

REPORT TO CITY COUNCIL

DATE: APRIL 27, 2011

TO: HONORABLE MAYOR AND MEMBERS OF THE CITY COUNCIL

FROM: GREG RAMIREZ, CITY MANAGER

BY: CHRISTY PINUELAS, DIRECTOR OF FINANCE

SUBJECT: RECEIVE AND FILE THE SINGLE AUDIT REPORT FOR THE YEAR ENDED JUNE 30, 2010

The Single Audit was performed by Vavrinek, Trine, Day & Co., LLP, Certified Public Accountants for the FY 2009-10. This audit, also known as the OMB A-133 audit, is an audit of Federal awards received by the City for operations. The report has been attached for your review.

The audit information is presented to the City Council as a receive and file item and no further action is required.

RECOMMENDATION

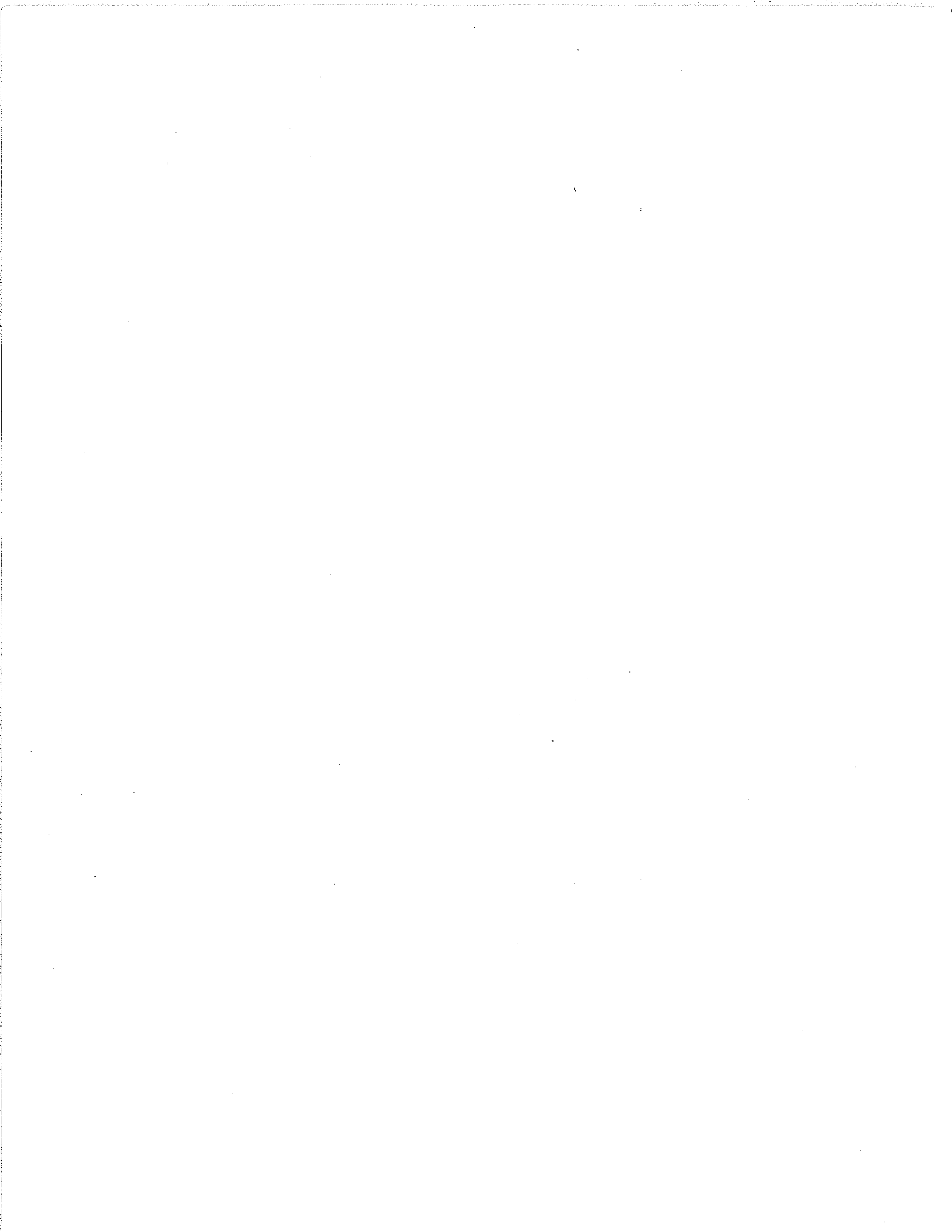
It is recommended the City Council receive and file the 2009-10 Single Audit Report.

Attachment: 2009-10 Single Audit Report

**CITY OF AGOURA HILLS,
CALIFORNIA**

SINGLE AUDIT REPORT

JUNE 30, 2010



CITY OF AGOURA HILLS, CALIFORNIA

**SINGLE AUDIT REPORT
JUNE 30, 2010**

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INDEPENDENT AUDITORS' 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 City Council of
the City of Agoura Hills, California

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Agoura Hills, California (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 November 16, 2010. Our report was modified to include an explanatory paragraph for the issuance of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Post Employment Benefits Other Than Pensions*, effective July 1, 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.

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 and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, 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 described above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs as 2010-1, 2010-2, and 2010-3 that we consider to be significant deficiencies in internal control over financial reporting. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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*.

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City's responses and, accordingly, we express no opinion on it.

We noted certain matters that we reported to management of City in a separate letter dated November 16, 2010.

This report is intended solely for the information and use of the City's management, 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.

Vavrinch, Train, Douglas & Co., LLP

Rancho Cucamonga, California
November 16, 2010



**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, AND THE SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS IN ACCORDANCE
WITH OMB CIRCULAR A-133**

The Honorable City Council of
the City of Agoura Hills, California

Compliance

We have audited the City of Agoura Hills's (City) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the City's major federal program for the year ended June 30, 2010. 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 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. 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 its major federal program 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 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. 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, each major fund, and the aggregate remaining fund information of the City of Agoura Hills as of and for the year ended June 30, 2010, and have issued our report thereon dated November 16, 2010. Our report was modified to include an explanatory paragraph for the issuance of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Post Employment Benefits Other Than Pensions*, effective July 1, 2009. 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 the City's management, City Council, others within the entity, 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.

Vavrinch, Train, Dwyer & Co., LLP

Rancho Cucamonga, California

March 10, 2011, except for the Schedule of Expenditures of Federal Awards as to which the date is November 16, 2010

CITY OF AGOURA HILLS, CALIFORNIA

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2010**

<u>U.S. Department/Pass-Through Agency/Program Title/Cluster</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Justice</u>			
Passed through the City of Los Angeles:			
ARRA-Edward Byrne Memorial Justice Assistance Grant	16.804	C-116978	\$ 12,929
Total U.S. Department of Justice			<u>12,929</u>
<u>U.S. Department of Transportation</u>			
Highway Planning & Construction Cluster [1]:			
Passed through the State of California Department of Transportation:			
ARRA-Highway Planning and Construction	20.205	ESPL-5435(016)	690,000
Highway Planning and Construction	20.205	ESPL-5435(016)	1,110,134
Highway Planning and Construction	20.205	HPLUN-5435(010)	749,214
Total Highway Planning & Construction Cluster [1]			<u>2,549,348</u>
Total U.S. Department of Transportation			<u>2,549,348</u>
Total Expenditures of Federal Awards			<u>\$ 2,562,277</u>

[1] Denotes a major program

See accompanying note to the Schedule of Expenditures of Federal Awards.

CITY OF AGOURA HILLS, CALIFORNIA

**NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2010**

NOTE #1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Scope of Presentation

The accompanying schedule presents only the expenditures incurred by the City of Agoura Hills (City) that are reimbursable under federal programs of federal financial assistance. For the purpose of this schedule, federal awards include both federal financial assistance 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 portion of program expenditures in excess of the maximum federal reimbursement authorized or the portion of the program expenditures that were funded with state, local, or other non-federal funds are excluded from the accompanying schedule.

B. Basis of Accounting

The expenditures included in the accompanying schedule were reported on the modified accrual basis of accounting. Under the modified accrual basis of accounting, expenditures are incurred when the City becomes obligated for payment as a result of the receipt of the related goods and services. Expenditures reported include any property or equipment acquisitions incurred under the federal program.

C. Relationship to Federal Financial Reports

Amounts reported in the accompanying Schedule of Expenditures of Federal Awards agree with the amounts reported in the related federal financial reports. However, certain federal reports are filed based on cash expenditures. As such, certain timing differences may exist in the recognition of revenues and expenditures between the Schedule of Expenditures of Federal Awards and the federal financial reports.

CITY OF AGOURA HILLS, CALIFORNIA

**SCHEDULES OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2010**

I. SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS

Type of auditors' report issued:	<u>Unqualified</u>
Internal control over financial reporting:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified?	<u>Yes</u>
Noncompliance material to financial statements noted?	<u>No</u>

FEDERAL AWARDS

Internal control over major programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified?	<u>None reported</u>
Type of auditors' report issued on compliance for major programs:	<u>Unqualified</u>

Any audit findings disclosed that are required to be reported in accordance with 510(a) of OMB Circular A-133? No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
<u>20.205</u>	<u>Highway Planning and Construction Cluster</u>
<u>20.205</u>	<u>ARRA-Highway Planning and Construction Cluster</u>

Dollar threshold used to distinguish between Type A and Type B programs: \$ 300,000
Auditee qualified as low-risk auditee? No

CITY OF AGOURA HILLS, CALIFORNIA

**SCHEDULES OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2010**

II. FINANCIAL STATEMENT FINDINGS

Finding 2010-1

OTHER POST-EMPLOYMENT BENEFITS

Criteria

The City was required to implement GASB No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* during fiscal year 2008-2009.

Condition

During our examination of the City's pension and other postemployment benefit plans (OPEB) it was noted that the City was required to implement GASB 45 effective July 1, 2008. The City did not implement GASB 45 effective July 1, 2008.

Context

The condition noted above was identified during our examination of the City's pension and OPEB plans.

Effect

The City did not implement GASB 45 as required by the effective date.

Cause

The City's policies and procedures did not ensure that new accounting pronouncements were analyzed, evaluated and implemented in accordance with the effective date of the accounting standard.

Recommendation

We recommend that the City implement procedures to ensure that new accounting pronouncements are properly analyzed, evaluated and implemented as necessary on a timely basis.

Views of Responsible Officials and Planned Corrective Actions

GASB No. 45 was implemented over a three year period throughout the nation based on implementation of GASB No. 34. The City prepared an actuarial valuation report in October 2008 and was instructed that we were a Phase 3 City, required to implement in 2009/2010. However, our current auditors determined that the city was a Phase 2 City and was required to implement in 2008/2009. We recognize the importance of staying abreast of the various pronouncements and have made every effort to stay abreast by attending more webinars, trainings and conferences. We will incorporate into our financial accounting procedure a review of accounting pronouncements effective for that year.

CITY OF AGOURA HILLS, CALIFORNIA

**SCHEDULES OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2010**

II. FINANCIAL STATEMENT FINDINGS

Finding 2010-2

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Criteria

In accordance with the U.S. Office of Management and Budget (OMB) Circular A-133 Subpart C-Auditees, § .310(b), the City shall prepare a schedule of expenditures of Federal awards (SEFA) for the period covered by the City's financial statements.

Condition

During our examination of the City's grant activity it was noted that the City did not maintain formal policies and procedures to track Federal, state or local grants.

Context

The condition noted above was identified during our examination of the City's grant activity and assessment of federal reporting requirements per OMB Circular A-133.

Effect

There is an increased risk of misstatement for the City's SEFA.

Cause

The City did not maintain formal policies and procedures in place to ensure that grant activity is tracked, reconciled and reported.

Recommendation

We recommend that the City implement procedures to ensure that grant activity is tracked, reconciled and properly reported in accordance with OMB Circular A-133.

Views of Responsible Officials and Planned Corrective Actions

The procedures for tracking Federal, state or local grants reside within the department that has prepared and administered the grant. Each grant secured contains guidelines that must be adhered to and are followed by the department. Each department is responsible for updating Executive Management (City Manager's Department) on the status of grant administration and activity. As the City has limited staff resources, with many duties assigned, grant administration is shared. Currently the City Manager's Office acts as a clearinghouse for grant tracking/administration and works with other departments on various grants. The City intends to implement policies, procedures and guidelines so that all grants, whether administered by the City Manager's Office or not will be reviewed by the Assistant to the City Manager and a centralized listing of the grants will be maintained.

CITY OF AGOURA HILLS, CALIFORNIA

**SCHEDULES OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2010**

II. FINANCIAL STATEMENT FINDINGS

Finding 2010-3

DEFERRED LOANS

Criteria

The City should ensure that deferred loan balances are reconciled and reviewed.

Condition

During our examination of deferred loan balances it was noted that the City had not reconciled the balances. Upon further examination of the balances, an adjustment to beginning fund balance/net assets was identified and recorded.

Context

The condition noted above was identified during our examination of the City's deferred loan balances.

Effect

The City's deferred loan balances required adjustments.

Cause

The City's procedures did not ensure that the deferred loan balances were reconciled.

Recommendation

We recommend that the City strengthen its procedures to ensure that deferred loan balances are reconciled.

Views of Responsible Officials and Planned Corrective Actions

The City maintained a listing of deferred loan balances in both the Community Development and Finance Department. The Community Development grant listing was the most up-to-date and was the one used by our consultant to track outstanding loan amounts. This listing has since been reconciled to the General Ledger. Staff will work closely together to ensure that the loans are reconciled to the General Ledger.

CITY OF AGOURA HILLS, CALIFORNIA

**SCHEDULES OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2010**

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

CITY OF AGOURA HILLS, CALIFORNIA

**SCHEDULE OF PRIOR YEAR FINDINGS
JUNE 30, 2010**

None reported.