

City of Fresno

Compliance Reports and Other Financial Information
Year Ended June 30, 2005

McGladrey & Pullen

Certified Public Accountants

McGladrey & Pullen, LLP is a member firm of RSM International,
an affiliation of separate and independent legal entities.

Contents

Schedule of Expenditures of Federal and State Awards	1-11
Notes to schedule of expenditures of federal and state awards	12 and 13
<hr/>	
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 <i>Government Auditing Standards</i>	14 and 15
Compliance with requirements applicable to each major program and internal control over compliance in accordance with OMB Circular A-133 and on the schedule of expenditures of federal and state awards	16 and 17
<hr/>	
Schedule of Findings and Questioned Costs	18-20
<hr/>	
Summary Schedule of Prior Year Audit Findings	21 and 22
<hr/>	
Independent Accountant's Report on Applying Agreed-upon Procedures	23 and 24
Appropriations limit calculation	25
<hr/>	

City of Fresno

Schedule of Expenditures of Federal and State Awards
Year Ended June 30, 2005

Federal Grantor/Pass-through Grantor/Program and/or Project Title	Federal CFDA Number	Pass-through Grantor	Pass-through Entity Identifying Number or Grant Number	Federal Expenditures
U.S. Department of Housing and Urban Development Entitlement Cluster				
Community Development Block Grants/Entitlement Grants, Direct Program				
FY05 Community Development Block Grant	14.218		B-04-MC-06-001	\$ 8,475,336
FY04 Community Development Block Grant	14.218		B-03-MC-06-001	312,825
FY03 Community Development Block Grant	14.218		B-02-MC-06-001	5,138
Total Direct CDGB Program				<u>8,793,299</u>
Emergency Shelter Grant Program, Direct Program				
FY05 Emergency Shelter Grant	14.231		S-04-MC-001	309,470
FY04 Emergency Shelter Grant	14.231		S-03-MC-001	68,562
Total Direct ESG Program				<u>378,032</u>
HOME Investment Partnership Program, Direct Program				
FY05 HOME	14.239*		R-04-MC-06-0205	4,015,564
FY04 HOME	14.239*		R-06-MC-06-0205	1,545,827
FY03 HOME	14.239*		R-02-MC-06-0205	335,220
FY02 HOME	14.239*		R-01-MC-06-0205	75,496
FY00 HOME	14.239*		R-99-MC-06-0206	6,826
Total Direct HOME Program				<u>5,978,933</u>
EDI, Direct Program	14.246		B-03-SP-CA-0112	1,282
Total Direct EDI Program				<u>1,282</u>
HUD Capital Funding Grant Program and Additional Security and Protection Services, Pass-through Program				
	14.872	Housing Authority of Fresno	03-21-05	52,116
Total Pass-through HUD Program				<u>52,116</u>
<i>Total U.S. Department of Housing and Urban Development</i>				<u>15,203,662</u>

* Denotes major program.

** Program expenditure is net of local match requirement.

CFDA—Catalog of Federal Domestic Assistance

N/A—Not applicable and/or available

See Notes to Schedule of Expenditures of Federal and State Awards.

City of Fresno

Schedule of Expenditures of Federal and State Awards, Continued
Year Ended June 30, 2005

Federal Grantor/Pass-through Grantor/Program and/or Project Title	Federal CFDA Number	Pass-through Grantor	Pass-through Entity Identifying Number or Grant Number	Federal Expenditures
U.S. Department of Interior				
Historic Preservation, Pass-through Program— 2003 California Historic Preservation Fund, Bungalow Court Survey	15.904	CA Department of Parks and Recreation	C8939540	\$ 5,000
Total Pass-through HPF Program				5,000
Urban Park and Recreation Recovery, Direct Program Rehab of Frank H Ball Playground	15.919		06CTY137000101	87,151
Total Direct UPARR Program				87,151 **
Urban Park and Recreation Recovery, Pass-through Program—Development of Victoria West Park	15.919	CA Department of Parks and Recreation	C8939007	13,144
Total Pass-through UPARR Program				13,144 **
National Park Service, Pass-through Program— Rivers, Trails and Conservation Assistance for San Joaquin Parkway/MacMichael Loop	15.921	CA Department of Parks and Recreation, San Joaquin River Conservancy	SJRC0301	139,938
Total Pass-through NPS Program				139,938
	<i>Total U.S. Department of Interior</i>			245,233
U.S. Department of Justice				
Office of Justice Programs/Office of Juvenile Justice and Delinquency Prevention, Pass-through Program— Juvenile Accountability Block Grant (JABG 04)	16.523	CA Board of Corrections	BDC101-04	105,741 **
Total Pass-through OJJDP Program				105,741
Office of Justice Programs, Pass-through Program— FY05 Violence Against Women Law Enforcement Specialized Units Program	16.588	CA Office of Emergency Services	LEO4026675	95,701 **
Total Pass-through OJP Program				95,701

* Denotes major program.

** Program expenditure is net of local match requirement.

CFDA—Catalog of Federal Domestic Assistance

N/A—Not applicable and/or available

See Notes to Schedule of Expenditures of Federal and State Awards.

City of Fresno

Schedule of Expenditures of Federal and State Awards, Continued
Year Ended June 30, 2005

Federal Grantor/Pass-through Grantor/Program and/or Project Title	Federal CFDA Number	Pass-through Grantor	Pass-through Entity Identifying Number or Grant Number	Federal Expenditures
U.S. Department of Justice, Continued				
Office of Justice Programs/Bureau of Justice Assistance, Direct Program				
2002 Local Law Enforcement Block Grants	16.592		2002LBBX2500	\$ 498,245
2003 Local Law Enforcement Block Grants	16.592		2003-LB-BX-0099	138,278
Total Direct BJA Program				636,523 **
Office of Justice Programs/Office of Weed and Seed, Pass-through Program				
2002 Weed and Seed	16.595	United Way of Fresno County	2002-WS-QX-0025	4,972
2003 Weed and Seed SW	16.595	United Way of Fresno County	2004-WS-Q4-0047	63,528
2003 Weed and Seed SE	16.595	United Way of Fresno County	2004-WS-Q4-0041	52,499
2005 Weed and Seed SE	16.595	United Way of Fresno County	2005-WE-Q5-0052	650
2005 Weed and Seed SW	16.595	United Way of Fresno County	2005-WS-Q5-0055	42,071
Total Pass-through OWS Program				163,720
Office of Justice Programs/Bureau of Justice Assistance, Direct Program				
Bulletproof Vest Partnership Program FY04	16.607		FY04	10,999
Total Direct BJA Program				10,999
Office of Community Oriented Policing Services, Direct Program				
COPS Universal Hiring Award	16.711		2002ULWX0061	1,790,000
COPS in Schools Award (Modified)	16.711		2002SHWX0657	81,000
COPS in Schools Award FY04	16.711		2004SHWX0147	31,500
COPS Technology Grant Award	16.711		2002CKWX0018	53,727
COPS Technology Grant Award	16.711		2002CKWX0019	435,205
Total Direct OCOPS Program				2,391,432 **
Office of Justice Programs/Office of Juvenile Justice and Delinquency Prevention, Pass-through Program				
ABC FY05	16.727	CA Department of Alcoholic Beverage Control	04G-LA03	49,923
Total Pass-through OJJDP Program				49,923
				3,454,039
		<i>Total U.S. Department of Justice</i>		

* Denotes major program.

** Program expenditure is net of local match requirement.

CFDA—Catalog of Federal Domestic Assistance

N/A—Not applicable and/or available

See Notes to Schedule of Expenditures of Federal and State Awards.

City of Fresno

Schedule of Expenditures of Federal and State Awards, Continued
Year Ended June 30, 2005

Federal Grantor/Pass-through Grantor/Program and/or Project Title	Federal CFDA Number	Pass-through Grantor	Pass-through Entity Identifying Number or Grant Number	Federal Expenditures
U.S. Department of Transportation				
Federal Aviation Administration, Direct Program—				
Airport Improvement Program				
AIP-34 FF00/FF01/FF02 E	20.106*		DTFA08-00-C-31044	\$ 3,584,274
AIP-35 FF01 D & E	20.106*		DTFA08-01-C-31182	3,401,416
AIP-36 FF01 N	20.106*		DTFA08-01-C-31179	2,552,947
AIP-39 FF02 E	20.106*		DTFA08-02-C-31263	2,484,438
AIP-40 FF02 D	20.106*		DTFA08-02-C-31274	12,842
AIP-41 FF02 D	20.106*		DTFA08-02-C-31317	213,910
AIP-43 FF03	20.106*		DTFA08-03-C-31415	280,725
AIP-44 FF03	20.106*		DTFA08-03-C-31437	5,870,176
AIP-45 FF04	20.106*		DTFA08-04-C-31476	143,484
AIP-46 FF04	20.106*		DTFA08-04-C-31473	3,440,686
AIP-47 FF05	20.106*		DTFA08-05-C-31573	6,346
AIP-05 FY01 D & E	20.106*		DTFA08-01-C-31168	5,524
AIP-06 FY01 D - Master Plan	20.106*		DTFA08-01-C-31146	2,616
AIP-07 FF02 E/D - Des/Const 12R Ext	20.106*		DTFA08-02-C-31264	85,809
AIP-08 FF03	20.106*		DTFA08-03-C-31417	45,427
AIP-09 FY04	20.106*		DTFA08-03-C-31470	37
AIP-10 FY05	20.106*		DTFA08-05-C-31592	401
Total Direct FAA Program				<u>22,131,058</u> **
Highway Planning and Construction Cluster—Federal				
Highway Administration, Pass-through Program—				
Highway Research, Planning and Construction				
Program	20.205	CA Department of Transportation	Master Agreement 06-5060	<u>6,144,639</u>
Total Pass-through FTA Program				<u>6,144,639</u> **
Federal Transit Cluster—Federal Transit Capital				
Investment Grants, Direct Program				
FY03 Federal Transit Capital Investment Grant				
Bus Purchase	20.500		CA-03-0604-00	164,980
FY04 Federal Transit Capital Investment Grant				
Bus Purchase	20.500		CA-03-0667	137,336
FY04 Federal Transit Capital Investment Grant				
(Construct CNG Station)	20.500		Pending	364,550
Total Direct FTA Program				<u>666,866</u>

* Denotes major program.

** Program expenditure is net of local match requirement.

CFDA—Catalog of Federal Domestic Assistance

N/A—Not applicable and/or available

See Notes to Schedule of Expenditures of Federal and State Awards.

City of Fresno

Schedule of Expenditures of Federal and State Awards, Continued
Year Ended June 30, 2005

Federal Grantor/Pass-through Grantor/Program and/or Project Title	Federal CFDA Number	Pass-through Grantor	Pass-through Entity Identifying Number or Grant Number	Federal Expenditures
U.S. Department of Transportation, Continued				
Federal Transit Administration, Direct Program				
FY97 Urban Mass Transportation Capital, Planning, Operating Assistance	20.507		CA-90-X826-00	\$ 6,809
FY98 Urban Mass Transportation Capital, Planning, Operating Assistance	20.507		CA-90-X892-00	219,377
FY99 Urban Mass Transportation Capital, Planning, Operating Assistance	20.507		CA-90-X974-00	18,618
FY00 Urban Mass Transportation Capital, Planning, Operating Assistance	20.507		CA-90-Y021-00	4,170
FY01 Urban Mass Transportation Capital, Planning, Operating Assistance	20.507		CA-90-Y103-00	192,697
FY02 Urban Mass Transportation Capital, Planning, Operating Assistance	20.507		CA-90-Y137-01	23,371
FY03 Urban Mass Transportation Capital, Planning, Operating Assistance	20.507		CA-90-Y229-00	126,758
FY04 Urban Mass Transportation Capital, Planning, Operating Assistance	20.507		CA-90-Y309-00	482,779
FY05 Urban Mass Transportation Capital, Planning, Operating Assistance	20.507		CA-90-Y367-00	4,498,276
Total Direct FTA Program				<u>5,572,855</u> **
Highway Safety Cluster—National Highway Traffic Safety Administration, Pass-through Program				
Coalition to Increase Traffic Education	20.600	CA Office of Traffic Safety	AL0387	28,538
Driving Impaired Motorist Enforcement	20.600	CA Office of Traffic Safety	AL0535	310,693
CA Seat Belt Compliance Campaign FY04	20.600	CA Office of Traffic Safety	IN41002	48,069
CA Seat Belt Compliance Campaign FY05	20.600	CA Office of Traffic Safety	IN51002	85,532
Seatbelt Awareness for Everyone (SAFE)	20.600	CA Office of Traffic Safety	OP0504	85,260
Safety Education Awareness Training (SEAT)	20.600	CA Office of Traffic Safety	CB0402	20,572
Sobriety Checkpoints FY04	20.600	CA Office of Traffic Safety	AM04048	91,576
Sobriety Checkpoints FY05	20.600	CA Office of Traffic Safety	AM05088	104,258
Fresno Area Illegal Street Racing Task Force Program	20.600	CA Office of Traffic Safety	PT0564	4,857
Driving Under the Influence College Corridor Grant	20.600	CA Office of Traffic Safety	4C052004-1	18,612
Help Eliminate Alcohol Re-offender Team (HEART)	20.600	CA Office of Traffic Safety	AL0536	162,263
Total Pass-through NHTSA Program				<u>960,230</u>
<i>Total U.S. Department of Transportation</i>				<u>35,475,648</u>

* Denotes major program.

** Program expenditure is net of local match requirement.

CFDA—Catalog of Federal Domestic Assistance

N/A—Not applicable and/or available

See Notes to Schedule of Expenditures of Federal and State Awards.

City of Fresno

Schedule of Expenditures of Federal and State Awards, Continued
Year Ended June 30, 2005

Federal Grantor/Pass-through Grantor/Program and/or Project Title	Federal CFDA Number	Pass-through Grantor	Pass-through Entity Identifying Number or Grant Number	Federal Expenditures
U.S Department of Federal Mediation & Conciliation Service—Labor Management Cooperation Grant, Direct Program—Labor, Management Relationship Training	34.002		HS-83022201-0	\$ 26,203
	<i>Total U.S. Department of Federal Mediation & Conciliation</i>			26,203 **
U.S. Department of Energy State Energy Program Special Projects, Pass-through Program—CNG Fuel Station Construction	81.119	CA Energy Commission	FED-04-011	150,000
	<i>Total U.S. Department of Energy</i>			150,000
U.S. Department of Education—Improvement in Education Grant Program, Pass-through Program— Community Science Workshop on Wheels	84.215	Fresno Unified School District	R215K020177	6,296
	<i>Total U.S. Department of Energy</i>			6,296
U.S Department of Health and Human Services Medical Reserves Corp, Direct Program— 2003/2004 Medical Reserve Corp Small Grant Program	93.008		US2SG02034-02-2	37,825
Total Direct MRC Program				37,825
Administration on Aging, Pass-through Program— Senior Hot Meals on Wheels	93.045	Fresno/Madera Area Agency on Aging	05-0310	52,000
Total Pass-through HHS Program				52,000
Administration for Children and Families, Pass-through Program—Mentoring Children of Prisoners	93.616	Fresno Leadership Foundation dba One by One Leadership	90CV0081/01	44,283
	<i>Total U.S. Department of Health and Human Services</i>			134,108

* Denotes major program.

** Program expenditure is net of local match requirement.

CFDA—Catalog of Federal Domestic Assistance

N/A—Not applicable and/or available

See Notes to Schedule of Expenditures of Federal and State Awards.

City of Fresno

Schedule of Expenditures of Federal and State Awards, Continued
Year Ended June 30, 2005

Federal Grantor/Pass-through Grantor/Program and/or Project Title	Federal CFDA Number	Pass-through Grantor	Pass-through Entity Identifying Number or Grant Number	Federal Expenditures
U.S. Department of Homeland Security				
State Domestic Preparedness Equipment Support Program, Pass-through Program				
FY03 Homeland Security Grant (Part 1)	97.004	Fresno Cty/CA Office of Emergency Services	2003-167	\$ 149,574
FY03 Homeland Security Grant (Part 2)	97.004	Fresno Cty/CA Office of Emergency Services	2003-35	600,388
FY04 Homeland Security Grant	97.004	Fresno Cty/CA Office of Emergency Services	2004-45	238,898
FY03 Homeland Security Grant	97.004	Fresno Cty/CA Office of Emergency Services	FY03	53,905
FY03 Homeland Security Grant (Part I & II) Program—HazCat Exercise	97.004	Fresno Cty/CA Office of Emergency Services	FY03 & FY03 II	<u>35,325</u>
Total Pass-through SDPES Program				<u><u>1,078,090</u></u>
State Homeland Security for Urban Preparedness, Pass-through Program				
FY04 Urban Area Security Initiative	97.008	CA Office of Emergency Services	2004-14	<u>69,895</u>
Total Pass-through UASI Program				<u><u>69,895</u></u>
First Responder Counter-Terrorism Training Assistance, Pass-through Program				
FY03 Hazardous Materials First Responder Operations Weapons of Mass Destruction Law Enforcement Field Support Course Homeland Security Grant (Part I & II)				
	97.038	Fresno County/CA Office of Emergency Services	FY0L2-4	4,952
FY03 First Responder Operations Law Enforcement Field Support Train to Trainer Course Homeland Security Grant (Part I & II)				
	97.038	Fresno County/CA Office of Emergency Services	FROLTTT2-4	<u>2,908</u>
Total Pass-through FRCTTA Program				<u><u>7,860</u></u>
Assistance to Firefighters Grant Program, Pass-through				
Fire Discipline 2004 Homeland Security Grant	97.044	Fresno County/CA Office of Emergency Services	FY04 SHSP	<u>111,526</u>
Total Pass-through AFG Program				<u><u>111,526</u></u>
Metropolitan Medical Response System, Direct Program				
FY04 Metropolitan Medical Response System	97.071		EMW-2004-GR-0640	<u>64,009</u>
Total expenditures of federal awards				<u><u>1,331,380</u></u>
			<i>Total U.S. Department of Homeland Security</i>	<u><u>56,026,569</u></u>

* Denotes major program.

** Program expenditure is net of local match requirement.

CFDA—Catalog of Federal Domestic Assistance

N/A—Not applicable and/or available

See Notes to Schedule of Expenditures of Federal and State Awards.

City of Fresno

Schedule of Expenditures of Federal and State Awards, Continued
Year Ended June 30, 2005

State or Local Grantor/Program and/or Project Title	Pass-through Grantor	Pass-through Entity Identifying Number or Grant Number	State Expenditures
CA State Department of Conservation—Division of Recycling, Community Outreach Branch, Direct Program			
2003/2004 Recycling Program		2003/2004	\$ 9,641
2004/2005 Recycling Program		2004/2005	105,747
	<i>Total CA Dept of Conservation</i>		115,388
CA State Office of Criminal Justice Planning, Pass-through Program			
CA Multi-Jurisdictional Methamphetamine Enforcement Teams 03/04	County of Fresno	MH01010100	182
CA Multi-Jurisdictional Methamphetamine Enforcement Teams 04/05	County of Fresno	MH04040100	199,279
	<i>Total CA Office of Criminal Justice Planning</i>		199,461
CA State Environmental Protection Agency—CA Integrated Waste Management Board, Direct Program			
02/03 Used Motor Oil Block Grant—8th Cycle		UBG8-02-7912	32,416
03/04 Used Motor Oil Block Grant—9th Cycle		UBG9-03-193	53,203
05/07 Used Motor Oil Block Grant—10th Cycle		UBG10-04-124	6,195
2003/2004 Waste Tire Enforcement Program		TEA9-03-6	177,818
2002/2003 Local Gov't Waste Tire Cleanup Matching Grant		TCU8-02-3	31,308
2003/2004 Local Gov't Waste Tire Cleanup Matching Grant		TCU11-03-6	45,389
2003/2004 Local Tire Amnesty Day Grant Matching Grant		TR34-03-2	7,611
2003/2004 Waste Tire Playground Cover Grant		TR29-03-13	4,106
	<i>Total CA Environmental Protection Agency</i>		358,046

* Denotes major program.

** Program expenditure is net of local match requirement.

CFDA—Catalog of Federal Domestic Assistance

N/A—Not applicable and/or available

See Notes to Schedule of Expenditures of Federal and State Awards.

City of Fresno

Schedule of Expenditures of Federal and State Awards, Continued
Year Ended June 30, 2005

State or Local Grantor/Program and/or Project Title	Pass-through Grantor	Pass-through Entity Identifying Number or Grant Number	State Expenditures
CA State Department of Finance, Direct Program— 2003 CA Supplemental Law Enforcement Service Program		FY02/03	\$ 84,811
2005 CA Supplemental Law Enforcement Service Program		FY04/05	573,460
<i>Total CA Department of Finance</i>			<u>658,271</u>
CA State Department of Fish and Game Wildlife Conservation Board, Direct Program San Joaquin River Parkway L. Eaton Trail San Joaquin River Parkway Friant Road		WC-1032SW WC-2043TC	161,180 55,481
<i>Total CA Department of Fish and Game</i>			<u>216,661</u>
CA State Department of Forestry and Fire Protection, Direct Program Urban and Community Forestry Program—Fresno Tree Planting (600 trees)		8CA02312	18,000
<i>Total CA Department of Forestry and Fire Protection</i>			<u>18,000</u>
CA State Department of Housing and Community Development, Direct Program—Community Code Enforcement Incentive Program		02-CEGP-8	3,563
<i>Total CA Dept of Housing and Community Development</i>			<u>3,563</u>
CA State Department of Parks and Recreation—The Resources Agency, Direct Program Roberti-Z'berg-Harris Urban Open Space & Recreation Block Grant 2002 Per Capita Grant Program 2002 Roberti-Z'berg-Harris Urban Open Space & Recreation Block Grant 2003 Per Capita Grant Program 2003		C2009038 C2003063 C0209852 C0207067	501,525 290,360 802,913 576,296
<i>Total CA Department of Parks and Recreation</i>			<u>2,171,094</u>
CA Technology, Trade and Commerce Agency, Direct Program GAP Ponding Basin "T" Works		C00-0077	500,000
<i>Total CA Technology, Trade and Commerce Agency</i>			<u>500,000</u>

* Denotes major program.

** Program expenditure is net of local match requirement.

CFDA—Catalog of Federal Domestic Assistance

N/A—Not applicable and/or available

See Notes to Schedule of Expenditures of Federal and State Awards.

City of Fresno

Schedule of Expenditures of Federal and State Awards, Continued
Year Ended June 30, 2005

State or Local Grantor/Program and/or Project Title	Pass-through Grantor	Pass-through Entity Identifying Number or Grant Number	State Expenditures
CA State Department of Transportation Division of Local Transportation Assistance, Direct Program Highway Research, Planning & Construction Program [State Portion]		Master Agreement 06-5060	\$ 327,539 <u>327,539</u>
Total Direct DOT Program			<u>327,539</u>
Division of Traffic Congestion Relief, Pass-through Program LNG Refuse Truck Equipment	SJVUAPCD	C-1074	60,300 <u>60,300</u>
Total Pass-through TCR Program			<u>60,300</u>
Transit Capital Improvement Funds, Direct Program Fresno Intercity Rail Station		75A0045A/1	1,532,035 <u>1,532,035</u>
Total Pass-through TCR Program			<u>1,532,035</u>
<i>Total CA Department of Transportation</i>			<u>1,919,874</u>
CA State Department of the Youth Authority, Direct Program—Dickey Playground Youth Development Center		99-261-A1	49,750 <u>49,750</u>
<i>Total CA Youth Authority</i>			<u>49,750</u>
Fresno Metropolitan Flood Control District Direct Program 2003 Clean Storm Water Grant—Environmental Education Project		2003	84
Clean Storm Water Grant—Water Conservation Education Outreach Project		2004/2005	1,851 <u>1,935</u>
<i>Total Fresno Metro Flood Control District</i>			<u>1,935</u>
SBC, Direct Program SBC Exceleator Grant/Fresno BEST Lab		1	30,208 <u>30,208</u>
<i>Total SBC</i>			<u>30,208</u>

* Denotes major program.

** Program expenditure is net of local match requirement.

CFDA—Catalog of Federal Domestic Assistance

N/A—Not applicable and/or available

See Notes to Schedule of Expenditures of Federal and State Awards.

City of Fresno

Schedule of Expenditures of Federal and State Awards, Continued
 Year Ended June 30, 2005

State or Local Grantor/Program and/or Project Title	Pass-through Grantor	Pass-through Entity Identifying Number or Grant Number	State Expenditures
San Joaquin Valley Unified Air Pollution Control District,			
Direct Program			
Bicycle Lane Stripping @ Bullard		002-008	\$ 7,316
Bicycle Lane Stripping @ Fruit		002-009	7,824
Heavy-Duty Incentive Program—CNG Fueling Station Infrastructure		ALI-08	300,000
Heavy-Duty Engine Emission Reduction Incentive Program—Purchase 56 Cleaire Retrofit Kits		C-1247	74,434
California Clean Air Program—Bus Driver Simulator		02-007	335,000
Heavy-Duty Engine Emission Reduction Incentive Program 2003		C-1305	104,328
Heavy-Duty Engine Emission Reduction Incentive Program—On Road New Engine in New Vehicle		C-1395	26,082
Heavy-Duty Engine Emission Reduction Incentive Program—On Road Engine Retrofit		C-1433	280,000
Heavy-Duty Engine Emission Reduction Incentive Program—On Road New Engine in New Vehicle		C-1446	104,328
Heavy-Duty Engine Emission Reduction Incentive Program—On Road New Engine in New Vehicle		C-1447	60,681
Heavy-Duty Engine Emission Reduction Incentive Program—On Road New Engine in New Vehicle		C-1448	143,451
	<i>Total SJV Unified Air Pollution District</i>		1,443,444
Total expenditures of state awards			7,685,695
Total expenditures of federal and state awards			\$ 63,712,264

* Denotes major program.

** Program expenditure is net of local match requirement.

CFDA—Catalog of Federal Domestic Assistance

N/A—Not applicable and/or available

See Notes to Schedule of Expenditures of Federal and State Awards.

Notes to Schedule of Expenditures of Federal and State Awards

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal and state awards (the Schedule) presents the activity of all federal and state 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 of the City.

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.

Note 2. Subrecipients

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

Program Title Provided	Federal CFDA Number	Amount
Community Development Block Grant Entitlement Program	14.218	\$ 443,340
Emergency Shelter Grants	14.231	360,833
HOME Investment Partnership Program	14.239	1,209,713

Note 3. Section 108 Loans

The City has four Section 108 loans outstanding at June 30, 2005. Semiannual 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 loans totaled \$981,629 for the year ended June 30, 2005, of which \$150,543 was paid from Community Development Block Grant funds.

As of June 30, 2005, there was \$1,231,473 of unspent Section 108 loan proceeds remaining. A summary of Section 108 loans outstanding as of June 30, 2005 is as follows:

CFDA #	Grant Loan Program	Unspent Loan Proceeds as of June 30, 2005	Outstanding Loan Balances as of June 30, 2005
14.218	Section 108 Note, Fresno Pacific Towers	\$ 269,135	\$ 430,000
14.218	Section 108 Note, Regional Medical Center	796,071	2,390,000
14.218	Section 108 Note, Fresno-Madera Area Agency on Aging	6	1,275,000
14.218	Section 108 Note, Neighborhood Streets/Parks	166,261	1,423,000
		<u>\$ 1,231,473</u>	<u>\$ 5,518,000</u>

Notes to Schedule of Expenditures of Federal and State Awards

Note 4. Office of Criminal Justice Planning Disclosures

The following schedule represents the detail of expenditures for each Office of Criminal Justice Planning program for the year ended June 30, 2005:

	Federal/ State Match	Local Match	Total
Juvenile Accountability Incentive Block Grant:			
Grant Award Number BDC101-04:			
Personal services	\$ 105,741	\$ 11,749	\$ 117,490
Operating expenses	-	-	-
Equipment	-	-	-
	<u>\$ 105,741</u>	<u>\$ 11,749</u>	<u>\$ 117,490</u>
Violence Against Women Law Enforcement:			
Specialized Units Program—Grant Award Number LE040266675:			
Personal services	\$ 23,925	\$ 7,975	\$ 31,900
Operating expenses	71,776	23,925	95,701
Equipment	-	-	-
	<u>\$ 95,701</u>	<u>\$ 31,900</u>	<u>\$ 127,601</u>
California Multi-Jurisdictional Methamphetamine:			
Enforcement Teams Program—Grant Award Number MH01010100:			
Personal services	\$ 184,461	\$ -	\$ 184,461
Operating expenses	15,000	-	15,000
Equipment	-	-	-
	<u>\$ 199,461</u>	<u>\$ -</u>	<u>\$ 199,461</u>
Grand totals for the Office of Criminal Justice Planning Pass-through Programs:			
Personal services	\$ 314,127	\$ 19,724	\$ 333,851
Operating expenses	86,776	23,925	110,701
Equipment	-	-	-
	<u>\$ 400,903</u>	<u>\$ 43,649</u>	<u>\$ 444,552</u>

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*

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Fresno, California, (the City) as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 21, 2005. 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's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention related to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition not fully corrected as of June 30, 2005 is described in the findings and questioned costs as item RC# 2004-2.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are considered to be material weaknesses. However, we believe the reportable condition 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*.

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

McGladrey & Pullen, LLP

Riverside, California
December 21, 2005

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

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

Compliance

We have audited the compliance of the City of Fresno, California, (the 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, 2005. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on 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, 2005. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item CF# 2005-1.

Internal Control over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal and State 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 as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 21, 2005. We did not audit the financial statements of the Redevelopment Agency of the City of Fresno (the Agency), a blended component unit of the City which represents approximately 2.7% and 3.1%, respectively, of the entity-wide assets and revenues of the City, 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 represents 99.2% of the fiduciary fund assets. The financial statements of the Agency and the Retirement Systems were audited by other auditors whose reports thereon have been furnished to us, and in our opinion, insofar as it relates to the amounts included for the Agency and the Retirement Systems of the City, is based on the reports of the other auditors. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by the U.S. 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 the City's management, Mayor, City Council, federal and state awarding agencies and pass-through entities, and is not intended to be, and should not be, used by anyone other than these specified parties.

McGladrey & Pullen, LLP

Riverside, California
December 21, 2005

Schedule of Findings and Questioned Costs
Year Ended June 30, 2005

I. Summary of Independent Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? Yes X No
- Reportable condition(s) identified that are not considered to be material weaknesses? X Yes None Reported
- Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major program:

- Material weakness(es) identified? Yes X No
- Reportable condition(s) identified that are not considered to be material weakness(es)? Yes X 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? X Yes No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
14.239	HOME Investment Partnership Program
20.106	Airport Improvement Program

Dollar threshold used to distinguish between type A and type B programs: \$ 1,680,797

Auditee qualified as low-risk auditee? X Yes No

II. Financial Statement Findings

A. Reportable Conditions

See RC #2004-2 in the Summary Schedule of Prior Year Audit Findings.

B. Compliance Findings

None reported.

III. Findings and Questioned Costs for Federal Awards

A. Reportable Conditions

None reported.

B. Compliance Findings

CF# 2005-1—Rehabilitation Environmental Reviews (CFDA# 14.239)

Condition: Per our subrecipient monitoring testing, we noted that the City's HOME subrecipient, the Housing Authority of the City of Fresno, is not correctly complying with HOME requirements with respect to performing environmental assessments. The City's subrecipient did not complete the Rehabilitation Environmental Review (RER) and Appendix A for each activity undertaken by the subrecipient and the RER was not correctly completed and signed by the City.

Criteria: A RER is required to be completed and signed by the City and a corresponding Appendix A is required to be completed for each activity and also signed by the City.

Effect: It is possible that the City, who is responsible for subrecipient oversight, may have to reimburse HUD if it is deemed by HUD that retroactively completing the RER and corresponding Appendices is unacceptable.

Recommendation: The City initiated correspondence to the Housing Authority in August 2005, explaining the noncompliance and both the City and the Housing Authority are currently exploring ways to rectify the noncompliance. We recommend that the City coordinate remedial efforts directly with HUD to ensure that any action taken by the City and the Housing Authority of the City of Fresno to comply with the RER requirement is approved by HUD.

City response: The City's Planning and Development Department, Housing and Community Development Division concur with the compliance finding. It was City Housing staff that initially discovered this finding during a June 2005 monitoring visit of the Housing Authority's delivery of the Owner-Occupied Rehabilitation Program. Shortly after completion of the monitoring visit, the Housing and Community Development Division Manager informed the Housing Authority of the monitoring results and requested that the Housing Authority address several monitoring concerns, one of which was the absence of an environmental review for the Owner-Occupied Rehabilitation Program.

Schedule of Findings and Questioned Costs
Year Ended June 30, 2005

A few months later, during the City's annual independent audit, Housing and Community Development Division staff informed the McGladrey & Pullen auditors that the City was in correspondence with the Housing Authority and its environmental consultant to resolve the matter. After further discussions with the Housing Authority and its consultant, the City concluded that there was no appropriate environmental review completed for the Owner-Occupied Rehabilitation Program or for the administrative activities of the program.

Upon conveying this information to the McGladrey & Pullen auditors, City Housing staff was instructed to contact HUD for direction on correcting and concluding this matter. In compliance with the auditor's request, the City's Housing staff contacted HUD's Regional Environmental Officer for direction on how to retroactively rectify the finding.

In November 2005, City staff contacted HUD's Regional Environmental Officer, who instructed staff to complete a series of steps for the sake of correcting and completing an environmental review for the program. The following steps are currently under way and are expected to be completed by the end of March 2006:

- Complete an RER for the program.
- Complete an environmental review for the administrative portion of the activity and have it signed by the City's Certifying Officer (the City of Fresno's City Manager).
- Request the Housing Authority submit original Appendix A to the City for signature.
- City to review original Appendix A and a return copy to the Housing Authority.
- Issue a warning notice to the Housing Authority.

In the same November 2005 correspondence with HUD's Regional Environmental Officer, City staff was informed that HUD would not be requesting any repayment of grant funds but that it would be necessary to keep a log of correspondence and the action taken to correct the finding.

Summary Schedule of Prior Year Audit Findings
Year Ended June 30, 2005

I. Findings Related to the Financial Statement Audit as Required to be Reported in Accordance with OMB Circular A-133 at June 30, 2004.

A. Reportable Conditions

RC# 2004-1—Risk Management

Risk Master, the City's property and general liability risk management software system, is not capable of meeting the City's financial reporting needs. The system's reporting deficiencies include: (1) the system not displaying future reserves on closed claims, (2) reflecting third-party recoveries as an offset against incurred balances instead of amounts paid and (3) not including paid totals and future reserves totals with incurred balances. As a result, the City has had to augment the data submitted to its actuary to determine the City's liability at year end with standardized industry information instead of actual results. We understand that the City is in the process of reviewing and evaluating various property and general liability risk management software that will adequately address the City's management and financial reporting needs.

We recommend that the City expedite the process of replacing this risk management software system with a system capable of meeting the City's management and financial reporting needs.

Current status/corrective actions taken: In the prior fiscal year, the City concurred with the finding as presented and strongly considered replacing the Risk Management software. But in March 2005, representatives from RiskMaster spent a concentrated week in Fresno assisting the City in evaluating whether the financial reporting problems were system-related or the result of corrupted data from the conversion in 2002. It was determined that the software system was working properly except for the fact that some of the system set-up was improperly configured and that the data conversion was not imported correctly from the City's prior software system. The City determined, with the continued assistance of the RiskMaster Support Team, that the "reconversion" of all current historical data could be completed along with reconfiguring the system's "business rules" to correct the financial reporting issues. This has been accomplished with the collaborative efforts of Risk, Finance and the RiskMaster personnel. Therefore, the City will continue to utilize the RiskMaster software system to administer its property and general liability claims.

RC# 2004-2—Inventory of Capital Assets

The City's Administrative Order 1-3 provides that each City department is responsible for coordinating a physical inventory of its capital assets every four years. Some City departments do not consistently adhere to this policy. Furthermore, with the adoption of Governmental Accounting Standards Board (GASB) Statement No. 34, there is an increased emphasis on capital asset accounting and the need to verify asset existence through periodic inventory.

We recommend that the City revise Administrative Order 1-3 to include that each City department perform a physical inventory of all capital assets owned at a minimum of not less than once every two years.

City response: Management recognizes the importance of complete and accurate capital asset reporting and concurs with the need for all departments to perform periodic physical inventories of capital assets. Administrative Order 1-3 will be revised to include that each City department perform regular periodic physical inventories of capital assets. In addition, Finance (the CAFR team) requested that Internal Audit perform a fixed asset audit to assist the CAFR team in documenting what was perceived to be problems in the way the City tracks, controls and monitors its fixed assets. Internal Audit performed extensive fieldwork, which is documented in its comprehensive draft audit report. Internal Audit's draft report is now being reviewed by the

Summary Schedule of Prior Year Audit Findings
Year Ended June 30, 2005

CAFR team so as to (1) fully understand the findings, (2) sufficiently evaluate the impact or consequences of the findings so as to provide an appropriate response as well as develop a plan of action and (3) adequately evaluate the assessment of risk as it relates to the impact, or lack thereof, to the financial statements.

Current status: Not corrected as of June 30, 2005.

Independent Accountant's Report on Applying Agreed-upon Procedures

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

We have performed the procedures enumerated below to the accompanying Appropriations Limit Calculation of the City of Fresno, California, (the City) for the year ended June 30, 2005. These procedures, which were agreed to by the City and the League of California Cities (as presented in the publication entitled *Agreed-upon Procedures Applied to the Appropriations Limitation Prescribed by Article XIII-B of the California Constitution*), were performed solely to assist the City in meeting the requirements of Section 1.5 of Article XIII-B of the California Constitution. The City's management is responsible for the Appropriations Limit Calculation.

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 performed and our findings were as follows:

1. We obtained the completed internal calculations and compared the limit and annual adjustment factors included in those calculations to the limit and annual adjustment factors that were adopted by a resolution of the City Council. We also compared the population and inflation options included in the aforementioned calculations to those that were selected by a recorded vote of the City Council.

Finding: No exceptions were noted as a result of our procedures.

2. For the accompanying Appropriations Limit Calculation, we added line A, last year's limit, to line E, total adjustments, and compared the resulting amount to line F, this year's limit.

Finding: No exceptions were noted as a result of our procedures.

3. We compared the current year information presented in the accompanying Appropriations Limit Calculation to the supporting calculations described in item 1 above.

Finding: No exceptions were noted as a result of our procedures.

4. We compared the prior year Appropriations Limit presented in the accompanying Appropriations Limit Calculation to the prior year Appropriations Limit adopted by the City Council during the prior year.

Finding: No exceptions were noted as a result of our procedures.

We were not engaged to, and did not, conduct an examination, the objective of which would be the expression of an opinion on the accompanying Appropriations Limit Calculation of the City. 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. No procedures have been performed with respect to the determination of the appropriation limit for the base year, as defined by Article XIII-B of the California Constitution.

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

McGladrey & Pullen, LLP

Riverside, California
December 21, 2005

City of Fresno

Appropriations Limit Calculation
Year Ended June 30, 2005

	Amount	Source
A. Last Year's Limit	<u>\$ 307,286,731</u>	
B. Adjustment Factors:		
1. Population change	1.017	State Finance
2. Per capita income change	1.033	State Finance
Total adjustment	<u>0.05035760</u>	(B.1. x B. 2.) - 1.0
C. Annual Adjustment	<u>15,474,222</u>	(BxA)
D. Other Adjustments:		
1. Lost responsibility (-)	-	
2. Transfer to private (-)	-	
3. Transfer to fees (-)	-	
4. Assumed responsibility (+)	-	
Subtotal	<u>-</u>	(D1+D2+D3+D4)
E. Total Adjustments	<u>15,474,222</u>	(C+D)
F. This Year's Limit	<u><u>\$ 322,760,953</u></u>	(A+E)