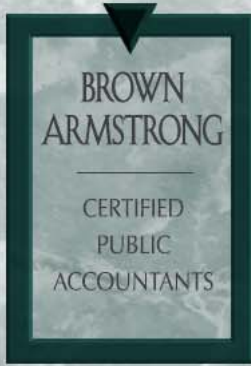


CITY OF FRESNO
SINGLE AUDIT REPORT AND
OTHER COMPLIANCE REPORTS
FOR THE YEAR ENDED JUNE 30, 2015

**CITY OF FRESNO
SINGLE AUDIT REPORT AND
OTHER COMPLIANCE REPORTS
FOR THE YEAR ENDED JUNE 30, 2015**

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BROWN ARMSTRONG

Certified Public Accountants

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

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

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We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Fresno (the City), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 11, 2016. Our report includes references to other auditors who audited the financial statements of the City of Fresno Cultural Arts Properties (discretely presented component unit) and the Successor Agency to the Redevelopment Agency of the City (component unit of the City), 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. The financial statements of the City of Fresno Cultural Arts Properties Corporation were not audited in accordance with *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* 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 and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2015-001 and 2015-002, that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from 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 one instance of noncompliance or other matters, which is described in the accompanying schedule of findings and questioned costs as item 2015-003, that is required to be reported under *Government Auditing Standards*.

Emphasis of Matters

The City has revised and reissued the financial statements previously issued on March 11, 2016, due to the restatement of certain equipment previously expensed that should have been capitalized. The previously issued auditor's report dated March 11, 2016, is not be relied upon due to the restatement of capital assets previously expensed and is replaced by this report. Our audit opinion is not modified with respect to the matter.

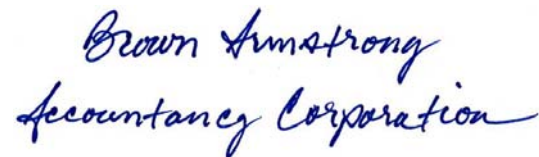
City's Response to Findings

The City's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

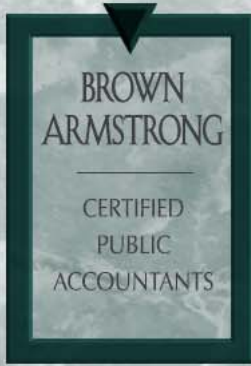
Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

A handwritten signature in blue ink that reads "Brown Armstrong Accountancy Corporation". The signature is written in a cursive, flowing style.

Bakersfield, California
May 16, 2016



BROWN ARMSTRONG
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND THE SCHEDULE OF EXPENDITURES OF STATE OR LOCAL AWARDS REQUIRED BY OMB CIRCULAR A-133

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

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Report on Compliance for Each Major Federal Program

We have audited the City of Fresno's (the City) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2015. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Emphasis of Matters

As more fully described in Note 8 to the Schedule of Expenditures of Federal Awards (SEFA), the City has revised and re-issued the SEFA previously reported on March 30, 2016, due to the restatement of the SEFA to remove Capitalization Grants for Drinking Water State Revolving Fund - Project No. C-06-7893-110 Tertiary Treatment Facility (CDFA #66.468) in the amount of \$11,458,027. This grant is mistakenly reported as a federal grant vs. a state grant. The previously issued auditor's report dated March 30, 2016, is not to be relied upon due to the restatement of the SEFA. Our audit opinion is not modified with respect to the matters.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which 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 2015-003. Our opinion on each major federal program is not modified with respect to this matter.

The City's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we considered to be material weaknesses. However, as discussed below, we identified a deficiency in internal control over compliance that we consider to be a significant deficiency.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2015-003 to be a significant deficiency.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards and Schedule of Expenditures of State or Local Awards

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information for the City as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated March 11, 2016, which contained unmodified opinions on those financial statements. Other auditors audited the financial statements of the City of Fresno Cultural Arts Properties (discretely presented component unit) and the Successor Agency to the Redevelopment Agency of the City (component unit of the City), as described in our report on the City's financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards and the schedule of expenditures of state or local awards are presented for purposes of additional analysis as required by OMB Circular A-133 and the State of California, respectively, and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards and schedule of expenditures of state or local awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

*Brown Armstrong
Accountancy Corporation*

Bakersfield, California
May 16, 2016

**CITY OF FRESNO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor	Grant Number	2014-15 Expenditures
US Department of Commerce				
<i>Economic Development Cluster:</i>				
Economic Development Administration (EDA) - Direct Program				
Economic Adjustment Assistance Program - Fresno Food Processing Industry Site Analysis and Planning Grant	11.307		07-79-06892	\$ 8,363
Economic Adjustment Assistance Program - Revolving Loan Fund	11.307		07-39-02434	768,901
<u>Total Economic Development Administration (EDA) - Direct Program</u>				<u>777,264</u>
<i>Total Economic Development Cluster</i>				<u>777,264</u>
TOTAL US DEPARTMENT OF COMMERCE				777,264
US Department of Housing and Urban Development				
<i>Community Development Block Grants (CDBG) - Entitlement Grant Cluster</i>				
Office of Community Planning & Development - Direct Program				
Neighborhood Stabilization Program 1 - 2010	14.218		B-08-MN-06-0003	319,169
Neighborhood Stabilization Program 3 - 2012	14.218		B-11-MN-06-0003	105,100
2012 Community Development Block Grants/Entitlement Grants	14.218		B-11-MC-06-0001	5,259
2014 Community Development Block Grants/Entitlement Grants	14.218		B-13-MC-06-0001	342,499
2015 Community Development Block Grants/Entitlement Grants	14.218		B-14-MC-06-0001	3,970,232
<u>Total Office of Community Planning & Development - Direct Program</u>				<u>4,742,259</u>
<i>Total CDBG - Entitlement Grants Cluster</i>				<u>4,742,259</u>
Emergency Solutions Grant (ESG) Program - Direct Program				
2012 Emergency Solutions Grant Program	14.231		E-11-MC-06-0001	156,057
2013 Emergency Solutions Grant Program	14.231		E-12-MC-06-0001	325,904
2014 Emergency Solutions Grant Program	14.231		E-13-MC-06-0001	31,425
<u>Total Emergency Solutions Grant (ESG) Program - Direct Program</u>				<u>513,386</u>
Home Investment Partnership Program (HOME) - Direct Program				
2010 Home Investment Partnership Program	14.239		M-09-MC-06-0204	3,666
2012 Home Investment Partnership Program	14.239		M-11-MC-06-0204	52,081
2014 Home Investment Partnership Program	14.239		M-13-MC-06-0204	2,546,004
2015 Home Investment Partnership Program	14.239		M-14-MC-06-0204	378,327
<u>Total Home Investment Partnership Program - Direct Program</u>				<u>2,980,078</u>
Office of Healthy Homes Lead Hazard Control - Direct Program				
Healthy Homes Lead Hazard Control (2011)	14.900		CALHB0492-11	710,034
<u>Total Office of Healthy Homes Lead Hazard Control - Direct Program</u>				<u>710,034</u>
TOTAL US DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				8,945,757

See accompanying notes to schedule of expenditures of federal awards and independent auditor's report on compliance for each major federal program; report on internal control over compliance; and report on the schedule of expenditures of federal awards and the schedule of expenditures of state or local awards required by OMB Circular A-133.

**CITY OF FRESNO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
FOR THE YEAR ENDED JUNE 30, 2015**

<u>Federal Grantor/Pass-Through Granter/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Granter</u>	<u>Grant Number</u>	<u>2014-15 Expenditures</u>
US Department of the Interior				
National Park Service - Pass-Through Program		CA Office of Historic Preservation		
Historic Preservation Fund Grants-in-Aid	15.904		P14AF00134	40,000
<u>Total National Park Service - Pass-Through Program</u>				<u>40,000</u>
Total US Department of the Interior				40,000
US Department of Justice				
Bureau of Justice Assistance - Pass-Through Program		CA Office of Emergency Services		
Project Safe Neighborhoods Grant 2014	16.609		US14016675	2,014
<u>Total Bureau of Justice Assistance - Pass-Through Program</u>				<u>2,014</u>
Equitable Revenue Sharing Program - Direct Program				
Joint Law Enforcement Operations (JLEO) - Seized Assets	16.111		2011	287,615
<u>Total Equitable Revenue Sharing Program - Direct Program</u>				<u>287,615</u>
Office of Community Oriented Policing Services (COPS) - Direct Program				
Public Safety Partnership and Community Policing Grants	16.710		2011CSWX0003	46,321
<u>Total Office of Community Oriented Policing Services (COPS) - Direct Program</u>				<u>46,321</u>
Office of Juvenile Justice and Delinquency Prevention - Pass-Through Program				
Enforcing Underage Drinking Laws Program (2014)	16.727	CA Department of Alcoholic Beverage Control	13G-LA13	3,130
Enforcing Underage Drinking Laws Program (2015)	16.727	CA Department of Alcoholic Beverage Control	14G-LA09	70,000
<u>Total Office of Juvenile Justice and Delinquency Prevention - Pass-Through Program</u>				<u>73,130</u>
<i>Justice Assistance Grant (JAG) Program Cluster</i>				
Bureau of Justice Assistance - Direct Program				
Edward Byrne Memorial Justice Assistance Grant FY 12	16.738		2012-DJ-BX-0291	91,130
Edward Byrne Memorial Justice Assistance Grant FY 13	16.738		BJA-2013-3599	134,929
Edward Byrne Memorial Justice Assistance Grant FY 14	16.738		2014-DJ-BX-0686	11,628
<u>Total Bureau of Justice Assistance - Direct Program</u>				<u>237,687</u>
ARRA - Bureau of Justice Assistance - Pass-Through Program		CA Emergency Management Agency		
ARRA - Edward Byrne Memorial Justice Assistance Grant Program: Anti-Human Trafficking Task Force	16.804		HF12016675	98,254
<u>Total ARRA - Bureau of Justice Assistance - Pass-Through Program</u>				<u>98,254</u>
<i>Total JAG Program Cluster</i>				<u>335,941</u>
TOTAL US DEPARTMENT OF JUSTICE				745,021

See accompanying notes to schedule of expenditures of federal awards and independent auditor's report on compliance for each major federal program; report on internal control over compliance; and report on the schedule of expenditures of federal awards and the schedule of expenditures of state or local awards required by OMB Circular A-133.

CITY OF FRESNO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
FOR THE YEAR ENDED JUNE 30, 2015

<u>Federal Grantor/Pass-Through Granter/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Granter</u>	<u>Grant Number</u>	<u>2014-15 Expenditures</u>
US Department of Transportation				
Federal Aviation Administration (FAA) - Direct Program				
FAA Airport Improvement Program (AIP)				
FAA AIP 68 FF15	20.106		3-06-0087-68	770,605
FAA AIP 67 FF11	20.106		3-06-0087-67	509,270
FAA AIP 70 FF12	20.106		3-06-0087-70	711,754
FAA AIP 71 FF13	20.106		3-06-0087-71	(32,339)
FAA AIP 72 FF13	20.106		3-06-0087-72	98,787
FAA AIP 73 FF14	20.106		3-06-0087-73	40,089
FAA AIP 74 FF14	20.106		3-06-0087-74	5,892
FAA AIP 75 FF14	20.106		3-06-0087-75	36,283
FAA AIP 76 FF14	20.106		3-06-0087-76	453,585
FAA AIP 19 FF14	20.106		3-06-0088-19	2,694
FAA AIP 20 FF14	20.106		3-06-0088-20	20,531
<u>Total Federal Aviation Administration (FAA) - Direct Program</u>				<u>2,617,151</u>
<i>Highway Planning and Construction Program Cluster</i>				
Federal Highway Administration - Pass-Through Program				
Highway Research, Planning, and Construction Program	20.205	State of California Department of Transportation	Master Agreement 06-5060	12,590,974
<u>Total Federal Highway Administration - Pass-Through Program</u>				<u>12,590,974</u>
<i>Total Highway Planning and Construction Program Cluster</i>				<u>12,590,974</u>
<i>Federal Transit Cluster</i>				
Federal Transit Administration - Capital Investment Grants - Direct Program				
FY04 Federal Transit Capital Investment Grant Bus Facility - (Construct Intermodal Bus Facility)	20.500		CA-03-0693-00	30,982
FY06-08 Federal Transit Capital Investment Grant - Fresno Bus Program	20.500		CA-04-0090-00	274,734
FY09 Federal Transit Capital Investment Grant - Fresno Bus Program	20.500		CA-04-0137-00	56,741
2012 5309 Bus & Bus Facilities Livability Initiative	20.500		CA-04-0280-00	111,943
2012-14 5309: Bus Rapid Transit - Very Small Starts	20.500		CA-04-0282-00	1,803,401
<u>Total Federal Transit Administration - Capital Investment Grants - Direct Program</u>				<u>2,277,801</u>
ARRA - Federal Transit Administration - Formula Grants - Direct Program				
ARRA - Urban Mass Transportation Capital, Planning Operating Assistance Grant FY09	20.507		CA-96-X011-01	693,251
<u>Total ARRA - Federal Transit Administration - Formula Grants - Direct Program</u>				<u>693,251</u>

See accompanying notes to schedule of expenditures of federal awards and independent auditor's report on compliance for each major federal program; report on internal control over compliance; and report on the schedule of expenditures of federal awards and the schedule of expenditures of state or local awards required by OMB Circular A-133.

CITY OF FRESNO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
FOR THE YEAR ENDED JUNE 30, 2015

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor</u>	<u>Grant Number</u>	<u>2014-15 Expenditures</u>
US Department of Transportation (Continued)				
Federal Transit Administration - Formula Grants - Direct Program				
FY05 Urban Mass Transportation Capital, CMAQ	20.507		CA-90-Y676	980,940
FY10 Urban Mass Transportation Capital, CMAQ	20.507		CA-95-X072	532,890
FY12 Urban Mass Transportation Capital, CMAQ	20.507		CA-95-X224	3,250,000
FY04 Urban Mass Transportation Capital, Planning, Operating Assistance	20.507		CA-90-Y309-00	18,978
FY10 Urban Mass Transportation Capital, Planning, Operating Assistance	20.507		CA-90-Y794-00	476,245
FY11 Urban Mass Transportation Capital, Planning, Operating Assistance	20.507		CA-90-Y843-00	116,106
FY12 Urban Mass Transportation Capital, Planning, Operating Assistance	20.507		CA-90-Y947-00	22,566
FY13 Urban Mass Transportation Capital, Planning, Operating Assistance	20.507		CA-90-Z026-00	726,256
FY14 Urban Mass Transportation Capital, Planning, Operating Assistance	20.507		CA-90-Z157-00	107,055
FY15 Urban Mass Transportation Capital, Planning, Operating Assistance	20.507		CA-90-Z236-00	8,148,400
<u>Total Federal Transit Administration - Formula Grants - Direct Program</u>				<u>14,379,436</u>
<i>Total Federal Transit Cluster</i>				<u>17,350,488</u>
<i>Transit Services Programs Cluster</i>				
Federal Transit Administration (FTA) Transit Formula Grants - Pass-Through Program				
Enhanced Mobility of Seniors and Individuals with Disability - Elderly Individuals and Individuals with Disabilities Grant Program - FTA 5310 Grants	20.513	Caltrans Div of Mass Trans	SA-642512	39,900
<u>Total Federal Transit Administration (FTA) Transit Formula Grants - Pass-Through Program</u>				<u>39,900</u>
Federal Transit Administration - Pass-Through Program				
2008 Job Access Reverse Commute (JARC)	20.516	Fresno Council of Governments	CA-37-X102-00	16,607
2010 Job Access Reverse Commute (JARC)	20.516	Fresno Council of Governments	CA-37-X129	48,837
2010 New Freedom (NF)	20.521	Fresno Council of Governments	CA-57-X041 & CA- 57-X054	2,308
<u>Total Federal Transit Administration - Pass-Through Program</u>				<u>67,752</u>
<i>Total Transit Services Program Cluster</i>				<u>107,652</u>

See accompanying notes to schedule of expenditures of federal awards and independent auditor's report on compliance for each major federal program; report on internal control over compliance; and report on the schedule of expenditures of federal awards and the schedule of expenditures of state or local awards required by OMB Circular A-133.

**CITY OF FRESNO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
FOR THE YEAR ENDED JUNE 30, 2015**

<u>Federal Grantor/Pass-Through Granter/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Granter</u>	<u>Grant Number</u>	<u>2014-15 Expenditures</u>
US Department of Transportation (Continued)				
<i>Highway Safety Cluster</i>				
National Highway Traffic Safety Administration - Pass-Through Program				
State and Community Highway Safety-UC Sobriety Checkpoint Program (FY13)	20.600	CA Office of Traffic Safety/Regents of the University of California	SC14151	154,675
State and Community Highway Safety-Selective Traffic Enforcement Program FY2014	20.600	CA Office of Traffic Safety/Regents of the University of California	PT1443	174,873
State and Community Highway Safety-Selective Traffic Enforcement Program FY2015	20.600	CA Office of Traffic Safety	PT1516	646,076
<u>Total National Highway Traffic Safety Administration - Pass-Through Program</u>				<u>975,624</u>
<i>Total Highway Safety Cluster</i>				<u>975,624</u>
ARRA - Federal Railroad Administration - Pass-Through Program				
ARRA - High Speed Rail - Engineering & Plan Review Contract	20.319	California High Speed Rail Authority	HSR 11-29	205,219
<u>Total ARRA - Federal Railroad Administration - Pass-Through Program</u>				<u>205,219</u>
TOTAL US DEPARTMENT OF TRANSPORTATION				33,847,108
US Environmental Protection Agency (EPA)				
ARRA - Office of Water - Pass-Through Program				
ARRA Capitalization Grants for Clean Water State Revolving Fund - 2010/2011 Herndon Town and Cortland/Fountain Way Sewer System Project	66.458	State Water Resources Control Board	09-313-550	20,628
<u>Total - ARRA - Office of Water - Pass-through Program</u>				<u>20,628</u>
ARRA - Office of Water - Pass-Through Program				
ARRA Capitalization Grants for Drinking Water State Revolving Funds - 2010/2011 Herndon Town Water Project	66.468	State Water Resources Control Board	09-313-550	(20,628)
<u>Total - ARRA - Office of Water - Pass-Through Program</u>				<u>(20,628)</u>
<i>Total Drinking Water State Revolving Fund Cluster</i>				-
ARRA - Office of Solid Waste and Emergency Response - Direct Program				
ARRA - Brownfields Assessment Cooperative Agreement	66.818		BF-00T71101-1	162,896
<u>Total ARRA - Office of Solid Waste and Emergency Response - Direct Program</u>				<u>162,896</u>
TOTAL US ENVIRONMENTAL PROTECTION AGENCY (EPA)				162,896

See accompanying notes to schedule of expenditures of federal awards and independent auditor's report on compliance for each major federal program; report on internal control over compliance; and report on the schedule of expenditures of federal awards and the schedule of expenditures of state or local awards required by OMB Circular A-133.

**CITY OF FRESNO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
FOR THE YEAR ENDED JUNE 30, 2015**

<u>Federal Grantor/Pass-Through Granter/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Granter</u>	<u>Grant Number</u>	<u>2014-15 Expenditures</u>
US Department of Health and Human Services				
<i>Aging Cluster</i>				
Administration for Community Living - Pass-Through Program				
Special Programs for the Aging Nutrition Services: Senior Hot Meals FY15	93.045	Fresno Madera Area Agency on Aging	14-0310	84,000
<u>Total Administration for Community Living - Pass-Through Program</u>				<u>84,000</u>
<i>Total Aging Cluster</i>				<u>84,000</u>
TOTAL US DEPARTMENT OF HEALTH AND HUMAN SERVICES				84,000
US Department of Homeland Security				
<i>Homeland Security Grant Cluster</i>				
Homeland Security Grant Program - Pass-Through Program				
FY 13 Homeland Security Grant Program	97.067	CA Homeland Security & County of Fresno	HSGP 2013-00110-019	114,376
FY 14 Homeland Security Grant Program	97.067	CA Homeland Security & County of Fresno	HSGP 2014-00093	139,763
Homeland Security Grant Program 2013	97.067	CA Office of Emergency Services & County of Fresno	2010-0008	83,679
Homeland Security Grant Program 2014	97.067	CA Office of Emergency Services & County of Fresno	2014-00093	44,481
<u>Total Homeland Security Grant Program - Pass-Through Program</u>				<u>382,299</u>
<i>Total Homeland Security Grant Cluster</i>				<u>382,299</u>
Federal Emergency Management Agency - Direct Program				
FY 11 Staffing for Adequate Fire & Emergency Response (SAFER) Grant	97.044		EMW-2011-FH-00940	339,432
FY 13 Staffing for Adequate Fire & Emergency Response (SAFER) Grant	97.044		EMW-2013-FH-00436	98,460
FY 13 Assistance to Firefighter Grant	97.044		EMW-2013-FO-03635	337,095
<u>Total Federal Emergency Management Agency - Direct Program</u>				<u>774,987</u>
TOTAL US DEPARTMENT OF HOMELAND SECURITY				1,157,286
TOTAL EXPENDITURES OF FEDERAL AWARDS				\$ 45,759,332

See accompanying notes to schedule of expenditures of federal awards and independent auditor's report on compliance for each major federal program; report on internal control over compliance; and report on the schedule of expenditures of federal awards and the schedule of expenditures of state or local awards required by OMB Circular A-133.

**CITY OF FRESNO
SCHEDULE OF EXPENDITURES OF STATE OR LOCAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015**

<u>State or Local Grantor/Program and/or Project Title</u>	<u>State Agency</u>	<u>Pass-Through Grantor</u>	<u>Grant Number</u>	<u>Total State Expenditures</u>
Bureau of State and Community Corrections				
Public Safety and Victim Services Division - Direct Program				
CA Gang Reduction, Intervention & Prevention Program 2013	BSCC		GR11056675	\$ 313,648
CA Gang Reduction, Intervention & Prevention Program 2014	BSCC		BSCC806-13	198,536
CA Gang Reduction, Intervention & Prevention Program 2015	BSCC		BSCC806-14	190,254
<u>Total Public Safety and Victim Services Division - Direct Program</u>				<u>702,438</u>
TOTAL BUREAU OF STATE AND COMMUNITY CORRECTIONS				702,438
CA State Agency - San Joaquin River Conservancy				
San Joaquin River Conservancy - Direct Program				
Life and Environmental Science Program FY14	CSJR		CSJR318	12,000
<u>Total San Joaquin River Conservancy - Direct Program</u>				<u>12,000</u>
TOTAL CA STATE AGENCY - SAN JOAQUIN RIVER CONSERVANCY				12,000
CA State Department of Conservatism				
Division of Recycling/Community Outreach Branch - Direct Program				
2013/2014 (FY13) - Recycling Program	DOC		2013/2014	134,915
<u>Total Division of Recycling/Community Outreach Branch - Direct Program</u>				<u>134,915</u>
Division of Land Resources Protection - Direct Program				
Prop 84 - Sustainable Communities Planning Grant Program	DOC		3010-513	68,679
<u>Total Division of Land Resources Protection - Direct Program</u>				<u>68,679</u>
TOTAL CA STATE DEPARTMENT OF CONSERVATISM				203,594
CA State Department of Finance				
Citizens Option for Public Safety - Direct Program				
Supplemental Law Enforcement Services Fund (SLESF) State Program COPS FY14	DOF		FY14	801,815
Supplemental Law Enforcement Services Fund (SLESF) State Program COPS FY15	DOF		FY15	214,001
<u>Total Citizens Option for Public Safety - Direct Program</u>				<u>1,015,816</u>
CA Division of Mass Transportation - Direct Program				
Prop 1B-FAX	DOF		Prop 1B/6x61-0002	1,154,499
<u>Total CA Division of Mass Transportation - Direct Program</u>				<u>1,154,499</u>
TOTAL CA STATE DEPARTMENT OF FINANCE				2,170,315

See accompanying notes to schedule of expenditures of federal awards and independent auditor's report on compliance for each major federal program; report on internal control over compliance; and report on the schedule of expenditures of federal awards and the schedule of expenditures of state or local awards required by OMB Circular A-133.

**CITY OF FRESNO
SCHEDULE OF EXPENDITURES OF STATE OR LOCAL AWARDS (Continued)
FOR THE YEAR ENDED JUNE 30, 2015**

<u>State or Local Grantor/Program and/or Project Title</u>	<u>State Agency</u>	<u>Pass-Through Grantor</u>	<u>Grant Number</u>	<u>Total State Expenditures</u>
CA State Department of Housing & Community Development				
CalHome Rehabilitation Program - Direct Program				
CalHome Rehab - Mortgage 2008	HCD		08-CalHome-4910	125,252
CalHome Rehab - Mortgage 2010	HCD		10-CalHome-6672	<u>422,680</u>
<u>Total CalHome Rehabilitation Program - Direct Program</u>				<u>547,932</u>
Prop 1C - Direct Program				
Dickey Park Improvements	HCD		11-HRPP-7865	190,998
Pilibos Park Improvements	HCD		13-HRPP-9222	9,153
Holmes Park Improvements	HCD		13-HRPP-9222	<u>60,400</u>
<u>Total Prop 1C - Direct Program</u>				<u>260,551</u>
TOTAL CA STATE DEPARTMENT OF HOUSING & COMMUNITY DEVELOPMENT				808,483
CA State Department of Parks and Recreation				
Office of Grants and Local Services - Direct Program				
Martin Ray Reily (MRR) Park	OGALS		SW-10-004	1,815,428
Cultural Arts District (CAD) Parks	OGALS		SW-10-002	217,829
Universally Accessible Park (UAP)	OGALS		SW-10-001	<u>5,000,000</u>
<u>Total Office of Grants and Local Services - Direct Program</u>				<u>7,033,257</u>
TOTAL CA STATE DEPARTMENT OF PARKS AND RECREATION				7,033,257
CA State Department of Transportation				
Aeronautics Program of the CA Transportation Commission - Direct Program				
State Match to AIP 20 FF14	CTC		Applied For	923
State Match to FAA AIP 19 FF14	CTC		Applied For	<u>121</u>
<u>Total Aeronautics Program of the CA Transportation Commission - Direct Program</u>				<u>1,044</u>
Division of Local Transportation Assistance - Direct Program				
Highway Research, Planning, and Construction Program (State Program)	DOT		Master Agreement 06-5060	<u>2,042,021</u>
<u>Total Division of Local Transportation Assistance - Direct Program</u>				<u>2,042,021</u>
CalTrans - Direct Program				
Romain Park Improvements	DOT		EEM-2011(018)	<u>210,785</u>
<u>Total CalTrans - Direct Program</u>				<u>210,785</u>
TOTAL CA STATE DEPARTMENT OF TRANSPORTATION				2,253,850

See accompanying notes to schedule of expenditures of federal awards and independent auditor's report on compliance for each major federal program; report on internal control over compliance; and report on the schedule of expenditures of federal awards and the schedule of expenditures of state or local awards required by OMB Circular A-133.

**CITY OF FRESNO
SCHEDULE OF EXPENDITURES OF STATE OR LOCAL AWARDS (Continued)
FOR THE YEAR ENDED JUNE 30, 2015**

<u>State or Local Grantor/Program and/or Project Title</u>	<u>State Agency</u>	<u>Pass-Through Grantor</u>	<u>Grant Number</u>	<u>Total State Expenditures</u>
CA State Environment Protection Agency				
Integrated Waste Mgmt Board - Direct Program				
2012/2013 Waste Tire Cleanup Grant	CTWMB		TCU14-12-33	14,690
2013/2014 Waste Tire Cleanup Grant	CTWMB		TCU15-14-0018	78,433
2013/2014 Waste Tire Amnesty Grant	CTWMB		TEA1-13-16	14,277
2012/2013 Waste Tire Enforcement Grant	CTWMB		TEA20-12-1	54,043
2013/2014 Waste Tire Enforcement Grant	CTWMB		TEA21-13-0011	300,000
FY2014 CalRecycle - Oil Payment Program	CTWMB		OPP4	140,036
FY2013 CalRecycle - Oil Payment Program	CTWMB		OPP3	3,932
<u>Total Integrated Waste Mgmt Board - Direct Program</u>				<u>605,411</u>
TOTAL CA STATE ENVIRONMENT PROTECTION AGENCY				605,411
CA State Water Resources Control Board				
Division of Financial Assistance - Pass-Through Program				
Supplemental Prop 50 Upper Kings Basin Water Forum IRWM Plan - Residential Water Meter Installation Project Phase II	CSWRCB	Kings River Conservation District	4600009198	81,910
<u>Total Division of Financial Assistance - Pass-Through Program</u>				<u>81,910</u>
TOTAL CA STATE WATER RESOURCES CONTROL BOARD				81,910
Community Science Workshop Network				
Community Science Workshop Network - Direct Program				
Highway City Community Science Workshop	CSW			2,266
California Tinkering Afterschool Network (CTAN) Grant	CSW			6,625
<u>Total Community Science Workshop Network - Direct Program</u>				<u>8,891</u>
TOTAL COMMUNITY SCIENCE WORKSHOP NETWORK				8,891
Fresno County Department of Public Health				
Childhood Lead Poisoning Prevention Program - Pass-Through Program				
2015 Childhood Lead Poisoning Prevention	CLPPP	County of Fresno	CLPPP2015	145,489
<u>Total Childhood Lead Poisoning Prevention Program - Pass-Through Program</u>				<u>145,489</u>
TOTAL FRESNO COUNTY DEPARTMENT OF PUBLIC HEALTH				145,489
National Recreation and Park Association (NRPA)				
NRPA - Direct Program				
Out-of-School Time Program	NRPA			15,220
<u>Total NRPA - Direct Program</u>				<u>15,220</u>
TOTAL NATIONAL RECREATION AND PARK ASSOCIATION (NRPA)				15,220
Pacific Forest and Watershed Lands Stewardship Council				
Stewardship Council - Direct Program				
Universally Accessible Park (UAP)	PFWLSC		2,009	150,000
<u>Total Stewardship Council - Direct Program</u>				<u>150,000</u>
TOTAL PACIFIC FOREST AND WATERSHED LANDS STEWARDSHIP COUNCIL				150,000

See accompanying notes to schedule of expenditures of federal awards and independent auditor's report on compliance for each major federal program; report on internal control over compliance; and report on the schedule of expenditures of federal awards and the schedule of expenditures of state or local awards required by OMB Circular A-133.

**CITY OF FRESNO
SCHEDULE OF EXPENDITURES OF STATE OR LOCAL AWARDS (Continued)
FOR THE YEAR ENDED JUNE 30, 2015**

<u>State or Local Grantor/Program and/or Project Title</u>	<u>State Agency</u>	<u>Pass-Through Grantor</u>	<u>Grant Number</u>	<u>Total State Expenditures</u>
PG&E				
PG&E - Direct Program				
Science Camp at Highway City	PGE			887
PG&E Cooling Center	PGE			25,000
<u>Total PG&E - Direct Program</u>				<u>25,887</u>
TOTAL PG&E				25,887
The Fresno Regional Foundation				
The Fresno Regional Foundation - Direct Program				
Youth Liaison Officer Grant FY2014	FRF		FY13-14	34,670
Youth Liaison Officer Grant FY2015	FRF		FY14-15	80,313
<u>Total the Fresno Regional Foundation - Direct Program</u>				<u>114,983</u>
TOTAL THE FRESNO REGIONAL FOUNDATION				114,983
CA Department of Public Health				
State Water Resources Control Board - Pass-Through Program				
Clean Water State Revolving Fund	CDPH		14-817-550	11,458,027
<u>Total State Water Resources Control Board - Pass-Through Program</u>				<u>11,458,027</u>
TOTAL STATE WATER RESOURCES CONTROL BOARD				11,458,027
TOTAL EXPENDITURES OF STATE AWARDS				\$ 25,789,755

See accompanying notes to schedule of expenditures of federal awards and independent auditor's report on compliance for each major federal program; report on internal control over compliance; and report on the schedule of expenditures of federal awards and the schedule of expenditures of state or local awards required by OMB Circular A-133.

**CITY OF FRESNO
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND
SCHEDULE OF EXPENDITURES OF STATE OR LOCAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 1 – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards and State or Local Awards (the Schedules) present the activity of all federal and nonfederal award programs of the City of Fresno, California (the City). The Schedules include 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 include the operations of the Successor Agency to the City of Fresno Redevelopment Agency which had federal award expenditures for the year ending June 30, 2015, of \$134,608. Because the Schedules present only a selected portion of the operations of the City, they are not intended to, and do not, present the operations of the City as a whole.

The accompanying Schedules are presented on the cash basis of accounting. The information in the Schedules are presented in accordance with the requirements of U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in these Schedules may differ from amounts presented in, or used in the preparation of, the basic financial statements. Expenditures of federal and nonfederal awards are primarily reported in the City's basic financial statements in the general fund, grants special revenue funds, transit enterprise funds, and airport enterprise funds.

NOTE 2 – SUBRECIPIENTS

Of the federal expenditures presented in the Schedule of Expenditures of Federal Awards (SEFA), the City provided federal awards to its subrecipients as follows:

Program Title	Federal CFDA Number	Amount Provided to Subrecipients
Community Development Block Grants/Entitlement Grants Program	14.218	\$ 37,500
Emergency Solutions Grant Programs	14.231	499,724
Neighborhood Stabilization Program 3	14.256	105,100

NOTE 3 – SECTION 108 LOANS

The City has three (3) Section 108 loans outstanding at June 30, 2015. 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 Grants on the SEFA. Principal and interest payments on all three (3) loans totaled \$461,120 for the year ended June 30, 2015, of which \$461,120 was paid from Community Development Block Grant funds.

NOTE 3 – SECTION 108 LOANS (Continued)

A summary of Section 108 loans outstanding as of June 30, 2015, is as follows:

Grant Loan Program	Unspent Loan Proceeds as of June 30, 2015	Outstanding Loan Balances as of June 30, 2015
Section 108 Note - Regional Medical Center	\$ -	\$ 760,000
Section 108 Note - Fresno-Madera Area Agency on Aging	-	570,000
Section 108 Note - Neighborhood Streets/Parks	-	836,000
	\$ -	\$ 2,166,000

NOTE 4 – STATE REVOLVING LOAN FUNDS

Beginning in fiscal year 2007, the City received Federal cross-cut revolving grant funds from the State in the form of loans, from the U.S. Environmental Protection Agency, Office of Water, passed through the California State Water Resources Control Board and the California Department of Public Health, under Capitalization Grants for Clean Water State Revolving Funds (CFDA # 66.458) and Capitalization Grants for Safe Drinking Water State Revolving Funds (CFDA # 66.468). The purpose of the grants/loans is to assist in financing the construction of projects that will enable the City to comply with statutory clean and safe drinking standards. The City received funds under five grants/loans. The terms of the grants/loans and the outstanding balances as June 30, 2015, are as follows:

Grant Fiscal Year	Agreement Number	Description	Project Number	Not to Exceed	Interest Rate and Term	Outstanding Loan Balances as of June 30, 2015
2007	SRF06CX150	Wellsite Chlorination Project	10100007-004	\$ 2,210,000	2.2923% / 20 years*	\$ 1,668,623
2009	SRF08SWX101	Enterprise/Jefferson Canal Project	10100007-011	1,968,136	2.2923% / 20 years*	1,066,395
2010	09-313-550	Herndon Town and Cortland / Fountain Way Sewer System	C-06-5379-110	884,125	0.0000% / na**	-
2010	AR09FP31	Herndon Town Water Project	1000048-002	619,978	0.0000% / na**	-
2011	SFR11CX104	Residential Meter Project	10100007-026C	51,405,432	0.0000% / 20 years*	48,835,160
						\$ 51,570,178

* Term begins at completion of project.

** Loan will be 100% forgiven; therefore, there is no interest rate, term, or balance outstanding.

These loans are not considered to have continuing compliance requirements under OMB Circular A-133, and, therefore, are only reported on the SEFA in the year in which funds are expended and drawn. The City drew funds under the loans during fiscal year 2015 and has reported these amounts on the SEFA as follows:

CFDA Number	Project Name	Non-ARRA Amount	ARRA Amount	Total Amount
66.458	Herndon Town and Cortland/Fountain Way Sewer System	\$ -	\$ 20,628	\$ 20,628
66.468	Herndon Town Water	-	(20,628)	(20,628)
		\$ -	\$ -	\$ -

NOTE 5 – PRE-AWARD AUTHORITY SPENDING IN 2015

The City incurred costs totaling \$152,244 under the Airport Improvement Program (AIP) during the year ended June 30, 2015, prior to receiving the grant award. Under the U.S. Department of Transportation Federal Aviation Administration, Order 3100.38C, project costs incurred prior to the execution of a grant agreement may be reimbursed for costs incurred after September 1996 for funds apportioned to a sponsor as entitlements. As there are no executed grant agreements in place, these costs were not included as part of the AIP expenditures under the SEFA for the year ended June 30, 2015.

The City incurred costs totaling \$1,202,750 under the AIP during the year ended June 30, 2014, for which funding in the amount of \$770,606 was approved in fiscal year 2015. These expenditures are included on the SEFA as part of the AIP (CFDA #20.106) expenditures for the year ended June 30, 2015. The \$432,145 balance of the Pre-Award expenditures is expected to be awarded in Fiscal Year 2016 and will be reported when funded.

NOTE 6 – ECONOMIC DEVELOPMENT ASSISTANCE RFL GRANT CALCULATION

The amount reported on the SEFA for expenditures related to the Economic Development Assistance Revolving Loan Fund (RLF) Grant (CFDA #11.307) is calculated using various criteria as defined by OMB Circular A-133. The calculation for the year ended June 30, 2015, is as follows:

Balance of RLF loans outstanding at June 30, 2015	\$ 633,703
Cash and investment balance at June 30, 2015	118,131
Administrative expenses paid out	17,068
Unpaid principal of all loans written off	<u>-</u>
Subtotal	<u>\$ 768,902</u>
Federal share	100%
Total expenditures reported at June 30, 2015	<u><u>\$ 768,902</u></u>

NOTE 7 – PRIOR YEAR EXPENDITURES INCLUDED IN SEFA

The SEFA includes the following federal expenditures that were incurred in the prior year:

- ARRA Capitalization Grant for Drinking Water (CFDA #66.468) - \$20,628, which includes a final expenditure of \$18,718 along with \$1,910 in payroll adjustments. The Fiscal Year 2014 Single Audit Report stated these final expenditures on the improper CFDA # and the California State Water Resources Control Board requested the correction to be made.

NOTE 8 – RESTATE SEFA DUE TO A CORRECTION OF AN ERROR

Subsequent to the issuance of our report dated March 30, 2016, the City discovered that Capitalization Grants for Drinking Water State Revolving Fund - Project No. C-06-7893-110 Tertiary Treatment Facility (CDFA #66.468) in the amount of \$11,458,027, which was previously reported in the SEFA as a major federal program, was actually a state funded program. The City revised the SEFA and the Schedule of Expenditures of State or Local Awards previously reported to reflect correction of this error. Our audit opinion is not modified as a result of this change.

**CITY OF FRESNO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015**

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

- Material weakness identified? Yes No
- Significant deficiencies identified that are not considered to be material weaknesses? Yes None Reported

Noncompliance material to financial statements noted? Yes No

Federal Awards

Type of auditor’s report issued on compliance for major programs: Unmodified

Internal control over major federal programs:

- Material weakness identified? Yes No
- Significant deficiencies identified that are not considered to be material weaknesses? Yes None reported

Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133, Section .510(a)? Yes No

Identification of major programs:

<u>CFDA #(s)</u>	<u>Name of Federal Program or Cluster</u>
11.307	Economic Adjustment Assistance
14.218	Community Development Block Grants/Entitlement Grants
14.239	Home Investment Partnership Program
20.205	Highway Planning and Construction Program
	Federal Transit Cluster:
20.500	Federal Transit – Capital Investment Grants
20.507	Federal Transit – Formula Grants

The threshold for distinguishing type A and B programs was \$1,372,780.

Auditee qualified as low-risk auditee? Yes No

SECTION II – FINANCIAL STATEMENT FINDINGS

2015-001: Risk Assessment (Significant Deficiency)

Criteria:

The Committee of Sponsoring Organizations of the Treadway Commission (COSO) is a joint initiative of the five private sector organizations, including the American Institute of Certified Public Accountants and the Institute of Internal Auditors, and is dedicated to providing thought leadership through the development of frameworks and guidance on enterprise risk management, internal control, and fraud deterrence. The COSO *Internal Control-Integrated Framework* (Framework) is the common framework against which internal control systems can be assessed and improved. The Framework provides for three objectives, which allow organizations to focus on differing aspects of internal control:

- *Operations Objectives* – the effectiveness of the entity's operations, including operational and financial performance goals, and safeguarding of assets against loss;
- *Reporting Objectives* – internal and external financial and non-financial reporting and may encompass reliability, timeliness, transparency, or other terms as set forth by regulators, recognized standard setters, or entity policies;
- *Compliance Objectives* – adherence to laws and regulations to which the entity is subject.

The Framework establishes five elements of internal control as a method to meeting the objectives above: (1) Control Environment; (2) Risk Assessment; (3) Control Activities; (4) Information and Communication; and (5) Monitoring. Risk Assessment is an integral part of internal control and management should periodically evaluate the risks and monitor the changes facing the City of Fresno (the City). This process involves evaluating both previously identified risks and potential new risks and providing assurance that (1) controls are designed properly to address significant risks and (2) controls are operating effectively.

Condition:

As noted in prior years, the City has not performed an entity-wide risk assessment. In addition to challenges faced by the City, the information technology (IT) department has also been challenged both financially and operationally. Long-term, continued operations that are underfunded or understaffed, significantly increase the risk that appropriate controls are not implemented or operating effectively which may introduce errors that can affect the processing of financial transactions and or financial reporting. Failure to perform and evaluate the City's risk assessments on an annual basis increases the possibility that the City is unaware of IT-related risks that could have detrimental impacts on its ability to conduct day-to-day operations and fulfill organizational goals.

Cause:

In recent years the City has experienced significant financial challenges due to both internal and external factors, which significantly impacted its operations through staff and service reductions, including monitoring activities by the Finance Department and Internal Audit Section.

Effect:

With the various changes in the City, including staff reductions, new fiscal policies, new federal grant compliance requirements under the Uniform Guidance, continuing changes in State legislation and funding, current economic conditions, and upcoming retirements of key positions, the City is exposed to various risks to operational effectiveness and efficiency, accurate financial reporting, and compliance with laws and regulations.

Recommendation:

We recommend that the City perform an IT risk assessment including an evaluation of its control activities as it relates to significant applications that support the City's financial reporting procedures. The City should conduct the process of evaluating IT-related risks on an annual basis in order to ensure that any

new IT-related risks associated with changes to the City's IT environment and IT staffing, as well as any that may have been missed in prior year assessments, are identified and addressed. The City may want to consider outsourcing the risk assessment to a third-party with knowledge of similar organizations and who can assist the City in identifying and evaluating significant risks and developing a cost effect solution to address these areas.

Management Response/Corrective Action Plan:

Management agrees with this recommendation. The City will take this up under advisement. This process is generally performed by Internal Audit. Management can (and will) seek out a proper IT Assessment process/firm according to our understanding, however, if there's a recommended program, we would like that recommendation.

2015-002: Access to Programs and Data (Significant Deficiency)

Criteria:

The City is responsible for ensuring that its IT systems are reliable and its data is secure. General computer controls over the access to programs and data require that network and application security controls be implemented to ensure administrative, master, and super user activities are properly authorized and to safeguard access to information technology resources and data. Furthermore, these controls should require that adequate safeguards are in place to prevent unauthorized access to or destruction of documents, records, and assets.

Condition:

During our review and evaluation of the general controls over information systems, we noted the following:

The City does not currently have a process in place to regularly review user access accounts and permissions within the PeopleSoft, SunGard/utility billing, and Active Directory systems. This increases the risk that user accounts may have access to system functions that are not commensurate with their current job responsibilities and unneeded or unauthorized user accounts are not identified and removed or disabled on a timely basis. Examples of accounts that may need removing might include temporary accounts utilized for projects that have concluded or those that remained in the system at the time of an employee's termination for a business-use scenario (e.g., review of the work completed by the terminated employee or duplication of roles to a new user account).

Additionally, we noted during our examination of PeopleSoft user accounts with access permissions to add or modify user account permissions that functional leads have been granted administrative access to perform this activity. We recognize that the City determined this appropriate due to staffing constraints; however, as these individuals also perform activities involving financial transactions, these administrative access rights create a conflict of duties whereby the functional leads have the ability to grant themselves additional access permissions that have not been approved.

Cause/Effect:

The City has only recently resurrected its Innovation IT Advisory Committee (IT Steering Committee), and is starting to identify critical policies and leading practices. Prior to establishment of the Advisory Committee, the City staff has had the combination of a common forum and the resources to address core policy issues impacting IT security.

Recommendation:

We recommend that the City implement regularly scheduled (on an annual basis, at a minimum) reviews of PeopleSoft, SunGard/utility billing system, and Active Directory user accounts and their associated permissions to ensure that no unneeded or unauthorized user accounts exist, and that the permissions assigned within the systems are appropriate for the individuals job responsibilities. It is recommended that

the reviewer compare the active user accounts with an official employee roster provided by the Human Resources or payroll department. All user access permissions should be reviewed by the department head responsible for the function to determine if access permissions are appropriate. All generic, system, and/or service type accounts should be included in the review. If the review is performed by City IT staff members, they may wish to work with individual departments during this process to ensure that they are aware of current employee lists and job positions, if deemed necessary.

We also recommend that the City examine the administrative access permissions given to the functional leads and seek to remove these to eliminate the potential for a conflict of duties. If the City is unable to remove the permissions due to staffing constraints, it is recommended that a daily monitoring control be established whereby all access permission changes during the prior 24 hours are automatically reported by the PeopleSoft application. This report should be reviewed to confirm that all changes had been properly approved per the City's policy. The review should be performed by a member of management without administrative access permissions to change user access permissions.

Management Response/Corrective Action Plan:

We agree with this finding. As part of the City's Security Assessment in 2015, it was noted that the City needed to perform an audit on user accounts. Management will evaluate and determine how this audit will take place during this calendar year. Management intends to not only include an appropriate rights review, but also a process to audit and monitor appropriate rights for our end users.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2015-003: Reporting on HUD 60002 Report (Significant Deficiency)

Federal Program Title: Community Development Block Grants (CDBG) and Home Investment Partnership Program (HOME)

Federal Catalog Number: CDBG: 14.218; HOME: 14.239

Federal Agency: U.S. Department of Housing and Urban Development (HUD)

Federal Award Numbers: CDBG: B-14-MC-06-001 and B-13-MC-06-001; HOME: M-14-MC-06-0204, M-13-MC-06-0204

Category of Finding: Reporting

Criteria:

The reporting compliance requirement in accordance with 24 Code of Federal Regulations (CFR) Section 135, requires that the prime recipient must submit Form HUD 60002, *Section 3 Summary Report, Economic Opportunities for Low and Very Low-Income Persons*, for each grant over \$200,000 that involves housing rehabilitation, housing construction, or other public construction. For recipients of HUD Community Planning and Development funding, the Form HUD 60002 is due at the same time as annual performance (e.g., CAPERS) reports, which is within 90 days after the reporting period.

Condition:

During our audit of the reporting requirements, we noted that the Form HUD 60002 related to the year ended June 30, 2015, for the CDBG and HOME programs was not submitted. The City department responsible for this report is the Development and Resources Management Department.

Cause of Condition:

The Development and Resources Management Department was focused on completing the Consolidated Annual Performance Evaluation Report, and did not have the resources to complete the Form HUD 60002 for the CDBG and HOME programs.

Effect:

As of the result of management not filing this report, these programs were not in compliance with the timely submission of the Form HUD 60002, thus not providing HUD with necessary information to monitor housing rehabilitation, housing construction, and other public construction activities.

Questioned Costs:

None noted.

Recommendation:

We recommend the City annually identify all reporting requirements for grants, develop procedures, and evaluate and address resource needs to ensure timely submission of required reports.

Management Response/Corrective Action Plan:

Management agrees.

Section 3 of the Housing and Urban Development Act of 1968, as amended by the Housing and Community Development Act of 1992, requires that recipients of financial assistance provided by the U.S. Department of Housing and Urban Development ("HUD"), to the greatest extent feasible, provide training and employment opportunities from low income area residents and contract opportunities for performance of work by local businesses owned by and/or employing low income residents.

Under HUD Section 3, recipients are required to collect information on every Sponsor, Contractor, Sub-Contractor, etc. for each federal funded grant in excess of \$200,000 that involves housing rehabilitation, housing construction, or other public construction, to ensure compliance with Section 3 regulations. The HOME program falls under Section 3 requirements. Recipients are required to submit Summary Report, Form HUD 60002, and the annual report showing the recipients' Section 3 effectiveness.

The City of Fresno currently does not have a Section 3 Program in place. This program requires that the recipient comply with the following:

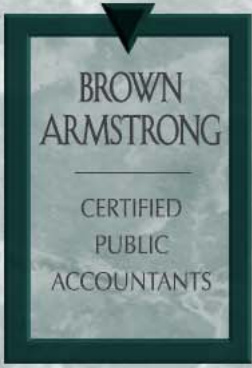
- (1) Notify Section 3 residents of employment and contracting opportunities
- (2) Facilitate employment and training of residents
- (3) Incorporate Section 3 clauses
- (4) Inform contractors of requirements
- (5) Assist contractors with compliance
- (6) Document compliance actions

Staff worked with the DBE Section in the Purchasing Division to draft a Section 3 Plan. The Development and Resource Management Department (DARM) believed that there was a requirement in which the Section 3 Plan needed to be presented to HUD as well as the City of Fresno Council for Action and Approval. The DARM Director received direction from their consultant that the Section 3 Plan can be adopted administratively into their Program Procedures Manual. Beginning July 2015, all contracts exceeding \$200,000 will have to comply with the Section 3 guideline and the Annual Form HUD 60002 will be filed annually along with the CAPER in Fiscal Year 2016.

**CITY OF FRESNO
STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015**

Reference Number	Description	Status
Financial Statements Findings:		
2014-001	<i>Grants Receivables, Revenues, and Unavailable or Unearned Revenues (Material Weakness)</i>	<i>Implemented</i>
2014-002	<i>Preparation of the Schedule of Expenditures of Federal Awards (SEFA) (Material Weakness)</i>	<i>Implemented</i>
2014-003	<i>Risk Assessment (Significant Deficiency)</i>	<i>See current year finding 2015-001.</i>
2014-004	<i>Access to Programs and Data (Significant Deficiency)</i>	<i>See current year finding 2015-002.</i>
Findings and Questioned Costs Relating to Federal Awards:		
2014-005	<i>Federal Program Title: Economic Development Cluster Federal Catalog Number: 11.307 Federal Agency: Economic Development Administration Category of Finding: Reporting Reporting on Revolving Loan Fund Semi-Annual Financial Report (Material Weakness)</i>	<i>Implemented</i>
2014-006	<i>Federal Program Title: Home Investment Partnership Program (HOME) Federal Catalog Number: 14.239 Federal Agency: U.S. Department of Housing and Urban Development (HUD) Category of Finding: Reporting Reporting on HUD 60002 Report (Significant Deficiency)</i>	<i>See current year finding 2015-003.</i>
2014-007	<i>Federal Program Title: Federal Transit Cluster Federal Catalog Number: 20.500 and 20.507 Federal Agency: Federal Transit Administration Category of Finding: Reporting Reporting on Federal Financial Report Standard Form 425 (Significant Deficiency)</i>	<i>Implemented</i>

AIRPORT COMPLIANCE SECTION



BROWN ARMSTRONG
Certified Public Accountants

**INDEPENDENT AUDITOR'S REPORT ON
SUPPLEMENTARY INFORMATION**

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

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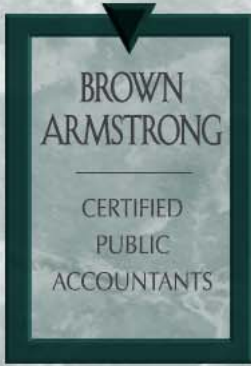
We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Fresno, California (the City), as of and for the year ended June 30, 2015, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 11, 2016, which expressed an unmodified opinion on those financial statements. Our report includes references to other auditors who audited the financial statements of the City of Fresno Cultural Arts Properties (discretely presented component unit) and the Successor Agency to the Redevelopment Agency of the City (component unit of the City) as described in our report on the City's financial statements.

Our audit was conducted for the purpose of forming our opinions on the financial statements that collectively comprise the City's basic financial statements as a whole. The accompanying schedule of passenger facility charge collections and expenditures is presented for purposes of additional analysis, as specified in the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

This report is intended solely for the information and use of the City Council, management, others within the City, and the Federal Aviation Administration and is not intended to be, and should not be, used by anyone other than these specified parties.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Bakersfield, California
March 30, 2016



BROWN ARMSTRONG

Certified Public Accountants

INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE PASSENGER FACILITY CHARGE PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE

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

Report on Compliance for the Passenger Facility Charge Program

We have audited the City of Fresno, California’s, (the City) compliance with the types of compliance requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies* (Guide), issued by the Federal Aviation Administration, applicable to the Airport’s passenger facility charge program for the year ended June 30, 2015.

Management’s Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to the passenger facility charge program.

Auditor’s Responsibility

Our responsibility is to express an opinion on 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 the Guide. Those standards and the Guide 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 material effect on the passenger facility charge 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. However, our audit does not provide a legal determination of the City’s compliance with those requirements.

Opinion

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to the passenger facility charge program for the year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City’s internal control over compliance to determine the 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.

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A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement of the passenger facility charge program will not be prevented, or detected and corrected on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, 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. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the Guide. Accordingly, this report is not suitable for any other purpose.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation

Bakersfield, California
March 30, 2016

**CITY OF FRESNO
SCHEDULE OF PASSENGER FACILITY CHARGE (PFC)
COLLECTIONS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2015**

Description	Beginning Balance Unliquidated PFC ²	PFC Revenues ¹	Interest Earned ³	Expenditures		Ending Balance Unliquidated PFC ²
				Application #2	Total	
Cash receipts and disbursements quarter ended September 30, 2014	\$ 5,610,349	\$ 698,134	\$ 5,441	\$ -	\$ -	\$ 6,313,924
Cash receipts and disbursements quarter ended December 31, 2014	6,313,924	757,250	8,058	-	-	7,079,232
Cash receipts and disbursements quarter ended March 31, 2015	7,079,232	658,412	9,845	1,600,000	1,600,000	6,147,489
Cash receipts and disbursements quarter ended June 30, 2015	6,147,489	<u>731,959</u>	<u>11,214</u>	<u>-</u>	<u>-</u>	6,890,662
		<u>\$ 2,845,755</u>	<u>\$ 34,558</u>	<u>\$ 1,600,000</u>	<u>\$ 1,600,000</u>	

¹ PFC revenues are reported when the cash is received.

² Unliquidated PFC collections have not been applied to approved PFC projects.

³ Interest revenue is reported when earned (accrued).

See Note to Schedule of Passenger Facility Charge (PFC) Collections and Expenditures.

**CITY OF FRESNO
NOTE TO SCHEDULE OF PASSENGER FACILITY CHARGE (PFC)
COLLECTIONS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of passenger facility charge collections and expenditures includes the PFC activity of the City of Fresno. Interest income is earned on deposit balances of PFC receipts. Passenger facility charge collection revenue and expenditures are presented on the cash basis of accounting, and the interest income is presented on the accrual basis of accounting. The information in this schedule is presented for purposes of additional analysis, as specified in the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in preparation of, the basic financial statements.

PFC expenditures may consist of direct project costs, administrative costs, debt service costs, and bond financing costs, if requested in the application. Eligible expenditures not requested or approved in the application are not applied against PFC collections. The accompanying schedule of PFC collections and expenditures includes the eligible expenditures that have been applied against PFC collections through June 30, 2015.

**CITY OF FRESNO
PASSENGER FACILITY CHARGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015**

None noted.

**CITY OF FRESNO
PASSENGER FACILITY CHARGE
STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015**

None reported.