacement Internal Service Fund totaling \$14,105,732, excluding the removal of capital assets of \$2,669,393	14,105,732	-	-
Restate for recognition of allowance for loan loss related to RDA Successor Agency loan	(7,013,892)	-	-
Restate for excess transfers from the General Fund to the Self-Insurance Internal Service Fund	6,091,948	-	-
Restate for errors in revenue recognition	357,299	-	1,066,398
Restate for expenditures recorded in the incorrect fund	(1,360,980)	-	1,360,980
Restate Bridge and Thoroughfare developers credit payable to exclude as a governmental fund liability	-	35,023,734	-
Restate for error resulting from availability recognition criteria	-	-	(1,310,602)
Restate for recognition of land held for resale	-	-	1,188,969
Fund balance, as restated at June 30, 2012	<u>\$ 82,122,130</u>	<u>\$ 13,205,191</u>	<u>\$ 31,219,997</u>

	Governmental Activities
Net position, as previously reported at June 30, 2012	\$ 872,614,046
Restatement of beginning fund balance of governmental funds as listed above	(4,401,226)
Restate for allowance for loan loss related to the RDA Successor Agency loan	(6,346,195)
Restate for capital assets capitalized in error	(5,640,358)
Restate for capital assets that are reportable in RDA Successor Agency	(521,920)
Adoption of GASB 65 - Write-off cost of previous debt issuance costs	(1,425,731)
Restate for capital assets that should have been reported as land held for resale	(6,201,589)
Net position, as restated at June 30, 2012	<u>\$ 848,077,027</u>

	Internal Service Funds
Net position, as previously reported at June 30, 2012	\$ 35,908,981
Collapse of the Public Facilities Replacement Fund for \$14,105,732 and removal of capital assets for \$2,669,393	(16,775,125)
Restate for excess transfers made by the General Fund	(6,091,948)
Restate for capital assets that should not have been reported in the internal service funds	(5,010,612)
Net position, as restated at June 30, 2012	<u>\$ 8,031,296</u>

	RDA Successor Agency
Net position, as previously reported at June 30, 2012	\$ (36,999,585)
Adoption of GASB 65 - Write-off previous debt issuance costs	(1,198,052)
Restate for capital assets not transferred to the RDA Successor Agency upon dissolution	530,099
Restate for recognition of land held for resale	1,011,031
Net position, as restated at June 30, 2012	<u>\$ (36,656,507)</u>

In that regard:

- a. The restatement corrects an error in those financial statements.
 - b. We were not aware of the error when those financial statements were issued.
 - c. We are not aware of any other errors in those financial statements.
 - d. We do not believe it is necessary to recall those financial statements and all users of those financial statements will receive a copy of the current year's financial statements and independent auditor's report.
16. We have informed you of all uncorrected misstatements.

As of and for the Year Ended June 30, 2013

Management believes that the effects of the uncorrected misstatements aggregated by you and summarized below are immaterial, both individually and in the aggregate to the opinion units of the 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	Equity	Revenue	Expenses
Impact from Previous Years					
Over-depreciation of capital assets.	\$ -	\$ -	\$ (1,046,799)	\$ -	\$ 1,046,799
Assets that were not expensed.	-	-	417,042	-	(417,042)
Highway users taxes not recorded on accrual basis.	-	-	(484,919)	484,919	-
OPEB asset being understated.	-	-	(691,000)	-	691,000
Capital assets not capitalized.	-	-	(1,071,884)	-	1,071,884
Capital assets not disposed.	-	-	140,153	-	(140,153)
Capital assets not transferred to RDA Successor Agency.	-	-	220,656	-	(220,656)
Current Year Misstatements					
Over-estimation of liability accrual.	-	84,351	-	-	(84,351)
	<u>\$ -</u>	<u>\$ 84,351</u>	<u>(2,516,751)</u>	<u>\$ 484,919</u>	<u>\$ 1,947,481</u>
Current year effect of change in net position			2,432,400		
Effect on ending net position			<u>\$ (84,351)</u>		

Description	Business-Type Activities Effect—Debit (Credit)				
	Assets	Liabilities	Equity	Revenue	Expenses
Impact from Previous Years					
Correction of receivable accruals.	\$ -	\$ -	\$ (148,911)	\$ 148,911	\$ -
	<u>\$ -</u>	<u>\$ -</u>	<u>(148,911)</u>	<u>\$ 148,911</u>	<u>\$ -</u>
Current year effect of change in net position			148,911		
Effect on ending net position			<u>\$ -</u>		

Description	General Fund Effect—Debit (Credit)				
	Assets	Liabilities	Equity	Revenue	Expenses
Impact from Previous Years					
Deferred recognition of interest receivable.	\$ -	\$ -	\$ (346,524)	\$ 346,524	\$ -
Compensated absences recorded as governmental fund liability.	-	-	(247,580)	-	247,580
	<u>\$ -</u>	<u>\$ -</u>	<u>(594,104)</u>	<u>\$ 346,524</u>	<u>\$ 247,580</u>
Current year effect of change in net position			594,104		
Effect on ending net position			<u>\$ -</u>		

Description	Bridge and Thoroughfare Special Revenue Fund Effect—Debit (Credit)				
	Assets	Liabilities	Equity	Revenue	Expenses
Impact from Previous Years					
Deferred recognition of interest receivable.	\$ -	\$ -	\$ (62,333)	\$ 62,333	\$ -
	<u>\$ -</u>	<u>\$ -</u>	<u>(62,333)</u>	<u>\$ 62,333</u>	<u>\$ -</u>
Current year effect of change in net position			62,333		
Effect on ending net position			<u>\$ -</u>		

Description	Public Library Special Revenue Fund Effect—Debit (Credit)				
	Assets	Liabilities	Equity	Revenue	Expenses
Impact from Previous Years					
Current Year Misstatements					
Over-estimation of liability accrual.	\$ -	\$ 1,902	\$ -	\$ -	\$ (1,902)
	<u>\$ -</u>	<u>\$ 1,902</u>	<u>-</u>	<u>\$ -</u>	<u>\$ (1,902)</u>
Current year effect of change in net position			(1,902)		
Effect on ending net position			<u>\$ (1,902)</u>		

Description	Landscape Maintenance District #1 Special Revenue Fund Effect—Debit (Credit)				
	Assets	Liabilities	Equity	Revenue	Expenses
Impact from Previous Years					
Deferred recognition of interest receivable.	\$ -	\$ -	\$ (79,133)	\$ 79,133	\$ -
	<u>\$ -</u>	<u>\$ -</u>	<u>(79,133)</u>	<u>\$ 79,133</u>	<u>\$ -</u>
Current year effect of change in net position			79,133		
Effect on ending net position			<u>\$ -</u>		

Description	Transit Enterprise Fund Effect—Debit (Credit)				
	Assets	Liabilities	Equity	Revenue	Expenses
Impact from Previous Years					
Correction of prior year receivable accruals.	\$ -	\$ -	\$ (148,911)	\$ 148,911	\$ -
	<u>\$ -</u>	<u>\$ -</u>	<u>(148,911)</u>	<u>\$ 148,911</u>	<u>\$ -</u>
Current year effect of change in net position			148,911		
Effect on ending net position			<u>\$ -</u>		

Description	Aggregate Non-major Funds				
	Effect—Debit (Credit)				
	Assets	Liabilities	Equity	Revenue	Expenses
Impact from Previous Years					
Deferred recognition of interest receivable.	\$ -	\$ -	\$ (183,454)	\$ 183,454	\$ -
Assets that were not expensed.	-	-	417,042	-	(417,042)
Highway users taxes not recorded on accrual basis.	-	-	(484,919)	484,919	-
Current Year Misstatements					
Over-estimation of liability accrual.	-	82,449	-	-	(82,449)
	<u>\$ -</u>	<u>\$ 82,449</u>	<u>(251,331)</u>	<u>\$ 668,373</u>	<u>\$ (499,491)</u>
Current year effect of change in net position			168,882		
Effect on ending net position			<u>\$ (82,449)</u>		

Information Provided

17. 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 governing boards and committees, or summaries of actions of recent meetings for which minutes have not yet been prepared.
18. All transactions have been recorded in the accounting records and are reflected in the financial statements.
19. 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.
20. 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.
21. 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.
22. We have no knowledge of noncompliance or suspected noncompliance with laws and regulations whose effects were considered when preparing financial statements.
23. We are not aware of any pending or threatened litigation and claims whose effects should be considered when preparing the financial statements.
24. We have disclosed to you all of the City's related parties and all the related-party relationships and transactions of which we are aware.
25. We have informed you of all 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.
26. We have informed you of all communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.

Supplementary Information

27. 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.
 - d. When supplementary information is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date of issuance of the supplementary information and the auditor's report thereon.
28. With respect to Management's Discussion and Analysis, Budgetary Comparison Information, and the Schedules of Funding presented as required by 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 Governmental Accounting Standards Board.
 - c. The methods of measurement or presentation have not changed from those used in the prior period.
29. 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:

30. We are responsible for:
- a. Compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to the City.
 - b. Establishing and maintaining effective internal control over financial reporting.
31. We have identified and disclosed to you:
- c. All laws, regulations, and provisions of contracts and grant agreements that have a direct and material effect on the determinations of financial statement amounts or other financial data significant to audit objectives.
 - d. Violations (and possible violations) of laws, regulations, and provisions of contracts and grant agreements whose effects should be considered for disclosure in the auditor's report on noncompliance.
32. We have a process to track the status of audit findings and recommendations.
33. We have provided you with our views on your reported findings, conclusions, and recommendations, as well as our planned corrective actions for the report.
34. The City has designated Carmen Magaña, Finance Manager, a senior member of management, who has sufficient skills, knowledge, and experience; has supervised, reviewed, and approved, and we take full responsibility for the financial statements and related notes and acknowledge the auditor's

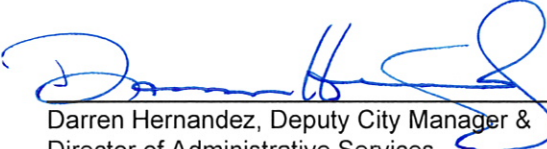
role in the preparation of this information. We also approve of and take full responsibility for all audit adjustments made in the preparation of the financial statements.

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:

35. We are responsible for complying, and we have complied, with the requirements of OMB Circular A-133.
36. We are responsible for understanding and complying with the requirements of laws, regulations, and the provisions of contracts and grant agreements related to each of our federal programs.
37. We are responsible for establishing and maintaining, and we have established and maintained, effective internal control over compliance for federal programs that provides reasonable assurance that we are managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on our federal programs.
38. We have prepared the schedule of expenditures of federal awards in accordance with Circular A-133 and have 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.
39. We have identified and disclosed to you 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.
40. We have 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.
41. We have identified and disclosed to you all amounts questioned and all known noncompliance with the direct and material compliance requirements of federal awards.
42. We believe that we have complied with the direct and material compliance requirements except for one instance of noncompliance which we have disclosed to you.
43. We have 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.
44. We have provided you our interpretations of any compliance requirements that are subject to varying interpretations. We have disclosed to you 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 your report.
45. We have disclosed to you 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 your report.
46. We are responsible for taking corrective action on audit findings of the compliance audit.
47. We have provided you 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.
48. We have disclosed the nature of 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.
49. We have disclosed all known noncompliance with direct and material compliance requirements occurring subsequent to the period covered by your report.

50. We have disclosed whether any changes in internal control over compliance or other factors that might significantly affect internal control, including any corrective action taken by us with regard to significant deficiencies in internal control over compliance (including material weaknesses in internal control over compliance), have occurred subsequent to the date as of which compliance is audited.
51. 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.
52. The copies of federal program financial reports provided to you are true copies of the reports submitted, or electronically transmitted, to the federal agency or pass-through entity, as applicable.
53. We have 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.
54. We have charged costs to federal awards in accordance with applicable cost principles.
55. We are responsible for, and have accurately prepared, the summary schedule of prior audit findings to include all findings required to be included by Circular A-133.
56. We have accurately completed appropriate sections of the data collection form. We further acknowledge our responsibility for the complete, accurate, and timely filing of the data collection form with the Federal Audit Clearinghouse.

City of Santa Clarita, California


Darren Hernandez, Deputy City Manager &
Director of Administrative Services

1-31-2014
Date


Carmen Magana, Finance Manager

1-31-2014
Date

**Exhibit C—Summary of Restatements to Fund Balance and Net Position for the
Year Ended June 30, 2012**

City of Santa Clarita, California

**Summary of Restatements to Fund Balance and Net Position
For the Year Ended June 30, 2012**

During the audit process for the year ended June 30, 2013, it was determined that errors in the application of generally accepted accounting principles existed in the City's previously issued June 30, 2012 financial statements. As a result of analyzing amounts previously reported, it was determined that errors existed as described and identified in the three tables below. The impact on the previously reported changes in net position and changes in fund balances for year ended June 30, 2012 is not readily determinable.

Beginning fund balance has been restated as follows:

	General Fund	Bridge and Thoroughfare Special Revenue Fund	Non-Major Governmental Funds
Fund balance, as previously reported at June 30, 2012	\$ 69,942,023	\$ (21,818,543)	\$ 28,914,252
Collapse of the Public Facilities Replacement Internal Service Fund, which excludes the removal of capital assets of \$2,669,393	14,105,732	-	-
Restate for recognition of allowance for loan loss related to RDA Successor Agency loan	(7,013,892)	-	-
Restate for excess transfers from the General Fund to the Self-Insurance Internal Service Fund	6,091,948	-	-
Restate for errors in revenue recognition	357,299	-	1,066,398
Restate for expenditures recorded in the incorrect fund	(1,360,980)	-	1,360,980
Restate Bridge and Thoroughfare developers credit payable to exclude as a governmental fund liability	-	35,023,734	-
Restate for error resulting from availability recognition criteria	-	-	(1,310,602)
Restate for recognition of land held for resale	-	-	1,188,969
Fund balance, as restated at June 30, 2012	<u>\$ 82,122,130</u>	<u>\$ 13,205,191</u>	<u>\$ 31,219,997</u>

Beginning net position in the governmental activities has been restated as follows:

	Governmental Activities
Net position, as previously reported at June 30, 2012	\$ 872,614,046
Restatement of beginning fund balance of governmental funds as listed above	(4,401,226)
Restate for allowance for loan loss related to the RDA Successor Agency loan	(6,346,195)
Restate for capital assets capitalized in error	(5,640,358)
Restate for capital assets that are reportable in RDA Successor Agency	(521,920)
Adoption of GASB 65, write-off cost of previous debt issuance costs	(1,425,731)
Restate for capital assets that should have been reported as land held for resale	(6,201,589)
Net position, as restated at June 30, 2012	<u>\$ 848,077,027</u>

(Continued)

City of Santa Clarita, California

**Summary of Restatements to Fund Balance and Net Position (Continued)
For the Year Ended June 30, 2012**

Beginning net position in the internal service funds has been restated as follows:

	<u>Internal Service Funds</u>
Net position, as previously reported at June 30, 2012	\$ 35,908,981
Collapse of the Public Facilities Replacement Fund, which includes capital assets of \$2,669,393	(16,775,125)
Restate for excess transfers made by the General Fund	(6,091,948)
Restate for capital assets that should not have been reported in the internal service funds	<u>(5,010,612)</u>
Net position, as restated at June 30, 2012	<u><u>\$ 8,031,296</u></u>