

**Housing Authority of the County of Santa Clara  
(A Component Unit of the County of Santa Clara)**

**Single Audit Reports**

**June 30, 2013**

**Housing Authority of the County of Santa Clara  
(A Component Unit of the County of Santa Clara)**

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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 Board of Commissioners  
Housing Authority of the County of Santa Clara

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Housing Authority of the County of Santa Clara (the Authority), a component unit of the County of Santa Clara, California, and its discretely presented component units, which comprise the statement of net position as of June 30, 2013, and the related statements of revenues, expenses and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon November 27, 2013. Other auditors audited the financial statements of the aggregate discretely presented component units as described in our report on the Authority's financial statements. The audits of the aggregate discretely presented component units, except for the AE Associates, LTD, HACSC/Choices Family Associates, Opportunity Center Associates LP, Fairground Luxury Family Apartments, LP, S.P.G. Housing Inc. and Subsidiaries, Villa Garcia, Inc., and Villa San Pedro HDC, Inc., were not performed in accordance with *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority'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 purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority'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 Authority'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 Authority'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 and requirements 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*.

#### 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 Authority'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 Authority's internal control and compliance. Accordingly, this communication is not suited for any other purpose.

A handwritten signature in cursive script that reads "Cohn Reznick LLP".

Sacramento, California  
November 27, 2013

Independent Auditor's Report on Compliance For Each Major Program and on  
Internal Control over Compliance Required by OMB Circular A-133 and Schedule of  
Expenditures of Federal Awards

To the Board of Commissioners  
Housing Authority of the County of Santa Clara

Report on Compliance with Each Major Federal Program

We have audited the Housing Authority of the County of Santa Clara (the Authority)'s compliance with the types of compliance requirements described in the *Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended June 30, 2013. The Authority's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs.

*Management's Responsibility*

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

*Auditor's Responsibility*

Our responsibility is to express an opinion on compliance for each of the Authority'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 Authority'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 Authority's compliance.

The Authority's basic financial statements include the operations of Villa Garcia, Inc. and Villa San Pedro HDC, Inc. that expended \$2,087,434 and \$1,337,824, respectively, in federal awards for the year ended December 31, 2012, and which are not included in the Schedule of Expenditures of Federal Awards for the year ended June 30, 2013. Our audit, described above, did not include the operations of Villa Garcia, Inc. and Villa San Pedro HDC, Inc. because other auditors were engaged to perform the audits of those entities in accordance with OMB Circular A-133.

#### *Opinion on Each Major Federal Program*

In our opinion, the Authority 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 Authority 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 Authority's internal control over compliance with the types of requirements that could have a direct and material effect on a 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 Authority'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 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.

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.

#### Schedule of Expenditures of Federal Awards

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Housing Authority of the County of Santa Clara (the Authority), a component unit of the County of Santa Clara, California, and its discretely presented component units, which comprise the statement of net position as of June 30, 2013, and the related statements of revenues, expenses and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon November 27, 2013. Our audit was performed for the purpose of forming an opinion on the financial statements of the Authority as a whole. Our report includes a reference to other auditors. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

This report on the Schedule of Expenditures of Federal Awards is intended solely for the information and use of the Board of Commissioners and management of the Authority, and federal awarding agencies and pass through entities, and is not suitable for any other purpose.



Sacramento, California  
November 27, 2013

**Housing Authority of the County of Santa Clara  
(A Component Unit of the County of Santa Clara)**

**Schedule of Expenditures of Federal Awards**

**Year Ended June 30, 2013**

| <u>Grantor / Pass-Through Grantor Program Title:</u>                       | <u>Federal<br/>CFDA<br/>Number</u> | <u>Agency or<br/>Pass-Through<br/>Number</u> | <u>Expenditures<br/>Amount</u> |
|--|------------------------------------|--|--------------------------------|
| <b><u>FEDERAL EXPENDITURES</u></b>   |                                    |  |                                |
| <b><u>Direct:</u></b>  |                                    |  |                                |
| <b>U.S. Department of Housing and Urban Development</b>                    |                                    |  |                                |
| <b><u>CDBG Cluster</u></b>   |                                    |  |                                |
| Community Development Block Grants   | 14.218                             | n/a  | <b><u>\$ 168,979</u></b>       |
| <b><u>CFP Cluster</u></b>  |                                    |  |                                |
| ARRA-Public Housing Capital Fund Stimulus<br>(Formula) Recovery Act Funded | 14.885                             | n/a  | <b><u>8,228</u></b>            |
| <b><u>Shelter Plus Care</u></b>  |                                    |  |                                |
| Shelter Plus Care  | 14.238                             | n/a  | <b><u>3,243,767</u></b>        |
| <b><u>Housing Voucher Cluster</u></b>                                      |                                    |  |                                |
| Family Unification Program (FUP)   | 14.880                             | n/a  | 1,777,124                      |
| Mainstream Vouchers  | 14.879                             | n/a  | 711,065                        |
| Section 8 Housing Choice Vouchers  | 14.871                             | n/a  | <b><u>5,792,955</u></b>        |
| <b>Subtotal Housing Voucher Cluster</b>                                    |                                    |  | <b><u>8,281,144</u></b>        |
| <b><u>Section 8 Project-Based Cluster</u></b>                              |                                    |  |                                |
| Lower Income Housing Assistance - Program                                  |                                    |  |                                |
| Section 8 Moderate Rehabilitation  | 14.856                             | n/a  | 582,324                        |
| Section 8 Moderate Rehabilitation Single Room<br>Occupancy                 | 14.249                             | n/a  | <b><u>489,768</u></b>          |
| <b>Subtotal - Section 8 Project-Based Cluster</b>                          |                                    |  | <b><u>1,072,092</u></b>        |
| <b><u>Move to Work</u></b>   |                                    |  |                                |
| Moving To Work Demonstration Program                                       | 14.881                             | n/a  | <b><u>264,076,636</u></b>      |
| <b>Total U.S. Department of Housing and Urban Development</b>              |                                    |  | <b><u>\$ 276,850,846</u></b>   |
| <b>Total Expenditure of Federal Awards</b>                                 |                                    |  | <b><u>\$ 276,850,846</u></b>   |

**Housing Authority of the County of Santa Clara  
(A Component Unit of the County of Santa Clara)**

**Notes to Schedule of Expenditures of Federal Awards**

**Year Ended June 30, 2013**

**Note 1 - Reporting Entity**

The Housing Authority of the County of Santa Clara (the Authority) is a government agency formed in 1967 by the County of Santa Clara (the County) in accordance with the Housing Authority Law of the State of California. The Authority is an integral part (a component unit) of the reporting entity of the County. The mission of the Authority is to provide and inspire affordable housing solutions for low-income people in Santa Clara County to achieve financial stability and self-reliance.

**Note 2 - Summary of Significant Accounting Policies**

**General**

The Schedule of Expenditures of Federal Awards (the Schedule) presents activity of all federal award programs of the Authority. The Authority's reporting entity is defined further in Note 1 of the Authority's basic financial statements. Federal awards received directly from federal agencies, as well as federal awards passed through from other governmental agencies, if any, are included on the Schedule.

**Basis of Accounting**

The expenditures included in the Schedule are reported under the accrual basis of accounting.

**Relationship to Federal Financial Reports**

The amounts reported in the Schedule agree to or can be reconciled with the amounts reported in the related federal financial reports.

**Relationship to Basic Financial Statements**

Federal award revenues and expenditures agree to or can be reconciled with the amounts reported in the Authority's basic financial statements. The Schedule presents only the expenditures incurred by the Authority that are reimbursable under federal programs of federal agencies providing financial assistance. The Schedule was prepared from only the accounts of the federal grants and, therefore does not represent the financial position or results of operations of the Authority.

**Housing Authority of the County of Santa Clara  
(A Component Unit of the County of Santa Clara)**

**Notes to Schedule of Expenditures of Federal Awards - Continued**

**Year Ended June 30, 2013**

**Note 3 - Discrete Component Units Federal Expenditures**

The Authority's discrete component units Villa Garcia, Inc. and Villa San Pedro HDC, Inc.'s federal expenditures are excluded from the Schedule because their federal expenditures are separately audited. Expenditures for the programs of Villa Garcia, Inc. and Villa San Pedro HDC, Inc. for the year ended December 31, 2012 listed below are taken from the single audit reports audited by other auditors. The federal expenditures of these discretely presented component units are as follows:

| <u>Federal Grantor/Pass-Through Grantor/Program Title</u>                  | <u>Federal<br/>CFDA<br/>Number</u> | <u>Federal<br/>Expenditures</u> |
|--|------------------------------------|---------------------------------|
| <b>U.S. Department of Housing and Urban Development:</b>                   |                                    |                                 |
| <i>Direct Programs</i>   |                                    |                                 |
| Section 201 Flexible Assistance Subsidy Loan with<br>Continuing Compliance | 14.164                             | \$ 1,415,905                    |
| Section 8 Housing Assistance Payments                                      | 14.182                             | 647,309                         |
| Section 236 Interest Reduction Insured Loan with<br>Continuing Compliance  | 14.103                             | 18,200                          |
| Section 235 Interest Reduction Subsidy                                     | 14.103                             | <u>6,020</u>                    |
| <b>Total Villa Garcia, Inc.</b>  |                                    | <b><u>\$ 2,087,434</u></b>      |
| <i>Direct Programs</i>   |                                    |                                 |
| Section 201 Flexible Assistance Subsidy Loan with<br>Continuing Compliance | 14.164                             | \$ 799,933                      |
| Section 8 Housing Assistance Payments                                      | 14.182                             | 527,017                         |
| Section 221(d)(3) Insured Loan with Continuing Compliance                  | 14.135                             | <u>10,874</u>                   |
| <b>Total Villa San Pedro HDC, Inc.</b>                                     |                                    | <b><u>\$ 1,337,824</u></b>      |

**Housing Authority of the County of Santa Clara  
(A Component Unit of the County of Santa Clara)**

**Schedule of Findings and Questioned Costs**

**Year Ended June 30, 2013**

**A. Summary of Audit Results**

1. The auditor's report expresses an unmodified opinion on the financial statements of the Housing Authority of the County of Santa Clara and its aggregate discretely presented component units.
2. No material weaknesses or significant deficiencies related to the audit of the financial statements were reported in the 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*.
3. No instances of noncompliance material to the financial statements of the Housing Authority of the County of Santa Clara were disclosed during the audit.
4. No significant deficiencies or material weaknesses related to the audit of the major federal award programs were disclosed in the Independent Auditor's Report on Compliance with Requirements that Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133.
5. The auditor's report on compliance for the major federal award programs for the Housing Authority of the County of Santa Clara expresses an unmodified opinion.
6. There are no audit findings relative to the major federal award programs for the Housing Authority of the County of Santa Clara.

**Housing Authority of the County of Santa Clara  
(A Component Unit of the County of Santa Clara)**

**Schedule of Findings and Questioned Costs - Continued**

**Year Ended June 30, 2013**

7. The programs tested as major programs include:

| <u>Major Programs</u>                                  | <u>Federal<br/>CFDA<br/>Number</u> | <u>Federal<br/>Expenditures<br/>Amount</u> |
|--|------------------------------------|--|
| Moving to work<br>Moving To Work Demonstration Program | 14.881                             | <u>\$ 264,076,636</u>                      |
| Shelter Plus Care                                      | 14.238                             | <u>3,243,767</u>                           |
| Housing Voucher Cluster                                |                                    |  |
| Family Unification Program (FUP)                       | 14.880                             | 1,777,124                                  |
| Mainstream Vouchers                                    | 14.879                             | 711,065                                    |
| Section 8 Housing Choice Vouchers                      | 14.871                             | <u>5,792,955</u>                           |
|  |                                    | <u>8,281,144</u>                           |
| Total Major Program Expenditures                       |                                    | <u><u>\$ 275,601,547</u></u>               |
| Total Federal Award Expenditures                       |                                    | <u><u>\$ 276,850,846</u></u>               |
| Percentage of Total Federal Award Expenditures         |                                    | <u><u>99.55%</u></u>                       |

8. The threshold for distinguishing Type A and B programs was \$3,000,000.

9. The Housing Authority of the County of Santa Clara does not qualify as a low-risk auditee.

**B. Findings - Financial Statements Audit**

- None reported.

**C. Findings and Questioned Costs - Major Federal Award Programs Audit**

- None reported

**Housing Authority of the County of Santa Clara  
(A Component Unit of the County of Santa Clara)**

**Summary Schedule of Prior Audit Findings**

**Year Ended June 30, 2013**

No matters were reported in prior year.