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City Council
City of Orange, California
City of Santa Ana, California

## **SUMMARY OF AUDIT RESULTS**

We have audited the financial statements of governmental activities and each major fund of the Transportation System Improvement Authority ("Authority") for the year ended June 30, 2009, and have issued our report thereon dated December 4, 2009. Professional standards require that we provide you with the following information related to our audit.

# Our Responsibilities under U.S. Generally Accepted Auditing Standards and Government Auditing Standards

Our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we considered the internal control of the Authority. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed test of the Authority's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

#### Scope and Timing of the Audit

Audit fieldwork was substantially completed by November 3, 2009. Significant risks of material misstatement addressed by our auditing procedures included:

- Fraud risk for cash receipts and cash disbursements:
- Risk of material fraud or misstatement associated with investments;
- Risk of improper revenue recognition;
- Risk of improper classification of expenditures:



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#### Significant Audit Findings

We did not identify any deficiencies in internal control that we consider to be material weaknesses.

#### Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Authority are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2009.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There are no significant judgments or estimates reflected in the Authority's financial statements and disclosures.

#### Difficulties Encountered in Performing the Audit

We encountered no difficulties in performing and completing our audit.

## Corrected and Uncorrected Adjustments

Professional standards require us to accumulate all known and likely adjustments identified during the audit, other than those that are trivial. We did not identify any adjustments that were material, either individually or in the aggregate, to the financial statements taken as a whole.

#### Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

#### Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 4, 2009.



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# Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Authority's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

#### Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Authority's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of City of Orange City Council, City of Santa Ana City Council and management of the Authority and is not intended to be and should not be used by anyone other than these specified parties.

Mayor Hollown Melana A.C.

Irvine, California December 4, 2009