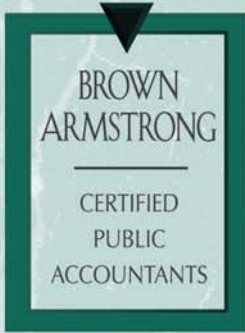


**CITY OF TULARE**  
**SINGLE AUDIT REPORT**  
**FOR THE YEAR ENDED JUNE 30, 2017**

**CITY OF TULARE  
SINGLE AUDIT REPORT  
FOR THE YEAR ENDED JUNE 30, 2017**

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# BROWN ARMSTRONG

*Certified Public Accountants*

## **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE BASIC FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Honorable City Council of the  
City of Tulare, California

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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 Tulare, California (the City), as of and for the year ended June 30, 2017, 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, 2018.

### **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 City'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*.

We noted certain matters that we reported to management of the City in a separate letter dated January 29, 2018.

## **The City's Response to Finding**

The City's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questions 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.

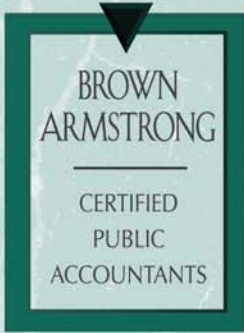
## **Purpose of this Report**

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

BROWN ARMSTRONG  
ACCOUNTANCY CORPORATION

*Brown Armstrong  
Accountancy Corporation*

Bakersfield, California  
January 29, 2018



# BROWN ARMSTRONG

*Certified Public Accountants*

## **INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Honorable City Council of the  
City of Tulare, California

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

We have audited the City of Tulare, California'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 fiscal year ended June 30, 2017. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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 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). 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.

### **Opinion on Each of the Major Federal Programs**

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, 2017.

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## **Other Matters**

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying Schedule of Findings and Questioned Costs as Finding 2018-001. Our opinion on each major federal program is not modified with respect to this matter.

The City's response to the noncompliance 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 compliance and, accordingly, we express no opinion on the response.

## **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 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.

## **Report on the 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, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated January 29, 2018, 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 we 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 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.

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.

BROWN ARMSTRONG  
ACCOUNTANCY CORPORATION

*Brown Armstrong  
Accountancy Corporation*

Bakersfield, California  
January 29, 2018

**CITY OF TULARE**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

Federal Grantor/Pass-Through Grantor/ Program Title	CFDA Number	Identification Number	Passed Through Subrecipients	Federal Expenditures
<u>U.S. Department of Housing and Urban Development</u>				
Direct Programs:				
Community Development Block Grant (CDBG)	14.218	B16XMC06-0034	\$ -	\$ 125,977
Shelter Plus Care	14.238	CA0971C9T131000	-	54,869
Shelter Plus Care	14.238	CA0972C9T131000	-	19,146
Subtotal			-	74,015
Continuum of Care (COC) Program	14.267	CA0272L9T131402	-	11,378
Continuum of Care (COC) Program	14.267	CA027269T131503	-	22,056
Subtotal			-	33,434
Pass-Through the State of California:				
Department of Housing and Community Development				
HOME Investment Partnership Program	14.239	13-HOME-0922	-	228,220
HOME Investment Partnership Program	14.239	10-HOME-6346	-	4,500
Subtotal			-	232,720
Total U.S. Department of Housing and Urban Development			-	466,146
<u>U.S. Department of Justice</u>				
Direct Programs:				
Public Safety Partnership and Community Policing Grants	16.710	2011-UMWX-0033	-	37,505
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2013-DJ-BX-0079	-	13,877
Edward Byrne Justice Grant	16.738	2016-DJ-BX-0877	-	33,694
Subtotal			-	47,571
Total U.S. Department of Justice			-	85,076
<u>U.S. Department of Transportation</u>				
Direct Programs:				
Airport Improvement Program	20.106	3-06-0263-15	-	10,221
Airport Improvement Program	20.106	3-06-0263-16	-	110,388
Subtotal			-	120,609
Pass-Through the City of Visalia:				
Federal Transit Authority Operating Assistance	20.507	FY 12-13	-	526,457
Federal Transit Authority Operating Assistance	20.507	FY 13-14	-	821,294
Federal Transit Authority Operating Assistance	20.507	FY 14-15	-	882,973
Federal Transit Authority Operating Assistance	20.507	FY 15-16	-	1,017,917
Subtotal			-	3,248,641
Total U.S. Department of Transportation			-	3,369,250
<u>U.S. Department of Health and Human Services</u>				
Pass-Through the County of Tulare HHSA:				
Title IIIIC Congregate Nutrition and Home C-1	93.045	16/17-05	-	50,998
Title IIIIC Congregate Nutrition and Home C-2	93.045	16/17-05	-	26,285
Nutrition Service Incentive Program (NSIP) C-1	93.053	16/17-05	-	3,980
Nutrition Service Incentive Program (NSIP) C-2	93.053	16/17-05	-	4,057
Total U.S. Department of Health and Human Services			-	85,320
<u>U.S. Department of Homeland Security</u>				
Direct Programs:				
Assistance to Firefighters	97.044	EMW-2015-FO-02286	-	24,846
Assistance to Firefighters	97.044	EMW-2015-FP-00358	-	16,009
Subtotal			-	40,855
Pass-Through United Way / TSS Inc.:				
Emergency Food and Shelter National Board Program	97.024	Phase 33	-	20,000
Total U.S. Department of Homeland Security			-	20,000
Total Federal Expenditures			\$ -	\$ 4,066,647



**CITY OF TULARE**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

**NOTE 1 – GENERAL**

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all Federal awards programs of the City of Tulare, California (the City). The City'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**

Consistent with the City's method of filing Federal financial reports, the accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting. Differences, if any, between the schedule and the financial statements (presented on an accrual basis of accounting) are not material.

**NOTE 3 – RELATIONSHIP TO FEDERAL FINANCIAL REPORTS**

Amounts reported in the accompanying schedule agree with the amounts reported in the related periodic Federal financial reports.

**NOTE 4 – SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

The Schedule of Expenditures of Federal Awards presented is prepared from only the accounts of the various grant programs and, therefore, does not present the financial position of operations of the City.

**NOTE 5 – INDIRECT COST RATE**

The City has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

**CITY OF TULARE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**I. SUMMARY OF AUDIT RESULTS**

**A. Financial Statements**

- |   |         |            |
|---|---------|------------|
| 1. Type of auditor's report issued  |         | Unmodified |
| 2. Internal control over financial reporting:   |         |            |
| a. Material weakness(es) identified?  | ___ yes | _X_ no     |
| b. Deficiencies and significant deficiencies identified not considered to be material weaknesses? | ___ yes | _X_ no     |
| 3. Noncompliance material to financial statements noted?  | ___ yes | _X_ no     |

**B. Federal Awards**

- |   |         |        |
|---|---------|--------|
| 1. Internal control over major programs:  |         |        |
| a. Material weakness(es) identified?  | ___ yes | _X_ no |
| b. Deficiencies and significant deficiencies identified not considered to be material weaknesses? | _X_ yes | ___ no |

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

Federal Transit Formula Grants (CFDA #20.507)		Unmodified
---	--	------------

- |   |         |        |
|---|---------|--------|
| 3. Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance? | ___ yes | _X_ no |
|---|---------|--------|

4. Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
20.507	Federal Transit Formula Grants

- |   |  |            |
|---|--|------------|
| 5. Dollar threshold used to distinguish between Type A and Type B programs: |  | \$ 750,000 |
|---|--|------------|

- |   |         |        |
|---|---------|--------|
| 6. Auditee qualified as low-risk auditee? | ___ yes | _X_ no |
|---|---------|--------|

## II. FINDINGS – FINANCIAL STATEMENT AUDIT

None.

## III. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

2017-001

**Program:** Federal Transit – Formula Grants

**CFDA No.:** 20.507

**Federal Agency:** Department of Transportation

**Passed-Through:** City of Visalia

**Award Number:** FY 12-13; FY 13-14; FY 14-15; FY 15-16

**Award Year:** Fiscal Year 2016/17

**Compliance Requirement:** Equipment Management

**Questioned Costs:** \$0

### Criteria:

The July Uniform Guidance *Compliance Supplement* requirements for Equipment Management requires that certain information be included in the property records such as: the source funding for the property (including the Federal award identification award) and percentage of Federal participation in the project costs for the Federal award under which the property was acquired.

### Condition Found:

The City's capital asset records do not include the source of funding for the capital asset, including the Federal award identification number, and the percentage of Federal participation in the project costs for the Federal award under which the capital asset was acquired.

### Effect:

It is difficult to identify capital assets acquired with federal funding.

### Cause:

Lack of policy requiring such information be provided.

### Recommendation:

We recommend the City revise its current capital asset policy to require recording of the source of funding for the property (including the Federal award identification number) and percentage of Federal participation in the project costs for the Federal award under which the property was acquired.

### Views of Responsible Officials and Planned Corrective Actions:

The City concurs. Refer to separate Corrective Action Plan Report for management's responses.

## IV. SUMMARY OF PRIOR AUDIT (JUNE 30, 2016) FINDINGS AND CURRENT YEAR STATUS

None.

**CITY OF TULARE  
CORRECTIVE ACTION PLAN  
FOR THE YEAR ENDED JUNE 30, 2017**

**II. FINDINGS – FINANCIAL STATEMENT AUDIT**

None.

**III. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT**

2017-001

**Program:** Federal Transit – Formula Grants  
**CFDA No.:** 20.507  
**Federal Agency:** Department of Transportation  
**Passed-Through:** City of Visalia  
**Award Number:** FY 12-13; FY 13-14; FY 14-15; FY 15-16  
**Award Year:** Fiscal Year 2016/17  
**Compliance Requirement:** Equipment Management  
**Questioned Costs:** \$0

**Management’s or Department’s Response:**

We concur.

**Views of Responsible Officials and Planned Corrective Actions:**

The City acknowledges that the capital asset records lack the source of funding, including the Federal award identification number, and the percentage of Federal participation in the project costs for the Federal award under which the capital asset was acquired. The City remains in compliance with the July Uniform Guidance *Compliance Supplement* requirements.

The City will implement a policy to require the review of all capital assets to ensure capitals assets acquired with federal funding are appropriately identified. The policy will also require that the capital asset records contain the source of funding, including the Federal award identification number, and the percentage of Federal participation in the project costs for the Federal award under which the capital asset was required.

**Contact Information of Responsible Official:**

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Finance Director  
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