

**CITY OF LA HABRA**

**Single Audit Report**

**June 30, 2009**

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OAKLAND

WALNUT CREEK

LOS ANGELES

SAN DIEGO

The Honorable City Council of  
the City of La Habra, California

**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***

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 Habra, California (City), as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 17, 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.

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.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control 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*.

We noted certain matters that we reported to management in a separate letter dated June 17, 2010.

This report is intended solely for the information and use of the City Council, management and others within the City, and the City's 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.

*Macias Fini & O'Connell LLP*

Certified Public Accountants  
Newport Beach, California

June 17, 2010



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The Honorable City Council of  
the City of La Habra, California

**Independent Auditor's Report on Compliance with Requirements  
Applicable to Each Major Program, Internal Control Over  
Compliance and on the Schedule of Expenditures of Federal  
Awards in Accordance with OMB Circular A-133**

Compliance

We have audited the compliance of the City of La Habra, California (City), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. 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 requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

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 requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance 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.

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, 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, 2009, and have issued our report thereon dated June 17, 2010. 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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, we express no opinion on the responses.

This report is intended solely for the information and use of the City Council, management and others within the City, and the City's 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.



Certified Public Accountants  
Newport Beach, California

June 17, 2010

**CITY OF LA HABRA**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2009**

Federal Grantor/ Pass-through Grantor Program Title	Catalog of Federal Domestic Assistance Number	Program Identification Number	Federal Expenditures	Subrecipients
<b>U.S. Department of Agriculture</b>				
<b>Passed through State of California Department of Education:</b>				
Child and Adult Care Food Program	10.558	30-1454-1J	\$ 245,197	\$ -
Child and Adult Care Food Program	10.558	30-1454-7F	1,450,119	1,261,959
Total Child Care and Adult Care Food Program Grant			<u>1,695,316</u>	<u>1,261,959</u>
Total U.S. Department of Agriculture			<u>1,695,316</u>	<u>1,261,959</u>
<b>U.S. Department of Housing and Urban Development</b>				
<b>Passed through County of Orange:</b>				
Community Development Block Grant	14.218	B-98-MC-06-0582	862,346	120,345
Total U.S. Department of Housing and Urban Development			<u>862,346</u>	<u>120,345</u>
<b>U.S. Department of Labor</b>				
<b>Passed through County of Orange Community Services Agency:</b>				
Workforce Investment Act (WIA) Youth Activities Program:				
In-School Youth Program	17.259	55-2O-09	437,356	-
Out-of-School Youth Program	17.259	55-2I-09	290,336	-
Youth Career Adventure Project	17.259	55-CAP-08	71,400	-
Total WIA Youth Activities Program			<u>799,092</u>	<u>-</u>
<b>U.S. Department of Labor ARRA</b>				
<b>Passed through County of Orange Community Services Agency:</b>				
Workforce Investment Act (WIA) Youth Activities Program:				
ARRA Youth Recovery Act Program	17.259	55-2ARA-09	25,574	-
Total U.S. Department of Labor			<u>824,666</u>	<u>-</u>
<b>U.S. Department of Health and Human Services</b>				
<b>Passed through California State Department of Education:</b>				
Child Care and Development Fund (CCDF) Cluster:				
Child Care and Development Block Grant:				
Infant Toddler Resource Grant	93.575	CCAP-8231	3,506	-
School Age Resource Grant	93.575	CSCC-8203	2,398	-
Instructional Materials Grant	93.575	CIMS-8375	2,077	-
Total Child Care and Development Block Grant			<u>7,981</u>	<u>-</u>
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	CCTR-8230	362,702	68,768
Total CCDF Cluster			<u>370,683</u>	<u>68,768</u>
<b>Passed through Orange County Head Start:</b>				
Head Start	93.600	09-CH007-23	1,165,211	-
Total U.S. Department of Health and Human Services			<u>1,535,894</u>	<u>68,768</u>
Total Federal Expenditures			<u>\$ 4,918,222</u>	<u>\$ 1,451,072</u>

See Accompanying Note to the Schedule of Expenditures of Federal Awards.

**CITY OF LA HABRA**  
**Note to the Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2009**

**(1) Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of La Habra and is presented on the modified accrual basis of accounting as described in Note (1)(c) of the City's basic financial statements. The information in this schedule is presented in accordance with the requirements of the U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*.

**(2) RELATIONSHIP TO FEDERAL FINANCIAL REPORTS**

Amounts reported in the accompanying Schedule agree or can be reconciled with amounts reported in the related federal award reports.

**(3) RELATIONSHIP TO BASIC FINANCIAL STATEMENTS**

Federal award expenditures agree or can be reconciled with the amounts reported in the City's basic financial statements.

**CITY OF LA HABRA**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2009**

**Section I - Summary of Auditor's Results**

***Financial statements:***

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material Weakness(es) identified? No
- Significant deficiency(ies) identified not considered to be material weaknesses? 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 not considered to be material weakness? None reported

Type of auditor's report issued on compliance for major programs: Unqualified

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:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.558	Child and Adult Care Food Program
17.259	WIA Youth Activities
93.596 and 93.575	Child Care and Development Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as a low-risk auditee? Yes

**CITY OF LA HABRA**  
**Schedule of Findings and Questioned Costs (Continued)**  
**For the Year Ended June 30, 2009**

**Section II - Financial Statement Audit**

None.

**Section III - Findings and Questioned Costs – Major Federal Award Programs Audit**

None.

**CITY OF LA HABRA**  
**Schedule of Prior Audit Findings**  
**For the Year Ended June 30, 2009**

There were no audit findings for the year ended June 30, 2008.