



**CITY OF LA MIRADA, CALIFORNIA**

**SINGLE AUDIT REPORT**

**JUNE 30, 2010**

**Lance Soll & Lunghard, LLP**

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SINGLE AUDIT REPORT

JUNE 30, 2010

**CITY OF LA MIRADA**

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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 *GOVERNMENT AUDITING STANDARDS*

To the Honorable Mayor and Members of the City Council  
City of La Mirada, California

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 of La Mirada, California, (the City) as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements and have issued our report thereon dated November 24, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. However, as discussed below, 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 misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as finding 2010-1 to be material weaknesses in internal control.



To the Honorable Mayor and Members of the City Council  
City of La Mirada, California

### **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*.

This report is intended solely for the information and use of management, the City Council, federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

*Lance, Solt & Lughard, LLP*

November 24, 2010



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM, ON INTERNAL CONTROL OVER COMPLIANCE, AND ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Honorable Mayor and Members of the City Council  
City of La Mirada, California

### Compliance

We have audited the compliance of the City of La Mirada (the "City") with the types of compliance requirements described in the *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, 2010. 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.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2010-2.

### Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the



To the Honorable Mayor and Members of the City Council  
City of La Mirada, California

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 timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified a deficiency in internal control over compliance that we consider to be a significant deficiency as described in the accompanying schedule of findings and questioned costs as item 2010-2. A *significant deficiency in internal control over compliance* is a deficiency, or 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.

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City's responses and, accordingly, express no opinion on them.

#### **Schedule of Expenditures of Federal Awards**

We have audited the basic financial statements of the City as of and for the year ended June 30, 2010, and have issued our report thereon dated November 24, 2010, which contained an unqualified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic 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 basic 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 taken as a whole.

This report is intended solely for the information of the City Council, management, federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

*Lance, Soll & Loughard, LLP*

February 3, 2011

CITY OF LA MIRADA

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>
<u>U.S. Department of Housing and Urban Development</u>			
Passed through the County of Los Angeles Community Development Commission:			
Community Development Block Grant*	14.218	D96288-09	\$ 113,852
		D96292-09	28,504
		600507-09	43,497
		600323-09	72,998
		601285-09	763,706
		600671-09	77,928
ARRA - Community Development Block Grant (Recovery Act Funded)*	14.253	REC042-09	<u>87,921</u>
<b>Total U.S. Department of Housing and Urban Development</b>			<b><u>1,188,406</u></b>
<u>U.S. Department of Transportation</u>			
Direct Programs:			
ARRA - Federal Transit - Formula Grants (Recovery Act Funded)*	20.507	CA-96-X084-01	151,423
Federal Transit - Formula Grants*	20.507	CA-90-Y673-00	583,798
Passed through the State of California			
Office of Traffic Safety:			
Sobriety Checkpoint Mini-Grant Program 2010	20.600	SC10-205	37,830
Next Generation - Click It or Ticket	20.600	CT09-205	3,183
Passed through the State of California			
Department of Transportation:			
ARRA - Highway Planning and Construction*	20.205	ESPL-5364(005)	731,019
		ESPL-5364(006)	<u>42,745</u>
<b>Total U.S. Department of Transportation</b>			<b><u>1,549,998</u></b>
<b>Total Federal Expenditures</b>			<b><u>\$ 2,738,404</u></b>

\* Major Program

Note a: Refer to Note 1 to the schedule of expenditures of federal awards for a description of significant accounting policies used in preparing this schedule.

Note b: There was no federal awards expended in the form of noncash assistance and insurance in effect during the year.

Note c: Total amount provided to subrecipients during the year was \$0.

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**Note 1: Summary of Significant Accounting Policies Applicable to the Schedule of Expenditures of Federal Awards**

**a. Scope of Presentation**

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

**b. Basis of Accounting**

The expenditures included in the accompanying schedule were reported on the modified accrual basis of accounting. Under the modified accrual basis of accounting, expenditures are incurred when the City becomes obligated for payment as a result of the receipt of the related goods and services. Expenditures reported included any property or equipment acquisitions incurred under the federal program.

**Note 2: Community Development Block Grant Projects**

The following is a breakdown of CDBG projects passed-through from the County of Los Angeles CDC:

CDBG Project No.	Financial Assistance Received From CDC During Fiscal Year	Accrual at End of the Fiscal Year	Accrual at Beginning of Fiscal Year	Total Expenditures Reported in SEFA
D96292	\$ 28,557	\$ (53)	\$ -	\$ 28,504
D96288	145,710	2,902	(34,760)	113,852
600507	43,280	217	-	43,497
600323	71,356	3,180	(1,538)	72,998
600671	74,727	7,615	(4,414)	77,928
601285	39,311	724,395	-	763,706
REC042	-	87,921	-	87,921
<b>Total All Projects</b>	<b>\$ 402,941</b>	<b>\$ 826,177</b>	<b>\$ (40,712)</b>	<b>\$ 1,188,406</b>

Note: Total Housing and Community Development Fund expenditures were \$1,189,909, however, \$1,188,406 was reported on the SEFA because \$1,503 of program expenditures that exceeded approved grant amount were reimbursed by the City's General Fund.

CITY OF LA MIRADA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unqualified Opinion

Internal control over financial reporting:

- Significant deficiencies identified?  yes  no
- Significant deficiencies identified that are considered to be material weaknesses?  yes  none reported

Noncompliance material to financial statements noted?

yes  no

Federal Awards

Internal control over major programs:

- Significant deficiencies identified?  yes  no
- Significant deficiencies identified that are considered to be material weaknesses?  yes  none reported

Type of auditors' report issued on compliance for major programs: Unqualified Opinion

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?

yes  no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.218	Community Development Block Grant
14.253	ARRA – Community Development Block Grant (Recovery Act Funded)
20.507	Federal Transit – Formula Grants
20.507	ARRA - Federal Transit – Formula Grants
20.205	ARRA – Highway Planning and Construction

Dollar threshold used to distinguish between type A and type B program

\$300,000

Auditee qualified as low-risk auditee?

yes  no

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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**SECTION II - FINANCIAL STATEMENT FINDINGS**

**Finding 2010-01**

The City's governmental funds recognize revenues when they are both measurable and available. The City considers revenues to be available when they are received within 60 days. During our audit, we noted one instance where grant revenue was recognized however not received within the availability period. We consider this to be an operating deficiency in the City's internal control.

**SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

**Finding 2010-02**

Program

CFDA number: 14.253  
Title: ARRA- Community Development Block Grant (Recovery Act Funded)  
Federal Grantor: U. S. Department of Housing and Urban Development  
Grant Number: REC042-09

Criteria

The City is required to have separate funds or accounts set up in the general ledger to separately track the activity of ARRA funds.

Condition

The ARRA - Community Development Block Grant funds were reported in the general ledger as part of the non-recovery act funded Community Development Block Grant cost center.

Questioned Costs

None

Effect

The City is not in compliance with the requirement that as a distinct funding source, ARRA funds should be reported in separate funds, accounts, or cost centers in the general ledger

Recommendation

The City should create a separate fund or accounts in the general ledger to separately track the ARRA funds activity.

Management's Response

Management agrees with the finding and has corrected the condition.