

**CITY OF PORTERVILLE  
SINGLE AUDIT REPORT  
YEAR ENDED JUNE 30, 2020**



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**CITY OF PORTERVILLE  
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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 Mayor and City  
Council Members  
City of Porterville  
Porterville, 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, each major fund, and the aggregate remaining fund information of the City of Porterville (the City), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 27, 2021.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements of the City of Porterville, 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.

The Honorable Mayor and City Council Members  
City of Porterville

Our consideration of internal control was for the limited purpose described in the first paragraph of 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 have not been identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item, 2020-001, that we consider to be a material weakness.

### **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 of Porterville's Response to Finding**

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

### **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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**CliftonLarsonAllen LLP**

Roseville, California  
January 27, 2021



**INDEPENDENT AUDITORS' 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**

The Honorable Mayor and City  
Council Members  
City of Porterville  
Porterville, California

**Report on Compliance for Each Major Federal Program**

We have audited the City of Porterville's (the 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, 2020. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditors' 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.

The Honorable Mayor and City Council Members  
City of Porterville

### ***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, 2020.

### **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 a 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.

The Honorable Mayor and City Council Members  
City of Porterville

**Report on 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, each major fund, and the aggregate remaining fund information of the City, as of and for the year ended June 30, 2020, and have issued our report thereon dated January 27, 2021, that contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming an opinion on the 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 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 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 schedule of expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.



**CliftonLarsonAllen LLP**

Roseville, California  
January 27, 2021

**CITY OF PORTERVILLE  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2020**

| Federal Grantor/Pass-through Grantor/Program Title                       | Federal<br>CFDA<br>Number | Pass-Through<br>Entity Identifying<br>Number | Federal<br>Expenditures | Expenditures<br>to<br>Subrecipients |
|--|---------------------------|--|-------------------------|-------------------------------------|
| <b><u>U.S. Department of Agriculture</u></b>                             |                           |  |                         |                                     |
| Direct Programs:   |                           |  |                         |                                     |
| Cooperative Forestry Assistance  | 10.664                    |  | \$ 21,515               | \$ -                                |
| Cooperative Forestry Assistance  | 10.664                    |  | 18,114                  | -                                   |
| Cooperative Forestry Assistance  | 10.664                    |  | 24,970                  | -                                   |
| Subtotal   |                           |  | 64,599                  | -                                   |
| Total U.S. Department of Agriculture                                     |                           |  | 64,599                  | -                                   |
| <b><u>U.S. Department of Transportation</u></b>                          |                           |  |                         |                                     |
| Passed through the State Department of Transportation:                   |                           |  |                         |                                     |
| Highway Planning and Construction  | 20.205                    | CMLNI-5122(086)                              | 489,000                 | -                                   |
| Highway Planning and Construction  | 20.205                    | BLHS-5122(036)                               | 17,448                  | -                                   |
| Subtotal   |                           |  | 506,448                 | -                                   |
| Passed through the State Department of Transportation:                   |                           |  |                         |                                     |
| Transit Operating Assistance   | 20.507                    | CA904116                                     | 38,474                  | -                                   |
| Transit Operating Assistance   | 20.507                    | CA2019050                                    | 1,280,661               | -                                   |
| Transit Operating Assistance   | 20.507                    | CA2020127                                    | 1,397,794               | -                                   |
| Transit Operating Assistance   | 20.507                    | CA2020127                                    | 18,474                  | -                                   |
| Transit Operating Assistance   | 20.507                    | CA900199                                     | 23,200                  | -                                   |
| Transit Operating Assistance   | 20.507                    | CA900116                                     | 53,856                  | -                                   |
| Transit Operating Assistance   | 20.507                    | CA90Z199                                     | 6,059                   | -                                   |
| Transit Operating Assistance   | 20.507                    | CA2019080                                    | 1,276,582               | -                                   |
| Transit Operating Assistance   | 20.507                    | CA900116                                     | 364,445                 | -                                   |
| Subtotal   |                           |  | 4,459,545               | -                                   |
| Direct Programs:   |                           |  |                         |                                     |
| Airport Improvement Program  | 20.106                    | 3-06-0190-015                                | 923,746                 | -                                   |
| Passed through the State Office of Traffic Safety:                       |                           |  |                         |                                     |
| National Priority Safety Programs  | 20.600                    | PT19094                                      | 22,023                  | -                                   |
| National Priority Safety Programs  | 20.600                    | PT20108                                      | 18,644                  | -                                   |
| Subtotal   |                           |  | 40,667                  | -                                   |
| Total U.S. Department of Transportation                                  |                           |  | 5,930,406               | -                                   |
| <b><u>U.S. Department of Housing and Urban Development</u></b>           |                           |  |                         |                                     |
| Passed through State Department of Housing and Community Development:    |                           |  |                         |                                     |
| Community Development Block Grants/Entitlement Grants                    | 14.218                    |  | 97,679                  | -                                   |
| Community Development Block Grants/Entitlement Grants                    | 14.218                    |  | 148,730                 | -                                   |
| Community Development Block Grants/Entitlement Grants                    | 14.218                    |  | 22,383                  | -                                   |
| Community Development Block Grants/Entitlement Grants                    | 14.218                    |  | 3,609                   | -                                   |
| Community Development Block Grants/Entitlement Grants                    | 14.218                    |  | 110,477                 | -                                   |
| Community Development Block Grants/Entitlement Grants                    | 14.218                    |  | 400                     | -                                   |
| Community Development Block Grants/Entitlement Grants (outstanding loan) | 14.218                    |  | 3,643,481               | -                                   |
| Subtotal   |                           |  | 4,026,759               | -                                   |
| Shelter Plus Care  | 14.238                    |  | 15,926                  | -                                   |
| Home Investment Partnership Program                                      | 14.239                    |  | 12,307                  | -                                   |
| Home Investment Partnership Program (outstanding loan)                   | 14.239                    |  | 4,937,144               | -                                   |
| Subtotal   |                           |  | 4,949,451               | -                                   |
| Total U.S. Department of Housing and Urban Development                   |                           |  | 8,992,136               | -                                   |

See accompanying Notes to Schedule of Expenditures of Federal Awards.



**CITY OF PORTERVILLE  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2020**

| Federal Grantor/Pass-through Grantor/Program Title | Federal<br>CFDA<br>Number | Pass-Through<br>Entity Identifying<br>Number | Federal<br>Expenditures     | Expenditures<br>to<br>Subrecipients |
|--|---------------------------|--|-----------------------------|-------------------------------------|
| <b><u>U.S. Department of Justice</u></b>           |                           |  |                             |                                     |
| Direct Programs:                                   |                           |  |                             |                                     |
| Coronavirus Emergency Supplemental Funding Program | 16.034                    |  | 28,166                      | -                                   |
| Bulletproof Vest Partnership Grant                 | 16.607                    |  | 3,554                       | -                                   |
| Edward Byrne Memo Justice Assistance Grant         | 16.738                    |  | 22,011                      | -                                   |
| Subtotal   |                           |  | <u>53,731</u>               | <u>-</u>                            |
| Total U.S. Department of Justice                   |                           |  | <u>53,731</u>               | <u>-</u>                            |
| <b><u>U.S. Department of Homeland Security</u></b> |                           |  |                             |                                     |
| Direct Programs:                                   |                           |  |                             |                                     |
| Disaster Grants Public Assistance                  | 97.036                    |  | 134,235                     | -                                   |
| Total U.S. Department of Homeland Security         |                           |  | <u>134,235</u>              | <u>-</u>                            |
| <b>Total Expenditures of Federal Awards</b>        |                           |  | <b><u>\$ 15,175,107</u></b> | <b><u>\$ -</u></b>                  |

See accompanying Notes to Schedule of Expenditures of Federal Awards.

**CITY OF PORTERVILLE  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2020**

**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, 2020. 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 2020 *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 percent 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.

**CITY OF PORTERVILLE  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)  
YEAR ENDED JUNE 30, 2020**

**NOTE 5 LOANS WITH CONTINUING COMPLIANCE REQUIREMENTS**

Outstanding federally-funded program loans, with a continuing compliance requirement, carried balances as of June 30, 2020 as follows:

| Federal<br>CFDA # | Program Title  | SEFA<br>June 30, 2020 | FY 19/20<br>Activity  | City Balance<br>June 30, 2020 |
|-------------------|--|-----------------------|-----------------------|-------------------------------|
| 14.218            | Community Development Block Grants<br>Entitlement Grants | \$ 3,643,481          | \$ (1,011,969)        | \$ 2,631,512                  |
| 14.239            | HOME Investment Partnerships Program                     | 4,937,144             | (164,091)             | 4,773,053                     |
|                   |  | <u>\$ 8,580,625</u>   | <u>\$ (1,176,060)</u> | <u>\$ 7,404,565</u>           |

**NOTE 6 PASS-THROUGH ENTITIES' IDENTIFYING NUMBER**

When federal awards were 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  
YEAR ENDED JUNE 30, 2020**

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***Section I – Summary of Auditors’ Results***

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***Financial Statements***

1. Type of auditors’ report issued: Unmodified
2. Internal control over financial reporting:
- Material weakness(es) identified?     x     yes            no
  - Significant deficiency(ies) identified?            yes     x     none reported
3. Noncompliance material to financial statements noted?            yes     x     no

***Federal Awards***

1. Internal control over major federal programs:
- Material weakness(es) identified?            yes     x     no
  - Significant deficiency(ies) identified?            yes     x     none reported
2. Type of auditors’ report issued on compliance for major federal programs: Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?            yes     x     no

***Identification of Major Federal Programs***

| <b>CFDA Number(s)</b> | <b>Name of Federal Program or Cluster</b> |
|-----------------------|---|
| 20.106                | Airport Improvement Program               |
| 14.239                | HOME Investment Partnerships Program      |

- Dollar threshold used to distinguish between Type A and Type B programs: \$   750,000
- Auditee qualified as low-risk auditee?     x     yes            no

**CITY OF PORTERVILLE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2020**

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***Section II – Financial Statement Findings***

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**2020 – 001**

Type of Finding:

- Material Weakness in Internal Control over Financial Reporting

**Condition:** CLA noted that workers' compensation claims liability was understated.

**Criteria or specific requirement:** Claims liabilities should be estimated based on an actuarial analysis and recorded as claims liability with the change reported as claims expense in the period of the estimate.

**Context:** The actuary calculates both an estimate of the reserves necessary to pay current claims and for claims incurred but not reported (IBNR). Both estimates should be recorded to capture the total workers' compensation claims liability.

**Effect:** By not accruing for the full liability the City understated the workers' compensation claims liability in the amount of \$1,619,000 and a prior period adjustment was recorded in the amount of \$1,606,424 to restate prior year net position for the portion of the liability that was understated in prior years.

**Cause:** Management did not identify that they needed to record the entire amount from the actuarial analysis and was only recording the IBNR portion of the workers' compensation claims liability.

**Repeat Finding:** Not a repeat finding.

**Recommendation:** CLA recommends that management include procedures, as part of the year end closing process, to ensure the full workers' compensation claims liability, as calculated by the actuary, is recorded in the financial statements.

**Views of responsible officials and planned corrective actions:** It has been the City of Porterville's practice to report a liability for incurred but not reported (IBNR) worker's compensation claims at the end of each fiscal year. In previous years, the City had not included the projected case reserves as part of the outstanding worker's compensation claims. This practice has been in place for decades and has been consistently applied through the years. In Fiscal Year 2019-2020, with the auditor's recommendation, the City modified this practice in order to correctly report the total liability for outstanding claims. City finance staff responsible for recording this liability has been advised of this change and will be recording the total liability every year, which would include both case reserves and IBNR worker's compensation claims.

**CITY OF PORTERVILLE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2020**

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***Section III – Findings and Questioned Costs – Major Federal Programs***

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Our audit did not disclose any matters required to be reported in accordance with 2 CFR 200.516(a).