

City of Chula Vista

Chula Vista, California

Single Audit Report

For the year ended June 30, 2013



PUN & McGEADY ^{LLP}
Certified Public Accountants and Business Advisors

City of Chula Vista
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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENTAL AUDITING STANDARDS**

Independent Auditors' Report

To the Honorable Mayor and Members of City Council
of the City of Chula Vista
Chula Vista, California

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 Chula Vista, 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 December 20, 2013.

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 opinion 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.

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. 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from 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*.

To the Honorable Mayor and Members of City Council
of the City of Chula Vista
Chula Vista, California
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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.

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San Diego, California
December 20, 2013



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**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; ON INTERNAL CONTROL
OVER COMPLIANCE AND ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
REQUIRED BY OMB CIRCULAR A-133**

Independent Auditors' Report

To the Honorable Mayor and Members of City Council
of the City of Chula Vista
Chula Vista, California

Report on Compliance for Each Major Federal Program

We have audited the City of Chula Vista, California's (the "City") compliance with the types of compliance requirements described in the U.S. Office of Management and Budget ("OMB") *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013. The City's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of and for the year ended June 30, 2013, and have issued our report thereon dated December 20, 2013 which contained an unqualified opinion on those financial statements. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditure of Federal Awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

To the Honorable Mayor and Members of City Council
of the City of Chula Vista
Chula Vista, California
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Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Paul J. McGeady LLP". The signature is written in a cursive style with a large initial "P" and "M".

San Diego, California
December 20, 2013

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City of Chula Vista
Schedule of Expenditures of Federal Awards
For the fiscal year ended June 30, 2013

Federal Grantor/Pass-Through Grantor Program Title	CFDA Number	Grant Award Number	Federal Expenditures
U.S. Department of Housing and Urban Development			
<i>Direct Program</i>			
CDBG Entitlement Grant Cluster:			
ARRA - Community Development Block Grant	14.253	B09-MY-060540	\$ 18,245
Community Development Block Grant - Entitlement	14.218	B08-MC-060510, B10-MC-060540, B11-MC-060540	2,228,408
CDBG Entitlement Grant Cluster Subtotal			2,246,653
Home Investment Partnership Program	14.239	M09-MC-060505, M10-MC-060505, M12-MC-060505, M-13-MC-060505	419,497
Emergency Shelter Grant Program	14.231	E11-MC-060540, E12-MC-060540	86,381
ARRA - Homeless Prevention and Rapid Re-Housing Program (HPRP)	14.257	S09-MY-060540	19,578
Total U.S. Department of Housing and Urban Development			2,772,109
U.S. Department of Justice			
<i>Passed through the State of California</i>			
Coverdell Program	16.742	CQ10 01 6364/CQ10 01 6364	4,474
<i>Passed through County of San Diego</i>			
Justice Assistance Grant Program Cluster:			
J.U.D.G.E.	16.738	DC11240370	200,000
<i>Direct Program</i>			
Justice Assistance Grant (JAG) 2010 Direct	16.738	2010-DJ-BX-1424	12,181
Justice Assistance Grant (JAG) 2011 Direct	16.738	2011-DJ-BX-2408	57,792
Justice Assistance Grant (JAG) 2013 Direct	16.738	2012-DJ-BX-0054	57,748
Justice Assistance Grant Program Cluster Subtotal			327,721
<i>Direct Program</i>			
High Intensity Drug Trafficking Areas - Operation Alliance	95.001	G13SC0002A, G12SC0002A	121,809
High Intensity Drug Trafficking Areas - Marine Task Force	95.001	G13SC0002A, G12SC0002A	39,106
High Intensity Drug Trafficking Areas - Major Mexican Drug Traffickers	95.001	G13SC0002A, G12SC0002A	109,070
High Intensity Drug Trafficking Areas - California Border Alliance Group	95.001	G13SC0002A, G12SC0002A	2,524,939
High Intensity Drug Trafficking Areas - Cross Border Violent Task Force	95.001	G13SC0002A, G12SC0002A	67,864
CFDA 95.001 Subtotal			2,862,788
<i>Direct Program</i>			
Bulletproof Vest Partnership	16.607		4,974
ARRA - Neighborhood Prosecution Unit 2009	16.808	2009-SC-B9-0086	1,226
Equitable Sharing Program	16.922		395,207
Project Safe Neighborhoods	16.609	2007-PG-BX-4032	8,510
Fugitive Task Force 2013	16.111	JLEO-13-0227	15,724
COPS Hiring Program 2013	16.710	2012-UL-WX-0006	10,417
Treasury Forfeiture Fund Program	21.000		1,480
Total U.S. Department of Justice			3,632,521
U.S. Department of Transportation			
<i>Passed through State Department of Transportation</i>			
Transportation Equity Act for the 21st Century	20.205	HPLU-5203 (028)	562,253
Highway Bridge Replacement and Rehab (HBRR)	20.205	BHLS-5203 (016)	350,464
Pedestrian/ Bicycle Development and Enhancement Plan	20.205	HPLU 5203 (029)	345,565
Highway Safety Improvement Program	20.205	HSIPL 5203 (025)	713,916
CFDA 20.205 Subtotal			1,972,198

See accompanying Notes to Schedule of Expenditures of Federal Awards.

City of Chula Vista
Schedule of Expenditures of Federal Awards (Continued)
For the fiscal year ended June 30, 2013

Program Title	Number	Number	Expenditures
U.S. Department of Transportation			
<i>Direct Programs</i>			
OTS AVOID the 14 DUI Campaign 2009	20.600	AL0939	11,960
<i>Passed through State Department of Transportation</i>			
OTS Selective Traffic Enforcement Program 2013	20.600	PT1329	28,693
OTS Sobriety Checkpoint Program 2012 and 2013	20.600	SC12075, SC13075	133,466
CFDA 20.600 Subtotal			174,119
<i>Passed through State Department of Transportation</i>			
OTS Selective Traffic Enforcement Program 2013	20.608	PT1329	67,686
Minimum Penalties for Repeat offenders for DUI	20.608	20270	97,876
CFDA 20.608 Subtotal			165,562
Total U.S. Department of Transportation			2,311,879
Environmental Protection Agency			
<i>Direct Program</i>			
Brownfield Assessment and Cleanup Cooperative Agreements	66.818	BF-96943301-0	77,999
Total Environmental Protection Agency			77,999
U.S. Department of Energy			
<i>Passed through California Center for Sustainable Energy</i>			
Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training and Technical Analysis/ Assistance Program	81.117	DE-EE0005696	20,541
<i>Direct Program</i>			
Office of Science Financial Assistance Program	81.049	DE-SC-0005169	264,033
Energy Efficiency & Conservation Block Grants	81.128	DE-SC0002995, DE-EE0003562/000	375,268
Total U.S. Department of Energy			659,842
U.S. Department of Health and Human Services			
<i>Center for Disease Control and Prevention</i>			
Communities Putting Prevention to Work	93.724	5011665 (TF381), 5001659 (TF380)	748
Total U.S. Department of Health and Human Services			748
U.S. Department of Homeland Security			
<i>Direct Program</i>			
Homeland Security Grant Program-SDLECC	97.067	2011-0077	469,708
State Homeland Security Program	97.067	2009-0019, 2010-0085	126,588
Urban Area Security Initiative	97.067	2011-0077, 2010-0085	485,347
<i>Passed through County of San Diego</i>			
Operation Stone Garden	97.067	2010-1085,2011-1077,2012-1123	253,499
CFDA 97.067 Subtotal			1,335,142
<i>Passed through California Emergency Management Agency</i>			
State of California Disaster Assistance Act Program	97.xxx		351
<i>Direct Program</i>			
Emergency Management Performance Grant	97.042	2011-0048	58,715
Total U.S. Department of Homeland Security			1,394,208
Total Expenditures of Federal Awards			\$ 10,849,306

See accompanying Notes to Schedule of Expenditures of Federal Awards.

City of Chula Vista
Notes to Schedule of Expenditures of Federal Awards
For the fiscal year ended June 30, 2013

Note 1 – Reporting Entity

The financial reporting entity consists of the primary government, City of Chula Vista (the “City”), organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete.

The City Council acts as the governing body and is able to impose its will on the following organizations, establishing financial accountability:

- The Chula Vista Public Financing Authority
- The Chula Vista Housing Authority

Note 2 – Summary of Significant Accounting Policies

Basis of Accounting

Funds received under the various grant programs have been recorded within the special revenue and capital projects funds of the City. The City utilizes the modified accrual basis of accounting for the special revenue and capital projects funds. The accompanying Schedule of Expenditures of Federal Awards (Schedule) is presented in accordance with the requirements of Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in the Schedule may differ from amounts presented in, or used in, the preparation of City’s basic financial statements.

Schedule of Expenditures of Federal Awards

The accompanying Schedule of Expenditures of Federal Awards (Schedule) presents the activity of all federal financial assistance programs of the City. Federal financial assistance received directly from federal agencies, as well as federal financial assistance passed through the State of California, the County of San Diego, and the City of San Diego is included in the Schedule. The Schedule was prepared only from the accounts of various grant programs and, therefore, does not present the financial position or results of operations of the City.

City of Chula Vista
Schedule of Findings and Questioned Costs
For the fiscal year ended June 30, 2013

Section I – Summary of Auditor’s Results

Financial Statements

Types of auditors’ report issued:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	None Reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	None Reported
Type of auditor’s report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in Accordance with section 510(a) of OMB Circular A-133	No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster	Expenditures
16.922	Equitable Sharing Program	\$ 395,207
81.128	Energy Efficiency and Conservation Block Grant Program	375,268
95.001	High Intensity Drug Trafficking Areas Program	2,862,788
	Total Expenditures of All Major Federal Programs	\$ 3,633,263
	Total Expenditures of Federal Awards	\$ 10,849,306
	Percentage of Total Expenditures of Federal Awards	33.49%

Dollar threshold used to distinguish between type A and type B program	\$325,479
Auditee qualified as low-risk auditee under section 530 of OMB Circular A-133?	Yes

City of Chula Vista
Schedule of Findings and Questioned Costs (Continued)
For the fiscal year ended June 30, 2013

Section II – Financial Statement Findings

No financial statements findings were noted.

Section III – Federal Award Findings

A. Current Year Findings and Questioned Costs – Major Federal Award Program Audit

No findings or questioned costs were noted on the City's major programs for the year ended June 30, 2013.

B. Prior Year Findings and Questioned Costs – Major Federal Award Program Audit

No findings or questioned costs were noted on the City's major programs for the year ended June 30, 2012.