



CITY OF ANAHEIM, CALIFORNIA

Single Audit Reports

Year ended June 30, 2010

CITY OF ANAHEIM, CALIFORNIA

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

**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
The 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, 2010, which collectively comprise the City's basic financial statements and have issued our report thereon, dated December 14, 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 of designing our auditing procedures for the purpose of expressing opinions on the financial statements, but not for the purpose of expressing opinions 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

Orange County, California
December 14, 2010



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
The 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, 2010. 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, 2010.

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, 2010 and have issued our report thereon, dated December 14, 2010. 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, and 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.

Orange County, California
March 23, 2011, except for the Schedule of Expenditures
of Federal Awards, which is as of December 14, 2010

CITY OF ANAHEIM, CALIFORNIA
Schedule of Expenditures of Federal Awards
Year ended June 30, 2010

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-08-MC-060501	\$ 2,535,279
Community Development Block Grant (CDBG)	14.218	B-09-MC-060501	2,695,851
ARRA Community Development Block Grant (CDBG)	14.253	B-09-MY-060501	1,338,767
Neighborhood Stabilization Program	14.218	B-08-MN-060501	1,955,684
Total Community Development Block Grant – Entitlement and Small Cities Cluster			<u>8,525,581</u>
Direct Program:			
Emergency Shelter Grant (ESG)	14.231	S-09-MC-06-0501	209,171
Direct Program:			
ARRA 2009 – Homelessness Prevention and Rapid Re-Housing Program	14.257	S-09-MC-06-0501	324,978
Direct Program:			
Home Investment Partnerships Program (HOME)	14.239	M-07-MC060502	1,037,012
Home Investment Partnerships Program (HOME)	14.239	M-08-MC060502	1,719,490
Home Investment Partnerships Program (HOME)	14.239	M-09-MC060502	343,070
			<u>3,099,572</u>
Direct Program:			
Section 108 Guaranteed Loan (Capital Projects)	14.248	B-09-MC-06-0501	8,000,000
Section 108 Guaranteed Loan (West Gate Project)	14.248	B-02-MC-06-0501	9,066,000
			<u>17,066,000</u>
Direct Program – Section 8 Housing Choice Vouchers	14.871	CA104VO/CA104AF	67,852,220
Direct Program – Section 8 Mainstream Vouchers	14.181	CA104VO/CA104AF	2,157,232
Total Department of Housing and Urban Development			<u>99,234,754</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	124,798
Total Department of the Interior			<u>124,798</u>
Department of Labor:			
Passed through County of Orange:			
ARRA California Green Jobs Project Grant for Adult	17.258	W9-GJC-10	9,870
Passed through California Employment Development Department:			
Workforce Investment Act – Adult Program	17.258	R970531	221,431
Workforce Investment Act – Adult Program	17.258	K074135	862,834
ARRA Workforce Investment Act – Adult Program	17.258	R970531	500,356
Workforce Investment Act – Youth Activities	17.259	R970531	439,105
Workforce Investment Act – Youth Activities	17.259	K074135	223,443
ARRA Workforce Investment Act – Youth Activities	17.259	R970531	1,040,342
Workforce Investment Act – Dislocated Workers	17.260	R970531	32,581
Workforce Investment Act – Dislocated Workers	17.260	K074135	803,076
ARRA Workforce Investment Act – Dislocated Workers	17.260	R970531	689,626
Workforce Investment Act – Rapid Response	17.260	K074135	314,171
ARRA Workforce Investment Act – Rapid Response	17.260	R970531	192,196
Total Workforce Investment Act Cluster			<u>5,329,031</u>
Total Department of Labor			<u>5,329,031</u>
Department of Health and Human Services:			
Passed through County of Orange:			
Temporary Assistance for Needy Families – Community Services – Calworks	93.558	AGR.3221.C (WBC0507)	30,745
Direct Program – Low Income Direct Energy Assistance Program	93.568	09-1355	946,250
Total Department of Health and Human Services			<u>976,995</u>
Department of Environmental Protection Agency:			
Direct Program:			
EPA Brownfield Assessment – Ross Park Expansion	66.818	BF-99958101-0	154,923
EPA Brownfield Assessment – Atchison Assessment	66.818	BF-99957501-0	125,783
ARRA EPA Brownfield Assessment – Ross Park Remediation	66.818	2B-00T31501-0	41,314
			<u>322,020</u>
Passed through State Water Resources Control Board:			
ARRA Infiltration Well Installation at Utilities Center	66.458	AGR 09-838-550,	26,672
ARRA Orphan Site Cleanup Fund Program	66.805	Project C-06-6431-110 09-673-550	94,452
Total Department of Environmental Protection Agency			<u>443,144</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	343,455
ARRA Energy Efficiency and Conservation Block Grant (EECBG)	81.128	DE-EE0000861	413,902
Total Department of Energy			<u>757,357</u>

CITY OF ANAHEIM, CALIFORNIA
Schedule of Expenditures of Federal Awards
Year ended June 30, 2010

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	40-7382	\$ 7,019
LSTA – Out-of-School-Time Online Homework Help – Year 3	45.310	40-7429	22,000
Total Institute of Museum and Library Services			<u>29,019</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)	628,531
ARRA East Street (Santa Ana Street to Cypress Street)	20.205	ESPL-5055 (156)	665,275
ARRA Miraloma Avenue (800' w/o Tustin Avenue to East City Limits)	20.205	ESPL-5055 (157)	109,548
ARRA Broadway Street (East Street to Bond Street)	20.205	ESPL-5055 (158)	290,335
Passed through California Department of Transportation:			
Federal Demonstration Program (Gene Autry Highway Improvements)	20.205	TEA21-1176	719,846
Safe, Accountable, Flexible, Efficient Transportation Equity Act – A Legacy for Users			
Federal Intelligent Transportation Systems	20.205	HPLUL-5055 (153)	308,432
Highway Safety Improvement Program			
Ball Road from Knott Avenue to Brookhurst Street	20.205	HSIPL-5055 (152)	8,807
Total Highway Planning and Construction Cluster			<u>2,730,774</u>
Passed through California Office of Traffic Safety:			
DUI Enforcement and Outreach Program	20.600	AL0999	43,252
DUI Enforcement and Outreach Program	20.600	AL1020	152,784
Avoid the 28 – DUI Campaign	20.600	AL0848	196,385
Total Department of Transportation			<u>3,123,195</u>
Department of Commerce:			
Direct Program – Economic Adjustment Assistance	11.307	07-79-06423	34,226
Total Department of Commerce			<u>34,226</u>
Department of Justice:			
Direct Program – Asset Forfeiture	16.000	16.CA0300100	2,004,018
Passed through Orange County Sheriff's Department:			
2008 Justice Assistance Grant Program (JAG)	16.738	2008-DJ-BX-0103	39,966
ARRA FY 2009 Recovery Act Justice Assistance Grant Program (JAG)	16.804	2009-SB-B9-0271	599,605
Passed through California Emergency Management Agency:			
ARRA Sexual Assault Specialized Response Unit Program	16.588	SU-09-01-6129	97,092
Direct Program – State Criminal Alien Assistance Program	16.606	2009-G6562-CA-AP	27,630
Total Department of Justice			<u>2,768,311</u>
Department of Homeland Security:			
Passed through California Emergency Management Agency:			
Public Assistance Grants	97.036	FEMA-1585-DR-CA, OES ID #059-02000	12,613
Hazard Mitigation Grant Program	97.039	FEMA-1731-DR-CA, Project #0021 FIPS ID #059-02000	43,001
Urban Areas Security Initiative	97.067	2007-GE-T7-0008	928,119
Urban Areas Security Initiative	97.067	2008-GE-T8-0006	3,963,029
Urban Areas Security Initiative	97.067	2009-SS-T9-0019	47,314
Passed through County of Orange:			
Metropolitan Medical Response System	97.071	2008-0006, OES ID #059-00000	222,943
Metropolitan Medical Response System	97.071	2009-0019, OES ID #059-00000	73,358
2008 Homeland Security Grant Program (HSGP)	97.067	2008-0006, OES ID #059-00000	5,439
Emergency Management Performance Grant	97.042	2008-9, OES ID #059-00000	30,383
Total Homeland Security Grant Cluster			<u>5,270,585</u>
Total Department of Homeland Security			<u>5,326,199</u>
Department of the Treasury:			
Direct Program – Asset Forfeiture	21.000	21.CA0300100	271,288
Total Department of Treasury			<u>271,288</u>
Total Expenditures of Federal Awards			<u>\$ 118,418,317</u>

See accompanying notes to schedule of expenditures of federal awards and report on compliance with requirements applicable to 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, 2010

(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 accompanying 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 accompanying 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 governmentwide 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 and 14.253)	\$	497,000
Emergency Shelter Grant (CFDA No. 14.231)		180,000
Workforce Investment Act Cluster (CFDA Nos. 17.258, 17.259, and 17.260)		1,569,107
Urban Areas Security Initiative (CFDA No. 97.067)		1,489,190
Avoid the 28 – DUI (CFDA No. 20.600)		172,312
	\$	<u>3,907,609</u>

(5) Guaranteed Loan Outstanding

At June 30, 2010, the City had a total outstanding guaranteed loan balance of \$17,066,000 with the U.S. Department of Housing and Urban Development under their Section 108 Loan Guarantee Program (CFDA No. 14.248). Of the balance, \$9,066,000 is recorded under the Anaheim Redevelopment Agency (Agency). The Agency is obligated to make annual scheduled payments toward its \$10 million loan for the Westgate project. During the fiscal year, the Agency made payments of \$771,135 toward its obligation.

CITY OF ANAHEIM, CALIFORNIA

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2010

In addition, the City entered into a new loan agreement of \$15 million for its certain real property acquisitions and improvements. For the fiscal year 2009/2010, the City recorded an outstanding balance of \$8 million. The loan proceeds were used to fund the acquisitions of the Family Justice Center (1500 West Vermont Avenue) and Miraloma Park site (2600 East Miraloma Way), construction of a new Thornton Brady storm drain and the Redevelopment Agency preservation project of the historic Packing House site. In the fiscal year 2010/2011, the City expects to receive the remaining \$7 million and transfer up to the remaining amount to the Agency for the Packing House project in accordance with its approved cooperation agreement. The \$15 million obligation will be prorated and repaid using future CDBG annual entitlements and Agency's property tax increment.

CITY OF ANAHEIM, CALIFORNIA
Schedule of Findings and Questioned Costs
Year ended June 30, 2010

(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 which 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 which 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 8 Housing Choice Vouchers Program (CFDA No. 14.871)
 - Department of Housing and Urban Development – Community Development Block Program (CFDA Nos. 14.218 and 14.253)
 - 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, 2010

- Department of Transportation – Highway Planning and Construction Cluster (CFDA No. 20.205)
- Department of Justice – ARRA FY 2009 Recovery Act Justice Assistance Grant Program (JAG) (CFDA No. 16.804)

(i) Auditee qualified as a low-risk auditee under Section 0.530 of OMB Circular A-133: **No.**

(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.