

CITY OF PORTERVILLE
SINGLE AUDIT REPORT
YEAR ENDED JUNE 30, 2011

CITY OF PORTERVILLE

Single Audit Report
For the Year Ended June 30, 2011

Table of Contents

	<u>Page</u>
Independent Auditor's 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>	1-2
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133	3-5
Schedule of Expenditures of Federal Awards.....	6-7
Notes to Schedule of Expenditures of Federal Awards	8
Schedule of Findings and Questioned Costs.....	9-12
Summary Schedule of Prior Audit Findings.....	13



**INDEPENDENT AUDITOR'S 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 City Council
City of Porterville
Porterville, 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 Porterville (City), as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 29, 2011. We conducted our audit in accordance with auditing standards 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 of Porterville's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or 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 defined above.

To the Honorable Mayor and City Council
City of Porterville

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Porterville'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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information of management, the 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.

Gallina LLP

Roseville, California
December 29, 2011



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT
ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

Compliance

We have audited the compliance of the City of Porterville, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. The City of Porterville'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 of Porterville's management. Our responsibility is to express an opinion on the City of Porterville'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 of Porterville'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 of Porterville's compliance with those requirements.

In our opinion, the City of Porterville complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the for the year ended June 30, 2011.

To the Honorable Mayor and City Council
City of Porterville

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with 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.

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 and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified.

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 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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 11-SA-1 to be a significant deficiency

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

To the Honorable Mayor and City Council
City of Porterville

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, 2011, and have issued our report thereon dated December 29, 2011. Our audit was performed for the purpose of forming 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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Gallina LLP

Roseville, California
March 26, 2012, except for the Schedule
of Expenditures of Federal Awards as to
which the date is December 29, 2011

CITY OF PORTERVILLE, CALIFORNIA

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2011

Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Grantor's Number	Federal CFDA Number	Federal Expenditures
U. S. DEPARTMENT OF AGRICULTURE			
Direct Program:			
ARRA - Heritage Trailway - ReLeaf Grant	09-CF-ARRA-12	10.999	\$ 5,000
ARRA - Water and Waste Disposal Program-Grant	09-CF-ARRA-12	10.999	<u>17,245</u>
Total Department of Agriculture			<u>22,245</u>
 U. S. DEPARTMENT OF HOUSING & URBAN DEVELOPMENT			
Direct programs:			
Community Development Block Grants/Entitlement Grants			
Program Cluster	N/A	14.218	1,167,409
ARRA - Neighborhood Stabilization Program	09-NSP1-6270	14.256	<u>243,798</u>
Subtotal Direct			<u>1,411,207</u>
Pass through the State of California			
Home Investment Partnership	HOME-4698	14.239	<u>125,102</u>
Subtotal Pass-Through			<u>125,102</u>
Total Department of Housing & Urban Development			<u>1,536,309</u>
 U. S. DEPARTMENT OF JUSTICE			
Direct programs:			
Eward Byrne Memorial Justice Assistance Grant	2010-DJ-BX-1242	16.738	<u>29,845</u>
Total Department of Justice			<u>29,845</u>
 U. S. DEPARTMENT OF TRANSPORTATION			
Direct programs:			
Airport Improvement Grant	6019007	20.106	25,173
Airport Improvement Grant	6019008	20.106	25,147
Airport Improvement Grant	3019009	20.106	44,432
Airport Improvement Grant	6019010	20.106	1,485,927
Airport Improvement Grant	6019011	20.106	266,192
Highway Planning and Construction	BLHS-5122-036	20.205	6,182
ARRA - Highway Planning and Construction	ESPL-5122(062)	20.205	176,329
Highway Planning and Construction	CML-5122(059)	20.205	126,578
Highway Planning and Construction	CML-5122(059)	20.205	31,645
Highway Planning and Construction	CML-5122(059)	20.205	31,645
Highway Planning and Construction	CML-5122(069)	20.205	389,531
Federal Transit Administration	CA904834	20.507	300,000
Federal Transit Administration	CA960049	20.507	1,186,986
Federal Transit Administration	CA960049	20.507	9,239
ARRA - Federal Transit Administration	CA960049	20.507	7,000
Federal Transit Administration	CA900834	20.507	14,868
Federal Transit Administration	CA900658	20.507	1,658
Federal Transit Administration	CA900658	20.507	120,000
Federal Transit Administration	CA900882	20.507	<u>7,451</u>
Total Department of Transportation			<u>4,255,983</u>

See accompanying Notes to Schedule of Expenditure of Federal Awards.

CITY OF PORTERVILLE, CALIFORNIA

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2011

Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Grantor's Number	Federal CFDA Number	Federal Expenditures
DEPARTMENT OF HOMELAND SECURITY			
Direct Programs:			
2009 Assistance to Firefighters Grant	ENW-2009-FP-00888	97.004	137,808
2010 Assistance to Firefighters Grant	ENW-2010-FO-03237	97.004	31,920
FY08 Homeland Security Grant		97.004	9,761
FY10 Homeland Security Grant		97.004	24,936
Total Department of Homeland Security			204,426
Total Expenditures of Federal Awards			\$ 6,048,807

See accompanying Notes to Schedule of Expenditure of Federal Awards.

CITY OF PORTERVILLE

Notes to the Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2011

Note 1: **Reporting Entity**

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards programs of the City of Porterville. The City of Porterville's reporting entity is defined in Note 1 to the City's basic financial statements. All federal awards received directly from federal agencies as well as federal awards passed through other government agencies are included in the schedule.

Note 2: **Basis of Accounting**

The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting for program expenditures accounted for in governmental funds and the accrual basis of accounting for expenditures accounted for in proprietary funds, as described in Note 1 of the City's basic financial statements.

Note 3: **Relationship to Financial Statements**

The amounts reported in the accompanying Schedule of Expenditures of Federal Awards agree or can be reconciled with the amounts reported in the City's financial statements.

Note 4: **Loans with Continuing Compliance Requirement**

The following schedule presents the amount of outstanding loans by CFDA No. that have continuing compliance requirements. The City's loans are administered by the Development Department. All loans are provided by the U.S. Department of Housing and Urban Development:

<u>CFDA No.</u>	<u>Federal Program</u>	<u>Outstanding Loans</u>
14.248	Section 108 Loan Guarantee Program	\$ 3,092,000

Note 5: **Pass-Through Entities' Identifying Number**

When federal awards are received from a pass-through entity, the Schedule of Expenditures of Federal Awards shows, if available, the identifying number assigned by the pass-through entity. When no identifying number is shown, the City determined that no identifying number is assigned for the program or the City was unable to obtain an identifying number from the pass-through entity.

CITY OF PORTERVILLE

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2011

Section I – Summary of Auditor’s Results

Financial Statements

- | | |
|--|---------------|
| 1. Type of auditor’s report issued: | Unqualified |
| 2. Internal controls over financial reporting: | |
| a. Material weaknesses identified? | No |
| b. Significant deficiencies identified not considered to be material weaknesses? | 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 not considered to be material weaknesses? | Yes |
| 2. Type of auditor’s report issued on compliance for major programs: | Unqualified |
| 3. Any audit findings disclosed that are required to be reported in accordance with Circular OMB A-133, Section 510(a)? | Yes |
| 4. Identification of major programs: | |

CFDA Number

Name of Federal Program

14.218, 14.256

Community Development Block
Grants/Entitlement Grants Cluster
HOME Partnerships Investment Program
Airport Improvement Program
Highway Planning and Construction

14.239

20.106

20.205

CITY OF PORTERVILLE

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2011

Section I – Summary of Auditor’s Results (continued)

- | | |
|---|------------|
| 5. Dollar Threshold used to distinguish between Type A and Type B programs? | \$ 300,000 |
| 6. Auditee qualified as a low-risk auditee under OMB Circular A-133, Section 530? | Yes |

Section II – Financial Statement Findings

None Reported

Section III – Federal Award Findings and Questioned Costs

Reference Number	11-SA-1
Federal Program Title	Airport Improvement Program
CFDA Number	20.106
Federal Agency	U.S. Department of Transportation
Pass Through Entity	None
Compliance Requirement	Davis Bacon

Criteria

Non-federal entities shall include in their construction contracts subject to the Davis-Bacon Act a requirement that the contractor or subcontractor comply with the requirements of the Davis-Bacon Act and the DOL regulations (29 CFR part 5, Labor Standards Provisions Applicable to Contracts Governing Federally Financed and Assisted Construction). This includes a requirement for the contractor or subcontractor to submit to the non-Federal entity weekly, for each week in which any contract work is performed, a copy of the payroll and a statement of compliance (certified payrolls) (29 CFR sections 5.5 and 5.6). This reporting is often done using Optional Form WH-347, which includes the required statement of compliance (*OMB No. 1215-0149*).

Condition

During our testing of airport improvement program, we noted that the department did not monitor its contractors and subcontractors to determine whether they were in compliance with Davis-Bacon Act requirements. The department relied on an outside consultant to monitor compliance over the requirements.

Effect

By not being involved in the monitoring of this compliance requirement, the City increases its risk of non-compliance.

CITY OF PORTERVILLE

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2011

Section III– Federal Award Findings and Questioned Costs (continued)

Reference Number 11-SA-1 (continued)

Questioned Costs

No costs are questioned.

Recommendation

We recommend that the City evaluate its procedures and controls over the monitoring of certified payroll submissions to ensure certified payrolls have been submitted by the contractor and to determine whether prevailing wage rates are paid before releasing payments to the contractor.

Corrective Action Plan

The City has procedures already in place to verify that contractors comply with prevailing wage requirements for each employee. We have met with the City officials and employees responsible and have discussed the importance of due diligence in verifying sub contractor documentation prior to paying vendors for invoices. A member of our Staff will be assigned as project manager who will be responsible for receiving and reviewing all certified payroll and benefit statements and will monitor compliance with the requirements of the Davis Bacon Act.

The contact person for this corrective action plan is the Public Works Director. The telephone number is 559-782-7868.

CITY OF PORTERVILLE

Schedule of Prior Year Findings and Questioned Costs
For the Year Ended June 30, 2011

Section III– Federal Award Findings and Questioned Costs (continued)

No findings were noted.