

CITY OF FRESNO
Single Audit Reports
For the Year Ended June 30, 2009

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For the Year Ended June 30, 2009

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WALNUT CREEK

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, 2009, which collectively comprise the City's basic financial statements and have issued our report thereon dated February 24, 2010. Our report was modified to include a reference to other auditors. 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. Other auditors audited the financial statements of the City of Fresno Redevelopment Agency, the City of Fresno Employees Retirement System, and the City of Fresno Fire and Police Retirement System, as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City'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 the internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. However, we consider the deficiency described in the accompanying schedule of findings and questioned costs as finding 09-01 to be a material weakness.

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 entity'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 entity's financial statements 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 a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the 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 the 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 consider the deficiency described in the accompanying schedule of findings and questioned costs as finding 09-01 to be 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 in a separate letter dated February 24, 2010.

The City'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'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, 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.



Certified Public Accountants
Newport Beach, California

February 24, 2010



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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 Nonfederal 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, 2009. 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's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

The City's basic financial statements include the operations of the City of Fresno Redevelopment Agency (Agency), which had no federal award expenditures. Our audit, described below, did not include the operations of the Agency because the Agency engaged other auditors to perform an audit in accordance with OMB A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

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 requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

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 and Nonfederal 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, 2009, which collectively comprise the City's basic financial statements and have issued our report thereon dated February 24, 2010. Our report was modified to include a reference to other auditors. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise the City's basic financial statements. Other auditors audited the financial statements of the City of Fresno Redevelopment Agency, the City of Fresno Employees Retirement System, and the City of Fresno Fire and Police Retirement System, as described in our report on the City's financial statements. The accompanying schedule of expenditures of federal and nonfederal awards is presented for purposes of additional analysis as required by OMB Circular A-133 for federal awards and the City's preference for nonfederal awards 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, 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.



Certified Public Accountants
Newport Beach, California

February 24, 2010

CITY OF FRESNO
Schedule of Expenditures of Federal and Nonfederal Awards
For the Year Ended June 30, 2009

<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 Commerce:				
Pass-through Program				
Public Safety Interoperable Communications Grant Program PSIC	11.555	CA Office of Homeland Security	2007-2008	\$ 540,132
		<u>Total Pass-through US DOC Program</u>		<u>540,132</u>
TOTAL U.S. DEPARTMENT OF COMMERCE				540,132
U.S. Department of Housing and Urban Development:				
Entitlement Grants Cluster				
Community Development Block Grants / Entitlement Grants - Direct Program				
FY09 Community Development Block Grant	14.218		B-08-MC-06-001	8,244,754
FY08 Community Development Block Grant	14.218		B-07-MC-06-001	108,535
FY07 Community Development Block Grant	14.218		B-06-MC-06-001	211,916
FY05 Community Development Block Grant	14.218		B-04-MC-06-001	34,771
		<u>Total Direct CDBG Program</u>		<u>8,599,976</u>
Emergency Shelter Grants Program - Direct Program				
FY09 Emergency Shelter Grant	14.231		S-08-MC-06-001	242,302
FY08 Emergency Shelter Grant	14.231		S-07-MC-06-001	82,387
		<u>Total Direct ESG Program</u>		<u>324,689</u>
HOME Investment Partnerships Program - Direct Program				
FY09 HOME	14.239		M-08-MC-06-0204	408,797
FY08 HOME	14.239		M-07-MC-06-0204	1,632,541
FY07 HOME	14.239		M-06-MC-06-0204	426,400
FY05 HOME	14.239		R-04-MC-06-0204	5,810
FY04 HOME	14.239		R-03-MC-06-0204	136,288
		<u>Total Direct HOME Program</u>		<u>2,609,836</u>
Community Development Block Grants/Brownfields Economic Initiative - Direct Program				
EDI Special Projects - Redevelopment of Roeding Business Park	14.246		B-03-SP-CA-0112	313,427
EDI Grant - One by One Leadership	14.246		B-02-SP-CA-0064	89,891
		<u>Total Direct EDI Program</u>		<u>403,318</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	FY07/08	9,901
HUD Capital Funding Grant Program FY08/09	14.872	Housing Authority of Fresno	FY08/09	118,750
		<u>Total Pass-through PHCF Program</u>		<u>128,651</u>

CITY OF FRESNO
Schedule of Expenditures of Federal and Nonfederal Awards
For the Year Ended June 30, 2009

<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 (cont):				
Office of Healthy Homes and Lead Hazard Control - Direct				
ARRA 2009/2012 Lead-Based Paint Hazard Control in Privately-Owned Housing	14.907		CALHB0433-08	4,357
			<u>Total Direct ARRA-OHHLHC</u>	<u>4,357</u>
TOTAL U.S. DEPT HOUSING AND URBAN DEVELOPMENT				12,070,827
U.S. Department of Interior:				
Outdoor Recreation, Acquisition, Development and Planning - Pass-through Program				
AI Radka Park Development	15.916	CA Department of Parks and Recreation	C8944015	15,366
			<u>Total Pass-through UPARR Program</u>	<u>15,366</u>
TOTAL U.S. DEPARTMENT OF INTERIOR				15,366
U.S. Department of Justice:				
Direct Program				
Department of Justice Seized Assets	16.000		n/a	793,918
			<u>Total Direct DOJ Program</u>	<u>793,918</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	422,994
			<u>Total Direct NIJ Program</u>	<u>422,994</u>
Office of Justice Programs / Bureau of Justice Assistance - Direct Program				
Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	16.580		2007-DD-BX-0683	121,713
			<u>Total Direct BJA Program</u>	<u>121,713</u>
Office of Justice Programs - Pass-through Program				
FY08 Violence Against Women/Law Enforcement Specialized Units Program	16.588	CA Office of Emergency Services	LE07056675	55,338
			<u>Total Pass-through OJP Program</u>	<u>55,338</u>
Office of Justice Programs / Office of Weed and Seed - Pass-through Program				
Community Capacity Development Office (Weed and Seed Central)	16.595	United Way of Fresno County	2008-WS-QX-0236	15,712
			<u>Total Pass-through OJP-OWS Program</u>	<u>15,712</u>

CITY OF FRESNO
Schedule of Expenditures of Federal and Nonfederal Awards
For the Year Ended June 30, 2009

<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				
Bulletproof Vest Partnership Program FY07	16.607		FY07/08	52,000
		<u>Total Direct OJP-BJA Program</u>		<u>52,000</u>
Office of Community Oriented Policing Services - Direct Program				
Public Safety Partnership and Community Policing Grants (COPS Meth)	16.710		2007CKWX0290	188,581
		<u>Total Direct OCOPS Program</u>		<u>188,581</u>
Office of Justice Programs / Office of Juvenile Justice and Delinquency Prevention - Pass-through Program				
Enforcing Underage Drinking Laws Program (ABC FY09)	16.727	CA Dept of Alcoholic Beverage Control	08G-LA35	98,510
		<u>Total Pass-through OJP-JDP Program</u>		<u>98,510</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	16,576
Edward Byrne Memorial Justice Assistance Grant Program '07	16.738		2007-DJ-BX-0161-5	179,692
Edward Byrne Memorial Justice Assistance Grant Program '08	16.738		2008-DJ-BX-0171	51,447
		<u>Total Direct BJA Program</u>		<u>247,715</u>
National Institute of Justice - Pass-through Program				
Paul Coverdell Forensic Sciences Improvement Grant (CalGrip 08)	16.742	Office of Emrgy Svcs	GR0716675	203,582
		<u>Total Pass-through NIJ Program</u>		<u>203,582</u>
TOTAL U.S. DEPARTMENT OF JUSTICE				2,200,063
U.S. Department of Transportation:				
Federal Aviation Administration - Direct Program				
Airport Improvement Program - ARRA				
ARRA: AIP-57 FF09	20.106		3-06-0087-57	21,240
		<u>Total Direct FAA ARRA Program</u>		<u>21,240</u>

CITY OF FRESNO
Schedule of Expenditures of Federal and Nonfederal Awards
For the Year Ended June 30, 2009

<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):				
Federal Aviation Administration - Direct Program (cont)				
Airport Improvement Program - Non ARRA				
AIP-48 FF05	20.106		DTFA08-05-C-31585	405,315
AIP-49 FF06	20.106		DTFA08-06-C-31718	88,273
AIP-50 FF06	20.106		DTFA08-06-C-31686	2,502,618
AIP-51 FF07	20.106		3-06-0087-51	3,443,331
AIP-52 FF07	20.106		3-06-0087-52	1,083,315
AIP-53 FF08	20.106		3-06-0087-53	224,434
AIP-54 FF08	20.106		3-06-0087-54	1,932,300
AIP-55 FF08	20.106		3-06-0087-55	767,570
AIP-56 FF09	20.106		3-06-0087-56	234,370
AIP-12 FF06	20.106		DTFA08-06-C-31730	30,341
AIP-13 FF07	20.106		3-06-0088-13	37,194
AIP-14 FF07	20.106		3-06-0088-14	23,473
AIP-15 FF08	20.106		3-06-0088-15	96,090
<u>Total Direct FAA Non-ARRA Program</u>				<u>10,868,624</u>
 <i>Highway Planning and Construction Cluster</i>				
Federal Highway Administration - Pass-through Program				
Highway Planning and Construction Program				
	20.205	CA State Department of Transportation	Master Agreement 06-5060	8,821,583
<u>Total Pass-through FHWA Program</u>				<u>8,821,583</u>
 <i>Federal Transit Cluster</i>				
Federal Transit Capital Investment Grants - Direct Program				
FY04/05 Federal Transit Capital Investment Grants Bus Purchase	20.500		CA-03-0667-00	37,874
FY05/06 Federal Transit Capital Investment Grants Fresno Bus Program (6 paratransit, 1 forty ft hybrid bus)	20.500		CA-03-0794	18,654
FY06/07 Urban Mass Transportation Capital, CMAQ	20.500		CA-95-X038	628,072
FY07/08 Urban Mass Transportation Capital, CMAQ	20.500		CA-95-X071	2,283,200
<u>Total Direct FTA Program</u>				<u>2,967,800</u>
 Federal Transit Administration - Direct Program - ARRA				
ARRA - Federal Transit - Formula Grants (FY09 Grant #CA96X011)	20.507		CA-96-X011	102,935
<u>Total Direct FTA ARRA Program</u>				<u>102,935</u>

CITY OF FRESNO
Schedule of Expenditures of Federal and Nonfederal Awards
For the Year Ended June 30, 2009

<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):				
Federal Transit Administration - Direct Program - Non-ARRA				
Federal Transit - Formula Grants:				
FY98 Urban Mass Transportation Capital, Planning, Operating Assistance	20.507		CA-90-X892-00	1,282
FY00 Urban Mass Transportation Capital, Planning, Operating Assistance	20.507		CA-90-Y021-00	8,149
FY04 Urban Mass Transportation Capital, Planning, Operating Assistance	20.507		CA-90-Y309-00	115,919
FY05 Urban Mass Transportation Capital, Planning, Operating Assistance	20.507		CA-90-Y367-00	17,708
FY06 Urban Mass Transportation Capital, Planning, Operating Assistance	20.507		CA-90-Y494-00	33,905
FY07 Urban Mass Transportation Capital, Planning, Operating Assistance	20.507		CA-90-Y595	45,500
FY08 Urban Mass Transportation Capital, Planning, Operating Assistance	20.507		CA-90-Y622	35,160
FY09 Urban Mass Transportation Capital, Planning, Operating Assistance	20.507		CA-90-Y699-00	8,240,298
			<u>Total Direct FTA Non-ARRA Program</u>	<u>8,497,921</u>
			<u>Total Federal Transit Cluster</u>	<u>11,568,656</u>
 <i>Highway Safety Cluster</i>				
National Highway Traffic Safety Administration - Pass-through Program				
State and Community Highway Safety:				
UC Sobriety Checkpoint (FY08)	20.600	CA Office of Traffic Safety	SC08151	110,870
UC Sobriety Checkpoint (FY09)	20.600	CA Office of Traffic Safety	SC09151	220,180
Click It or Ticket FY09	20.600	CA Office of Traffic Safety	CT09151	73,326
Selective Traffic Enforcement Program (STEP)	20.600	CA Office of Traffic Safety	PT0711	133,064
DUI Enforcement and Awareness Program	20.600	CA Office of Traffic Safety	AL0914	255,675
			<u>Total Pass-through NHTSA Program</u>	<u>793,115</u>
TOTAL U.S. DEPARTMENT OF TRANSPORTATION				32,073,218
 U.S. Department of Treasury:				
Direct Program				
Department of Treasury Seized Assets	21.000		n/a	13,701
			<u>Total Direct DOT Program</u>	<u>13,701</u>
TOTAL U.S. DEPARTMENT OF TREASURY				13,701

CITY OF FRESNO
Schedule of Expenditures of Federal and Nonfederal Awards
For the Year Ended June 30, 2009

<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>
Environmental Protection Agency:				
Office of Water - Direct Program				
Surveys, Studies, Investigations, Demonstrations, and Training Grants (Surface Water Treatment Facility Supply Pipeline)	66.424		XP-96960901-0	280,315
			<u>Total Direct Safe Drinking Water Program</u>	<u>280,315</u>
TOTAL ENVIRONMENTAL PROTECTION AGENCY				280,315
U.S. Department of Health and Human Services:				
Office of the Secretary - Direct Program				
Medical Reserve Corps Small Grant Program :				
National Association of County and City Health Officials (NACCHO) 7/2/07-7/31/07	93.008		MRC07486	6,374
National Association of County and City Health Officials (NACCHO) 1/22/08-7/31/08	93.008		MRC080036	2,929
			<u>Total Direct Office of the Secretary</u>	<u>9,303</u>
Administration on Aging - Pass-through Program				
Aging Cluster				
Special Programs for the Aging - Title III, Part C - Nutrition Services (Senior Hot Meals on Wheels)	93.045	Fresno/Madera Area Agency on Aging	FY07	47,804
			<u>Total Pass-through AA Program</u>	<u>47,804</u>
U.S. Department of Health and Human Services (cont):				
Administration for Children and Families - Pass-through Program				
Children's Justice Grants to States (Children Exposed to Domestic Violence)	93.643	Office of Emergency Services	EV08016675	44,690
			<u>Total Pass-through ACF Program</u>	<u>44,690</u>
TOTAL U.S. DEPT OF HEALTH AND HUMAN SERVICES				101,797

CITY OF FRESNO
Schedule of Expenditures of Federal and Nonfederal Awards
For the Year Ended June 30, 2009

<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:				
State Domestic Preparedness Equipment Support Program - Pass-through Program				
FY07 Homeland Security Grant	97.004	Fresno County / CA Office of Emergency Services	FY07 Homeland - Equip	7,412
FY07 Homeland Security Grant	97.004	Fresno County / CA Office of Emergency Services	FY07 Homeland - Training	44,070
FY08 Homeland Security Grant	97.004	Fresno County / CA Office of Emergency Services	FY08 Homeland - Training	51,784
FY06 Homeland Security Grant	97.004	Fresno County / CA Office of Emergency Services	2006-0071	1,000
FY07 Homeland Security Grant	97.004	Fresno County / CA Office of Emergency Services	2007-0008	325,104
FY08 Homeland Security Grant	97.004	Fresno County / CA Office of Emergency Services	2008-0006	195,943
<u>Total Pass-through SDPES Program</u>				<u>625,313</u>
Citizen Corps Program - Pass-through Program				
Americorp 07-08	97.053	State of CA Governor's Office on Service and Volunteerism	07AC072986	4,250
Americorp 08-09	97.053	State of CA Governor's Office on Service and Volunteerism	08AC083998	8,493
<u>Total Pass-through CC Program</u>				<u>12,743</u>
Metropolitan Medical Response System - Direct Program				
FY07 Metropolitan Medical Response System	97.071		2006-0071 MMRS07	96,327
FY08 Metropolitan Medical Response System	97.071		MMRS08	127,179
<u>Total Direct MMRS Program</u>				<u>223,506</u>
Assistance to Firefighters Grant Program - Direct Program				
Staffing for Adequate Fire and Emergency Response (SAFER) Grant FY05	97.083		EMW-2005-FF-02473	180,000
Staffing for Adequate Fire and Emergency Response (SAFER) Grant FY06	97.083		EMW-2006-FF-03625	318,303
<u>Total Direct AFG Program</u>				<u>498,303</u>
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY				1,359,865
TOTAL EXPENDITURES OF FEDERAL AWARDS				\$ 48,655,284

CITY OF FRESNO
Schedule of Expenditures of Federal and Nonfederal Awards
For the Year Ended June 30, 2009

State or Local Grantor/Program and/or Project Title	State Agency	Pass-through Grantor	Grant Number	Total State/Local Expenditures
CA Air Resources Board:				
Low Emission Construction Equip	ARB		G06PA14	\$ 19,300
			<u>Total Direct ARB Program</u>	<u>19,300</u>
TOTAL CA AIR RESOURCES BOARD				19,300
CA State Department of Conservation:				
Division of Recycling, Community Outreach Branch - Direct Program				
FY08 Recycling Program	DOC		2007/2008	22,107
FY09 Recycling Program	DOC		2008/2009	127,997
FY08 Multi-Family Grant	DOC		5007-406	148,555
			<u>Total Direct DOC Program</u>	<u>298,659</u>
TOTAL CA DEPARTMENT OF CONSERVATION				298,659
CA State Environmental Protection Agency:				
CA Integrated Waste Management Board - Direct Program				
08/09 Used Motor Oil Block Grant - 13th Cycle	CIWMB		UBG13-07-96	109,520
2007/2008 Waste Tire Enforcement Program	CIWMB		TEA15-07-20	126,056
2007/2008 Waste Tire Cleanup & Amnesty Event Grant	CIWMB		TCA3-07-15	118,403
2006/2007 Waste Tire Enforcement Program	CIWMB		TEA14-06-2	5,790
2006/2007 Waste Tire Cleanup & Amnesty Event Grant (CG02)	CIWMB		TCA2-06-2	7,246
2006/2007 Waste Tire Cleanup & Amnesty Event Grant (CG04)	CIWMB		TCA2-06-2	1,718
			<u>Total Direct CIWMB Program</u>	<u>368,732</u>
TOTAL CA ENVIRONMENTAL PROTECTION AGENCY				368,732
CA State Department of Finance:				
Direct Program				
2007 CA Supplemental Law Enforcement Services Program	DOF		FY07	74,249
2008 CA Supplemental Law Enforcement Services Program	DOF		FY07/08	732,763
2009 CA Supplemental Law Enforcement Services Program	DOF		FY09	354,747
Prop 1B	DOF		Prop 1B	1,665,060
			<u>Total Direct DOF Program</u>	<u>2,826,819</u>
TOTAL CA DEPARTMENT OF FINANCE				2,826,819
CA State Department of Fish and Game:				
Wildlife Conservation Board - Direct Program				
San Joaquin River Parkway L. Eaton Trail	WCB		WC-1032SW	8,028
San Joaquin River Parkway Friant Road	WCB		WC-2043TC	38,034
			<u>Total Direct WCB Program</u>	<u>46,062</u>
TOTAL CA DEPARTMENT OF FISH AND GAME				46,062

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, 2009

State or Local Grantor/Program and/or Project Title	State Agency	Pass-through Grantor	Grant Number	Total State/Local Expenditures
CA State Department of Housing and Community Development:				
Direct Program				
Community Code Enforcement Incentive Program	HCD		02-CEGP-8	7,743
Workforce Housing Reward Prog 2005	HCD		05-WFH-108	66,931
CalHome Rehab 2006	HCD		06-CALHOME-185	144,036
			<u>Total HCD Program</u>	<u>218,709</u>
TOTAL CA DEPT OF HOUSING AND COMMUNITY DEVELOPMENT				218,709
CA State Department of Parks and Recreation:				
The Resources Agency - Direct Program				
Murray-Hayden Program - 2000 Bond Act	TRA		C2009603	147,750
Roberti-Z'berg-Harris Urban Open Space & Recreation Block Grant 2003	TRA		C0209852	109,780
State Urban Parks & Healthy Communities	TRA		PH10001	264,965
			<u>Total Direct TRA Program</u>	<u>522,495</u>
TOTAL CA DEPARTMENT OF PARKS AND RECREATION				522,495
CA Department of Public Health:				
Childhood Lead Poisoning Prevention Branch				
2009/2011 Childhood Lead Poisoning Prevention	CDPH		08-85053	168,448
			<u>Total Direct CDPH</u>	<u>168,448</u>
TOTAL CA DEPARTMENT OF PUBLIC HEALTH				168,448
CA State Department of Transportation:				
DOT Direct Program				
Litter Inmate Cleanup Program	CA DOT		06a1399	59,859
			<u>Total DOT Program</u>	<u>59,859</u>
Aeronautics Program of the CA Transportation Commission - Direct Program				
AIP - State Match to Fed Proj #3-06-0088-12	CTC		Fre-2-06-2-Mat	759
AIP - State Match to Fed Proj #3-06-0088-13	CTC		Fre-2-07-1-Mat	930
AIP - State Match to Fed Proj #3-06-0088-14	CTC		Fre-2-07-2-Mat	587
AIP - State Match to Fed Proj #3-06-0088-15	CTC		Fre-2-08-1-Mat	2,402
			<u>Total Direct CTC Program</u>	<u>4,678</u>
Division of Local Transportation Assistance - Direct Program				
Highway Research, Planning & Construction Program [State Portion]	DOT		Master Agreement 06-5060	264,828
			<u>Total Direct DOT Program</u>	<u>264,828</u>
TOTAL CA DEPARTMENT OF TRANSPORTATION				329,365
CA Transportation Commission:				
Santa Fe Station Parking Lot Project	CTC		75A0233	72,322
			<u>Total Direct CTC Program</u>	<u>72,322</u>
TOTAL CA TRANSPORTATION COMMISSION				72,322

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, 2009

State or Local Grantor/Program and/or Project Title	State Agency	Pass-through Grantor	Grant Number	Total State/Local Expenditures
Fireman's Fund Insurance Company				
Direct Program				
Flashover Simulator	FFIC		FF-FS	30,000
		<u>Total Direct FFIC Program</u>		30,000
TOTAL FIREMAN'S FUND INSURANCE COMPANY				30,000
Pacific Gas & Electric				
Direct Program				
PG&E Cooling Center	PGE		PGE-FY09	3,501
		<u>Total Direct PGE Program</u>		3,501
TOTAL PACIFIC GAS & ELECTRIC				3,501
SBC:				
Direct Program				
AT&T / Fresno BEST Lab (Dickey)	SBC		2	7,981
		<u>Total Direct SBC Program</u>		7,981
TOTAL SBC				7,981
San Joaquin Valley Unified Air Pollution Control District				
Direct Program				
Remove II - E-Mobility (Recware)	SJVUAPCD		R-209	71,902
		<u>Total Direct SJVUAPCD Program</u>		71,902
TOTAL SAN JOAQUIN VALLEY UNIFIED AIR POLLUTION DISTRICT				71,902
TOTAL EXPENDITURES OF NONFEDERAL AWARDS				\$ 4,984,296

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

CITY OF FRESNO
Notes to the Schedule of Expenditures of Federal and Nonfederal Awards
For the Year Ended June 30, 2009

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, federal awards passed through other agencies, and nonfederal awards. The City's reporting entity is defined in Note 1 to the City's basic financial statements. The basic financial statements of the City include the operations of the City of Fresno Redevelopment Agency, which had no federal award expenditures for the year ended June 30, 2009. The Agency issued a separate audit report on its 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 operations of the City as a whole.

The accompanying Schedule is presented on the modified-accrual basis of accounting. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

In addition, the Schedule reflects certain adjustments resulting from grant close-outs and transfers of expenditures between grants. As a result, certain grants could show negative expenditures.

Note 2: Subrecipients

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

<u>Program Title Provided</u>	<u>Federal CFDA Number</u>	<u>Amount</u>
Community Development Block Grant Entitlement Program	14.218	\$ 34,771
Emergency Shelter Grants	14.231	307,856
HOME Investment Partnership Program	14.239	1,947,242

CITY OF FRESNO
Notes to the Schedule of Expenditures of Federal and Nonfederal Awards
For the Year Ended June 30, 2009

Note 3: Section 108 Loans

The City has four (4) Section 108 loans outstanding at June 30, 2009. 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 \$549,834 for the year ended June 30, 2009 of which \$549,826 was paid from Community Development Block Grant funds.

As of June 30, 2009, there is \$283 of unspent Section 108 loan proceeds remaining. A summary of Section 108 loans outstanding as of June 30, 2009 is as follows:

<u>Grant Loan Program</u>	<u>Proceed as of June 30, 2009</u>	<u>Loan Balances as of June 30, 2009</u>
Section 108 Note - Fresno Pacific Towers	\$ 283	\$ -
Section 108 Note - Regional Medical Center	-	1,870,000
Section 108 Note - Fresno-Madera Area Agency on Aging	-	1,040,000
Section 108 Note – Neighborhood Streets/Parks	-	1,233,000
	<u>\$ 283</u>	<u>\$ 4,143,000</u>

Note 4: Office of Emergency Services Program Disclosures

The following schedule represents the detail of revenues and expenditures for Office of Emergency Service 2008 grant programs CFDA No. 16.588 for the year ended June 30, 2009:

	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: 7/1/08 to 6/30/09</i>			
Personal Services	\$ 16,331	\$ 18,447	\$ 34,778
Operating Expenses	39,007	-	39,007
Equipment	-	-	-
Grand Total for the Office of Emergency Services Pass-through Programs	<u>\$ 55,338</u>	<u>\$ 18,447</u>	<u>\$ 73,785</u>

CITY OF FRESNO
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2009

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?	Yes
• Significant deficiency(ies) identified not considered to be material weaknesses?	No
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
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Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?	No
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Identification of major programs:

CFDA No. 20.106	Airport Improvement Program
CFDA No. 20.205	Highway Planning and Construction
	Federal Transit Cluster:
CFDA No. 20.500	Federal Transit - Capital Investment Grants
CFDA No. 20.507	Federal Transit - Formula Grants
CFDA No. 16.588	Violence Against Women/Law Enforcement Specialized Units Program

Dollar threshold used to distinguish between Type A and Type B programs:	\$1,459,659
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Auditee qualified as a low-risk auditee?	Yes
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CITY OF FRESNO
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2009

Section II – Financial Statement Findings

Finding 09-01: Fund Financial Statements Revenue Recognition Procedures under Modified Accrual Basis of Accounting

Criteria:

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when they are “susceptible to accrual”, that is when they are both measurable and available to finance expenditures of the fiscal period. As disclosed in Note 2 (b) to the City’s basic financial statements, it is the City’s policy to recognize revenues when available, which is defined as collected within 60 days after year-end. Under generally accepted accounting principles (GAAP), “available” means collectible within the current period or soon enough thereafter to be used to pay the City’s liabilities of the current period. Application of “susceptibility to accrual” criterion requires judgment, consideration of the materiality of the item in question, and due regard to practicality of accrual, as well as consistency in application.

Observation:

During our audit, we noted that the City understated deferred revenue and overstated revenue in the fund financial statements at June 30, 2009 related to the Grants Fund. This resulted in a material audit adjustment of \$2,333,675. The misstatement was the result of miscommunication of grant revenue activity occurring subsequent to the balance sheet date.

Recommendation:

We recommend the City develop a procedure to improve communication between and within departments to ensure all activity which occurs subsequent to the balance sheet date is appropriately reflected in the financial statements.

Management Response:

GASB 33 establishes and provides accounting and financial reporting guidance with respect to Grant Revenues. Federal and state grants are usually either non-reimbursable grants or expenditure driven grants. Non-reimbursable grants are usually received up front and recorded as revenue at the time of receipt and not contingent on incurring an expenditure. Expenditure-driven grants are non exchange transactions which require revenue to be recorded after the expenditures are incurred and are equal to the expenditures. Under GASB 33, for grants where cash is received up-front the entry normally would be to debit Cash and credit to Deferred Revenue until such time as the associated expenditures are incurred. Since the City reflects most transactions on the Cash Basis, the Department receiving any grant would record a debit to Cash and a Credit to Revenue.

Since the City predominantly has received grants whereby the expenditures are first incurred and then reimbursed through a grant draw, at June 30, 2009, during their search for unrecorded receivables and unrecorded liabilities, the CAFR team mistakenly accrued expenditure-drive Grant monies. The monies were received in July for a grant dated in June. Since the team members had no reason to suspect otherwise, they assumed that the funds were reimbursing expenditures all ready incurred. As noted

CITY OF FRESNO
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2009

above, the City has not had the benefit of many expenditure-driven grants whereby monies are received in advance of the incurrence of expenditures. On a go-forward basis the Departments will continue to record grants when the money is received and will do so as Revenue, however the CAFR team will appropriately adjust out of Revenue and into Deferred Revenue any expenditure-driven grant receipts that have not incurred the associated expenditures. The accrual at June 30, 2009 was simply a misunderstanding as to the type of grant that had been received. The team is also aware that ARRA grants will need to be examined more carefully to ensure that the appropriate reorganization or deferral takes place.

Several procedures have been put into place to ensure this type of confusion does not occur in the future:

- The Grant spreadsheet that is prepared to assist with the completion of the Single Audit is being revised to include a column to indicate whether the particular grant or portions of the grant are expenditure-driven. This should alert the CAFR team to watch for grant receipts and to explore the nature of the grant with the in-house Finance Department Grant Coordinator and/or the department receiving the grant funds to ensure proper recording. Finance will also be requesting that when departments are posting grant revenue receipts into PeopleSoft that they enter the grant ID# in the description line or in the journal line reference to assist Finance in identifying the grant specifics which will assist both the Single Audit, ARRA Reporting and CAFR accruals.
- Beginning with the 2010 CAFR, all CAFR adjustments, will be formally reviewed by the Finance Department's Controller, Assistant Controller, and/or Grant Coordinator prior to posting to ensure that adjustments are not impacted or subject to information known only to the Department Director, Assistant Director, or Grant Coordinator. There may be instances where information has come to the attention of these individuals which has not been communicated or filtered through to members of the CAFR team; information which could significantly impact the proposed CAFR adjustment.

Section III – Federal Award Findings and Questioned Costs

None reported.

CITY OF FRESNO
Summary Schedule of Prior Audit Findings
Year ended June 30, 2009

Finding 08-01: Utility Billing Receipts

The City does not perform a reconciliation between the utility receipts posted to the general ledger and the utility receipts posted in the utility billing system H.T.E.

Status of Corrective Action

This finding was corrected.