

**CITY OF PORTERVILLE
SINGLE AUDIT REPORT
YEAR ENDED JUNE 30, 2022**



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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**

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 City of Porterville, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City of Porterville's basic financial statements, and have issued our report thereon dated February 28, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Porterville's internal control over financial reporting (internal control) as a basis for designing 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 City of Porterville's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Porterville'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a deficiency in internal control, described in the accompanying schedule of findings and responses as items 2022-001 that we consider to be a material weakness.

Honorable Mayor and City Council Members
City of Porterville

Report on Compliance and Other Matters


As part of obtaining reasonable assurance about whether City of Porterville’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 financial statements. 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 Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City of Porterville’s response to the findings identified in our audit and described in the accompanying schedule of findings and responses. City of Porterville’s response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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
February 28, 2023



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM, REPORT ON INTERNAL CONTROL OVER COMPLIANCE, AND SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Porterville's (the City) compliance with the types of compliance requirements identified as subject to audit 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, 2022. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City 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, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); 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* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of City of Porterville and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the City's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding City of Porterville's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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.

Honorable Mayor and City Council Members
City of Porterville

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

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, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated February 28, 2023, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. 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 expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.



CliftonLarsonAllen LLP

Roseville, California
March 14, 2023

**CITY OF PORTERVILLE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2022**

Federal Grantor/Pass-Through Grantor/Program Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures	Expenditures to Subrecipients
<u>U.S. Department of Agriculture</u>				
Direct Programs:				
Cooperative Fire Protection Agreement	10.703		\$ 37,765	\$ -
Cooperative Fire Protection Agreement	10.703		23,692	-
Cooperative Fire Protection Agreement	10.703		27,663	-
Cooperative Fire Protection Agreement	10.703		7,874	-
Cooperative Fire Protection Agreement	10.703		<u>10,988</u>	<u>-</u>
Total U.S. Department of Agriculture			107,982	-
<u>U.S. Department of Transportation</u>				
Passed through the State Department of Transportation:				
Highway Planning and Construction	20.205	HSIPL-5122(085)	<u>178,543</u>	<u>-</u>
Subtotal Highway Planning and Construction Cluster			178,543	-
COVID-19 Transit Operating Assistance	20.507	CA2020127	2,881,877	-
Corp yard electrification project	20.500	CA2019080	54,784	-
Transit center electrification project	20.500	CA2019080	215,096	-
CMAQ - Section 5307	20.507	CA2021116	<u>835,539</u>	<u>-</u>
Subtotal Federal Transit Cluster			3,987,296	-
HOPE-Helping Obtain Prosperity For Everyone Program	20.505	CA2021120	172,360	-
Direct Programs:				
Airport Improvement Program	20.106	3-06-0190-016-2020	56,250	-
Airport Improvement Program	20.106	3-06-0190-018-2021	<u>13,000</u>	<u>-</u>
Subtotal			69,250	-
Passed through the State Office of Traffic Safety:				
National Priority Safety Programs	20.600	PT21104	15,242	-
National Priority Safety Programs	20.600	PT22059	<u>13,825</u>	<u>-</u>
Subtotal			<u>29,067</u>	<u>-</u>
Total U.S. Department of Transportation			4,436,516	-
<u>U.S. Department of Housing and Urban Development</u>				
Passed through State Department of Housing and Community Development:				
Community Development Block Grants/Entitlement Grants	14.218		146,869	-
Community Development Block Grants/Entitlement Grants	14.218		6,894	-
Community Development Block Grants/Entitlement Grants	14.218		102,232	-
Community Development Block Grants/Entitlement Grants	14.218		1,805	-
Community Development Block Grants/Entitlement Grants (new loans FY21)	14.218		18,897	-
Community Development Block Grants/Entitlement Grants (loan balances FY20)	14.218		<u>315,000</u>	<u>-</u>
Subtotal			<u>3,458,162</u>	<u>-</u>
Subtotal			4,049,859	-
Shelter Plus Care	14.238		20,000	-
Home Investment Partnership Program (new loans FY21)	14.239		59,250	-
Home Investment Partnership Program (loan balances FY20)	14.239		<u>4,549,820</u>	<u>-</u>
Subtotal			<u>4,609,070</u>	<u>-</u>
Total U.S. Department of Housing and Urban Development			8,678,929	-

See accompanying Notes to Schedule of Expenditures of Federal Awards.

**CITY OF PORTERVILLE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2022**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal Assistance Listing Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>	<u>Expenditures to Subrecipients</u>
<u>U.S. Department of Justice</u>				
Direct Programs:				
Bulletproof Vest Partnership Grant	16.607		7,537	-
Edward Byrne Memo Justice Assistance Grant	16.738		<u>5,176</u>	<u>-</u>
Total U.S. Department of Justice			12,713	-
<u>U.S. Department of Homeland Security</u>				
Pass-Through Tulare County OES				
Homeland Security Grant	97.067	2019-0035	<u>9,928</u>	<u>-</u>
Total U.S. Department of Homeland Security			9,928	-
<u>U.S. Department of the Interior</u>				
Direct Programs:				
Bureau of Land Management	15.228	CA-CND-002796	18,008	-
Bureau of Land Management	15.228	CA-CND-002796	3,070	-
Bureau of Land Management	15.228	CA-CND-002796	<u>37,439</u>	<u>-</u>
Total U.S. Department of the Interior			58,517	-
<u>U.S. Department of the Treasury</u>				
Direct Programs:				
COVID-19 ARP Act - CSLFRF	21.027		2,870,401	-
Pass-Through County of Tulare				
COVID-19 ARP Act - CSLFRF	21.027		<u>19,154</u>	<u>-</u>
Total U.S. Department of the Treasury			<u>2,889,555</u>	<u>-</u>
Total Expenditures of Federal Awards			<u>\$ 16,194,140</u>	<u>\$ -</u>

See accompanying Notes to Schedule of Expenditures of Federal Awards.

**CITY OF PORTERVILLE
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2022**

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, 2022. 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 ASSISTANCE LISTING NUMBERS

The program titles and Assistance Listing Numbers were obtained from the federal or pass-through grantor. When no Assistance Listing 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.

NOTE 5 LOANS WITH CONTINUING COMPLIANCE REQUIREMENTS

Outstanding federally-funded program loans, with a continuing compliance requirement, carried balances as of June 30, 2022 as follows:

Federal Assistance Listing Number	Program Title	SEFA June 30, 2022	FY 21/22 Activity	City Balance June 30, 2022
14.218	Community Development Block Grants			
	Entitlement Grants	\$ 3,773,162	\$ (390,130)	\$ 3,383,032
14.239	HOME Investment Partnerships Program	4,609,070	(394,050)	4,215,020
	Total	<u>\$ 8,382,232</u>	<u>\$ (784,180)</u>	<u>\$ 7,598,052</u>

**CITY OF PORTERVILLE
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2022**

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, 2022**

Section I – Summary of Auditors’ Results

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

Assistance Listing Number(s)

20.500 / 20.507
21.027

Name of Federal Program or Cluster

Federal Transit Cluster
COVID-19 Coronavirus State and Local Fiscal
Recovery Fund

Dollar threshold used to distinguish between Type A and Type B programs:

\$ 750,000

Auditee qualified as low-risk auditee?

 yes x no

**CITY OF PORTERVILLE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2022**

Section II – Financial Statement Findings

2022 – 001 Accounts Receivable and Unearned Revenue

Type of Finding: Material Weakness in Internal Control over Financial Reporting

Condition: Accounts receivable and unearned revenue were overstated in the Transit Fund for grant amounts where the City had not met the criteria for revenue recognition and had not received the funding as of June 30, 2022.

Criteria or specific requirement: Accounts receivable and revenue for voluntary nonexchange revenue should only be recognized once the City has met all eligibility requirements to earn the revenue.

Effect: Accounts receivable and unearned revenue were overstated by \$1,658,574 at June 30, 2022.

Cause: Amounts were recorded in accordance with the budget, but the City had not incurred eligible expenditures as of June 30, 2022.

Recommendation: The City should have a procedure in place during the year end close to review revenue accrual entries to ensure that all eligible criteria have been met for accounts receivable. Amounts determined to be unearned and not received at year-end should be removed from accounts receivable and unearned revenues for reporting purposes.

Views of responsible officials and planned corrective actions: The City submitted its FY21-22 LTF and STAF transit claims to TCAG in April 2022. The claims are based on the FY21-22 operating and capital budget. The City received payment of \$1,691,881 on the claims in July 2022. Because the claims were for the fiscal year 2021-2022, they were recorded as intergovernmental receivables and revenues in the Transit Fund at June 30, 2022.

At the end of each fiscal year, the City calculates the unearned revenue in the Transit Fund for those revenues that the City had received during the year but had not expended. For FY21-22, the unearned revenue calculation showed \$1,658,574 of booked revenues is unearned, and city staff, therefore, made the adjustment to the revenues and recorded the unearned revenue.

During the audit, it was discovered that the majority portion of the LTF and STAF revenues that comprise the booked unearned revenue was actually received in July 2022. After discussion with the auditors, an adjustment was made to remove the receivable and the unearned revenue as the funds had not been received during the fiscal year and total revenues had exceeded total expenditures for the year.

City finance staff has been advised and a procedure put in place to review revenue accruals at the end of each fiscal year to ensure that only revenues that have met all the eligibility requirements would be recorded as receivables.

**CITY OF PORTERVILLE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2022**

Section III – Findings and Questioned Costs – Major Federal Programs

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



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