



**CITY OF SIMI VALLEY, CALIFORNIA**

**SINGLE AUDIT REPORT**

**JUNE 30, 2009**

**Lance Soll & Lunghard, LLP**

203 North Brea Blvd  
Suite 203  
Brea, CA 92821

41185 Golden Gate Circle  
Suite 103  
Murrieta, CA 92562

CITY OF SIMI VALLEY, CALIFORNIA

SINGLE AUDIT REPORT

JUNE 30, 2009

**CITY OF SIMI VALLEY**

**JUNE 30, 2009**

TABLE OF CONTENTS

	<u>Page Number</u>
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	1
Report on Compliance with Requirements Applicable to Each Major Program, on Internal Control Over Compliance, and on the Schedule of Expenditures of Federal Awards in Accordance with OMB Circular A-133 .....	3
Schedule of Expenditures of Federal Awards for the Fiscal Year Ended June 30, 2009.....	5
Notes to the Schedule of Expenditures of Federal Awards .....	7
Schedule of Findings and Questioned Costs for the Fiscal Year Ended June 30, 2009.....	8
Schedule of Prior Year Findings and Questioned Costs for the Fiscal Year Ended June 30, 2008.....	10



CERTIFIED PUBLIC ACCOUNTANTS

- Brandon W. Burrows, CPA
- Donald L. Parker, CPA
- Michael K. Chu, CPA
- David E. Hale, CPA, CFP  
A Professional Corporation
- Donald G. Slater, CPA
- Richard K. Kikuchi, CPA
- Susan F. Matz, CPA
- Shelly K. Jackley, CPA

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*

To the Honorable Mayor and Members of the City Council  
City of Simi Valley, 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 Simi Valley, California, (the "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 December 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 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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as item 09-1 and 09-2 to be a significant deficiency in internal control over financial reporting.

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 internal control over financial reporting 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 and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.



To the Honorable Mayor and Members of the City Council  
City of Simi Valley, California

### **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 management, the audit committee, 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.

*Lance, Solt & Lughard, LLP*

January 6, 2010



CERTIFIED PUBLIC ACCOUNTANTS

- Brandon W. Burrows, CPA
- Donald L. Parker, CPA
- Michael K. Chu, CPA
- David E. Hale, CPA, CFP  
A Professional Corporation
- Donald G. Slater, CPA
- Richard K. Kikuchi, CPA
- Susan F. Matz, CPA
- Shelly K. Jackley, CPA

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH  
MAJOR PROGRAM, ON INTERNAL CONTROL OVER COMPLIANCE, AND  
ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Honorable Mayor and the Members of the City Council  
City of Simi Valley, California

### Compliance

We have audited the compliance of the City of Simi Valley, California, (the "City") with the types of compliance requirements described in the United States Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2009. 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 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 are applicable to each of its major federal programs for the year ended June 30, 2009.

### Internal Control Over Compliance

The 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 in order to determine our audit procedures for the purpose of expressing our opinion on compliance, 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.



To the Honorable Mayor and Members of the City Council  
City of Simi Valley, California

A *control deficiency* in a 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 functions, 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 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 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 entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiency in the internal control over compliance that we consider material weakness 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, 2009, and have issued our report thereon dated January 6, 2010. Our audit was performed for the purpose of forming an opinion of 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, are 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, 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.

*Lance, Soll & Lughard, LLP*

January 6, 2010

CITY OF SIMI VALLEY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Grantor's Number</u>	<u>Expenditures</u>
<u>U.S. Department of Housing and Urban Development</u>			
Direct Programs:			
Community Development Block Grant	14.218	B-07-MC-06-0535	\$ 1,082,528
Passed through the State of California:			
Home Investment Partnership Program	14.239	03-HOME-0681	<u>8,696</u>
<b>Total U.S. Department of Housing and Urban Development</b>			<b><u>1,091,224</u></b>
<u>U.S. Department of Health and Human Services</u>			
Passed through the County of Ventura			
Area Agency on Aging:			
Special Programs for the Aging - Title IIIC	93.045	3C-009-070812-R1	<u>82,697</u>
<b>Total U.S. Department of Health and Human Services</b>			<b><u>82,697</u></b>
<u>U.S. Department of Justice</u>			
Direct Program:			
Federal Asset Forfeiture Program	16.000		85,170
Bulletproof Vest Partnership Program	16.607		<u>1,433</u>
<b>Total U.S. Department of Justice</b>			<b><u>86,603</u></b>
<u>U.S. Department of Transportation</u>			
Direct Program:			
Federal Transit Formula Grants	20.507	CA-90-4762	2,097,922
		CA-90-Y762	7,769
		CA-95-X033	43,935
		CA-90-Y429	<u>72,761</u>
Passed through the State of California:			
Highway Planning and Construction*	20.205	STPLER-5405 (041)	150,390
		CML-5405 (043)	386,848
		CML-5405 (044)	<u>847,800</u>
State and Community Highway Safety	20.600	CT09 407	25,366
		SC08 407	7,730
		SC09 407	<u>8,044</u>
<b>Total U.S. Department of Transportation</b>			<b><u>3,648,565</u></b>
<u>U.S. Department of Homeland Security</u>			
Passed through the County of Ventura:			
State Domestic Preparedness Equipment Support Program	97.004	111-00000	65,963
Emergency Management Performance Grants	97.042	111-00000	19,746
Fire Management Performance Grants	97.046	111-72016	<u>27,044</u>
<b>Total U.S. Department of Homeland Security</b>			<b><u>112,753</u></b>



CITY OF SIMI VALLEY

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Grantor's Number</u>	<u>Expenditures</u>
<u>U.S. Department of Treasury</u>			
Direct Programs:			
Federal Asset Forfeiture Program	21.000		<u>18,584</u>
<b>Total U.S. Department of Treasury</b>			<b><u>18,584</u></b>
<b>Total Federal Expenditures</b>			<b><u>\$ 5,040,426</u></b>

\* Major Program

Note a: Refer to Note 1 to the schedule of expenditures of federal awards for a description of significant accounting policies used in preparing this schedule.

Note b: There was no federal awards expended in the form of noncash assistance and insurance in effect during the year.

Note c: Total amount provided to subrecipients during the year was \$298,513.

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

---

**Note 1: Summary of Significant Accounting Policies Applicable to the Schedule of Expenditures of Federal Awards**

**a. Scope of Presentation**

The accompanying schedule presents only the expenditures incurred by the City of Simi Valley, California, that are reimbursable under federal programs of federal financial assistance. For the purposes 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 reimbursable with such federal funds is reported in the accompanying schedule. 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 included any property or equipment acquisitions incurred under the federal program.

**Note 2: Loans Receivable**

Loans from CDBG funds in the amount of \$601,728 and HOME funds in the amount of \$2,859,857 are outstanding as of June 30, 2009. During fiscal year 2008-09, there were no loans made with CDBG funds or HOME funds.

**CITY OF SIMI VALLEY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

---

**SECTION I - SUMMARY OF AUDITORS' RESULTS**

Financial Statements

Type of auditors' report issued: Unqualified Opinion

Internal control over financial reporting:

- Significant deficiencies identified?  yes  no
- Significant deficiencies identified that are considered to be material weaknesses?  yes  none reported

Noncompliance material to financial statements noted?  yes  no

Federal Awards

Internal control over major programs:

- Significant deficiencies identified?  yes  no
- Significant deficiencies identified that are considered to be material weaknesses?  yes  none reported

Type of auditors' report issued on compliance for major programs: Unqualified Opinion

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

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
20.205	Highway Planning & Construction

Dollar threshold used to distinguish between type A and type B program \$300,000

Auditee qualified as low-risk auditee?  yes  no

**CITY OF SIMI VALLEY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

---

**SECTION II - FINANCIAL STATEMENT FINDINGS**

**Finding Number 09-1**

Sanitation Inventory

We performed an inventory observation on June 30, 2009, and identified certain deficiencies in the controls over inventory in the Sanitation Department. The internal controls over the inventory observation have significantly improved from the prior year; however there are still 17 separate locations where Sanitation inventory is stored and almost all employees have access to the locations. This reduces the level of control that management has over inventory. We recommend having fewer locations with one storekeeper who is responsible for the inventory.

Also, the Sanitation department is still performing a full inventory observation to include any missing items that were not previously recorded in the inventory system and expect to have adjustments to correct this in the next fiscal year.

**Finding Number 09-2**

Audit Adjustments

During our audit the City proposed an adjustment which we consider to be significant to the financial reporting process. A significant adjustment was required to properly state loans receivables that were previously omitted in the prior fiscal years at June 30, 2009. The City is still currently working on properly recording all loans receivables which include interest accruals. The finance department needs to be properly informed of all loans issued through all departments and a proper and accurate tracking of all loans (including accrued interest which is stated as required or omitted in all contracts) must be adjusted to the general ledger annually.

**SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

No matters were reported.

**CITY OF SIMI VALLEY**

**SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

---

**SECTION I - FINANCIAL STATEMENT FINDINGS**

No matters were reported.

**SECTION II - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

No matters were reported.