

CITY OF VISALIA
INDEPENDENT ACCOUNTANT'S REPORT ON
APPLYING AGREED-UPON PROCEDURES
MEASURE 'T'
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

M. GREEN AND COMPANY LLP
CERTIFIED PUBLIC ACCOUNTANTS

CITY OF VISALIA
JUNE 30, 2011
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**INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES**

City Council
City of Visalia and Citizens Advisory Committee
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, 2011. 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 parties 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, 2011.

Finding:

Measure 'T' calls for the General Fund support for police and fire services during the fiscal year 2010-11, without regard to Measure 'T', to be greater than the General Fund police and fire services support during the fiscal year 2009-10, 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 Fire and Police Measure 'T' Economic Uncertainty Fund Balances as of June 30, 2011, were \$607,602 and \$559,655, respectively. The amount for the Fire Measure 'T' Economic Uncertainty Fund exceeded the required 25% by \$163,602. However, the Police Measure 'T' Economic Uncertainty Fund was below the required 25% by \$106,345.

Council authorized the use of Police Measure 'T' Economic Uncertainty Funds on June 28, 2010. The use of the Police Measure 'T' Economic Uncertainty Funds follows the Plan's funding Priorities of funding the current year's budgeted expenditures first. Due to the current state of the economy and the decrease in sales tax revenue the City was unable to fully fund the Police Measure 'T' Economic Uncertainty Fund in the current fiscal year.

- (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 2010-11, 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 2009-10, 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 2010-11 prepared by the City.

Finding:

Our review indicated that twenty-eight police officers and four firemen were hired as of June 30, 2011 in accordance with plan objectives.

Finding:

We found the Capital Improvement Program expenditures are generally proceeding in accordance with the Measure 'T' Plan. The City purchased two police patrol vehicles and the related equipment and recorded vehicle replacement costs for the two police officers hired during the current fiscal year. The City purchased equipment and initiated the order for the purchase of the fire engine as planned for the current fiscal year and which should be available for service in the 2011-12 fiscal year. Also moving along is the Southwest Fire Station which is still in the design phase and is expected to be completed in the 2012-13 or 2013-14 fiscal year. The construction of a public safety headquarters building has been put on hold indefinitely due to the current declared economic emergency that the City faces.

Finding:

Our review indicated that \$30,313 paid for Measure 'T' police officers overtime was reimbursed by specific grants the City had been awarded. These expenditures were charged to the Measure 'T' Police Fund while the revenue was recorded in the General Fund.

Recommendation:

We recommend that the grant revenue specific to the overtime paid to Measure 'T' police officers, originally recorded in the General Fund, be recorded in the Measure 'T' Police Fund where the related expenditures were charged.

Management Response:

Management agrees with the finding. The total of \$30,313 expensed as overtime in the Measure 'T' Police Fund and reimbursed by specific grants but recorded as revenue in the General Fund has been reimbursed to the Measure 'T' Police Fund from the General Fund. Staff has been made aware that any Measure 'T' expenses reimbursed by specific grants should be recorded as revenue in Measure 'T' Funds when received.

Findings:

Our prior year finding, regarding the purchase of two police patrol vehicles and the related equipment and vehicle replacement costs for the two police officers hired during the 2009-10 fiscal year, were initiated during the last fiscal year as planned and were scheduled to be completed during the current fiscal year. Our review noted that these purchases were completed during the current fiscal year.

Our prior year recommendation that the City's OPEB Internal Service Fund reimburse Measure 'T' Funds for the expenditures related to the other post employment benefit costs charged during the 2009-10 fiscal year was implemented. Our review noted that Measure 'T' Funds were reimbursed for the amount paid in the fiscal year 2008-09 plus interest for a total of \$15,308 in the current fiscal year.

- (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 17, 2011
Visalia, California