

CITY OF LEMOORE

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SINGLE AUDIT REPORT  
AND  
ADDITIONAL INFORMATION

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JUNE 30, 2010

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May 12, 2011

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 Members of City Council of the  
City of Lemoore  
Lemoore, California

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 Lemoore as of and for the fiscal year ended June 30, 2010, which collectively comprise the City of Lemoore's basic financial statements and have issued our report thereon dated May 12, 2011. We conducted our audit in accordance with 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Lemoore's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Lemoore's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses. Item #2010-1.

City of Lemoore  
May 12, 2011  
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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. We consider the deficiencies described in the accompany schedule of findings and questioned costs to be significant deficiencies. Item #'s 2010-2, 2010-3, 2010-4.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Lemoore's financial statements are free of 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* and which are described in the accompanying schedule of findings and questioned costs items.

The City of Lemoore's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the City's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, City Council, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Sampson, Sampson and Partners, LLP*



May 12, 2011

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT  
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON  
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Honorable Mayor and Members of  
City Council of the City of Lemoore  
Lemoore, California

Compliance

We have audited the compliance of the City of Lemoore (City) with the types of compliance requirements described in the U.S. Office of Management and Budget (*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, 2010. 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. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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. Our audit does not provide a legal determination of the City's compliance with those requirements.

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, 2010.

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance 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.

City of Lemoore  
May 12, 2011  
Page 2

*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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as described above.

#### Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Lemoore, as of and for the year ended June 30, 2010, and have issued our report thereon dated May 12, 2011, which contained unqualified opinions on those financial statements. Our audit was performed for the purpose of forming opinions on the financial statements as a whole. The schedule of expenditures of federal awards is presented for the purpose of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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 information is fairly stated in all material respects in relation to the financial statements as a whole.

This report is intended solely for the information and use of the City Council, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Sampson, Sampson and Partners, LLP*

CITY OF LEMOORE  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	Pass-Through Program Number	Expenditures
<b>U.S. Department of Commerce:</b>			
Direct program			
Industrial Wastewater Disposal Study	11.307	07-79-15984	\$ 54,500
Total U.S. Department of Commerce			<u>54,500</u>
<b>U.S. Department of Housing and Urban Development:</b>			
Passed through California Department of Housing and Community Development:			
HOME	14.239	08-HOME-4705	800,000
Community Development Block Grant	14.228	08-EDEF-5881	<u>2,488</u>
Total U.S. Department of Housing and Urban Development			<u>802,488</u>
<b>U.S. Department of Justice:</b>			
Direct program			
AARA – Edward Byrne Justice Assistance Grant	16.804	2009-5B-B9-2068	<u>37,267</u>
Total U.S. Department of Justice			<u>37,267</u>
<b>U.S. Department of Transportation:</b>			
Passed through State of California Department of Transportation:			
Highway Planning and Construction	20.205	CML-5115-18	33,293
Highway Planning and Construction	20.205	E506-5115-16	396,423
Passed through State of California Office of Traffic Safety:			
DUI Enforcement and Awareness Program	20.600	AL-1058	<u>19,542</u>
Total U.S. Department of Transportation			<u>449,258</u>
<b>U.S. Environmental Protection Agency:</b>			
Passed through State of California Department of Public Health:			
ARRA – Capitalization Grants for Drinking Water State Revolving Funds	66.468	AR09FP08	<u>3,848,093</u>
Total U.S. Environmental Protection Agency			<u>3,848,093</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u>\$5,191,606</u>

CITY OF LEMOORE  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**1. REPORTING ENTITY**

The financial reporting entity consists of (a) the primary government, City of Lemoore (City), and (b) component units which include organizations 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 units of the City are the:

- Lemoore Redevelopment Agency
- Lemoore Financing Authority

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Accounting**

Funds received under the various grant programs have been recorded within special revenue, and enterprise funds of the City. The City utilizes the modified accrual method of accounting for the special revenue, and full accrual method for enterprise funds. The accompanying Schedule of Expenditures of Federal Awards (Schedule) has been prepared accordingly.

**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 is 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 operations of the City.

**3. PROGRAM DESCRIPTIONS**

**U.S. Department of Commerce**

**Industrial Wastewater Disposal Study**

The purpose of this grant is the determination of physical and financial plans, environment documentation, and associated regulatory reports and agreements for the start of design, engineering, and construction of disposal infrastructure. The area of study is approximately eight sections of land in and/or near Lemoore which are underlain by high-salinity groundwater.

CITY OF LEMOORE  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**U.S. Department of Housing and Urban Development**

**Home Investment Partnerships Program (HOME)**

The objectives of the Home Investment Partnerships Program include: Expanding the supply of decent and affordable housing, particularly housing for low and very low-income Americans; strengthening the abilities of state and local governments to design and implement strategies for achieving adequate supplies for decent, affordable housing; providing financial and technical assistance to participating jurisdictions, including the development of model programs for affordable low-income housing; and 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.

**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 improvements 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.

**U.S. Department of Justice**

**Edward Byrne Justice Assistance Grants (JAG)**

JAG programs allow states and local governments to support a broad range of activities to prevent and control crime and to improve the criminal justice system. These include multijurisdictional drug and gang task forces to crime prevention and domestic violence programs, courts, corrections, treatments, and justice information sharing initiatives. JAG funded projects may address crime through the provision of services directly to individuals and/or communities and by improving the effectiveness and efficiency of criminal justice systems, processes, and procedures.

**U.S. Department of Transportation**

**Highway Planning and Construction**

State pass through funds are granted directly to Local Public Agencies, such as cities and counties and other political subdivisions. These funds may be used for several highway projects, such as surveying; engineering, capital improvements such as new construction and reconstruction; planning; research and development and other authorized projects.

CITY OF LEMOORE  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(continued)

**DUI Enforcement and Awareness Program**

The purpose of this grant is to reduce the persons killed and injured in alcohol involved crashes. Strategies include DUI/Driver's License checkpoints and DUI saturation patrols. This program will help develop programs and operations for officers to concentrate on repeat DUI offenders on probation who have had their licenses suspended or revoked.

**U.S. Environmental Protection Agency**

**Capitalization Grants for Drinking Water State Revolving Funds**

Capitalization grants are awarded to States to create and maintain Drinking Water State Revolving Funds Programs. States can use capitalization grant funds to establish a revolving loan fund to assist public water systems finance the costs of infrastructure needed to achieve or maintain compliance with Safe Drinking Water Act requirements and protection to public health objectives of the Act.

CITY OF LEMOORE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**Section I – Summary of Auditor’s Results**

Financial Statements

Type of auditors’ report issued: **Unqualified**

Internal control over financial reporting:

Material weakness(es) identified?	X	yes	_____	no
Significant deficiency(s) identified not considered to be material weaknesses?	X	yes	_____	no

Noncompliance material to financial statements notes? \_\_\_\_\_ yes   X   no

Federal Awards

Internal control over major programs:

Material weakness(es) identified?	_____	yes	<u>  X  </u>	no
Significant deficiency(s) identified not considered to be material weakness(es)?	_____	yes	<u>  X  </u>	none reported

Type of auditors’ report issued on compliance for major programs: **Unqualified**

Any audit findings disclosed that are required to be reported in accordance with Circular A-133 section 510 (a)? \_\_\_\_\_ Yes   X   no

Identification of major programs:

<b>CFDA Number(s)</b>	<b><u>Name of Federal Program or Cluster</u></b>
66.468	<u>ARRA – Capitalization Grant for Drinking Water State Revolving Funds</u>
14.239	<u>Home Grant</u>
20.205	<u>Highway Planning and Construction</u>

Dollar threshold used to distinguish between Type A and Type B program \$300,000

Auditee qualified as low-risk auditee? \_\_\_\_\_ yes   X   no

CITY OF LEMOORE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**Part II - Financial Statement Finding Section**

Material Weakness

2010-1 – BANK RECONCILIATIONS

Condition:

Cash is not reconciled to the general ledger on a monthly basis. Bank Statements accumulate for several months before they are reconciled to the appropriate general ledger controls.

Criteria:

Failure to reconcile cash in a timely manner is a deficiency in internal controls over significant account balance.

Effect of Condition:

Not reconciling the bank accounts to the general ledger on a monthly basis means that errors or other problems might not be recognized and resolved on a timely basis. Also, it is generally easier and less time consuming to reconcile accounts while transactions are fresh in mind.

Cause of Condition:

Failure on the part of the finance department to prioritize the cash reconciliation process as this comment is a repeat from prior years.

Recommendation:

Timely preparation of complete and accurate bank reconciliations is a key to maintaining adequate control over cash receipts and disbursements. We recommend that all bank accounts be reconciled each month to the City's financial statements (i.e. the general ledger).

Response:

The City has hired an Interim Finance Director and a part-time accountant to reconcile the bank statements to the general ledger. With the oversight of the Interim Finance Director, the accountant has begun a review of completed bank reconciliations for the current fiscal year. This review will verify that the bank reconciliations are reconciled to the general ledger. A review of the bank reconciliation procedures and the detail of the reports used in the reconciliation process will be initiated with the objective of making the process less complicated in order to ensure that timely bank reconciliations are completed every month by the 25<sup>th</sup> day of the following month.

CITY OF LEMOORE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Significant Deficiency

2010-2 – CASH RECEIPTS AT REMOTE LOCATIONS

Condition:

There are several departments within the City (i.e. Police, Parks and Recreation, Public Works) that receive cash payments as a convenience to the customers. These payments are subsequently taken to the Finance Department for processing and to be deposited in the bank. Although controls have been established to safeguard the monies from the point of collection to the bank deposit, we noted that many of the controls had broken down and were not being followed during the 2009/2010 year. For example, all of the various departments that receive cash payments utilize pre-numbered receipts in triplicate, with one of the copies being submitted to the Finance Department along with the cash collected. However, the Finance Department did not account for the numerical sequence of these receipts as part of processing the payments. This negates the benefit of using pre-numbered receipts and provided the opportunity for misappropriation of City funds. In addition, the Finance Department did not provide a receipt or any other kind of acknowledgement for any monies submitted by the other departments.

Audit procedures were performed to determine if the breakdown in controls resulted in the misappropriation of any of the payments received. Using the pre-numbered receipt books provided to us by the Parks and Recreation and Police Departments, we randomly selected ten pre-numbered receipts for each month for both departments and attempted to trace the corresponding payments to a bank deposit. Of the 240 receipts tested, we were unable to trace 26 of the corresponding payments to a bank deposit. Several members of the Finance Department staff were also unable to locate the missing payments.

Criteria:

Strong internal controls over cash payments should be established and continuously monitored for compliance to reduce the possibility of misappropriation of City funds.

Effect of Condition:

Inadequate controls over cash collections increase the risk that City funds can be misappropriated without being detected.

Cause of Condition:

Although some internal controls over cash collections had been established, they were not adequately monitored to make sure they were working as intended.

CITY OF LEMOORE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Recommendation:

We recommend that the Finance Department review the adequacy of the current policies and procedures for monies received at the City's various remote locations authorized to receive payments. These procedures should include a requirement that all pre-numbered receipts be accounted for on an ongoing basis. The procedure of accounting for the pre-numbered receipts should be performed by an employee who is not authorized to receive monies from the other departments. The Finance Department should always issue a receipt or some type of acknowledgement for funds received from one of the other departments. The receipts or acknowledgment should include the signatures or initials of both the employee bringing the monies to the Finance Department and the Finance Department employee receiving the monies to indicate that they are in agreement as to the amount submitted. The policies and procedures established should be continually monitored for compliance.

Response:

The Finance Department had established a file to account for the numerical sequence of receipts from remote locations. This electronic Excel file is a log entry format that is used to record all processed pre-numbered receipts in numerical sequence. The staff person assigned to maintain this log can readily determine while updating the log which pre-numbered receipts are missing and would begin a process to account for the missing receipt. The pre-numbered log is not maintained by a cashier. The cashier provides cash register receipts and the pre-numbered receipt numbers to the finance staff member who is tasked with maintaining the numerical sequence file. The cashier also provides the remote locations with cash register receipts for every individual transaction. Each pre-numbered receipt is processed into the cashier software system to enhance the information available to users of this data. Therefore, batch processing is not authorized. The remote locations are tasked with accounting for void receipts, auditing of the cash register receipts and reporting any discrepancies to the finance department. When receipts are turned into the Finance Department by the remote location employee, these receipts are immediately processed into the cash register by the cashier in the presence of the remote location employee. If the cash receipting cannot be done immediately, a dual counting is performed and both employees sign acknowledgement of the count. The receipts are then kept in a locked bag with the key retained by the cashier until the processing can be accomplished. The bag is kept in a location under lock and key by the finance staff member that does not have access to the key. Cash receipting policies, procedures and practices will receive day to day monitoring for compliance.

CITY OF LEMOORE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Significant Deficiency

2010-3 – ACCOUNTS RECEIVABLE

Condition:

Our audit work disclosed that the accounts receivable balance includes an excessive amount of past due balances that are uncollectible. The City did not send any of these uncollectible balances to collections during the 2009/2010 year.

Criteria:

Accounts receivable balances that are uncollectible should be written off and sent to collections.

Effect of Condition:

Failure to properly monitor utility receivable balances could result in misstated financial statements. Also, it becomes increasingly difficult to collect outstanding balances as they get older.

Cause of Condition:

The City staff does not know how to remove delinquent accounts from the utility billing system.

Recommendation:

The City should establish written collection procedures regarding delinquent utility receivable balances. The utility receivable summary and aging reports should be more closely monitored and delinquent accounts written off as appropriate. The City's utility billing software vendor should be consulted to determine how to write off balances deemed to be uncollectible. This is a repeat recommendation from the prior year.

Response:

The Interim Finance Director has authorized the utility billing division to write off accounts receivable aged over 180 days and forward these accounts to a collection agency. The task is currently in progress with part-time staff authorized additional hours to assist with the process. In addition, the utility division staff have been authorized to contact the software support system to request a solution that would complete the task in a more efficient manner, for example a temporary software application. A written procedure will be established to provide for a collection process that will include City collection efforts, monitoring of the aged accounts, the write-off process and forwarding to the collection agency.

CITY OF LEMOORE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Significant Deficiency

2010-4 – RECORDKEEPING OF CAPITAL ASSETS

Condition:

The City did not adequately maintain the governmental activities capital asset records during the 2009/2010 year. The schedules provided at the beginning of the audit were partially incomplete, mathematically incorrect, or did not agree to the supporting detail. In addition, records for CIP projects are not being contemporaneously maintained, resulting in hastily prepared schedules during the audit that often require revisions.

Criteria:

Capital asset records should be maintained on an ongoing basis. The summary schedules provided to the auditors at the beginning of the audit should be reviewed by someone other than the preparer and reconciled to the supporting subsidiary records.

Effect of Condition:

Failure to properly maintain the capital asset records could result in financial statements that are misstated.

Cause of Condition:

Because of time constraints, capital asset schedules are not adequately reviewed prior to being given to the auditors.

Recommendation:

Prior to the beginning of the audit, all capital assets governmental activities schedules should be reviewed and adjusted to agree to the supporting subsidiary records by the Finance Department staff.

Response:

The task of reconciling the fixed assets and depreciation schedules to the supporting subsidiary records has been assigned to the City's full-time accountant with oversight by the Interim Finance Director. The accountant has been authorized to contact the accounting software vendor's support system to secure the assistance necessary to review and adjust the supporting subsidiary records to the schedules. In addition, the accountant will request from the software support system the procedures and training necessary for updating the records on a monthly basis. The Finance Director will review schedules prior to being given to the auditors.

CITY OF LEMOORE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**Part III - Federal Award Findings and Questioned Costs Section**

Significant Deficiencies and Instances of Noncompliance Related to the Audit of Major Federal Programs.

None

CITY OF LEMOORE  
STATUS OF PRIOR YEAR FINDINGS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**Findings – Financial Statement Audit.**

Significant Deficiency:

I. Finding 2009-1 – Bank Reconciliations

Condition:

Cash is not reconciled to the general ledger on a monthly basis. Bank statements accumulate for several months before they are reconciled to the appropriate general ledger control.

Recommendation:

Timely preparation of complete and accurate bank reconciliations is a key to maintaining adequate control over cash receipts and disbursements. We recommend that all bank accounts be reconciled each month to the City's financial statements (i.e. the general ledger).

Current Status:

Unchanged from prior year, see Finding 2010-1 as of June 30, 2010.

II. Finding 2009-2 – Recordkeeping of Capital Assets

Condition:

The City did not adequately maintain the fixed assets records during the 2008/2009 year. The detailed fixed assets and depreciation schedules provided to the auditors at year-end did not reconcile to the books.

Recommendation:

Prior to the beginning of the audit, all capital asset account balances, including depreciation, should be reviewed and adjusted to agree to the supporting subsidiary records by the Finance Department staff.

Current Status:

Noticeable improvements were made with respect to the fixed asset records for the business-type activities. However, we still encountered some difficulties with the fixed asset records for the governmental activities. See Finding 2010-4 as of June 30, 2010.

CITY OF LEMOORE  
STATUS OF PRIOR YEAR FINDINGS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

III. Finding 2009-3 – Accounts Receivable

Condition:

Our audit work disclosed that the accounts receivable balance includes an excessive amount of past due balances that are uncollectible. The City did not send any of these uncollectible balances to collections during the 2008/2009 year.

Recommendation:

The City should establish written collection procedures regarding delinquent utility receivable balances. The utility receivable summary and aging reports should be more closely monitored and delinquent accounts written off as appropriate. The City's utility billing software vendor should be consulted to determine how to write off balances deemed to be uncollectible.

Current Status:

Unchanged from the prior year. See Finding 2010-3.

IV. Finding 2009-4 – RDA Transactions

Condition:

The Lemoore Redevelopment Agency routinely enters into various transactions involving making loans and purchasing land for resale to facilitate the achievement of its adopted purposes and objectives. During the 2008/2009 year, several of these transactions were not properly recorded on the Agency books. A loan in excess of \$1,000,000 and three land purchases totaling over \$200,000 were recorded as expenditures on the RDA books rather than being recorded as assets.

Recommendation:

We recommend that all of the supporting documentation for loans provided to outside parties and land purchases be thoroughly reviewed to ensure that they are properly recorded on the RDA books.

Current Status:

The RDA loan transactions were properly accounted for during the 2009/2010 year. There were no new purchases of land for resale.

## Additional Information



May 12, 2011

REPORT ON COMPLIANCE  
WITH ARTICLE XIII B – APPROPRIATIONS LIMIT

To the Members of City Council of the  
City of Lemoore  
Lemoore, California

We have applied the procedures enumerated below to the accompanying Appropriations Limit of the City of Lemoore, California for the fiscal year ended June 30, 2010. These procedures which were agreed to by the League of California Cities and presented in their Article XIII B Appropriations Limitation Uniform Guidelines were performed solely to assist you in meeting the requirements of Section 1.5 of Article XIII B of the California Constitution. This report is intended for the information of management and the City Council. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

The procedures performed and our findings were as follows:

1. We obtained the computations from the City of Lemoore and determined that the limit and annual adjustment factors were adopted by resolution of the City Council. We also determined that the population and inflation options were selected by a recorded vote of the City Council.
2. For the accompanying Appropriations Limit, we added last year's limit to total adjustments, and agreed the resulting amount of this year's limit.
3. We agreed the current year information presented in the accompanying appropriations limit to the other computations described above.
4. We agreed the prior year Appropriations Limit presented in the accompanying Appropriations Limit to the prior year Appropriations Limit adopted by the City Council during the prior year.

These agreed-upon procedures are substantially less in scope than an audit, the objective of which is the expression of an opinion on the accompanying Appropriations Limit. Accordingly, we do not express such an opinion.

Based on the application of the procedures referred to above, nothing came to our attention that caused us to believe that the accompanying appropriations limit was not computed in accordance with Article XIII B of the California Constitution. Had we performed additional procedures or had we conducted an audit of the accompanying Appropriations Limit and the other completed worksheets described above, matters might have come to our attention that would have been reported to you.

*Sampson, Sampson and Partners, LLP*

CITY OF LEMOORE  
ANNUAL APPROPRIATION LIMIT CALCULATIONS  
JUNE 30, 2010

	<u>Amount</u>
LAST YEARS LIMIT	\$14,974,304
ADJUSTMENT FACTORS:	
Population	1.0196%
Inflation	1.0062%
Total Adjustment Factors	<u>1.0259%</u>
TOTAL ADJUSTMENTS	<u>\$ 387,834</u>
THIS YEARS LIMIT	<u>\$15,362,138</u>