

CITY OF FARMERSVILLE
CALIFORNIA

SINGLE AUDIT REPORT

FOR THE YEAR ENDED
JUNE 30, 2019

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CALIFORNIA

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JUNE 30, 2019

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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 Farmersville, 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 Farmersville, California (the City), as of and for the year ended June 30, 2019, 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 26, 2019.

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.

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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*.

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.

A handwritten signature in blue ink that reads "Price Paige & Company". The signature is written in a cursive, flowing style.

Clovis, California
December 26, 2019



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

To the Honorable Mayor and City Council
City of Farmersville, California

Report on Compliance for Each Major Federal Program

We have audited the City of Farmersville, California's (the City) compliance with the types of compliance requirements described in the *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, 2019. The City's major federal program is 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 the City's major federal program 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 Major Federal Program

In our opinion, the City of Farmersville, California, 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, 2019.

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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 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.

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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2019-001 that we consider to be a significant deficiency.

The City's response to the internal control over compliance findings identified in our audit is described in the accompanying corrective action plan. 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 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 of Farmersville, California as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated December 26, 2019, 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 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.

Price Price & Company

Clovis, California
December 26, 2019

**CITY OF FARMERSVILLE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019**

Federal Grantor/ Pass Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures	Federal Awards Provided to Subrecipients
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (HUD)</u>				
Passed through California Department of Housing and Community Development:				
Community Development Block Grant (State Program)	14.228	14-CDBG-9900	\$ 173,340	\$ 117,683
Program Income	14.228	14-CDBG-9900	133,411	-
Home Investment Partnership Program (State Program)	14.239	15-HOME-10895	119,152	-
Program Income	14.239	15-HOME-10895	614	-
Total U.S. Department of Housing and Urban Development (HUD):			<u>426,517</u>	<u>117,683</u>
<u>U.S. ENVIRONMENTAL PROTECTION AGENCY</u>				
Passed through the California State Water Resources Control Board:				
Capitalization Grants for Clean Water State Revolving Funds	66.458	14-800-550	<u>223,677</u>	-
Total U.S. Environmental Protection Agency			<u>223,677</u>	-
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
Direct Award:				
Water and Waste Disposal Systems for Rural Communities	10.760	N/A	<u>4,330,736</u>	-
Total U.S. Department of Agriculture			<u>4,330,736</u>	-
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>				
Direct Award:				
FY2015 Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	EMW-2015-FH-00301	<u>144,132</u>	-
Total U.S. Department of Homeland Security			<u>144,132</u>	-
<u>U.S. DEPARTMENT OF JUSTICE</u>				
Direct Award:				
Bulletproof Vests Partnership Program	16.607	n/a	5,285	-
Equitable Sharing	16.922	n/a	<u>8,496</u>	-
Total U.S. Department of Justice			<u>13,781</u>	-
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 5,138,843</u>	<u>\$ 117,683</u>

**CITY OF FARMERSVILLE
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019**

GENERAL

The accompanying Schedule of Expenditures of Federal Awards (SEFA) presents the activity of all federal award program of the City of Farmersville, California (the City). Federal awards received directly from federal agencies, as well as federal awards passed through other government agencies are included in the schedule. The information in this SEFA is presented in accordance with the 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).

BASIS OF ACCOUNTING

The accompanying SEFA is presented using the accrual basis of accounting, which is described in Note 1 of the City's basic financial statements.

RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

Federal award expenditures agree or can be reconciled with the amounts reported in the City's basic financial statements.

INDIRECT COST RATE

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

**CITY OF FARMERSVILLE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019**

SECTION I- SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weaknesses identified? _____ Yes X No

Significant deficiencies identified -
not considered to be material weaknesses? _____ Yes X None reported

Noncompliance material to financial statements noted? _____ Yes X No

FEDERAL AWARDS

Internal control over major programs:

Material weaknesses identified? _____ Yes X No

Significant deficiencies identified that
are not considered to be material weaknesses? X Yes _____ None reported

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

Any audit findings disclosed that are required
to be reported in accordance with
2 CFR 200 Section 200.516(a)? X Yes _____ No

Identification of major programs:

CFDA Number
10.760

Name of Federal Program or Cluster
Water and Waste Disposal Systems for Rural Communities

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

Auditee qualified as low-risk auditee? X Yes _____ No

**CITY OF FARMERSVILLE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019**

SECTION II- FINANCIAL STATEMENT FINDINGS

None noted.

SECTION III - FEDERAL AWARD FINDINGS

Finding 2019-001 Procurement (CFDA #10.760 – Water and Waste Disposal Systems for Rural Communities)

Condition: The City of Farmersville, California does not have written procurement procedures which reflect applicable state, local, and tribal laws and regulations which also conform to the applicable federal law and standards identified in the Uniform Guidance.

Criteria: 2 CFR Part 200, Part D (Uniform Guidance) Section 200.318 requires that a non-federal entity use and maintain its own documented procurement procedures which reflect applicable state, local, and tribal laws and regulations, provided that the procurements conform to applicable federal law and standards identified in the Uniform Guidance.

Cause: The City of Farmersville, California utilizes an outside third-party engineering firm to act as the City Engineer. This includes, as designated, the administration and oversight of projects and related services provided to the City from other third-party contractors, including procurement of significant construction related projects. The City employs the specialized services of the third-party engineering firm to ensure compliance with applicable federal and state law, including those related to procurement, but was not aware of the requirement to also maintain and utilize their own written procurement procedures.

Effect: As a result of our audit, we have determined that the City followed all applicable procurement compliance requirements as it relates to the grant under CFDA #10.760, with the exception of maintaining and using their own written procurement policy in accordance with applicable federal and state law. The ultimate lack of adhering to documented procurement standards in accordance with applicable state, local, and tribal law could increase the risk of goods and services being procured through method not in accordance with applicable laws and regulations. Improper procurement of goods and services could lead to a suspension of grant funding and/or other unallowable costs.

Recommendation: We recommend that the City create, adopt, and utilize its own written procurement policy and related procedures which reflect applicable state, local, and tribal laws and regulations that are in accordance with applicable federal law and standards identified in 2 CFR 200.318 – 326 (Uniform Guidance).

**CITY OF FARMERSVILLE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2019**

FINANCIAL STATEMENT FINDINGS

Finding 2018-001 Payroll Timesheet Approvals (Significant Deficiency)

Condition: During our tests of compliance, we identified four timesheets that were not approved by the employee's department head or direct supervisor.

Criteria: Internal controls should be in place that provides reasonable assurance that individuals are paid by the hours worked, as stated on their timesheet, only after proper management approval.

Cause: Timesheets are manually filled out and are submitted to the department head for approval. Employees are to approve their own timesheet prior to submission and their respective department heads are to review the timesheets and approve with signature.

Effect: Lack of department head's timesheet approval to corroborate employee hours worked puts the City at risk for misstated payroll expenses due to error and fraud.

Recommendation: The Finance Manager should confirm the employee and department head's timesheet approval prior to processing payroll. In circumstances where the department head is not available for timesheet approvals, the timesheet should be reviewed by a more senior employee.

Status: Implemented

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Finding 2018-002 Payroll Timesheet Approvals (Significant Deficiency)

U.S. Department of Homeland Security: CFDA #97.083 – Staffing for Adequate Fire and Emergency Response (SAFER)

As discussed at Finding 2018-001, during our tests of compliance of federal awards, we identified four timesheets that were not approved by the employee's department head or direct supervisor. 2 CFR Part 200, Subpart E (Uniform Guidance) Section 200.430 requires that personnel expenses (payroll) charged to federal awards must be based on records that adequately reflect the work performed. These records must be supported by a system of internal control which provides reasonable assurance through adequate documentation the charges are accurate, allowable, and properly allocated. The lack of management's timesheet approval to corroborate employee hours worked, results in noncompliance with cost principals and puts the City at risk for misstated payroll expenses due to error and fraud. The Finance Manager should confirm the employee and department head's timesheet approval prior to processing payroll. In circumstances where the department head is not available for timesheet approvals, the timesheet should be reviewed by a more senior employee.

Status: Implemented



**CITY OF FARMERSVILLE
CORRECTIVE ACTION PLAN
YEAR ENDED JUNE 30, 2019**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2019-001	<p>The City acknowledges that during the 2019 Fiscal Year that the City did not maintain a written procurement procedure that was updated to reflect applicable state, local, and tribal laws and regulations which also conform to the applicable federal law and standards identified in the Uniform Guidance. However, the City did follow proper procurement standards for all Federal funded and non-Federal funded procurement during this time.</p> <p>Furthermore, the City was undergoing evaluation and background work during that same period to update said procurement policy. The policy is in final draft form at this writing and the City plans to have the updated policy and applicable municipal code section finalized and approved by Farmersville City Council by March of 2020. The new procurement policy prominently features a section devoted to compliance with 2 CFR Part 200 along with other improvements aligned with best practices set forth by the GFOA and procurement practice standards by the NIGP.</p>	3/1/2020	Steve Huntley, Director of Finance and Administration



 Steve Huntley
 Director of Finance and Administration

December 5, 2019