

CITY OF LA HABRA, CALIFORNIA

Single Audit Report

For the Year Ended June 30, 2015



Certified
Public
Accountants

CITY OF LA HABRA, CALIFORNIA
For the Year Ended June 30, 2015

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

We have audited, in accordance with the 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 governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of La Habra, California (the City), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements, and have issued our report thereon dated December 23, 2015. Our report includes an emphasis of matter paragraph regarding the City’s disagreement with the State of California Department of Finance in relation to outstanding advance receivables from the Successor Agency. Our report also includes an emphasis of matter paragraph indicating that the City adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment to GASB No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68*.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City’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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City’s internal control. Accordingly, we do not express an opinion on the effectiveness of the City’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 City’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 City's financial statements are free from 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*.

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 City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Macias Gini & O'Connell LLP

Newport Beach, CA
December 23, 2015



Independent Auditor’s Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required By OMB Circular A-133

To the Honorable Members of the City Council
City of La Habra, California

Report on Compliance for Each Major Federal Program

We have audited the City of La Habra, California’s (the City) compliance with the types of compliance requirements described in the *OMB 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, 2015. 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.

Management’s Responsibility

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

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for each of the City’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 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the City’s compliance.

Opinion on Each Major Federal Program

In our opinion, the City 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, 2015.

Report on Internal Control over Compliance

Management of the City 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 City's internal control over compliance with the types of requirements that could have a direct and material effect on each 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 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. *A significant deficiency in internal control over compliance* is a deficiency, or a 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.

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.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the City as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated December 23, 2015, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements, which collectively comprise the 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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Macias Gini & O'Connell LLP

Newport Beach, CA
December 23, 2015

CITY OF LA HABRA, CALIFORNIA
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2015

Federal Grantor/ Pass-through Grantor Program Title	Catalog of Federal Domestic Assistance Number	Program Identification Number	Federal Expenditures
U.S. Department of Agriculture:			
Passed through California Department of Education:			
Child and Adult Care Food Program	10.558	04320-CACFP-30-GM-CS	\$ 269,979
Child and Adult Care Food Program	10.558	04320-CACFP-30-GM-DCH	1,493,020
Total U.S. Department of Agriculture			<u>1,762,999</u>
U.S. Department of Housing and Urban Development			
Direct Program:			
Community Development Block Grants/Entitlement Grants	14.218	B-12-MC-06-0582	14,278
Community Development Block Grants/Entitlement Grants	14.218	B-13-MC-06-0582	88,688
Community Development Block Grants/Entitlement Grants	14.218	B-14-MC-06-0582	543,376
Total CDBG - Entitlement Grants Cluster			<u>646,342</u>
Total U.S. Department of Housing and Urban Development			<u>646,342</u>
U.S. Department of Justice			
Direct Programs:			
Bulletproof Vest Partnership Program	16.607	2013BUBX13066909	788
Bulletproof Vest Partnership Program	16.607	2014BUBX14073805	3,463
Subtotal			<u>4,251</u>
COPS Hiring Program	16.710	2012UMWX0192	6,307
Equitable Sharing Program	16.922	CA0301200	11,650
Passed through Orange County Sheriff's Department			
2013 Justice Assistance Grant (JAG) Program	16.738	2013-DJ-BX-1065	6,500
2014 Justice Assistance Grant (JAG) Program	16.738	2014-DJ-BX-0038	11,442
Subtotal			<u>17,942</u>
Total U.S. Department of Justice			<u>40,150</u>
U.S. Department of Labor			
Passed through Orange County Social Services Agency:			
WIA Youth Activities	17.259*	55-20-14	14,097
WIA Youth Activities	17.259*	55-21-14	8,880
WIA Youth Activities	17.259*	14-28-0011-Y	380,116
Total WIA Cluster			<u>403,093</u>
Total U.S. Department of Labor			<u>403,093</u>
U.S. Department of Transportation			
Passed through California State Transportation Agency:			
Recreational Trails Program	20.219	12-ORA-O-LHB	105,753
State and Community Highway Safety	20.600	PT1423	7,174
State and Community Highway Safety	20.600	PT1521	27,567
Total Highway Safety Cluster			<u>140,494</u>
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	PT1423	2,518
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	PT1521	40,572
Passed through University of California, Berkeley:			
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	SC14202	23,614
Subtotal			<u>66,704</u>
Total U.S. Department of Transportation			<u>207,198</u>
U.S. Department of Treasury:			
Direct Program:			
Equitable Sharing Program	21.UNKNOWN*	CA0301200	362,036
Total U.S. Department of Treasury			<u>362,036</u>

(Continued)

* Denotes major program or cluster
See accompanying Notes to Schedule of Expenditures of Federal Awards.

CITY OF LA HABRA, CALIFORNIA
Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended June 30, 2015

Federal Grantor/ Pass-through Grantor Program Title	Catalog of Federal Domestic Assistance Number	Program Identification Number	Federal Expenditures
Direct Program:			
Museums for America	45.301	MA-04-11-0258-11	5,809
Total Institute of Museum and Library Services			<u>5,809</u>
U.S. Department of Health and Human Services			
Passed through California Department of Education:			
Child Care and Development Block Grant	93.575*	CCTR-4158	258,725
Child Care and Development Block Grant	93.575*	CSPP-4311	37,686
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596*	CCTR-4158	470,261
Child Care Mandatory and Matching Funds of the Child Care and Development Fund Total CCDF Cluster	93.596*	CSPP-4311	<u>68,498</u> 835,170
Passed through Orange County Head Start:			
Head Start	93.600*	09-CH9155-01	1,606,006
Total U.S. Department of Health and Human Services			<u>2,441,176</u>
U.S. Department of Homeland Security, Federal Emergency Management Agency:			
Passed through California Emergency Management Agency:			
Emergency Management Performance Grant	97.042	2014-0070	9,749
Total U.S. Department of Homeland Security			<u>9,749</u>
Total Expenditures of Federal Awards			<u><u>\$ 5,878,552</u></u>

* Denotes major program or cluster
See accompanying Notes to Schedule of Expenditures of Federal Awards.

CITY OF LA HABRA, CALIFORNIA
Notes to the Schedule of Expenditures of Federal Awards
Year Ended June 30, 2015

(1) Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) presents the federal activity of all federal award programs of the City of La Habra, California (the City) for the year ended June 30, 2015. The Schedule includes federal awards received directly from federal agencies, as well as federal awards passed through other agencies. The City's reporting entity is defined in Note 1 to the City's basic financial statements. Because the Schedule presents only a selected portion of the operations of the City, it is not intended to, and does not, present the financial position, changes in financial position, or cash flows of the City.

(2) Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified-accrual basis of accounting for those grants that were recorded in governmental funds, and on the accrual basis of accounting for those grants that were recorded in proprietary funds. Expenditures are recognized following the cost principles contained in Office of Management and Budget (OMB) Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The information in the Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, amounts presented in the Schedule agree or can be reconciled with the amounts reported in the City's basic financial statements. Pass-through entity identifying numbers are identified where available.

(3) Subrecipients

Of the Federal expenditures presented in the schedule, the City provided Federal awards to subrecipients as follows:

<u>Program Title Provided</u>	<u>Federal CFDA Number</u>	<u>Amount Provided to Subrecipients</u>
U.S Department of Agriculture		
Child and Adult Care Food Program	10.558	\$ 1,297,546
Total U.S. Department of Agriculture		<u>1,297,546</u>
U.S. Department of Housing and Urban Development		
Community Development Block Grants/Entitlements Grants Cluster	14.218	69,800
Total U.S. Department of Housing and Urban Development		<u>69,800</u>
U.S. Department of Health and Human Services		
Child Care and Development Block Grant	93.575	63,879
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	119,773
Total U.S. Department of Health and Human Services		<u>183,652</u>
Total Amount Provided to Subrecipients		<u>\$ 1,550,998</u>

CITY OF LA HABRA, CALIFORNIA
 Schedule of Findings and Questioned Costs
 Year Ended June 30, 2015

Section I – Summary of Independent Auditor’s Results

Financial Statements:

Type of auditor’s report issued:	Unmodified
Internal control over financial reporting:	
<ul style="list-style-type: none"> • Material weakness (es) identified? 	No
<ul style="list-style-type: none"> • Significant deficiency (ies) identified that are not considered to be material weaknesses? 	None reported
<ul style="list-style-type: none"> • Noncompliance material to financial statements noted? 	No

Federal Awards:

Internal control over major programs:	
<ul style="list-style-type: none"> • Material weakness(es) identified? 	No
<ul style="list-style-type: none"> • Significant deficiency(ies) identified that are not considered to be material weaknesses? 	None reported
Type of auditor’s report issued on compliance for major programs:	Unmodified
<ul style="list-style-type: none"> • 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>
17.259	WIA Youth Activities
21.UNKNOWN	Equitable Sharing Program
93.575 and 93.596	Child Care and Development Fund (CCDF) Cluster
93.600	Head Start

Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
Auditee qualified as a low-risk auditee?	No

CITY OF LA HABRA, CALIFORNIA
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2015

Section II – Financial Statement Findings

A. Internal Control

None reported.

B. Compliance Findings

None reported.

Section III – Federal Award Findings and Questioned Costs

A. Internal Control

None reported.

B. Compliance Findings

None reported.

CITY OF LA HABRA, CALIFORNIA
 Summary Schedule of Prior Year Audit Findings
 Year Ended June 30, 2015

Prior Year Financial Statement Findings		
Finding No.	Compliance Finding	Status of Corrective Action
2014-001	Delayed submission of annual single audit report package for the year ended June 30, 2013 and June 30, 2014.	Implemented. The City has established a timely close process for its June 30, 2015 fiscal year so that it is not in violation of the nine month due date requirement.