



CITY OF ANAHEIM, CALIFORNIA

Single Audit Reports

Year ended June 30, 2011

CITY OF ANAHEIM, CALIFORNIA

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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***

The Honorable Members of the City Council
City of Anaheim, 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 Anaheim, 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 December 14, 2011. Our report referred to the City's adoption of Government Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. 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 the City 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 opinion 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 over financial reporting 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 over financial reporting, 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 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*.

This report is intended solely for the information and use of the audit committee, 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.

KPMG LLP

December 14, 2011



KPMG LLP
Suite 700
20 Pacifica
Irvine, CA 92618-3391

**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**

The Honorable Members of the City Council
City of Anaheim, California:

Compliance

We have audited the City of Anaheim, California's (the City's) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (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 auditors' 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 on the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the 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.

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 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.



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, 2011 and have issued our report thereon, dated December 14, 2011. Our audit was performed for the purpose of forming 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.

This report is intended solely for the information and use of the audit committee, 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.

KPMG LLP

Orange County, California
March 27, 2012, except as to the
paragraph relating to schedule of
expenditures of federal awards, which
is as of December 14, 2011.

CITY OF ANAHEIM, CALIFORNIA
Schedule of Expenditures of Federal Awards
Year ended June 30, 2011

Federal grantor/program title	CFDA number	Program or grant number	Expenditures
Department of Housing and Urban Development:			
Community Development Block Grant – Entitlement and Small Cities Cluster:			
Direct Program:			
Community Development Block Grant (CDBG)	14.218	B-09-MC-060501	\$ 602,776
Community Development Block Grant (CDBG)	14.218	B-10-MC-060501	4,403,686
Neighborhood Stabilization Program	14.218	B-08-MN-060501	502,349
Total Community Development Block Grant – Entitlement and Small Cities Cluster			<u>5,508,811</u>
Direct Program:			
Emergency Shelter Grant (ESG)	14.231	S-09-MC-06-0501	10,265
Emergency Shelter Grant (ESG)	14.231	S-10-MC-06-0501	209,221
			<u>219,486</u>
Direct Program:			
ARRA 2009 – Homelessness Prevention and Rapid Re-Housing Program	14.257	S-09-MC-06-0501	935,815
Direct Program:			
Home Investment Partnerships Program (HOME)	14.239	M-07-MC060502	201,334
Home Investment Partnerships Program (HOME)	14.239	M-08-MC060502	102,500
Home Investment Partnerships Program (HOME)	14.239	M-09-MC060502	1,088,442
Home Investment Partnerships Program (HOME)	14.239	M-10-MC060502	314,344
			<u>1,706,620</u>
Direct Program:			
Section 108 Guaranteed Loan (Capital Projects)	14.248	B-09-MC-06-0501	14,655,000
Section 108 Guaranteed Loan (West Gate Project)	14.248	B-02-MC-06-0501	8,711,000
			<u>23,366,000</u>
Direct Program – Section 8 Housing Choice Vouchers	14.871	CA104VO/CA104AF	69,861,081
Direct Program – Section 8 Mainstream Vouchers	14.181	CA104DV	1,824,926
Total Department of Housing and Urban Development			<u>103,422,739</u>
Department of the Interior:			
Passed through California Department of Parks and Recreation:			
Land and Water Conservation Fund – Pioneer Park Development	15.916	06-01691	35,702
Total Department of the Interior			<u>35,702</u>
Department of Labor:			
Passed through County of Orange:			
ARRA California Green Jobs Project Grant for Adult	17.258	W9-GJC-10	74,540
Passed through California Employment Development Department:			
Workforce Investment Act – Adult Program	17.258	K074135	316,745
Workforce Investment Act – Adult Program	17.258	K178654	623,513
ARRA Workforce Investment Act – Adult Program	17.258	R970531	40,624
Workforce Investment Act – Youth Activities	17.259	K074135	724,017
Workforce Investment Act – Youth Activities	17.259	K178654	168,955
ARRA Workforce Investment Act – Youth Activities	17.259	R970531	179,035
Workforce Investment Act – Dislocated Workers	17.260	K074135	45,888
Workforce Investment Act – Dislocated Workers	17.260	K178654	766,248
ARRA Workforce Investment Act – Dislocated Workers	17.260	R970531	185,666
Workforce Investment Act – Rapid Response	17.260	K178654	178,112
Workforce Investment Act – Rapid Response	17.260	K074135	203,932
ARRA Workforce Investment Act – Rapid Response	17.260	R970531	245,857
Total Workforce Investment Act Cluster			<u>3,753,132</u>
Total Department of Labor			<u>3,753,132</u>
Department of Health and Human Services:			
Passed through the Orange County Health Care Agency:			
Public Health Emergency Preparedness	93.069	93285 S/L	7,000
Direct Program – Low Income Direct Energy Assistance Program	93.568	09-1355	691,260
Total Department of Health and Human Services			<u>698,260</u>
Department of Environmental Protection Agency:			
Direct Program:			
EPA Brownfield Assessment – Atchison Assessment	66.818	BF-99957501-0	47,313
ARRA EPA Brownfield Assessment – Ross Park Remediation	66.818	2B-00T31501-0	350,550
			<u>397,863</u>
Passed through State Water Resources Control Board:			
ARRA Infiltration Well Installation at Utilities Center	66.458	AGR 09-838-550, Project C-06-6431-110	203,328
ARRA Orphan Site Cleanup Fund Program	66.805	09-673-550	209,390
Total Department of Environmental Protection Agency			<u>810,581</u>
Department of Energy:			
Direct Program:			
ARRA SGIG Project: A Model for Small and Midsize Utility Districts Around the U.S.	81.122	DE-OE0000257	717,083
ARRA Energy Efficiency and Conservation Block Grant (EECBG)	81.128	DE-EE0000861	1,184,297
Total Department of Energy			<u>1,901,380</u>

CITY OF ANAHEIM, CALIFORNIA
Schedule of Expenditures of Federal Awards
Year ended June 30, 2011

Federal grantor/program title	CFDA number	Program or grant number	Expenditures
Institute of Museum and Library Services: Passed through California State Library: LSTA – Public Library Staff Education Program	45.310	40-7636	\$ 5,000
Total Institute of Museum and Library Services			<u>5,000</u>
Department of Transportation: Highway Planning and Construction Cluster: Passed through Orange County Transportation Authority: Federal Transportation Improvement Program:			
ARRA Magnolia Avenue (South City Limits to 915' n/o Ball Road)	20.205	ESPL-5055 (155)	65,469
ARRA East Street (Santa Ana Street to Cypress Street)	20.205	ESPL-5055 (156)	6,318
ARRA Miraloma Avenue (800' w/o Tustin Avenue to East City Limits)	20.205	ESPL-5055 (157)	375,259
ARRA Broadway Street (East Street to Bond Street)	20.205	ESPL-5055 (158)	26,212
ARRA Olive Street (Vermont Avenue to Santa Ana Street)	20.205	ESPL-5055 (159)	967,941
ARRA La Palma Avenue (Clementine Street to Anaheim Boulevard)	20.205	ESPL-5055 (160)	491,958
Passed through California Department of Transportation: Federal Demonstration Program (Gene Autry Highway Improvements) Safe, Accountable, Flexible, Efficient Transportation Equity Act – A Legacy for Users	20.205	TEA21-1176	2,786,556
Federal Intelligent Transportation Systems	20.205	HPLUL-5055 (153)	159,990
Highway Safety Improvement Program Ball Road from Knott Avenue to Brookhurst Street	20.205	HSIPL-5055 (152)	68,539
Federal Transit Administration Passed through Orange County Transportation Authority: Santa Ana Canyon Multi-Use Trail Project	20.205	5307-FTA-LA/LB UZA	61,102
Total Highway Planning and Construction Cluster			<u>5,009,344</u>
Passed through California Department of Parks and Recreation: Lincoln Avenue Multi-Use Trail Staging Area	20.219	RT-30-022	323,144
Passed through California Office of Traffic Safety: DUI Enforcement and Awareness Program	20.600	AL1020	41,784
Selective Traffic Enforcement Program (STEP)	20.600	PT1135	192,347
Avoid the 28 DUI Campaign – North Orange County	20.600	AL0848	84,539
Avoid the 26 DUI Campaign – Orange County	20.600	AL1178	109,545
Total Highway Safety Cluster			<u>428,215</u>
Total Department of Transportation			<u>5,760,703</u>
Department of Commerce: Direct Program – Economic Adjustment Assistance	11.307	07-79-06423	521,396
Passed through Orange County Health Care Agency: Public Health Emergency Response to H1N1	11.206	11206 S/L	52,153
Passed through City of Santa Ana: FY07 Public Safety Interoperable Communications Grant	11.555	2007-GS-H7-0008	311,425
Total Department of Commerce			<u>884,974</u>
Department of Justice: Direct Program – Asset Forfeiture	16.000	16.CA0300100	1,093,825
Direct Program – OCV FY 10 Enhanced Collaborative Model to Combat Human Trafficking	16.320	2010-VT-BX-K012	97,659
Passed through Orange County Sheriff's Department: 2009 Justice Assistance Grant Program (JAG)	16.738	2009-DJ-BX-0033	45,105
ARRA FY 2009 Recovery Act Justice Assistance Grant Program (JAG)	16.804	2009-SB-B9-0271	21,248
Total Justice Assistance Grant Program Cluster			<u>66,353</u>
Passed through California Emergency Management Agency: ARRA Sexual Assault Specialized Response Unit Program	16.588	SU-09-01-6129	104,631
Direct Program – State Criminal Alien Assistance Program	16.606	2010-H5607-CA-AP	1,100
Total Department of Justice			<u>1,363,568</u>
Department of Homeland Security: Direct Program – Assistance to Firefighters Grant	97.044	EMW-2008-FO-06123	77,036
Passed through California Emergency Management Agency: Public Assistance Grants	97.036	FEMA-1952-DR-CA, Cal EMA ID #059-02000	209,918
Hazard Mitigation Grant Program	97.039	FEMA-1731-DR-CA, Project #0021 FIPS ID #059-02000	9,307
Passed through County of Orange Metropolitan Medical Response System	97.071	2009-0019, Cal EMA ID #059-0000	196,162
Emergency Management Performance Grant	97.042	20100044, Cal EMA ID #059-00000	37,337
Passed through California Emergency Management Agency: Urban Areas Security Initiative	97.067	2008-GE-T8-0006	6,712,127
Passed through City of Santa Ana: Urban Areas Security Initiative	97.067	2009-SS-T9-0019	797,641
Passed through County of Orange: 2008 Homeland Security Grant Program (HSGP)	97.067	2008-0006, Cal EMA ID #059-00000	4,141
Total Homeland Security Grant Cluster			<u>7,513,909</u>
Total Department of Homeland Security			<u>8,043,669</u>
Department of the Treasury: Direct Program – Asset Forfeiture	21.000	21.CA0300100	1,509,820
Total Department of the Treasury			<u>1,509,820</u>
Total Expenditures of Federal Awards			<u>\$ 128,189,528</u>

See accompanying notes to schedule of expenditures of federal awards and 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.

CITY OF ANAHEIM, CALIFORNIA

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2011

(1) General

The accompanying schedule of expenditures of federal awards (the Schedule) presents the activity of all federal award programs of the City of Anaheim, California (the City). 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 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 of the City.

(2) Basis of Accounting

The Schedule is presented using the modified-accrual basis of accounting, which is described in the notes to the City's financial statements.

(3) Relationship to Financial Statements and Federal Financial Reports

Information reported in the Schedule agrees with the amounts reported in both the financial statements and related federal financial reports for the major federal programs. Revenues from federal award programs are reported in the financial statements as operating and capital grant revenues in the government-wide financial statements and intergovernmental revenues in the fund statements, except for the Housing and Urban Development (HUD) Section 108 guaranteed loan, which is reported as other financing sources – issuance of debt and long-term debt payable.

(4) Amounts Provided to Subrecipients

Included in the Schedule are the following amounts passed through to subrecipients:

Community Development Block Grant – Entitlement and Small Cities Cluster (CFDA No. 14.218)	\$	528,000
Emergency Shelter Grant (CFDA No. 14.231)		195,000
Workforce Investment Act Cluster (CFDA Nos. 17.258, 17.259, and 17.260)		928,558
Urban Areas Security Initiative (CFDA No. 97.067)		1,802,561
Avoid the 28 DUI Campaign – North Orange County (CFDA No. 20.600)		68,886
Avoid the 26 DUI Campaign – Orange County (CFDA No. 20.600)		95,590
	\$	<u>3,618,595</u>

CITY OF ANAHEIM, CALIFORNIA

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2011

(5) Guaranteed Loan Outstanding

At June 30, 2011, the City and Anaheim Redevelopment Agency (Agency) had a total outstanding guaranteed loan balance of \$23,366,000 with the U.S. Department of Housing and Urban Development under their Section 108 Loan Guarantee Program (CFDA No. 14.248). Below is a breakdown of debt service payments and outstanding balances of respective loans for the fiscal year 2010/2011. During the fiscal year, the additional loan proceeds of \$7M were received by the City and transferred to the Agency for the Packing House Restoration project in accordance with their approved cooperation agreement. Debt service payments are met using City's CDBG annual entitlements and Agency's property tax increment.

	Outstanding balance, July 1, 2010 a	Addition b	Principal payments c	Interest payments d	Total payments e = (c + d)	Outstanding balance, June 30, 2011 f = (a + b - c)
HUD 108 Guaranteed Loans:						
Redevelopment agency:						
Westgate (\$4M)	\$ 3,156,000	—	190,000	158,662	348,662	2,966,000
Westgate (\$6M)	5,910,000	—	165,000	327,341	492,341	5,745,000
Capital projects (\$7M)	—	7,000,000	—	119,265	119,265	7,000,000
Subtotal	9,066,000	7,000,000	355,000	605,268	960,268	15,711,000
City:						
Capital projects (\$8M)	8,000,000	—	345,000	148,381	493,381	7,655,000
Total	\$ 17,066,000	7,000,000	700,000	753,649	1,453,649	23,366,000

CITY OF ANAHEIM, CALIFORNIA
Schedule of Findings and Questioned Costs
Year ended June 30, 2011

(1) Summary of Auditors' Results

Financial Statements

- (a) Type of auditors' report issued on basic financial statements:
- Governmental activities – **Unqualified.**
 - Business-type activities – **Unqualified.**
 - Each major fund – **Unqualified.**
 - Aggregate remaining funds – **Unqualified.**
- (b) Internal control findings over financial reporting:
- Material weakness(es) identified: **No.**
 - Significant deficiencies identified that are not considered material weaknesses: **None reported.**
- (c) Noncompliance that is material to the financial statements: **No.**

Federal Awards

- (d) Internal control over major programs:
- Material weakness(es) identified: **No.**
 - Significant deficiencies identified that are not considered to be material weaknesses: **None reported.**
- (e) Type of auditors' report issued on compliance for major programs: We have issued an **unqualified opinion** on compliance related to major programs.
- (f) Any audit findings that are required to be reported under Section 0.510(a) of OMB Circular A-133: **No.**
- (g) Dollar threshold used to distinguish between Type A and Type B programs: \$3,000,000
- (h) Major Programs:
- Department of Housing and Urban Development – Section 108 Guaranteed Loans (CFDA Nos. 14.248)
 - Department of Homeland Security – Passed though the California Emergency Management Agency – Passed though the City of Santa Ana – Homeland Security Grant Cluster (CFDA No. 97.067)
 - Department of Labor – Workforce Investment Act Cluster (CFDA Nos. 17.258, 17.259, and 17.260)

CITY OF ANAHEIM, CALIFORNIA

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

- Department of Transportation – Highway Planning and Construction Cluster (CFDA No. 20.205)
- Department of Housing and Urban Development – ARRA 2009 – Homelessness Prevention and Rapid Re-Housing Program (CFDA No. 14.257)
- Department of Energy – ARRA Energy Efficiency and Conservation Block Grant (CFDA No. 81.128)

(i) Auditee qualified as a low-risk auditee under Section 0.530 of OMB Circular A-133: **Yes.**

(2) Findings Relating to the Financial Statements Reported in Accordance with *Government Auditing Standards*

None noted.

(3) Findings and Questioned Costs Relating to Federal Awards as Defined in Section 0.510(a) of OMB Circular A-133

None noted.