

CITY OF TAFT

SINGLE AUDIT REPORT

For the Fiscal Year Ended June 30, 2018

City of Taft

Single Audit Report

For the Fiscal Year Ended June 30, 2018

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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 Members of the City Council
of the City of Taft
Taft, 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 Taft (City), California, as of and for the fiscal year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 31, 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 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 have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did not identify a deficiency in internal control that we consider to be a significant deficiency. 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 one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2018-001.

City's Response to Findings

The City's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of the 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.

Moss, Levy & Hartzheim

Moss, Levy & Hartzheim, LLP
Culver City, California
March 31, 2019



MOSS, LEVY & HARTZHEIM LLP

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**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 Members of the City Council
of the City of Taft
Taft, California

Report on Compliance for Each Major Federal Program

We have audited the City of Taft's (City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the City's major federal programs for the fiscal year ended June 30, 2018. 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 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 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 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 Taft complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs for the fiscal year ended June 30, 2018.

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, 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.

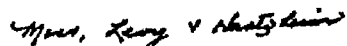
A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement 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 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 fiscal year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated March 31, 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.



Moss, Levy & Hartzheim, LLP
Culver City, California
March 31, 2019

City of Taft

Single Audit Report

Schedule of Expenditures of Federal Awards

For the Fiscal Year Ended June 30, 2018

Federal Grantor/ Pass - Through Grantor Program Title	Federal CFDA Number	Agency or Pass-Through Program Number	Federal Expenditures
U.S. Department of Transportation:			
Passed through the State of California Department of Transportation:			
Capital Assistance Program for Reducing Energy Consumption and Greenhouse Gas Emissions	20.523	CML-5193(037)	\$ 85,936
Federal Highway Administration (FHWA) - Highway Planning and Construction			
Passed through the State of California Department of Transportation:			
Highway Planning and Construction			
Church St. from Pilgrim St. to Alley So of Rainer Ave	20.205	STPL - 5193 (038)	253,957
6th St. Main to Supply Row	20.205	STPL - 5193 (039)	260,171
HSIP Kern St. Safety Improvements 1st St to Hilliard Ave	20.205	STPL - 5193 (040)	50,416
6th St. to Ikern Center Ped Imp RSTP	20.205	STPL - 5193 (041)	46,848
			<u>611,392</u>
Total U.S. Department of Transportation			<u>697,328</u>
U.S. Department of Housing and Urban Development:			
Passed through programs from the State of California			
Department of Community Development Block Grant (CDBG)	14.228	N/A	764,382 *
Home Investments Partnerships Program (HOME)	14.239	N/A	159,082
Total U.S. Department of Housing and Urban Development			<u>923,464</u>
U.S. Department of Agriculture:			
Water and Waste Disposal Systems for Rural Communities	10.854	N/A	1,356,432 *
Total U.S. Department of Agriculture			<u>1,356,432</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 2,977,224</u>

* - Denotes major program

N/A - Not applicable

See accompanying notes to schedule of expenditure of awards.

CITY OF TAFT

Notes to Schedule of Expenditures of Federal Awards For the Fiscal Year Ended June 30, 2018

NOTE 1 – REPORTING ENTITY

The financial reporting entity consists of (a) the primary government, City of Taft (City), and (b) component unit which includes an organization for which the primary government is financially accountable, and other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The component unit of the City is:

- Wastewater Treatment Plant of the City of Taft/Ford City-Taft Heights Sanitation District

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNT POLICIES

Basis of Accounting

Funds received under various grant programs have been recorded within the general fund, special revenue funds, capital project funds and enterprise funds of the City. The City utilizes the modified accrual method of accounting, whereby grant revenues are recognized when they become measurable and available, and expenditures are recognized when the related fund liability is incurred.

Indirect Cost Rates

The City has elected to utilize the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance. During the fiscal year 2017-2018, the City did not charge any indirect costs to federal programs.

Schedule of Expenditures of Federal Awards

The accompanying schedule presents the activity of all federal financial assistance programs of the City. Federal financial assistance received directly from federal agencies as well as federal financial assistance passed through the State of California are also included in the schedule.

The schedule was prepared from only the accounts of various grant programs and, therefore, does not present the financial position or results of the City's operations.

NOTE 3 – PROGRAM DESCRIPTIONS

U.S. Department of Housing and Urban Development

Community Development Block Grant (CDBG)

The Community Development Block Grant (CDBG) Program was authorized under Title I of the Housing and Community Development Act of 1974. The primary objective of the CDBG Program is the development of viable urban communities, including adequate housing, a suitable living environment, and expansion of economic opportunities principally for persons of low to moderate income. Under this program, the Department of Housing and Urban Development (HUD) distributes funds based upon approved applications to eligible local governmental units for the purpose of community improvement and betterment. The City uses CDBG funds to finance a comprehensive home improvement program that assists low and moderate income residents through low interest subsidies and deferred loans.

CITY OF TAFT

Notes to Schedule of Expenditures of Federal Awards For the Fiscal Year Ended June 30, 2018

NOTE 3 – PROGRAM DESCRIPTIONS (Continued)

U.S. Department of Housing and Urban Development (Continued)

Home Investment Partnerships Program (HOME)

The Home Investments Partnerships Program (HOME) includes (1) expanding the supply of decent and affordable housing, particularly housing for low and very low-income Americans, (2) strengthening the abilities of State and local governments to design and implement strategies for achieving adequate supplies of decent, affordable housing; (3) providing financial and technical assistance to participating jurisdictions, including the development of model programs for affordable low-income housing, and (4) extending and strengthening partnerships among all levels of government and the private sector, including for-profit and non-profit organizations, in the production and operation of affordable housing.

U.S. Department of Transportation

Capital Assistance Program for Reducing Energy Consumption and Greenhouse Gas Emissions

To assist public agencies that provide transit service in financing the acquisition of capital assets to reduce energy consumption or greenhouse gas emissions. Eligible projects include the purchase of transit capital assets that will reduce energy consumption or greenhouse gas emissions.

Highway Planning and Construction

This grant is awarded to assist State transportation agencies in the planning and development of an integrated, interconnected transportation system important to interstate commerce and travel by constructing and rehabilitating the National Highway System (NHS); and for transportation improvements to most other public roads; to provide aid for the repair of Federal-aid highways following disasters; to foster safe highway design; to replace or rehabilitate deficient or obsolete bridges; and to provide for other special purposes. Federal-aid highway funds are generally apportioned by statutory formulas to the States. They are generally restricted to roads open to the public and not functionally classified as rural minor collectors or local roads. Exceptions to this highway functional classification restriction include: planning and research activities, bridges, bicycle and pedestrian paths, and safety improvements that may be on any public road, non-motorized transportation, the FLTP, and public transportation improvement. For highway projects, funds may be used for environmental studies, engineering and design services, right-of-way acquisition and relocation assistance, and construction for capital improvement projects classified as new construction, reconstruction, restoration, rehabilitation, and resurfacing, or for functional, geometric, or safety reasons. Funds may also be used for planning; research, development, and technology transfer; intelligent transportation systems projects; roadside beautification; wetland and natural habitat mitigation; traffic management and control improvements; improvements necessary to accommodate other transportation modes; development and establishment of transportation management systems; billboard removal; construction of bicycle facilities and pedestrian walkways; fringe and corridor parking; car pool and van pool projects; transportation alternatives and enhancements such as scenic and historic highway improvements; and recreational trails. Funds generally cannot be used for routine highway operational activities.

CITY OF TAFT

Notes to Schedule of Expenditures of Federal Awards For the Fiscal Year Ended June 30, 2018

NOTE 3 – PROGRAM DESCRIPTIONS (Continued)

U.S. Department of Agriculture

Water and Waste Disposal Systems for Rural Communities

This grant is designed to assist rural communities in obtaining safe drinking water and adequate waste facilities, which are prerequisites for economic growth. In recent years, water and waste systems have been subject to increasingly stringent regulation under the Safe Drinking Water Act and the Clean Water Act. This program is instrumental in providing the financing to build or upgrade rural water and waste facilities. Under this program, the U.S. Department of Agriculture awards direct loans, loan guarantees, and project grants for new and improved water and waste systems serving rural areas where financing is not available from commercial sources at reasonable rates and terms. The Water and Waste Program is authorized to provide loan and grant assistance to eligible applicants for water and waste disposal facilities in rural areas and towns of up to 10,000 people.

The Obligations are being issued for the purpose of (a) paying the costs of the acquisition and construction of certain additions, betterments, extensions and improvements (the "*Project*") to the Wastewater Treatment System, consisting of a new headworks structure to be constructed next to the existing headworks and will consist of new flow channels, flume and screening and solids transport equipment, a new screening system for the dump station, a new Biolac aeration system, including new diffuser chains and blowers, the refurbishment and returning to service of Ponds 2 and 3 (including outfitting with Solar Bees solar-powered circulators or equivalent technology for effluent polishing), improvements to restore the operational status of transfer structures and related yard piping and an extensive electrical upgrade, including a new electrical service, new switch-gear, and new conduit conductors as is required for code compliance and replacement of the existing standby generator with a new 375 KW generator (the "*Projects*").

NOTE 4 – AMOUNTS PROVIDED TO SUBRECIPIENTS

For the fiscal year ended June 30, 2018, the City did not have payments passed through to other agencies.

CITY OF TAFT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued	<u>Unmodified</u>		
Internal control over financial reporting:			
Material weakness(es) identified?	_____ Yes	___X___	No
Significant deficiency(ies) 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 weakness(es) identified?	_____ Yes	___X___	No
Significant deficiency(ies) identified not considered to be material weaknesses?	_____ Yes	___X___	None reported

Type of auditor’s report issued on compliance for major programs:	<u>Unmodified</u>		
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance, 2 CFR 200.516 (a)	_____ Yes	___X___	No

Identification of major programs:

CFDA Number

___10.854

___14.228

Name of Federal Program or Cluster

Water and Waste Disposal Systems for Rural Communities

Community Development Block Grant (CDBG)

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

\$ 750,000

Auditee qualified as low-risk auditee:	_____ Yes	___X___	No
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CITY OF TAFT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Section II – Findings– Financial Statement Audit

Other Matters

2018-001 State Controller Street Report not filed on time.

Although policies and procedures have been in place to ensure that the State Controller Street report is filed timely, the City did not file the report by January 31, 2018 as required by state law. We would recommend that the City emphasize the timely filing of required state reports.

Section III – Findings and Questioned Costs – Major Federal Award Program Audit

None reported in the current fiscal year.

CITY OF TAFT
STATUS OF PRIOR YEAR'S FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Section IV – Status of Prior Year Findings and Questioned Costs

Significant Deficiency

2017-001 One general ledger investment account balance not updated timely.

Criteria:

The City should record the investment account activity to the general ledger timely to ensure that assets are properly accounted for and safeguarded.

Condition:

During our audit, we noted that one investment account for the transit fund was not in agreement to the general ledger.

Effect:

Recording investment activity in a timely manner helps safeguard assets by detecting errors on the part of the bank or the City.

Recommendation:

We recommend that the City record the investment activity on the general ledger within 30 days of the investment statement date.

Status:

Implemented.

Other Matter

2017-001 Single Audit not filed on time.

Although policies and procedures have been in place to ensure that the Single Audit is filed timely, the City did not file the Single Audit by March 31, 2018 as required by federal law. We would recommend that the City emphasize the timely filing of the Single Audit.

Status:

Implemented