CITY OF ORLAND
California

Single Audit Report

Year Ended
June 30, 2011

CITY OF ORLAND
Single Audit Report

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MARCELLO & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

2701 Cottage Way, Suite 30 / Sacramento, California 95825

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*

Honorable Mayor
Members of the City Council
City of Orland, 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 Orland, California, 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 2, 2011. 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 misstatements on a timely basis. A *material weakness* is a deficiency, or 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was 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 of Orland's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants 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 management, members of the city council, others within the entity, 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. However, this report is a matter of public record and its distribution is not limited.

Marcello & Company

Certified Public Accountants
Sacramento, California
December 2, 2011

MARCELLO & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

2701 Cottage Way, Suite 30 / Sacramento, California 95825

Independent Auditor's 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 And On The Schedule of Expenditures of Federal Awards

Honorable Mayor
Members of the City Council
City of Orland, California

Compliance

We have audited the City of Orland'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 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 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, 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 the 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.

Honorable Mayor
Members of the City Council
Orland, California

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 of Orland as of and for the year ended June 30, 2011, and have issued our report thereon dated December 2, 2011. 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.

This report is intended solely for the information and use of management, members of the city council, others within the entity, 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. However, this report is a matter of public record and its distribution is not limited.

Manullo & Company

Certified Public Accountants
Sacramento, California
December 2, 2011

CITY OF ORLAND
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2011

Federal Grantor/Pass-through Grantor/ Program or Cluster Title	Federal CFDA Number	Federal Expenditures
U.S. DEPARTMENT OF ENERGY		
Energy Efficiency & Conservation Block Grant		
Passed through the State of California,		
California Energy Commission		
State Program B/A IT.3360-001-0890 (2) –		
Energy Resources Conservation	ARRA 81.042	$ 25,000
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (HUD)		
Community Development Block Grants/State's Program	Cluster 14.239	
Passed through the State of California,		
Department of Housing and Community Development		
Home Investment Partnerships Program (HOME)		
State Grant No. 05-HOME-1685		498
State Grant No. 07-HOME-3902		1,934,076
State Grant No. 09-HOME-6205		533,017
Community Development Block Grants		
State Grant No. 08-STBG-4874		921,220
State Grant No. 08-PTAG-5350		2,806
U.S. DEPARTMENT OF JUSTICE (DOJ)		
Public Safety Partnership and Community Policing Grants (COPS)		
Direct Award: COPS Hiring Recovery Program (CHRP)		
Grant #2009RKWX0102	ARRA 16.710	83,989
Total Expenditures of Federal Awards		$ 3,500,606

CITY OF ORLAND
Notes to the Schedule of Expenditures of Federal Awards
Year Ended June 30, 2011

Note A - Reporting Entity Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the City of Orland, California (City) under programs of the federal government for the year ended June 30, 2011. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.* 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 or changes in net assets of the City.

Note B - Summary of Significant Accounting Policies

(1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in 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.

(2) Federal grant awards were primarily passed through the State of California, as reported on the Schedule, with one direct award.

(3) The Catalog of Federal Domestic Assistance (CFDA) numbers included in the accompanying Schedule were determined based upon program name, review of grant contract information, and the Office of Management and Budget's CFDA.

(4) There were no subrecipients of federal awards.

CITY OF ORLAND
Schedule of Findings and Questioned Costs
Year Ended June 30, 2011

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

1. Type of auditor's report issued: *Unqualified*

2. Internal controls over financial reporting:
   a. Material weaknesses identified? *No*
   b. Significant deficiencies identified not considered to be material weaknesses? *None Reported*

3. Noncompliance material to financial statements noted? *No*

Federal Awards

1. Internal control over major programs:
   a. Material weaknesses identified? *No*
   b. Significant deficiencies identified not considered to be material weaknesses? *None Reported*

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

3. Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133? *No*

4. Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
81.042	U.S. Dept of Energy – Block Grant
14.239	Cluster / Dept of HUD – CDBG

5. Dollar threshold used to distinguish between Type A and Type B programs? *$300,000*

6. Auditee qualified as low-risk auditee under OMB Circular A-133, section 510(a) (reason – single audit not required in year 2008-09) *No*

SECTION II - FINANCIAL STATEMENT FINDINGS

Current Year: None Reported
Prior Year: None Reported

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Current Year: None Reported
Prior Year: None Reported