

**CITY OF PORTERVILLE
SINGLE AUDIT REPORT
YEAR ENDED JUNE 30, 2015**

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CITY OF PORTERVILLE

Single Audit Report
For the Year Ended June 30, 2015

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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, 2015, 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 29, 2016.

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.

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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City's Response to Findings

The City's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The City'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.

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

Roseville, California
January 29, 2016

**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, 2015. 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, 2015.

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 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, 2015, and have issued our report thereon dated January 29, 2016, 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
March 30, 2016, except for
the Schedule of Expenditures
of Federal Awards as to which
the date is January 29, 2016

CITY OF PORTERVILLE

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2015

Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Grantor's Number	Federal CFDA Number	Federal Expenditures
U. S. DEPARTMENT OF HOUSING & URBAN DEVELOPMENT			
Direct programs:			
Community Development Block Grants/Entitlement Grants			
Youth Center	N/A	14.218	\$ 104,602
Admin	N/A	14.218	155,123
Business Assistance Program	N/A	14.218	14,121
Across Murray Park - improvements	N/A	14.218	23,281
Outstanding Loans	N/A	14.218	4,452,167
Shelter Plus Care	N/A	14.238	20,000
Educ Program	N/A	14.238	955
HOME Investment Partnerships Program	Outstanding Loans	14.239	5,290,318
Total Department of Housing & Urban Development			\$ 10,060,567
U. S. DEPARTMENT OF TRANSPORTATION			
Direct programs:			
Airport Layout Administration	3-06-090-13	20.106	29,898
Plano Bridge @ Tule River	BHLS-5122-028	20.205	2,784,142
Jaye St Bridge / Tule River	BLHS-5122-036	20.205	267,971
Jaye St/Montgomery Roundabout Project	CML-5122(070)	20.205	148,307
Morton Ave shoulder stab - 65 to Westwood	CML-5122(077)	20.205	98,892
Newcomb shoulder stab -Roby to Olive	CML-5122(076)	20.205	562,529
Oak Ave walkway - Main to Rails to Trails	RPSTPLE-5122(073)	20.205	17,111
Putnam & D traffic signal	HSIPL-5122(080)	20.205	13,417
Transit operating assistance	CA904199	20.507	432,842
Transit operating assistance	CA904016	20.507	34,689
Transit operating assistance	CA904116	20.507	255,060
CNG facility expansion	CA040255	20.507	21,359
Transit operating assistance	643630 (5316-JARC)	20.507	62,493
CNG El Dorado bus	643630 (5316-JARC)	20.507	395,556
CNG El Dorado bus	6414006 (5311)	20.507	400,000
Subtotal			5,524,266
National Highway Traffic Safety Administration			
Pass through the CA Office of Traffic Safety - STEP			
Selective Traffic Enforcement Program	PT1578	20.600	41,439
Subtotal Pass-Through			41,439
Total Department of Transportation			\$ 5,565,705

See accompanying Notes to Schedule of Expenditure of Federal Awards.

CITY OF PORTERVILLE

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2015

Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Grantor's Number	Federal CFDA Number	Federal Expenditures
DEPARTMENT OF HOMELAND SECURITY			
Direct Programs:			
SAFER grant	EMW-2011-FF-00355	97.004	\$ 24,120
Homeland Security grant	2011-SS-0077	97.004	<u>18,526</u>
Subtotal Direct			<u>42,646</u>
Pass through the County of Tulare			
FY 2014 Homeland Security Grant			
FY 2012 Homeland Security Grant	2012-SS-0012	97.004	<u>32,385</u>
Subtotal Pass-Through			<u>32,385</u>
Total Department of Homeland Security			<u>\$ 75,031</u>
DEPARTMENT OF JUSTICE			
Bulletproof Vest Partnership grant		16.607	<u>2,879</u>
Total Department of Justice			<u>\$ 2,879</u>
Total Expenditures of Federal Awards			<u>\$ 15,704,182</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, 2015

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

The City administers federal award programs that fund revolving loans. The principal and interest payments collected are returned to the programs. The federal government has imposed certain continuing requirements with respect to the loans under the Community Development Block Grants/Entitlement Grants (CDBG), HOME Investment Partnership Program, and Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii. In accordance with subpart B, Section 205 of the Office of Management and Budget Circular A-133, the City has reported the prior year loans that have continuing compliance requirements as of June 30, 2015, along with the values of total outstanding including accrued interest and new loans made during the current fiscal year in the SEFA. The following is a summary of the loan programs maintained by the City and their balances at June 30, 2015.

<u>Program Title</u>	<u>CFDA Number</u>	<u>Amount Outstanding</u>	<u>Prior Year Loans with Continuing Compliance Requirements</u>	<u>New Loans</u>
Community Development Block Grants/Entitlement Grants	14.218	\$ 3,792,783	\$ 4,452,167	\$ 50,298
HOME Investment Partnership Program	14.239	\$ 4,949,540	\$ 5,290,318	--

In addition to federal awards involving expenditures the City of Porterville has a federally guaranteed loan outstanding as of June 30, 2015 with the Department of Housing and Urban Development. There are no continuing compliance requirements for this loan. The loan related to the Section 108 Loan Program (CFDA 14.248) has an outstanding balance of \$2,352,000 at June 30, 2015.

CITY OF PORTERVILLE

Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2015

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.

<u>CFDA No.</u>	<u>Total Federal Expenditures</u>
14.218	\$ 4,749,294
14.238	20,955
20.205	3,892,369
20.507	1,601,999

CITY OF PORTERVILLE

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2015

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? 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: 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

- 4. Identification of major programs:

CFDA Number

Name of Federal Program

14.218
14.239

Community Development Block Grants
Home Investment Partnership Program

- 5. Dollar Threshold used to distinguish between Type A and Type B programs? \$ 471,125
- 6. Auditee qualified as a low-risk auditee under OMB Circular A-133, Section 530? Yes

Section II– Financial Statement Findings

No financial statement findings in current year - Prior year financial statement finding corrected.

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 prior year.