

CITY OF LA MIRADA, CALIFORNIA

SINGLE AUDIT REPORT

JUNE 30, 2012

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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, 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, 2012, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 6, 2012. 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

Management of City of La Mirada, California, is responsible for establishing and maintaining effective 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.

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 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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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*.



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

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

Lance, Solt & Loughard, LLP

Brea, California
December 6, 2012



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INDEPENDENT AUDITORS' 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

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

Compliance

We have audited the City of La Mirada, California (the City)'s compliance 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 the City's major federal programs for the year ended June 30, 2012. 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, 2012.

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 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.



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

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.

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 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.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of La Mirada, California, as of and for the year ended June 30, 2012, and have issued our report thereon dated December 6, 2012, which contained unqualified opinions on those financial statements. Our audit was performed for the purpose of forming opinions on the financial statements as a whole. The schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, 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 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, Soll & Luyhard, LLP

Brea, California

January 17, 2013 (except for the Schedule of Expenditures of Federal Awards which is as of December 6, 2012)

CITY OF LA MIRADA

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

<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	D96288-11	\$ 54,560
		D96292-11	18,482
		600507-11	35,286
		601338-10	788,321
		600671-11	55,661
Total U.S. Department of Housing and Urban Development			952,310
<u>U.S. Department of Justice</u>			
Passed through the City of Los Angeles:			
Edward Byrne Memorial Justice Assistance Grant	16.738	C117866	2,905
ARRA - Edward Byrne Memorial Justice Assistance Grant	16.804	C116430/C116954	19,303
Total U.S. Department of Justice			22,208
<u>U.S. Department of Transportation</u>			
Direct Program:			
Federal Transit - Formula Grants	20.507	CA-90-Y673-00	93,702
Passed through University of California Berkeley			
Safe Transportation Research and Education Center			
Sobriety Checkpoint Mini-Grant Program	20.600	SC11205	12,000
Total U.S. Department of Transportation			105,702
<u>U.S. Department of Energy</u>			
Direct Program:			
ARRA - Energy Efficiency and Conservation Block Grant Program	81.128	DE-EE0001949	8,880
Total U.S. Department of Energy			8,880
Total Federal Expenditures			\$ 1,089,100

* 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
FOR THE YEAR ENDED JUNE 30, 2012**

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
D96288-11	\$ 61,603	\$ (947)	\$ (6,096)	\$ 54,560
D96292-11	18,721	(239)	-	18,482
600507-11	35,741	(455)	-	35,286
600323-10	4,959	-	(4,959)	-
601338-10	1,312,978	145,887	(670,544)	788,321
600671-11	59,835	4,481	(8,655)	55,661
Total All Projects	<u>\$ 1,493,837</u>	<u>\$ 148,727</u>	<u>\$ (690,254)</u>	<u>\$ 952,310</u>

CITY OF LA MIRADA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

CITY OF LA MIRADA

**SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

SECTION II - FINANCIAL STATEMENT FINDINGS

Finding 2011-01

During the current fiscal year, beginning fund balances were restated in the General Fund in the amount of (\$713,517), the Gas Tax fund was restated in the amount of \$1,137,047 and the Traffic Congestions Relief Fund was restated in the amount of (\$423,530). These adjustments were made to move expenditures incurred in prior years in the Gas Tax fund to the other funds to cover expenditures through funding sources received for specific projects by the General Fund and the Traffic Congestions Relief Fund.

Status: No findings noted for fiscal year-ended June 30, 2012.

Finding 2011-02

Per Health and Safety Code section 33606, the Agency is to adopt a budget for the fiscal year including an examination of the previous year's achievements and a comparison of the achievements with the goals of the previous year's work program. There was no examination and comparison of previous year's achievements for the Agency for the current fiscal year.

Status: No findings noted for fiscal year-ended June 30, 2012.

Finding 2011-03

The agency is required annually by Health and Safety Code section 33334.3[d]) to prepare a written determination showing that planning and administrative expenditures charged in the Low and Moderate Income Housing Fund were necessary for the production, improvement, or preservation of low- and moderate-income housing. There was no such determination for fiscal year 2010-2011.

Status: No findings noted for fiscal year-ended June 30, 2012.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Finding 2011-04

Program

CFDA number: 20.205
Title: ARRA- Highway Planning and Construction
Federal Grantor: U. S. Department Transportation
Pass-Through Grantor: California Department of Transportation
Grant Number: ESPL-5364(006)

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 – Highway Planning and Construction funds were reported in the general ledger with other non-recovery act funded projects.

Cause

Management assigned project codes identifying ARRA and non-ARRA projects in one fund; however further separation of funds is required.

CITY OF LA MIRADA

**SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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.

Status

Management has corrected.