

**CITY OF PORTERVILLE
SINGLE AUDIT REPORT
YEAR ENDED JUNE 30, 2012**

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CITY OF PORTERVILLE

Single Audit Report
For the Year Ended June 30, 2012

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**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, 2012, which collectively comprise the City's basic financial statements and have issued our report thereon dated January 31, 2013. 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.

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*.

To the Honorable Mayor and City Council
City of Porterville

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.

A handwritten signature in cursive script that reads "Gallina LLP".

Roseville, California
January 31, 2013



**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, 2012. 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 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, 2012.

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.

To the Honorable Mayor and City Council
City of Porterville

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.

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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, 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, 2012, and have issued our report thereon dated January 31, 2013. 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.



Roseville, California
March 11, 2013, except for the Schedule of Expenditures of
Federal Awards as to which the date is January 31, 2013

CITY OF PORTERVILLE, CALIFORNIA
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2012

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	\$ 23,900
ARRA - ReLeaf Grant	09-CF-ARRA-12	10.999	40,360
Total Department of Agriculture			\$ 64,260
U. S. DEPARTMENT OF HOUSING & URBAN DEVELOPMENT			
Direct programs:			
Community Development Block Grants/Entitlement Grants			
Youth Center	N/A	14.218	112,758
Admin	N/A	14.218	174,944
HUD Community Rehabilitation	N/A	14.218	4,420
HUD Sewer/Water	N/A	14.218	9,552
Shelter Plus Care	N/A	14.218	15,000
Murry Park	N/A	14.218	7,058
Education Program	N/A	14.218	2,097
Neighborhood Improvement Program	N/A	14.218	1,692
Heritage Trailway	CDBG-R	14.218	107,577
Subtotal			435,098
ARRA - Neighborhood Stabilization Program	09-NSP1	14.256	412,257
Subtotal Direct			847,355
Pass through the State of California			
Home Investment Partnership	HOME-4698	14.239	202,077
Subtotal Pass-Through			202,077
Hillside development-standards and specifications		14.703	104,882
Total Department of Housing & Urban Development			\$ 1,154,314
U. S. DEPARTMENT OF TRANSPORTATION			
Direct programs:			
Airport Improvement Grant	6019011	20.106	205,465
Airport Improvement Grant	6019012	20.106	25,891
Highway Planning and Construction	BHLS-5122-028	20.205	59,391
Highway Planning and Construction	BHLS-5122-036	20.205	22,831
Highway Planning and Construction	CML-5122(069)	20.205	525,137
Federal Transit Administration	CA900658	20.507	21,678
Federal Transit Administration	CA904882	20.507	300,000
Total Department of Transportation			\$ 1,160,393

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, 2012

Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Grantor's Number	Federal CFDA Number	Federal Expenditures
DEPARTMENT OF HOMELAND SECURITY			
Direct Programs:			
2010 Assistance to Firefighters Grant	ENW-2010-FO-03237	97.004	\$ 4,720
Repeater Tower		97.004	<u>127,645</u>
Total Department of Homeland Security			<u>\$ 132,365</u>
Total Expenditures of Federal Awards			<u>\$ 2,511,332</u>

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, 2012

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: **Outstanding Loans of Federal Funds at June 30, 2012**

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:

Program Title	CFDA Number	Amount Outstanding	Prior year loans with continuing compliance requirements	New Loans
Section 108 Loan Guarantee Program	14.248	\$ 2,925,000	\$ 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.

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CITY OF PORTERVILLE

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2012

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? | None Reported |
| 2. Type of auditor’s report issued on compliance for major programs: | Unqualified for all major programs. |
| 3. Any audit findings disclosed that are required to be reported in accordance with Circular OMB A-133, Section 510(a)? | No |

4. Identification of major programs:

CFDA Number

Name of Federal Program

14.218, 14.256

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

20.106

20.205

- | | |
|---|------------|
| 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

None Reported

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CITY OF PORTERVILLE

Schedule of Prior Year Findings and Questioned Costs
For the Year Ended June 30, 2012

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

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.

Status

Implemented.