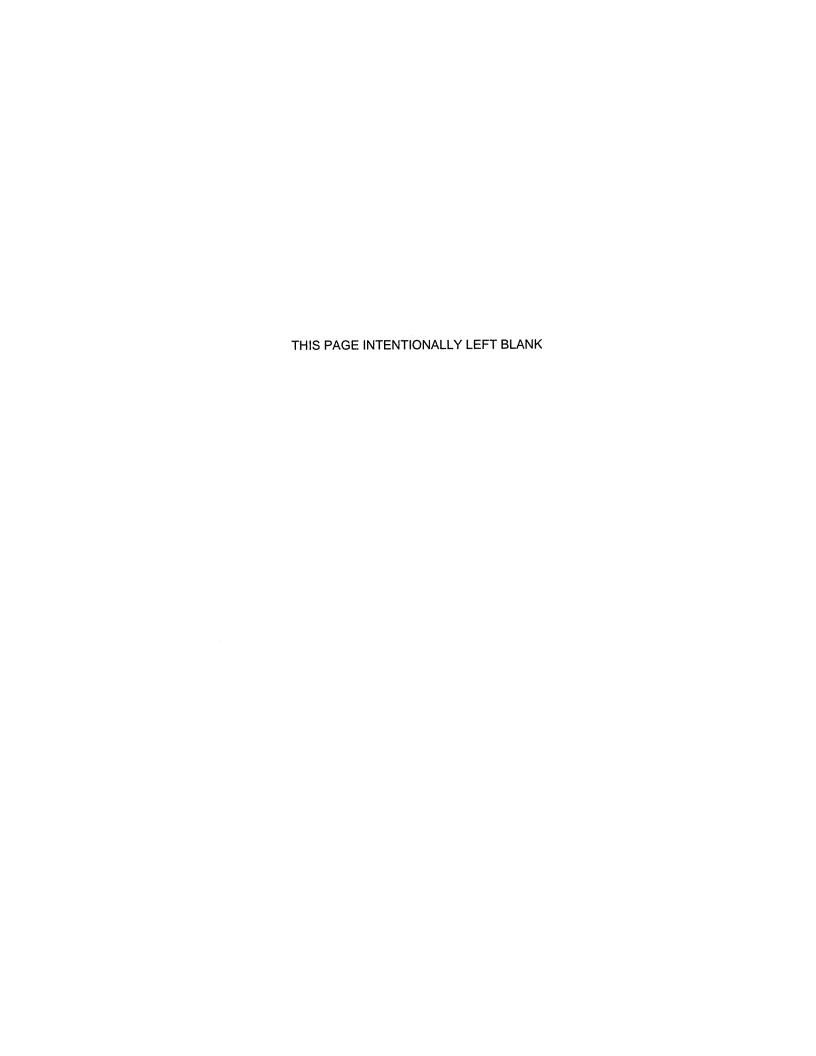




Single Audit Report For the Year Ended June 30, 2013

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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, 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, California (City), as of and for the year ended June 30, 2013, 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 31, 2013

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 of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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*.

To the Honorable Mayor and City Council City of Porterville

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.

Roseville, California December 31, 2013



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 OMB CIRCULAR A-133

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 *OMB Circular A-133 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, 2013. 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 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'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, 2013.

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

To the Honorable Mayor and City Council City of Porterville

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 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.

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the accompanying 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, 2013, and have issued our report thereon dated December 31, 2013, which contained an unmodified opinion 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 OMB Circular A-133 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.

Roseville, California

January 27, 2014, except for the Schedule of Expenditures of Federal Awards, which is

Dated December 31, 2013

Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2013

	Pass-Through Grantor's	Federal CFDA	Federal	
Federal Grantor/Pass-Through Grantor/Program Title	Number	Number	Expenditures	
U. S. DEPARTMENT OF HOUSING & URBAN DEVELOPMENT Direct programs:				
Community Development Block Grants/Entitlement Grants				
Youth Center	N/A	14.218	\$	99,615
Admin	N/A	14.218		146,090
HUD Community Rehabilitation	N/A	14.218		12,922
HUD Sewer/Water	N/A	14.218		33
Shelter Plus Care	N/A	14.218		15,000
Murry Park	N/A	14.218		24,941
Education Program	N/A	14.218		895
Neighborhood Improvement Program	N/A	14.218		38
Lime St Park improvement	N/A	14.218		10,416
Subtotal			***************************************	309,950
ARRA - Neighborhood Stabilization Program	09-NSP1	14.256		3,285
Subtotal Direct			***************************************	313,235

Pass through the State of California				
Home Investment Partnership	HOME-6857	14.239		200,451
Subtotal Pass-Through				200,451
Housing upzone project	360080 HUD Smart Valley Place	14.703		2,375
Total Department of Housing & Urban Development			\$	516,061
U. S. DEPARTMENT OF TRANSPORTATION Direct programs:				
Airport Improvement Grant	6019012	20.106		31,991
Highway Planning and Construction	BHLS-5122-028	20.205		49,421
Highway Planning and Construction	BLHS-5122-036	20.205		6,220
Highway Planning and Construction	CML-5122(064)	20.205		267,309
Highway Planning and Construction	CML-5122(070)	20.205		4,435
Highway Planning and Construction	CML-5122(071)	20.205		65,137
Federal Transit Administration	CA900016	20.507		169,311
Federal Transit Administration	CA900658	20.507		27,602
Federal Transit Administration	CA900760	20.507		32,000
Federal Transit Administration	CA900834	20.507		68,096
Federal Transit Administration	CA900882	20.507		48,000
Federal Transit Administration	CA900979	20.507		441,287
Federal Transit Administration	CA904015	20.507		201,484
Federal Transit Administration	CA904016	20.507		10,923
Federal Transit Administration	CA904979	20.507		968,888
Subtotal Direct	0.1001010	25.007		2,392,105
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Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2013

Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Grantor's Number	Federal CFDA Number	Federal Expenditures	
U. S. DEPARTMENT OF TRANSPORTATION (continued) National Highway Traffic Safety Administration Pass through the CA Office of Traffic Safety - STEP				
Selective Traffic Enforcement Program	20,552	20.600	\$	55,367
Selective Traffic Enforcement Program	PT13117	20.600	·	33,846
Subtotal Pass-Through				89,213
Total Department of Transportation				2,481,318
DEPARTMENT OF HOMELAND SECURITY				
Direct Programs:	ENN 0044 FF 000FF	07.004		FF 070
SAFER grant	EMW-2011-FF-00355 2011-SS-0077	97.004 97.004		55,676 99,999
Homeland Security grant Subtotal Direct	2011-33-0077	97.004	***************************************	155,675
Castotal Billion				
Pass through the State of California				
Public Assistance grants	FEMA-1952-DR-CA	97.036		54,855
Public Assistance grants	Cal EMA ID: 107-58240	97.036		13,714
Subtotal Pass-Through			***************************************	68,569
Total Department of Homeland Security			\$	224,244
DEPARTMENT OF JUSTICE				
Justice Assistance grants	2011-DJ-BX-2094	16.592		25,286
Edward Byrne Memorial Justice Assistance Grant	2012-DJ-BX-1064	16.592		9,050
Bulletproof Vest Partnership grant		16.592		3,043
Total Department of Justice			\$	37,379
Total Expenditures of Federal Awards			\$	3,259,002

Notes to the Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2013

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, 2013

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:

Drior voor loops

Program Title	CFDA Amount Number Outstanding		w	ith continuing compliance equirements	Nev	w Loans_	
Section 108 Loan Guarantee Program	14.248	\$	2,747,000	\$	2,925,000	\$	

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.

Note 6: Total Federal Awards Expended by CFDA Number

When there is more than one program under a single CFDA number, the Schedule of Expenditures of Federal Awards totals all programs under the one CFDA number. Occasionally, however, this total could not be conveniently displayed because all programs under one CFDA number were not contiguous. When this occurred, this total is not shown in the Schedule, but instead is provided below.

CFDA No.	Total Federal Expenditures
20.205	\$ 392,522
20.507	1,967,591

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Schedule of Findings and Questioned Costs For the Year Ended June 30, 2013

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?

b. Significant deficiencies identified not considered to be material weaknesses?
 None Reported

3. Noncompliance material to financial statements noted?

Federal Awards

Internal control over major programs:

a. Material weaknesses identified?

b. Significant deficiencies identified not considered to be material weaknesses?
 None Reported

 Type of auditor's report issued on compliance for major programs:
 Unmodified 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

No

4. Identification of major programs:

<u>CFDA Number</u> <u>Name of Federal Program</u>

20.205 Highway Planning and Construction 20.507 Federal Transit Administration

5. Dollar Threshold used to distinguish betweenType 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

Section IV- Prior Year Findings and Questioned Costs

No findings or questioned costs were noted on the City's major programs for the year ended June 30, 2012.

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