

CITY OF FRESNO
SINGLE AUDIT REPORTS
JUNE 30, 2008

CITY OF FRESNO
Single Audit Reports
June 30, 2008

Table of Contents

	<i>Page(s)</i>
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 <u>Government Auditing Standards</u>	1
Independent Auditor’s Report on Compliance with Requirements Applicable to Each Major Program, Internal Control Over Compliance and on the Schedule of Expenditures of Federal and State Awards in Accordance with OMB Circular A-133	3
Schedule of Expenditures of Federal and Nonfederal Awards.....	5
Notes to the Schedule of Expenditures of Federal and Nonfederal Awards.....	17
Schedule of Findings and Questioned Costs	20
Summary Schedule of Prior Audit Findings	22



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LOS ANGELES

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The Honorable City Council
of the City of Fresno, California

**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**

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 Fresno, California, (City) as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements and have issued our report thereon dated February 25, 2009. We did not audit the financial statements of the Redevelopment Agency of the City of Fresno (Agency), a blended component unit of the City which represents approximately 4.9%, -6.8% and 5.4%, respectively, of the assets, net assets and revenues of the governmental activities, and we did not audit the financial statements of the City of Fresno Employees Retirement System and the City of Fresno Fire and Police Retirement System (collectively, the Retirement Systems), blended component units of the City, which represent 88.8%, 93.1% and -114.4%, respectively, of the assets, net assets and revenues of the City's aggregate remaining fund information. The financial statements of the Agency and the Retirement Systems were audited by other auditors, whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Agency and the Retirement Systems of the City, are based on reports of the other auditors. Our report also included an explanatory paragraph on the implementation of new accounting standards. 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 Fresno's internal control over financial reporting as a basis for designing our auditing procedures 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 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 as described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal

control. We consider the deficiency described in the accompanying schedule of findings and questioned costs as finding 08-01 to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

Our consideration of internal control over financial reporting 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 and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiency described above is not a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City'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*.

We noted certain other matters that we reported to management of the City of Fresno in a separate letter dated February 25, 2009.

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

This report is intended solely for the information and use of the City Council, management, and others within the City of Fresno, and the City's 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.

Macias Fini & O'Connell LLP

Certified Public Accountants
Newport Beach, California
February 25, 2009



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The Honorable City Council
of the City of Fresno, California

**Independent Auditor's Report on Compliance with Requirements
Applicable to Each Major Program, Internal Control Over
Compliance and on the Schedule of Expenditures of Federal
and State Awards in Accordance with OMB Circular A-133**

Compliance

We have audited the compliance of the City of Fresno (City) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2008. 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 City of Fresno's management. Our responsibility is to express an opinion on the City of Fresno'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 of Fresno'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 of Fresno's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

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 the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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 defined above.

Schedule of Expenditures of Federal Awards

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 Fresno, California, (City) as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements and have issued our report thereon dated February 25, 2009. We did not audit the financial statements of the Redevelopment Agency of the City of Fresno (Agency), a blended component unit of the City which represents approximately 4.9%, -6.8% and 5.4%, respectively, of the assets, net assets and revenues of the governmental activities, and we did not audit the financial statements of the City of Fresno Employees Retirement System and the City of Fresno Fire and Police Retirement System (collectively, the Retirement Systems), blended component units of the City, which represent 88.8%, 93.1% and -114.4%, respectively, of the assets, net assets and revenues of the City's aggregate remaining fund information. The financial statements of the Agency and the Retirement Systems were audited by other auditors, whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Agency and the Retirement Systems of the City, are based on reports of the other auditors. Our report also included an explanatory paragraph on the implementation of new accounting standards. The accompanying schedule of expenditures of federal and nonfederal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of City Council, management, and others within the City of Fresno, and the City's 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.

Macias Jini & O'Connell LLP

Certified Public Accountants
Newport Beach, California

February 25, 2009

CITY OF FRESNO
Schedule of Expenditures of Federal and Nonfederal Awards
For the Year Ended June 30, 2008

<u>Federal Grantor/Program and/or Project Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Grantor</u>	<u>Grant Number</u>	<u>Total Federal Expenditures</u>
U.S. Department of Housing and Urban Development:				
<i>Entitlement Cluster</i>				
Community Development Block Grants / Entitlement Grants - Direct Program				
FY08 Community Development Block Grant	14.218		B-07-MC-06-001	\$ 8,460,251
FY07 Community Development Block Grant	14.218		B-06-MC-06-001	1,123,409
FY06 Community Development Block Grant	14.218		B-05-MC-06-001	114,552
			<u>Total Direct CDBG Program</u>	<u>9,698,212</u>
Emergency Shelter Grant Program - Direct Program				
FY08 Emergency Shelter Grant	14.231		S-07-MC-06-001	255,448
FY07 Emergency Shelter Grant	14.231		S-06-MC-06-001	80,853
			<u>Total Direct ESG Program</u>	<u>336,301</u>
HOME Investment Partnership Program - Direct Program				
FY08 HOME	14.239		M-07-MC-06-0204	9,586,972
FY07 HOME	14.239		M-06-MC-06-0204	4,431,744
FY06 HOME	14.239		R-05-MC-06-0204	1,683
FY05 HOME	14.239		R-04-MC-06-0204	89,625
FY04 HOME	14.239		R-03-MC-06-0204	168,900
			<u>Total Direct HOME Program</u>	<u>14,278,924</u>
EDI - Direct Program				
EDI Grant - One by One Leadership	14.246		B-02-SP-CA-0064	166,748
			<u>Total Direct EDI Program</u>	<u>166,748</u>
Public Housing Capital Fund - Pass-through Program				
HUD Capital Funding Grant Program and Additional Security and Protection Services	14.872	Housing Authority of Fresno	FY07/8	117,579
			<u>Total Pass-through HUD Program</u>	<u>117,579</u>
TOTAL U.S. HOUSING AND URBAN DEVELOPMENT				24,597,764

(Continued)

CITY OF FRESNO
Schedule of Expenditures of Federal and Nonfederal Awards
For the Year Ended June 30, 2008

<u>Federal Grantor/Program and/or Project Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Grantor</u>	<u>Grant Number</u>	<u>Total Federal Expenditures</u>
U.S. Department of Interior:				
Urban Park and Recreation Recovery - Pass-through Program				
Chaffee Zoo	15.916	CA Department of Parks and Recreation	C8940009	95,675
Fulton Mall Play Area Development	15.916	CA Department of Parks and Recreation	C8940010	33,006
Al Radka Park Development	15.916	CA Department of Parks and Recreation	C8944015	19,951
<u>Total Pass-through UPARR Program</u>				<u>148,632</u>
TOTAL U.S. DEPARTMENT OF INTERIOR				148,632
U.S. Department of Justice:				
Direct Program				
DOJ Seized Assets	16.unknown		n/a	688,869
<u>Total Direct DOJ Program</u>				<u>688,869</u>
Office of Justice Programs / Office of Juvenile Justice and Delinquency Prevention - Pass-through Program				
Juvenile Accountability Block Grant (JABG 08)	16.523	CA Board of Corrections	101-07	13,379
<u>Total Pass-through OJJDP Program</u>				<u>13,379</u>
Office of Justice Programs / National Institute of Justice - Direct Program				
National Institute of Justice Research, Evaluation & Development Project Grant (Cold Case DNA)	16.560		2005-DN-BX-K006	282,263
<u>Total Direct NIJ Program</u>				<u>282,263</u>
Office of Justice Programs / Bureau of Justice Assistance - Direct Program				
Regional Crimeview	16.580		2007-DD-BX-0683	142,782
<u>Total Direct BJA Program</u>				<u>142,782</u>
Office of Justice Programs - Pass-through Program				
FY07 Violence Against Women/Law Enforcement Specialized Units Program	16.588	CA Office of Emergency Services	LE06046675	47,759
FY08 Violence Against Women/Law Enforcement Specialized Units Program	16.588	CA Office of Emergency Services	LE07056675	30,745
<u>Total Pass-through OJP Program</u>				<u>78,504</u>
				(Continued)

See Accompanying Notes to the Schedule of Expenditures of Federal and Nonfederal Awards.

CITY OF FRESNO
Schedule of Expenditures of Federal and Nonfederal Awards
For the Year Ended June 30, 2008

<u>Federal Grantor/Program and/or Project Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Grantor</u>	<u>Grant Number</u>	<u>Total Federal Expenditures</u>
U.S. Department of Justice (cont):				
Office of Justice Programs / Bureau of Justice Assistance - Direct Program				
Community Prosecution and Project Safe Neighborhoods/ Removing Unlawful Guns	16.609		US06016675	30,000
<u>Total Direct BJA Program</u>				<u>30,000</u>
Office of Community Oriented Policing Services - Direct Program				
COPS Universal Hiring Award	16.710		2002ULWX0061	434,073
COPS in Schools Award FY04	16.710		2004SHWX0147	10,715
COPS Meth	16.710		2007CKWX0290	130,439
<u>Total Direct OCOPS Program</u>				<u>575,227</u>
Office of Justice Programs / Office of Juvenile Justice and Delinquency Prevention - Pass-through Program				
ABC FY06-FY07	16.727	CA Dept of Alcoholic Beverage Control	05G-LA04	2,706
<u>Total Pass-through OJJDP Program</u>				<u>2,706</u>
Office of Justice Programs / Bureau of Justice Assistance - Direct Program				
Edward Byrne Memorial Justice Assistance Grant Program '06	16.738		2006-DJ-BX-0749	65,998
Edward Byrne Memorial Justice Assistance Grant Program '07	16.738		2007-DJ-BX-0161-5	36,004
<u>Total Direct BJA Program</u>				<u>102,002</u>
TOTAL U.S. DEPARTMENT OF JUSTICE				1,915,732

U.S. Department of Transportation:

Federal Aviation Administration - Direct Program

Airport Improvement Program

AIP-43 FF03	20.106		DTFA08-03-C-31415	300,240
AIP-46 FF04	20.106		DTFA08-04-C-31473	1,089,051
AIP-47 FF05	20.106		DTFA08-05-C-31573	742
AIP-48 FF05	20.106		DTFA08-05-C-31585	1,057,938
AIP-49 FF06	20.106		DTFA08-06-C-31718	758,434
AIP-50 FF06	20.106		DTFA08-06-C-31686	1,018,446
AIP-51 FF07	20.106		AIP51	192,622
AIP-52 FF07	20.106		AIP52	210,029
AIP-53 FF08	20.106		AIP53	21,499
AIP-54 FF08	20.106		AIP54	8,959
AIP-09 FF04	20.106		DTFA08-03-C-31470	39,211
AIP-10 FF05	20.106		DTFA08-05-C-31592	247,454
AIP-11 FF06	20.106		DTFA08-06-C-31729	13,836
AIP-12 FF06	20.106		DTFA08-06-C-31730	42,584
AIP-13 FF07	20.106		AIP13	8,220
AIP-14 FF07	20.106		AIP14	35,880
<u>Total Direct FAA Program</u>				<u>5,045,145</u>

(Continued)

See Accompanying Notes to the Schedule of Expenditures of Federal and Nonfederal Awards.

CITY OF FRESNO
Schedule of Expenditures of Federal and Nonfederal Awards
For the Year Ended June 30, 2008

<u>Federal Grantor/Program and/or Project Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Grantor</u>	<u>Grant Number</u>	<u>Total Federal Expenditures</u>
U.S. Department of Transportation (cont):				
<i>Highway Planning and Construction Cluster</i>				
Federal Highway Administration - Pass-through Program				
Highway Research, Planning & Construction Program	20.205	CA State Department of Transportation	Master Agreement 06-5060	7,187,149
		<u>Total Pass-through FTA Program</u>		<u>7,187,149</u>
 Federal Transit Capital Investment Grants - Direct Program				
FY04 Federal Transit Capital Investment Grant - (Construct CNG Station)	20.500		CA-03-0773-00	62,716
FY05 Federal Transit Capital Investment Grant Fresno Bus Program (6 paratransit, 1 forty ft hybrid bus)	20.500		CA-03-0794	321,679
FY06/07 Urban Mass Transportation Capital, CMAQ	20.500		CA-95-X038	1,882,720
FY05 Urban Mass Transportation Capital, CMAQ	20.500		CA-90-Y676	63,913
FY07/08 Urban Mass Transportation Capital, CMAQ	20.500		CA-95-X071	1,741,120
		<u>Total Direct FTA Program</u>		<u>4,072,148</u>
 Federal Transit Administration - Direct Program				
FY00 Urban Mass Transportation Capital, Planning, Operating Assistance	20.507		CA-90-Y021-00	5,330
FY01 Urban Mass Transportation Capital, Planning, Operating Assistance	20.507		CA-90-Y103-00	995
FY02 Urban Mass Transportation Capital, Planning, Operating Assistance	20.507		CA-90-Y137-01	132,951
FY04 Urban Mass Transportation Capital, Planning, Operating Assistance	20.507		CA-90-Y309-00	91,418
FY05 Urban Mass Transportation Capital, Planning, Operating Assistance	20.507		CA-90-Y367-00	5,441
FY07 Urban Mass Transportation Capital, Planning, Operating Assistance	20.507		CA-90-Y595	3,833
FY08 Urban Mass Transportation Capital, Planning, Operating Assistance	20.507		CA-90-Y622	7,687,145
		<u>Total Direct FTA Program</u>		<u>7,927,113</u>
		<u>Total Federal Transit Cluster</u>		<u>11,999,261</u>
				(Continued)

See Accompanying Notes to the Schedule of Expenditures of Federal and Nonfederal Awards.

CITY OF FRESNO
Schedule of Expenditures of Federal and Nonfederal Awards
For the Year Ended June 30, 2008

<u>Federal Grantor/Program and/or Project Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Grantor</u>	<u>Grant Number</u>	<u>Total Federal Expenditures</u>
U.S. Department of Transportation (cont):				
National Highway Traffic Safety Administration - Pass-through Program				
UC Sobriety Checkpoint (FY07)	20.600	CA Office of Traffic Safety	SC071001	128,784
UC Sobriety Checkpoint (FY08)	20.600	CA Office of Traffic Safety	SC08151	162,424
Click It or Ticket	20.600	CA Office of Traffic Safety	CT071001	533
Click It or Ticket	20.600	CA Office of Traffic Safety	CT08151	22,671
Selective Traffic Enforcement Program (STEP)	20.600	CA Office of Traffic Safety	PT0711	485,899
<u>Total Pass-through NHTSA Program</u>				800,311
TOTAL U.S. DEPARTMENT OF TRANSPORTATION				25,031,866
U.S. Department of Treasury:				
Direct Program				
DOT Seized Assets	21.unknown		n/a	26,992
<u>Total Direct DOT Program</u>				26,992
TOTAL U.S. DEPARTMENT OF TREASURY				26,992
U.S. Department of Environmental Protection Agency				
Surveys-Studies-Investigations-Demonstrations and Special Purpose Activities relating to the Clean Air Act - Direct Program				
Diesel Exhaust After-Treatment Demonstration Project	60.034		XA960411010	27,750
<u>Total Direct Clean Air Program</u>				27,750
Surveys, Studies, Demonstrations and Special Purpose Grants - Section 1442 of the Safe Drinking Water Act - Direct Program				
Surveys, Studies, Investigations and Special Purpose Grants / Water Infrastructure - Surface Water Treatment Facility Supply Pipeline	66.424		XP-96960901-0	117,228
<u>Total Direct Safe Drinking Water Program</u>				117,228
TOTAL U.S. DEPARTMENT OF ENVIRONMENTAL PROTECTION AGENCY				144,978

(Continued)

CITY OF FRESNO
Schedule of Expenditures of Federal and Nonfederal Awards
For the Year Ended June 30, 2008

<u>Federal Grantor/Program and/or Project Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Grantor</u>	<u>Grant Number</u>	<u>Total Federal Expenditures</u>
U.S. Department of Health and Human Services:				
Administration on Aging - Pass-through Program				
Senior Hot Meals on Wheels	93.045	Fresno/Madera Area Agency on Aging	FY07	50,292
<u>Total Pass-through HHS Program</u>				<u>50,292</u>
Administration for Children and Families - Pass-through Program				
Mentoring Children of Prisoners	93.616	Fresno Leadership Foundation dba One by One Leadership	90CV0081/01	8,319
<u>Total Pass-through ACF Program</u>				<u>8,319</u>
TOTAL U.S. DEPT OF HEALTH AND HUMAN SERVICES				58,611
U.S. Department of Homeland Security:				
State Domestic Preparedness Equipment Support Program - Pass-through Program				
FY06 Homeland Security Grant	97.004	Fresno County / CA Office of Emergency Services	FY06 Homeland - Training	110,374
FY07 Homeland Security Grant	97.004	Fresno County / CA Office of Emergency Services	FY07 Homeland - Equip	152,471
FY07 Homeland Security Grant	97.004	Fresno County / CA Office of Emergency Services	FY07 Homeland - Training	113,674
FY06 Homeland Security Grant	97.004	Fresno County / CA Office of Emergency Services	2006-0071	385,583
FY07 Homeland Security Grant	97.004	Fresno County / CA Office of Emergency Services	2007-0008	14,135
<u>Total Pass-through SDPES Program</u>				<u>776,237</u>
Citizen Corps Program - Pass-through Program				
Americorp	97.053	State of CA Governor's Office on Service and Volunteerism	EMF-2003-GR-0315	12,215
Americorp	97.053	State of CA Governor's Office on Service and Volunteerism	07AC072986	1,500
<u>Total Pass-through CC Program</u>				<u>13,715</u>

(Continued)

CITY OF FRESNO
Schedule of Expenditures of Federal and Nonfederal Awards
For the Year Ended June 30, 2008

<u>Federal Grantor/Program and/or Project Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Grantor</u>	<u>Grant Number</u>	<u>Total Federal Expenditures</u>
U.S. Department of Homeland Security (cont):				
Metropolitan Medical Response System - Direct Program				
FY06 Metropolitan Medical Response System	97.071		2006-0071 MMRS06	104,665
FY07 Metropolitan Medical Response System	97.071		2006-0071 MMRS07	148,774
		<u>Total Direct MMRS Program</u>		<u>253,439</u>
Assistance to Firefighters Grant Program - Direct Program				
Staffing for Adequate Fire and Emergency Response (SAFER) Grant FY05	97.083		EMW-2005-FF-02473	290,000
Staffing for Adequate Fire and Emergency Response (SAFER) Grant FY06	97.083		EMW-2006-FF-03625	316,710
		<u>Total Direct AFG Program</u>		<u>606,710</u>
TOTAL U.S. DEPT OF HOMELAND SECURITY				1,650,101
TOTAL EXPENDITURES OF FEDERAL AWARDS				\$ 53,574,676

(Continued)

CITY OF FRESNO
Schedule of Expenditures of Federal and Nonfederal Awards
For the Year Ended June 30, 2008

State or Local Grantor/Program and/or Project Title	State Agency	Pass-through Grantor	Grant Number	Total State Expenditures
CA Air Resources Board:				
Low Emission Construction Equip	ARB		G06PA14	\$ 75,756
		<u>Total Direct ARB Program</u>		<u>75,756</u>
TOTAL CA AIR RESOURCES BOARD				75,756
CA Business, Transportation and Housing Agency:				
Metro Rural Loop	BTHA		6B910025-0	125,000
		<u>Total Direct BTHA Program</u>		<u>125,000</u>
TOTAL CA BUSINESS, TRANSPORTATION & HOUSING				125,000
CA State Department of Conservation:				
Division of Recycling, Community Outreach Branch - Direct Program				
FY07 Recycling Program	DOC		2006-2008	11,477
FY08 Recycling Program	DOC		2007/2008	99,484
FY08 Multi-Family Grant	DOC		5007-406	50,000
		<u>Total Direct DOC Program</u>		<u>160,961</u>
TOTAL CA DEPT OF CONSERVATION				160,961
CA State Environmental Protection Agency:				
CA Integrated Waste Management Board - Direct Program				
07/08 Used Motor Oil Block Grant - 12th Cycle	CIWMB		UBG12-06-120	119,803
2006/2007 Waste Tire Enforcement Program	CIWMB		TEA14-06-2	171,688
2006/2007Waste Tire Cleanup & Amnesty Event Grant (CG02)	CIWMB		TCA2-06-2	107,020
2006/2007Waste Tire Cleanup & Amnesty Event Grant (CG04)	CIWMB		TCA2-06-2	8,036
2005/2006 Waste Tire Enforcement Grants	CIWMB		TEA12-05-17	8,155
CA State Environmental Protection Agency (cont):				
CA Integrated Waste Management Board - Direct Program (cont)				
2005/2006 Waste Tire Cleanup & Amnesty Event Grant (CG02)	CIWMB		TCA1-05-1	5,912
		<u>Total Direct CIWMB Program</u>		<u>420,614</u>
TOTAL CA ENVIRONMENTAL PROTECTION AGENCY				420,614
CA State Department of Finance:				
Direct Program				
2007 CA Supplemental Law Enforcement Services Program	DOF		FY07	421,655
2008 CA Supplemental Law Enforcement Services Program	DOF		FY07/08	57,084
		<u>Total Direct DOF Program</u>		<u>478,739</u>
TOTAL CA DEPARTMENT OF FINANCE				478,739

(Continued)

See Accompanying Notes to the Schedule of Expenditures of Federal and Nonfederal Awards

CITY OF FRESNO
Schedule of Expenditures of Federal and Nonfederal Awards
For the Year Ended June 30, 2008

State or Local Grantor/Program and/or Project Title	State Agency	Pass-through Grantor	Grant Number	Total State Expenditures
CA State Department of Fish and Game:				
Wildlife Conservation Board - Direct Program				
San Joaquin River Parkway Friant Road	WCB		WC-2043TC	170,964
		<u>Total Direct WCB Program</u>		<u>170,964</u>
TOTAL CA DEPARTMENT OF FISH AND GAME				170,964
CA State Department of Housing and Community Development:				
Direct Program				
Workforce Housing Reward Prog	HCD		04-WFH-024	42,169
Workforce Housing Reward Prog	HCD		05-WFH-108	5,874
CalHome Mortgage Assistance	HCD		04-CALHOME-096	4,442
CalHome Rehab	HCD		05-CALHOME-133	470,028
CalHome Rehab	HCD		06-CALHOME-185	267,773
		<u>Total HCD Program</u>		<u>790,285</u>
TOTAL CA DEPT OF HOUSING AND COMMUNITY DEVELOPMENT				790,285
CA State Department of Parks and Recreation:				
The Resources Agency - Direct Program				
Murray-Hayden Program - 2000 Bond Act	TRA		C2009603	1,250,007
Per Capita Grant Program 2003	TRA		C0207067	58,040
State Urban Parks & Healthy Communities	TRA		PH10001	236,466
		<u>Total Direct TRA Program</u>		<u>1,544,513</u>
TOTAL CA DEPARTMENT OF PARKS AND RECREATION				1,544,513
CA State Office of Emergency Services (OES):				
Pass-through Program				
CA Multi-Jurisdictional Methamphetamine Enforcement Teams FY08	OES	County of Fresno	07-186	225,389
		<u>Total Pass-through OES Program</u>		<u>225,389</u>
TOTAL CA OFFICE OF EMERGENCY SERVICES				225,389
CA State Department of Transportation:				
Aeronautics Program of the CA Transportation Commission - Direct Program				
AIP - State Match to Fed Proj #3-06-0088-09	CTC		Fre-2-04-2-Mat	2,338
AIP - State Match to Fed Proj #3-06-0088-10	CTC		Fre-2-05-1-Mat	12,373
AIP - State Match to Fed Proj #3-06-0088-11	CTC		Fre-2-06-1-Mat	345
AIP - State Match to Fed Proj #3-06-0088-12	CTC		Fre-2-06-2-Mat	1,064
AIP - State Match to Fed Proj #3-06-0088-13	CTC		Fre-2-07-1-Mat	206
AIP - State Match to Fed Proj #3-06-0088-14	CTC		Fre-2-07-2-Mat	897
		<u>Total Direct CTC Program</u>		<u>17,223</u>
				(Continued)

See Accompanying Notes to the Schedule of Expenditures of Federal and Nonfederal Awards

CITY OF FRESNO
Schedule of Expenditures of Federal and Nonfederal Awards
For the Year Ended June 30, 2008

State or Local Grantor/Program and/or Project Title	State Agency	Pass-through Grantor	Grant Number	Total State Expenditures
Division of Local Transportation Assistance - Direct Program				
Widen Peach to 4 Lanes w/ Landscaped Median and 3 Pedestrian Overcrossings	DOT		TCRP01-5060 (083)	40,746
Safe Routes to Schools @ Hildago ES along Harvy St and 5th	DOT		SR2SL 5060 (141)	15,893
Safe Routes to Schools @ Teague ES on Polk	DOT		SR2SL 5060 (140)	10,053
<u>Total Direct DOT Program</u>				<u>66,692</u>
TOTAL CA DEPARTMENT OF TRANSPORTATION				83,915
CA Transportation Commission:				
Santa Fe Station Parking Lot Project	CTC		75A0233	550,531
<u>Total Direct CTC Program</u>				<u>550,531</u>
TOTAL CA TRANSPORTATION COMMISSION				550,531
CA State Dept of the Youth Authority:				
Dickey Playground Youth Development Cntr	CYA	Chicano Youth Center	99-261-A1	1,200,870
<u>Total Pass-through Program</u>				<u>1,200,870</u>
TOTAL CA YOUTH AUTHORITY				1,200,870
Fireman's Fund Insurance Company				
Direct Program				
Chainsaws	FFIC		FF-C	10,000
Thermal Imaging Camera	FFIC		FF-TIC	14,776
<u>Total Direct FFIC Program</u>				<u>24,776</u>
TOTAL FIREMAN'S FUND INSURANCE COMPANY				24,776
National Association of County and City Health Officials				
Direct Program				
NACCHO			MRC07486	3,626
<u>Total Direct NACCHO Program</u>				<u>3,626</u>
TOTAL NACCHO				3,626
SBC:				
Direct Program				
AT&T / Fresno BEST Lab (Dickey)	SBC		2	40,608
<u>Total Direct SBC Program</u>				<u>40,608</u>
TOTAL SBC				40,608

(Continued)

See Accompanying Notes to the Schedule of Expenditures of Federal and Nonfederal Awards

CITY OF FRESNO
Schedule of Expenditures of Federal and Nonfederal Awards
For the Year Ended June 30, 2008

State or Local Grantor/Program and/or Project Title	State Agency	Pass-through Grantor	Grant Number	Total State Expenditures
San Joaquin Valley Unified Air Pollution Control District				
Direct Program				
Remove II - Electronic Mobility Component	SJVUAPCD		R-013	9,708
Remove II - E-Mobility (Recware)	SJVUAPCD		R-209	17,999
Diesel Engine Repower	SJVUAPCD		C-1961	190,119
		<u>Total Direct SJVUAPCD Program</u>		<u>217,826</u>
TOTAL SJ VALLEY UNIFIED AIR POLLUTION DISTRICT				217,826
TOTAL EXPENDITURES OF NONFEDERAL AWARDS				\$ 6,114,372

See Accompanying Notes to the Schedule of Expenditures of Federal and Nonfederal Awards

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CITY OF FRESNO
Notes to the Schedule of Expenditures of Federal and Nonfederal Awards
For the Year Ended June 30, 2008

Note 1: Basis of Presentation

The accompanying Schedule of Expenditures of Federal and Nonfederal Awards (the Schedule) presents the activity of all federal and nonfederal award programs of the City of Fresno, California (the City). The Schedule includes federal awards received directly from federal agencies, as well as federal awards passed through other agencies. The City's reporting entity is defined in Note 1 to the City's basic financial statements. Because the Schedule presents only a selected portion of the operations of the City, it is not intended to, and does not, present the financial position or changes in financial position of the City.

Note 2: Subrecipients

Of the federal expenditures presented in the Schedule, the City provided federal awards to its subrecipients as follows:

Program Title Provided	Federal CFDA Number	Amount
Community Development Block Grant Entitlement Program	14.218	\$ 114,552
Emergency Shelter Grants	14.231	\$ 319,409
HOME Investment Partnership Program	14.239	\$8,960,051

Note 3: Section 108 Loans

The City has four (4) Section 108 loans outstanding at June 30, 2008. Semi-annual payments on these Section 108 loans are made from interest earned on the restricted loan investments and from Community Development Block Grant Entitlement funds and are included in the federal expenditures for the Community Development Block Grant on the Schedule. Principal and interest payments on all four (4) loans totaled \$547,531 for the year ending June 30, 2008 of which \$268,581 was paid from Community Development Block Grant funds.

As of June 30, 2008, there is \$1,291 of unspent Section 108 loan proceeds remaining. A summary of Section 108 loans outstanding as of June 30, 2008 is as follows:

CFDA #	Grant Loan Program	Unspent Loan Proceeds as of June 30, 2008	Outstanding Loan Balances as of June 30, 2008
14.218	Section 108 Note - Fresno Pacific Towers	\$ 283	\$ -
14.218	Section 108 Note - Regional Medical Center	1,008	2,015,000
14.218	Section 108 Note - Fresno-Madera Area Agency on Aging	-	1,105,000
14.218	Section 108 Note - Neighborhood Streets/Parks	-	1,285,000
		<u>\$ 1,291</u>	<u>\$ 4,405,000</u>

CITY OF FRESNO
Notes to the Schedule of Expenditures of Federal and Nonfederal Awards
For the Year Ended June 30, 2008

Note 4: Office of Criminal Justice Planning Programs Disclosures

The following schedule represents the detail of expenditures for each Office of Criminal Justice Planning programs for the year ended June 30, 2008:

Office of Justice Programs / Office of Juvenile Justice and Delinquency Prevention

	Federal/State Match	Local Agency Match	Total
<i>Juvenile Accountability Incentive Block Grant</i>			
<i>Grant Award Number: CSA101-07</i>			
Personal Services	\$ 13,379	\$ 1,487	\$ 14,866
Operating Expenses	-	-	-
Equipment	-	-	-
	\$ 13,379	\$ 1,487	\$ 14,866
<i>Violence Against Women / Law Enforcement Specialized Units Program</i>			
<i>Grant Award Number: LE06046675</i>			
Personal Services	\$ -	\$ 15,919	\$ 15,919
Operating Expenses	47,759	-	47,759
Equipment	-	-	-
	\$ 47,759	\$ 15,919	\$ 63,678
<i>CA Multi-Jurisdictional Methamphetamine Enforcement Teams</i>			
<i>Grant Award Number: Agreement #07-186</i>			
Personal Services	\$ 225,389	\$ -	\$ 225,389
Operating Expenses	-	-	-
Equipment	-	-	-
	\$ 225,389	\$ -	\$ 225,389
Grand Total for the Criminal Justice Pass-through Programs			
Personal Services	\$ 238,768	\$ 17,406	\$ 256,174
Operating Expenses	47,759	-	47,759
Equipment	-	-	-
	\$ 286,527	\$ 17,406	\$ 303,933

CITY OF FRESNO
Notes to the Schedule of Expenditures of Federal and Nonfederal Awards
For the Year Ended June 30, 2008

Note 5: Office of Emergency Services Program Disclosures

The following schedule represents the detail of revenues and expenditures for Office of Emergency Service 2008 grant programs for the year ended June 30, 2008:

	Federal/State Match	Local Agency Match	Total
<i>Violence Against Women / Law Enforcement Specialized Units Program</i>			
<i>Grant Award Number: LE07056675</i>			
<i>Grant Period: 1/1/08 to 12/31/08</i>			
<i>Audit Period: 1/1/08 to 6/30/08</i>			
Personal Services	\$ -	\$ 10,249	\$ 10,249
Operating Expenses	30,745	-	30,745
Equipment	-	-	-
	\$ 30,745	\$ 10,249	\$ 40,994

Grand Total for the Office of Emergency Services Pass-through Programs

Personal Services	\$ -	\$ 10,249	\$ 10,249
Operating Expenses	30,745	-	30,745
Equipment	-	-	-
	\$ 30,745	\$ 10,249	\$ 40,994

CITY OF FRESNO
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2008

Section I – Summary of Auditor’s Results

Financial statements:

Type of auditor’s report issued:	Unqualified
Internal control over financial reporting:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified not considered to be material weaknesses?	Yes
Noncompliance material to financial statements noted?	No

Federal Awards:

Internal control over major programs:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified not considered to be material weaknesses?	None reported
Type of auditor’s report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?	No

Identification of major programs:

CFDA No. 14.218	Community Development Block Grant
CFDA No. 14.239	HOME Investment Partnership Program
CFDA No. 20.106	Airport Improvement Program
CFDA No. 20.205	Highway Planning and Construction
CFDA No. 20.500 / 20.507	Federal Transit Cluster
CFDA No. 16.588	Violence Against Women/Law Enforcement Specialized Units Program

Dollar threshold used to distinguish between Type A and Type B programs:	\$1,475,090
Auditee qualified as a low-risk auditee?	No

CITY OF FRESNO
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2008

Section II – Financial Statement Findings

Finding 08-01: Utility Billing Receipts

As part of the information gathering process and understating of the Utility Billing system, we noted that the general ledger software used by the City is PeopleSoft, while the utility billing software is HTE (SunGard). Currently, HTE does not automatically interface with PeopleSoft and in order to post utility billing revenue a manual journal entry is required. The posting of this journal entry is a multi-step process: daily revenue is posted to a “suspense” account in PeopleSoft, while a monthly revenue report is generated by HTE and based on this report; “actual” revenue is transferred from the suspense account to the revenue accounts. No reconciliation is performed between the suspense account revenue accounts to ensure proper recognition of utility revenue.

Recommendation

We recommend that the City create an automatic interface between the HTE System and PeopleSoft or purchase a system where the Utility Billing automatically posts to the general ledger. Until that time, we recommend that the City establish a procedure to reconcile the amount posted to the suspense account with the amount posted to the revenue accounts to ensure utility revenue is properly recognized and recorded.

Response

The H.T.E. (Sungard) system creates 40 nightly reports, some for information only, others detailing various activities (Refund process, reverse payments...) from the previous day. The Utility Billing Balancing Worksheet shows various reports (14 of 40) of activities that may or may not occur on a daily basis. The Cash Update Listing report (1 of 14) details the collection of payments received from various sources (IVR, C2G, Point of Sale...) at the customer level. The Cash Update report summarizes the receipting of those revenues based on the receivable codes identified by the various divisions (Water, Sewer...). The revenues identified in H.T.E. are verified in PeopleSoft (through a manual process). The reconciling process basically involves the use of the Cash Update Listing less any transactions not considered revenue. These are then compared to entries made in PeopleSoft and with credit card transactions, including timing differences. The City is actively working toward developing an interface between HTE and the PeopleSoft System such that manual adjustments and the labor intensive manual reconciliation process could be expedited or automated entirely. Due to the complexity of the HTE system and the numerous codes utilized, the system must be analyzed in its entirety prior to any system changes being proposed. The total reconciliation of the two systems between one another is certainly a top priority for the Finance Department with dedicated resources being assigned to this project.

Section III – Federal Award Findings and Questioned Costs

None reported.

CITY OF FRESNO
Summary Schedule of Prior Audit Findings
Year ended June 30, 2008

Finding 2006-1: Inventory and Valuation of Capital Assets

The City does not consistently perform an inventory of all capital assets owned as required per A-102 Common Rule.

Status of Corrective Action

This finding was corrected.

Finding 2007-1: Accounts Payable and Retentions Payable for Construction Projects

A liability related to services rendered for a wastewater construction project, including retention, as of June 30, 2007 was not properly accrued for at fiscal year end, which resulted in an audit adjustment. The City did not capture this liability during the City's year-end search for unrecorded liabilities due to payment made through wire transfer, and the City's procedures only capture liabilities paid via check.

Status of Corrective Action

This finding was corrected.