

CITY OF VISALIA
INDEPENDENT ACCOUNTANT'S REPORT ON
APPLYING AGREED-UPON PROCEDURES
MEASURE 'T'
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

M. GREEN AND COMPANY LLP
CERTIFIED PUBLIC ACCOUNTANTS

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JUNE 30, 2010
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CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

LARRY W. AYERS, C.P.A.
MARLA D. BORGES, C.P.A.
KEVIN M. GREEN, C.P.A.
WM. KENT JENSEN, C.P.A.
KATHLEEN M. LAMPE, C.P.A.
LYNN M. LAMPE, C.P.A.
ALAN S. MOORE, C.P.A.
KENNETH B. NUNES, C.P.A.
KENNETH W. WHITE, JR., C.P.A.

REBECCA AGREDANO, C.P.A.
LYNDA S. ANDERSON, C.P.A.
NICOLE A. CENTOFANTI, C.P.A.
CRYSTAL COTA, C.P.A.
BRENDA A. DADDINO, C.P.A.
R. IAN PARKER, C.P.A.
ELAINE D. REULE, C.P.A.
NATALIE H. SIEGEL, C.P.A.

ROBERT L. BANDY, C.P.A.
Consultant
JAMES G. DWYER, C.P.A.
Consultant
GIUSEPPE SCALIA, C.P.A.
Consultant
CHARLES L. SOUTHARD, C.P.A.
Consultant

City Council
City of Visalia
707 W. Acequia
Visalia, CA 93291-6100

We have performed the procedures enumerated below, which were agreed to by the City of Visalia (City), solely to assist the City and the independent Citizens' Advisory Committee (CAC), with respect to the administration, financial management and accounting of the City's Measure 'T' funds for the fiscal year ended June 30, 2010. The City's management is responsible for the City's administration, financial management and accounting for Measure 'T'. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures applied and findings, as pertinent, are as follows:

- (1) We obtained and reviewed the City's Measure 'T' commitments as expressed in the Measure 'T' ballot measure from the March 2, 2004 election, the Enabling Ordinance adopted by the City Council, Board of Equalization Agreements for implementation and administration of additional sales tax, City Council approved Program Guidelines and expenditure plans for the current fiscal year and the City Council approved City Manager Plan Recertification for June 30, 2010.

Finding:

Measure 'T' calls for the General Fund support for police and fire services during the fiscal year 2009-10, without regard to Measure 'T', to be greater than the General Fund police and fire services support during the fiscal year 2008-09, unless the council declares an economic emergency by a 4/5th vote.

Council declared an economic emergency by a 4/5th vote on June 17, 2009, suspending Measure 'T's maintenance of effort provisions for the fiscal years 2009-10 and 2010-11.

Finding:

The Measure calls for the establishment and funding of an "Economic Uncertainty" Fund in the amount of 25% of the annually budgeted revenues. The "Economic Uncertainty" Fund Balance as of June 30, 2010, was \$1,463,990. This amount exceeded the required 25% by \$148,865.

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Tulare
Visalia**

(2) We updated our documentation of the following Measure 'T' compliance provisions, as interpreted by the City Council adopted enabling ordinance and program guidelines, into an interim progress report and reported to City staff:

- a. Administrative procedures
- b. Accounting control (including budgetary) procedures

Findings: None

(3) We updated our understanding of the City's implementation of the material administrative compliance procedures.

Findings: None

(4) We updated our understanding of the City's implementation of the material accounting control procedures and determined if the following were implemented or maintained:

- a. Establishment of a separate Measure 'T' fund or fund group;
- b. Establishment within the Measure 'T' fund(s) of an accountability structure that allows for accountability of the Measure 'T' sales tax proceeds mandated allocations - police (60%) and fire (40%);
- c. That reasonable interest allocation methodologies were applied to Measure 'T' fund(s) regarding interest revenue for unexpended net proceeds and interest charged for other City fund advances;
- d. That General Fund support for police and fire services during the fiscal year 2009-10, without regard to Measure 'T' funds based upon expenditure levels, was not less than General Fund police and fire services support during the fiscal year 2008-09, unless the Council declared an economic emergency by 4/5^{ths} vote;
- e. Establishment of a separate "Economic Uncertainty" fund within the Measure 'T' fund(s) of 25% of the budgeted Measure 'T' tax revenues.

Findings:

Council declared an economic emergency by a 4/5^{ths} vote on June 17, 2009, suspending Measure 'T's maintenance of effort provisions for the fiscal years 2009-10 and 2010-11.

(5) We traced all Measure 'T' monies remitted by the State Board of Equalization to determine whether they were properly deposited into the appropriate Measure 'T' fund.

Findings: None

(6) We performed procedures to verify the summaries of Measure 'T' receipts, disbursements and unexpended funds pertaining to the fiscal year 2009-10 prepared by the City.

Finding:

Our review indicated that twenty-six police officers and four firemen were hired as of June 30, 2010 in accordance with plan objectives.

Finding:

The plan was modified to include construction of a southwest fire and training facility instead of a southeast fire and training facility.

Finding:

The Capital Improvement Program expenditures were proceeding in accordance with Measure 'T'. However, the purchase of two police patrol vehicles and the related equipment and vehicle replacement costs for the two police officers hired during the current fiscal year were initiated during the current fiscal year as planned and will be completed in the 2010-11 fiscal year.

Finding:

Our review indicated that \$14,858 paid in the fiscal year 2008-09 for other post employment benefit costs should be reimbursed to Measure 'T' funds based on the results of the lawsuit settled in the current fiscal year. City policy permits retiree access to the City's health plan but at a cost determined by the City. Therefore, the City asserts that it retains the right to annually set the retiree contribution and that other post employment benefit liabilities do not exist.

Recommendation:

We recommend that the City's OPEB Internal Service Fund reimburse Measure 'T' Funds for those expenditures related to the other post employment benefit costs charged during the 2008-09 fiscal year.

Management Response:

Management agrees with the finding. The total of \$14,858 will be reimbursed to the Measure 'T' funds from the OPEB Internal Service Fund, along with any interest which has accrued on this amount.

Finding:

Our prior year recommendation that the City take further steps and work closely with the police department to ensure that proper records are maintained in the police department regarding which fund an officer's salary is to be charged to and that proper measures are followed to ensure a CV9 form is filled out each time an officer is hired, terminated, or transferred to a different fund were implemented. Our review noted a completed CV9 form for each officer hired, terminated, or transferred to or from a Measure 'T' fund.

Our prior year recommendation that the Measure 'T' Police Fund reimburse the City's General Fund for those expenditures related to the officer mistakenly charged to the General Fund during the 2008-09 fiscal year was implemented.

- (7) We determined if the Measure 'T' allocations were made in accordance with the following required funding priorities:
- a. Funding of the current year's budgeted expenditures;
 - b. Funding of the "Economic Uncertainty" Fund including annual revision;
 - c. Funding expenditures budgeted for subsequent plan years.

Findings: None

- (8) We conducted an exit interview with City staff representatives.

Findings: None

We were not engaged to, and did not, conduct an audit, the objective of which would be the expression of an opinion on administration, financial management and accounting. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the City Council, City management and the CAC and is not intended to be and should not be used by anyone other than those specified parties. However, this report is a matter of public record and its distribution is not limited.

Very truly yours,


M. GREEN AND COMPANY LLP
Certified Public Accountants

November 3, 2010
Visalia, California