



**CITY OF LA MIRADA, CALIFORNIA**

**SINGLE AUDIT REPORT**

**JUNE 30, 2011**

**Lance Soll & Lunghard, LLP**

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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, 2011, which collectively comprise the City's basic financial statements and have issued our report thereon dated October 26, 2011. 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 a deficiency in internal control that we consider to be a material weakness.

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 deficiency described in the accompanying schedule of findings and questioned costs as finding 2011-01 to be a material weakness 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 the instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings and questioned costs as finding 2011-02 and 2011-03.

We did not audit the City's responses to the findings described above and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the audit committee, 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 & Lughard, LLP*

Brea, California  
October 26, 2011



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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

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's (the "City") 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, 2011. 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, 2011. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 2011-04.

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. However, we identified the following deficiencies in internal control over compliance that we consider to be significant deficiencies in internal control over compliance. A significant deficiency is a deficiency, or 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. Significant deficiencies are described in the accompanying schedule of findings and questioned costs as item 2011-04.

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 financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City, as of and for the year ended June 30, 2011, and have issued our report thereon dated October 26, 2011, 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, City Council, others within the entity, 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.

A handwritten signature in cursive script that reads 'Lance, Soll &amp; Lughard, LLP'.

Brea, California  
October 26, 2011

CITY OF LA MIRADA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

<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	D96288-10	\$ 90,693
		D96292-10	28,486
		600507-10	43,230
		600323-10	68,139
		601285-09	710,327
		601338-10	670,544
		600671-10	78,627
<b>Total U.S. Department of Housing and Urban Development</b>			<b><u>1,690,046</u></b>
<u>U.S. Department of Justice</u>			
Passed through the City of Los Angeles:			
Edward Byrne Memorial Justice Assistance Grant	16.800	C117866	8,471
ARRA - Edward Byrne Memorial Justice Assistance Grant	16.804	C116430/C116954	26,280
<b>Total U.S. Department of Justice</b>			<b><u>34,751</u></b>
<u>U.S. Department of Transportation</u>			
Passed through the State of California			
Department of Transportation:			
ARRA - Highway Planning and Construction*	20.205	ESPL-5364(006)	378,109
		ISTEA-5364(007)	828,481
Direct Program:			
Federal Transit - Formula Grants	20.507	CA-90-Y673-00	115,010
Passed through the State of California			
Office of Traffic Safety:			
State and Community Highway Safety	20.600	SC11-205	23,537
		CT11-205	3,282
<b>Total U.S. Department of Transportation</b>			<b><u>1,348,419</u></b>
<u>U.S. Department of Energy</u>			
Direct Program:			
ARRA - Energy Efficiency and Conservation Block Grant Program	81.049	N/A	9,820
<b>Total U.S. Department of Energy</b>			<b><u>9,820</u></b>
<b>Total Federal Expenditures</b>			<b><u>\$ 3,083,036</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**

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**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	\$ 87,495	\$ 6,100	\$ (2,902)	\$ 90,693
D96292	28,433		53	28,486
600507	43,447		(217)	43,230
600323	66,362	4,957	(3,180)	68,139
601285	1,434,722		(724,395)	710,327
601338	-	670,544		670,544
600671	77,589	8,653	(7,615)	78,627
REC042	87,921		(87,921)	-
<b>Total All Projects</b>	<b>\$ 1,825,969</b>	<b>\$ 690,254</b>	<b>\$ (826,177)</b>	<b>\$ 1,690,046</b>



**CITY OF LA MIRADA**

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

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**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.

**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.

**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.

**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.

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.

**SCHEDULE OF PRIOR YEAR 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

A similar finding occurred in fiscal year 2010-11. Management is taking further steps to separate project costs.