

CITY OF THOUSAND OAKS, CALIFORNIA

SINGLE AUDIT REPORT

JUNE 30, 2017

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CITY OF THOUSAND OAKS

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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*

To the Honorable Mayor and Members of the City Council
City of Thousand Oaks, California

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Thousand Oaks, California (the City), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 18, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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, or detected and corrected on a timely basis. *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.

Our consideration of internal control was for the limited purpose described in the first paragraph in this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs, that we consider to be material weakness, 2017-001.



To the Honorable Mayor and Members of the City Council
City of Thousand Oaks, California

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City’s financial statements are free from 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*.

City’s Response to Findings

The City’s response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City’s response was not subjected to the auditing procedures applied in the audit and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City’s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Brea, California
December 18, 2017



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

To the Honorable Mayor and Members of the City Council
City of Thousand Oaks, California

Report on Compliance for Each Major Federal Program

We have audited the City of Thousand Oaks, California (the City)'s compliance with the types of compliance requirements described in the *OMB 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, 2017. 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.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of 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, 2017.



To the Honorable Mayor and Members of the City Council
City of Thousand Oaks, California

Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Thousand Oaks, California, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated December 18, 2017, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.



To the Honorable Mayor and Members of the City Council
City of Thousand Oaks, California

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Lance, Solt & Lughard, LLP

Brea, California

January 31, 2018 (except for our report on the schedule of expenditures of federal awards, for which the date is December 18, 2017)

CITY OF THOUSAND OAKS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Federal Grantor/Pass-Through Grantor/Program Title	Agency Pass-Through Number	Federal CFDA Number	Pass-Through Subrecipient Amounts	Expenditures
U.S. Department of Housing and Urban Development				
Direct Programs:				
Community Development Block Grant*	B-15-MC-06-05-49	14.218	\$ 58,830	\$ 58,830
Community Development Block Grant*	B-16-MC-06-05-49	14.218	223,679	343,583
Total U.S. Department of Housing and Urban Development			282,509	402,413
U.S. Department of Justice				
Federal Asset Seizure	CA0560001	16.922	-	146,678
Passed through City of Oxnard:				
Bureau of Justice Assistance:				
Edward Byrne Memorial Justice Assistance Grant	2014-H1568-CA-DJ	16.738	-	152
Edward Byrne Memorial Justice Assistance Grant	2015-H2348-CA-DJ	16.738	-	855
Edward Byrne Memorial Justice Assistance Grant	2016-H2984-CA-DJ	16.738	-	7,937
Total U.S. Department of Justice			-	155,622
U.S. Department of Transportation				
Passed through the State of California				
Department of Transportation				
Highway Planning & Construction*				
Wendy Rte 101 Interchange*	STPL-5392-(038)	20.205	-	60,763
Pavement Rehabilitation*	STPL-5392-(057)	20.205	-	661,656
Sidewalk - Westlake Blvd*	HSIPL-5392-(054)	20.205	-	21,926
Moorpark Rd Sidewalk/Bike*	CML-5392-(056)	20.205	-	87,480
Rancho Rd Sidewalk/Bike*	CML-5392-(055)	20.205	-	77,363
Passed through Ventura County Transportation Commission				
Federal Transit Formula				
Intercity Service	CA-16-0062	20.507	-	10,160
City Vanpool Vehicle	CA-37-X153	20.507	-	18,702
Travel Training	CA-37-X179	20.507	-	574
Intercity Service	CA-57-Y092	20.507	-	5,924
Free Bus Rides DAR/ADA	CA-57-Y092	20.507	-	9,601
Bus Shelter Enhancements	CA-90-Y803	20.507	-	6,338
Transp Center Expansion	CA-90-Y858	20.507	-	85,000
Phone System	CA-90-Y991	20.507	-	4,454
Stop/Shelter Maintenance	CA-90-Z055	20.507	-	15,324
Transit Planning	CA-90-Z055	20.507	-	16,537
Technical Upgrades	CA-90-Z151	20.507	-	16,200
Transit Planning	CA-90-Z151	20.507	-	25,672
Replacement Rideshare Vans	CA-90-Z151	20.507	-	68,000
TOTC Maintenance	CA-90-Z151	20.507	-	78,126
Fixed Route Weekend	CA-95-X196	20.507	-	186,674
DAR Electronic Dispatch	CA-95-X196	20.507	-	11,389
Travel Training	CA-2016-126	20.507	-	2,020
ADA Paratransit	CA-2016-060	20.507	-	52,538
MetroLink Shuttle	CA-2016-060	20.507	-	25,119
Planning & Technology	CA-2016-060	20.507	-	7,963
Marketing	CA-2016-060	20.507	-	17,810
Beach Shuttle Operations	CA-2016-060	20.507	-	8,692
Bus Stop Enhancement	CA-2016-060	20.507	-	2,567
Facilities/Bus Stop Maintenance	CA-2016-060	20.507	-	32,385
Bus/DAR Maintenance	CA-2016-060	20.507	-	218,454
Capital Bus Leases	CA-2016-060	20.507	-	41,014
Transit Interns	145.SCG03170.01	20.507	-	18,255
Total U.S. Department of Transportation			-	1,894,680
U.S. Department of Homeland Security				
Passed through Ventura County:				
Homeland Security Grant Program				
2016 Emergency Mgmt Performance Grant	16-EMPG-2	97.042	-	27,349
2015 State Homeland Security Grant	15-SHSGP-12b	97.067	-	2,221
Total U.S. Department of Homeland Security			-	29,570
Total Federal Expenditures			\$ 282,509	\$ 2,482,285

* 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.

CITY OF THOUSAND OAKS

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

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 Thousand Oaks, 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.

c. Indirect Cost Rate

The City has elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

CITY OF THOUSAND OAKS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unmodified Opinion

Internal control over financial reporting:

- Significant deficiencies identified? ___yes Xno
- Material weaknesses identified? Xyes ___none reported

Noncompliance material to financial statements noted? ___yes Xno

Federal Awards

Internal control over major programs:

- Significant deficiencies identified? ___yes Xno
- Material weaknesses identified? ___yes Xnone reported

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

Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516(a)? ___yes Xno

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.218 20.205	Community Development Block Grant Highway Planning and Construction

Dollar threshold used to distinguish between type A and type B program \$750,000

Auditee qualified as low-risk auditee? Xyes ___no

CITY OF THOUSAND OAKS

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

SECTION II - FINANCIAL STATEMENT FINDINGS

2017-001 Sale of Land Held for Resale:

During our audit fieldwork it was noted that land held for resale was sold but improperly recorded. During our discussion with management it was determined that revenue of \$351,666 was recorded for the sale of land. Since the land had a book value of \$671,083, a loss on the sale should have been reported instead for \$319,417. This was subsequently corrected. Since these entries are not frequent or reoccurring entries, we recommend an additional review of these uncommon entries in the future.

Management's Response:

Management concurs. As normal course of operations, it is rare for the City to hold Land for Resale. The Land Held for Resale was formerly Redevelopment Agency Housing Fund Assets that were transferred to the City's Housing Fund as part of the winding down of the RDA affairs. These properties were purchased by the RDA in 2007 at an average price of \$336,000. Prior to Dissolution in 2010, the RDA Board/City Council authorized the sale of the moderate units to lower income eligible homebuyers, thus approving the sale of these affordable units at a price substantially less than the RDA's purchase price. Because of the elimination of redevelopment, it took several years to complete the sales. Normally when assets are sold and disposed of in the City's financial system, it first gets processed through the City's asset module which will automatically create the disposal journal entry along with any gain/loss entry to record in the financial system. Because the assets held for resale were not recorded in the City's asset module, a manual entry was processed to record the disposal of the asset but unfortunately failed to record the loss. A subsequent journal entry was processed to record the loss on the sale of assets held for resale, which is reflective in the financials. City management will ensure future disposals that occur outside of the City's financial system are reviewed and approved by the Finance Director.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

CITY OF THOUSAND OAKS

**SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.