



# City of Aliso Viejo California

Single Audit Report



Year Ended June 30, 2009

**CITY OF ALISO VIEJO**  
**SINGLE AUDIT REPORT ON FEDERAL AWARDS**  
Year Ended June 30, 2009

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Year Ended June 30, 2009

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Honorable Mayor and City Council  
City of Aliso Viejo, California

**REPORT ON COMPLIANCE AND OTHER MATTERS AND ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

We have audited the governmental activities, each major fund, and the aggregate remaining fund information of the City of Aliso Viejo, 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 November 9, 2009. 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.

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*.

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 control deficiency 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 significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control.



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City of Aliso Viejo, California  
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A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all the deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the City Council and management of the City of Aliso Viejo and is not intended to be and should not be used by anyone other than these specified parties.

*Mayer Hoffman McCann P.C.*

Irvine, California  
November 9, 2009



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**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 Aliso Viejo (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 its major federal program for the year ended June 30, 2009. The City's major federal program is 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 its major federal program is the responsibility of 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 of Aliso Viejo has complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2009.

Internal Control Over Compliance

The management of the City of Aliso Viejo is responsible for establishing and maintaining effective internal control over compliance with 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



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effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purposes of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly we do not express an opinion on the effectiveness of the City's internal control over compliance.

A control deficiency in the City's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned function, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the City's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the City's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the City's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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, each major fund, and the aggregate remaining fund information of the City of Aliso Viejo as of and for the year ended June 30, 2009, and have issued our report thereon dated November 9, 2009. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. 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 of the City Council, management of the City of Aliso Viejo and federal and pass-through granting agencies and is not intended to be and should not be used by anyone other than these specified parties.

*Meyer Hoffmann McCann P.C.*

Irvine, California  
November 9, 2009

**CITY OF ALISO VIEJO**  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2008

Federal Grantor/Pass-through Grantor <u>Program Title</u>	Federal Domestic Assistance <u>Number</u>	<u>Grant Number</u>	Federal Grant Award	Federal Assistance Expenditures
<b><u>U.S. Department of Housing and Urban</u></b>				
<b><u>Development:</u></b>				
Passed through the County of Orange, Housing and Community Services Department:				
Community Development Block Grant	14.218	KC07725	\$ 350,000	217,051
Total - U.S. Department of Housing and Urban Development			<u>350,000</u>	<u>217,051</u>
<b><u>U.S. Department of Transportation:</u></b>				
Passed through the State of California, Department of Transportation:				
Highway Planning and Construction	20.205	RPSTPLE - 5480(002)	500,000	433,692 *
Total - U.S. Department of Transportation			<u>500,000</u>	<u>433,692</u>
Total expenditures of federal awards			<u>\$ 850,000</u>	<u>650,743</u>

\* Major Program

See Note to Schedule of Expenditures of Federal Awards.

CITY OF ALISO VIEJO

NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND AWARDS

Year Ended June 30, 2009

(1) **Summary of significant accounting policies applicable to the schedule of expenditures of federal awards**

**Scope of presentation** - The accompanying schedule presents only the expenditures incurred by the City of Aliso Viejo (the City) that are reimbursable under programs of federal agencies providing financial awards. For the purposes of this schedule, financial awards include federal awards 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 portions of program expenditures reimbursable with such federal funds are reported in the accompanying schedule. Program expenditures in excess of the maximum reimbursement authorized or the portion of the program expenditures that were funded with other state, local or other non-federal funds are excluded from the accompanying schedule.

**Basis of accounting** - The expenditures included in the accompanying schedule were reported on the accrual basis of accounting. Under the accrual basis of accounting, expenditures are recognized when incurred. Expenditures reported include any property or equipment acquisitions incurred under the federal program.

**Subrecipients** – There were no federal funds passed through to subrecipients for the year ended June 30, 2009.

**CITY OF ALISO VIEJO**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

Year Ended June 30, 2009

**(A) Summary of auditors' results**

1. An unqualified opinion was issued by the auditors on the financial statements of the auditee.
2. The audit disclosed no material weaknesses in internal control over financial reporting.
3. The audit disclosed no noncompliance which is material to the financial statements of the auditee.
4. There were no material weaknesses reported related to internal control over the major program of the auditee.
5. An unqualified report was issued by the auditors on compliance for its major program.
6. The audit disclosed no audit findings required to be reported under paragraph .510(a) of OMB Circular A-133.
7. The major program of the auditee was CFDA No. 20.205, U.S. Department of Transportation Highway Planning and Construction Program.
8. The dollar threshold used to distinguish Type A and Type B programs was \$300,000.
9. The auditee did not meet the criteria to be considered a low risk auditee, as defined by OMB Circular A-133, paragraph .530, for the year ended June 30, 2009 for purposes of major program determination.

**(B) Findings related to the financial statements which are required to be reported in accordance with GAGAS**

There are no auditors' findings required to be reported in accordance with GAGAS.

**(C) Findings and questioned costs for Federal Awards as defined in Paragraph .510(a) of OMB Circular A-133**

There are no auditors' findings to be reported in accordance with paragraph .510(a) at OMB Circular A-133.

**CITY OF ALISO VIEJO**  
**SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS**

Year Ended June 30, 2009

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



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