

CITY OF PORTERVILLE
SINGLE AUDIT REPORT
YEAR ENDED JUNE 30, 2016

CITY OF PORTERVILLE

Single Audit Report
For the Year Ended June 30, 2016

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

To the Honorable Mayor and City Council
City of Porterville
Porterville, California

Report on Compliance for Each Major Federal Program

We have audited the City of Porterville's (City) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (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, 2016. 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 the requirements of laws, regulations, contracts, and grants 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 (CFR) 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, 2016.

To the Honorable Mayor and City Council
City of Porterville

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.

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.

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

The basic 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, 2016, were audited by Gallina LLP, whose practice became part of CliftonLarsonAllen LLP as of January 1, 2017, and whose report dated December 29, 2016, expressed an unmodified opinion on those statements. Their audit was conducted for the purpose of forming opinions on the basic financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for 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 basic 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 expenditure of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.



Roseville, California
February 27, 2017

CITY OF PORTERVILLE

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2016

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures	Expenditures to Subrecipients
<u>U.S. Department of Housing and Urban Development</u>				
Direct Programs:				
Community Development Block Grants				
Youth Center	14.218		\$ 102,055	\$ --
Admin	14.218		136,870	--
Owner Occupied Housing Rehab Program	14.218		10,328	--
Business Assistance Program	14.218		51,505	--
Murray Park - Improvements	14.218		354	--
Neighborhood Improvement - Land Acquisition	14.218		13,478	--
Outstanding Loans	14.218		3,792,783	--
Subtotal CFDA Number 14.218			<u>4,107,373</u>	<u>--</u>
Community Development Block Grants				
Youth Center	14.238		20,000	--
Across Murray Park - Improvements	14.238		745	--
Subtotal CFDA Number 14.238			<u>20,745</u>	<u>--</u>
Home Investment Partnership Program - Outstanding Loans	14.239		4,949,540	--
Total U.S. Department of Housing and Urban Development			<u>\$ 9,077,658</u>	<u>\$ --</u>
<u>U.S. Department of Justice</u>				
Direct Programs:				
Edward Byrne Memorial Justice Assistance Grant	16.738	2014-DJ-BX-0680	17,705	--
Bulletproof Vest Partnership Grant	16.607		6,246	--
Subtotal			<u>23,951</u>	<u>--</u>
Total U.S. Department of Justice			<u>\$ 23,951</u>	<u>\$ --</u>
<u>U.S. Department of Transportation</u>				
Direct Programs:				
Plano Bridge @ Tule River	20.205	BHLS-5122-028	132,076	--
Jaye St Bridge / Tule River	20.205	BLHS-5122-036	256,422	--
2 CNG refuse sideloaders	20.205	CMLNI-5122(081)(082)	544,139	--
Morton Ave shoulder stab - 65 to Westwood	20.205	CML-5122(077)	29,711	--
Oak Ave walkway - Main to Rails to Trails	20.205	RPSTPLE-5122(073)	143,772	--
Putnam & D traffic signal	20.205	HSIPL-5122(080)	5,361	--
Subtotal CFDA Number 20.205			<u>1,111,481</u>	<u>--</u>
Transit operating assistance	20.507	CA904199	1,516,759	--
Transit operating assistance	20.507	CA904016	36,721	--
CNG facility expansion	20.507	CA040255	1,113,869	--
CNG facility expansion	20.507	CA900199	399,999	--
Bus shelters	20.507	CA900199	61,378	--
Mobile fare payment system	20.507	CA900199	169,213	--
Security system	20.507	CA900199	110,777	--
Bus shelters	20.507	CA900116	32,000	--
Bus stop signage	20.507	CA900116	36,297	--
Security system	20.507	CA900116	40,391	--
Mobile fare payment system	20.507	CA900116	29,028	--
Mobile fare payment system	20.507	CA900979	29,028	--
Transit operating assistance	20.507	643630 (5316)	73,640	--
Transit operating assistance	20.507	64EO15-00320 (5311)	139,698	--
Subtotal CFDA Number 20.507			<u>3,788,798</u>	<u>--</u>
Airport Layout Plan Narrative	20.106	3-06-090-013	30,708	--
Rehab Runway	20.106	3-06-0190-12	2,074	--
Subtotal CFDA Number 20.106			<u>32,782</u>	<u>--</u>

See accompanying Notes to Schedule of Expenditures of Federal Awards

CITY OF PORTERVILLE

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2016

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Federal Expenditures</u>	<u>Expenditures to Subrecipients</u>
U.S. Department of Transportation (continued)				
Passed through the CA Office of Traffic Safety - STEP				
Selective Traffic Enforcement Program	20.600	PT1578	\$ 10,694	\$ --
Selective Traffic Enforcement Program	20.600	PT16131	23,119	--
Subtotal CFDA Number 20.600			<u>33,813</u>	<u>--</u>
Total U.S. Department of Transportation			<u>\$ 4,966,874</u>	<u>\$ --</u>
U.S. Department of Homeland Security				
Direct Programs:				
FEMA - SAFER Grant	97.083	EMW-2011-FF-00355	<u>30,840</u>	<u>--</u>
Passed through the County of Tulare:				
Homeland Security Grant - FD Turnouts	97.067	2015-00078	32,599	--
Homeland Security Grant - FD Ballistic Helmets	97.067	2015-00078	9,581	--
Subtotal CFDA Number 97.067			<u>42,180</u>	<u>--</u>
Total U.S. Department of Homeland Security			<u>\$ 73,020</u>	<u>\$ --</u>
Total Expenditures of Federal Awards			<u>\$ 14,141,503</u>	<u>\$ --</u>

See accompanying Notes to Schedule of Expenditures of Federal Awards

CITY OF PORTERVILLE

Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2016

NOTE 1: BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards programs of the City of Porterville for the year ended June 30, 2016. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Therefore, some amounts presented in the schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

NOTE 3: CATALOG OF FEDERAL DOMESTIC (CFDA) NUMBERS

The program titles and CFDA numbers were obtained from the federal or pass-through grantor or the 2016 *Catalog of Federal Domestic Assistance*. When no CFDA number had been assigned to a program, the two-digit federal agency identifier and the federal contract number were used. When there was no federal contract number, the two-digit federal agency identifier and the word “unknown” were used.

NOTE 4: INDIRECT COST RATE

The City did not elect to use the 10% de minimis indirect cost rate as covered in 2 CFR §200.414. Uniform Guidance, §200.510(6), requires the City to disclose whether or not it elected to use the 10 percent de minimis cost rate that §200.414(f) allows for nonfederal entities that have never received a negotiated indirect cost rate.

NOTE 5: LOANS WITH CONTINUING COMPLIANCE REQUIREMENT

Outstanding federally-funded program loans, with a continuing compliance requirement, carried balances as of June 30, 2016 as follows:

Federal CFDA #	Program Title	July 1, 2015	New Loans	Payments and adjustments	June 30, 2016
14.218	Community Development Block Grants	\$ 3,792,783	102,711	(385,158)	\$ 3,510,336
14.239	HOME Investment Partnership Program	4,949,540	--	(621,928)	4,327,612

In addition to federal awards involving expenditures the City of Porterville has a federally guaranteed loan outstanding as of June 30, 2015 with the Department of Housing and Urban Development. There are no continuing compliance requirements for this loan. The loan related to the Section 108 Loan Program (CFDA 14.248) has an outstanding balance of \$2,133,000 at June 30, 2016.

CITY OF PORTERVILLE

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016

Section I – Summary of Auditor’s Results

Financial Statements

- 1. Type of auditor’s report issued: Unmodified
- 2. Internal controls over financial reporting:
 - a. Material weaknesses identified? No
 - b. Significant deficiencies identified? 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? None Reported
- 2. Type of auditor’s report issued on compliance for major programs: Unmodified
- 3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? No

- 4. Identification of major programs:

CFDA Number

Name of Federal Program

20.507

Federal Transit Administration

- 5. Dollar Threshold used to distinguish between Type A and Type B programs? \$ 750,000
- 6. Auditee qualified as a low-risk auditee? Yes

Section II– Financial Statement Findings

None Reported.

Section III– Federal Award Findings and Questioned Costs

None Reported.

Section IV– Prior Year Findings and Questioned Costs

None Reported.