

**CITY OF FRESNO**

**Single Audit Report and  
Other Compliance Reports**

**For the Year Ended June 30, 2012**



**CITY OF FRESNO**  
**Single Audit Report and Other Compliance Reports**  
**For the Year Ended June 30, 2012**

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The Honorable City Council  
of the City of Fresno, California

**Independent Auditor’s Report on Internal Control Over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards***

We have audited the financial statements of the governmental activities, business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Fresno, California (City), as of and for the year ended June 30, 2012, which collectively comprise the City’s basic financial statements, and have issued our report thereon dated March 30, 2013. Our report was modified to include reference to other auditors. Our report also included explanatory paragraphs about the City’s ability to continue as a going concern as a result of depleting emergency reserves, negative fund balances, declining revenues, and increasing employment costs; the City’s intent to adopt a 5 year loan agreement related to interfund advances; and the dissolution of redevelopment agencies and the formation of the City of Fresno Successor Agency and Housing Successor. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the City of Fresno Employees Retirement System, the City of Fresno Fire and Police Retirement System and the City of Fresno Cultural Arts Properties Corporation, 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**

Management of the City is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City’s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City’s internal control over financial reporting.

*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 combination of significant 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.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain other matters that we reported to management of in a separate letter dated March 30, 2013.

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

*Macias Fini & O'Connell LLP*

Newport Beach, California  
March 30, 2013

To the Honorable City Council  
of Fresno, California

**Independent Auditor’s Report on Compliance with Requirements that  
Could Have a Direct and Material Effect on Each Major Program, on  
Internal Control Over Compliance and the Schedule of Federal Expenditures of  
Federal Awards in Accordance with OMB Circular A-133**

**Compliance**

We have audited the City of Fresno, California’s (City) compliance with the types of compliance requirements described in the *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, 2012. 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. 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 consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City’s compliance with those requirements.

In our opinion, the City complied, in all material respects, with the 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, 2012.

**Internal Control Over Compliance**

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City’s internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine the 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City’s internal control over compliance.

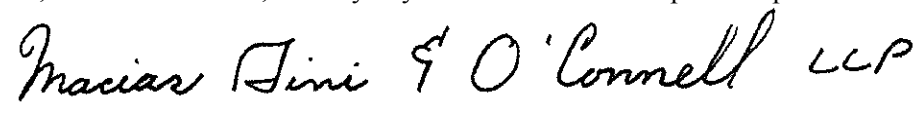
*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement 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.

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.

### **Schedule of Expenditures of Federal Awards**

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of and for the year ended June 30, 2012, and have issued our report thereon dated March 30, 2013. Other auditors audited the financial statements of the City of Fresno Employees Retirement System, the City of Fresno Fire and Police Retirement System, and the City of Fresno Cultural Arts Properties, as described in our report to the City's financial statements. Our report also included explanatory paragraphs about the City's ability to continue as a going concern as a result of depleting emergency reserves, negative fund balances, declining revenues, and increasing employment costs; the City's intent to adopt a 5 year loan agreement related to interfund advances; and the dissolution of redevelopment agencies and the formation of the City of Fresno Successor Agency and Housing Successor. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying schedule of expenditures of federal and nonfederal awards is presented for purposes of additional analysis, 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 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 financial statements as a whole.

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

  
Newport Beach, California  
March 30, 2013



**CITY OF FRESNO**  
**Schedule of Expenditures of Federal and Nonfederal Awards**  
**For the Year Ended June 30, 2012**

<u>Federal Grantor/Program and/or Project Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Grantor</u>	<u>Grant Number</u>	<u>Total Federal Expenditures</u>
<b>U.S. Department of Commerce:</b>				
<b>Economic Development Administration (EDA) - Direct Program</b>				
Economic Adjustment Assistance Revolving Loan Fund	11.307		07-39-02434	\$ 478,221
		<u>Total Direct EDA Program</u>		<u>478,221</u>
<b>National Telecommunications and Information Administration (NTIA) - Pass-through Program</b>				
Public Safety Interoperable Communications Grant Program (PSIC)	11.555	CA Office of Homeland Security	2007-2008	2,988,676
		<u>Total Pass-through NTIA Program</u>		<u>2,988,676</u>
<b>TOTAL U.S. DEPARTMENT OF COMMERCE</b>				<b>3,466,897</b>
<b>U.S. Department of Housing and Urban Development:</b>				
<b>Entitlement Grants Cluster</b>				
<b>Community Development Block Grants (CDBG) / Entitlement Grants - Direct Program</b>				
FY12 Community Development Block Grant	14.218		B-11-MC-06-001	6,975,936
FY11 Community Development Block Grant	14.218		B-10-MC-06-001	118,240
FY10 Community Development Block Grant	14.218		B-09-MC-06-001	49,366
FY05 Community Development Block Grant	14.218		B-04-MC-06-001	82,424
2010 Neighborhood Stabilization Program 1	14.218		B-08-MN-06-0003	389,106
		<u>Total Direct CDBG Program</u>		<u>7,615,072</u>
<b>Community Development Block Grant ARRA Entitlement Grants (CDBG-R) - Direct Program</b>				
ARRA: FY10 Community Development Block Grant - Recovery	14.253		B-09-MY-060001	139,838
		<u>Total Direct CDBG-R Program</u>		<u>139,838</u>
<b>Total Entitlement Grants Cluster</b>				<b>7,754,910</b>
<b>Emergency Solutions Grants Program (ESG) - Direct Program</b>				
FY12 Emergency Shelter Grant	14.231		E-11-MC-06-0001	281,691
		<u>Total Direct ESG Program</u>		<u>281,691</u>
<b>HOME Investment Partnerships Program (HOME) - Direct Program</b>				
FY12 HOME	14.239		M-11-MC-06-0204	597,262
FY10 HOME	14.239		M-09-MC-06-0204	1,362,555
FY09 HOME	14.239		M-08-MC-06-0204	1,262
FY05 HOME	14.239		R-04-MC-06-0204	2,235
		<u>Total Direct HOME Program</u>		<u>1,963,314</u>
<b>Economic Development Initiative (EDI) - Direct Program</b>				
Community Development Block Grants/Brownfields Economic Development Initiative	14.246		B-04-NI-CA-0002	744
		<u>Total Direct EDI Program</u>		<u>744</u>
<b>Homeless Prevention &amp; Rapid Re-Housing - Direct Program</b>				
ARRA: Homeless Prevention & Rapid Rehousing Program (ARRA - HPRP)	14.257		S-09-MY-06-0001	864,742
		<u>Total Direct ARRA - HPRP Program</u>		<u>864,742</u>
<b>Public Housing Capital Fund (HCF) - Pass-through Program</b>				
HUD Capital Funding Grant Program FY 10/11	14.872	Housing Authority of Fresno	FY 10/11	29,702
HUD Capital Funding Grant Program FY 12	14.872	Housing Authority of Fresno	FY 12	171,471
		<u>Total Pass-through HCF Program</u>		<u>201,173</u>
<b>Office of Administration - Direct Program</b>				
2011 Lead Based Paint Control in Privately Owned Housing	14.905		CALHB0492-11	97,608
		<u>Total Direct OA Program</u>		<u>97,608</u>
<b>Office of Healthy Homes and Lead Hazard Control (OHHLHC) - Direct Program</b>				
ARRA: 2009/2012 Lead-Based Paint Control in Privately-Owned Housing	14.907		CALHB0433-08	712,267
		<u>Total Direct ARRA - OHHLHC Program</u>		<u>712,267</u>
<b>TOTAL U.S. DEPT. OF HOUSING AND URBAN DEVELOPMENT</b>				<b>11,876,449</b>

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**CITY OF FRESNO**  
**Schedule of Expenditures of Federal and Nonfederal Awards (Continued)**  
**For the Year Ended June 30, 2012**

<u>Federal Grantor/Program and/or Project Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Grantor</u>	<u>Grant Number</u>	<u>Total Federal Expenditures</u>
<b>U.S. Department of Justice:</b>				
<b>Office of Justice Programs / Office of Weed and Seed (OJP - OWS) - Pass-through Program</b>				
Community Capacity Development Office (Weed and Seed Central)	16.595	United Way of Fresno County	2008-WS-QX-0236	14,086
		<u>Total Pass-through OJP-OWS Program</u>		<u>14,086</u>
<b>Office of Justice Programs / Bureau of Justice Assistance (OJP - BJA) - Direct Program</b>				
Bulletproof Vest Partnership Program FY11	16.607		FY11	79,646
		<u>Total Direct OJP-BJA Program</u>		<u>79,646</u>
<b>Office of Community Oriented Policing Services (COPS) - Direct Program</b>				
<b>Formula Cluster</b>				
ARRA - Public Safety Partnership and Community Policing Grants - Cops Hiring Recovery Grant (CHRP)	16.710		2009RJWX0010	3,837,868
		<u>Total Direct ARRA - COPS-CHRP Program</u>		<u>3,837,868</u>
2011 Public Safety Partnership and Community Policing Grants - COPS Child Sexual Predator Program (CSPP)	16.710		2011CSWX0003	139,552
		<u>Total Direct COPS-CSPP Program</u>		<u>139,552</u>
		<b>Formula Cluster</b>		<u>3,977,420</u>
<b>Office of Justice Programs / Office of Juvenile Justice and Delinquency Prevention (OJP - JDP) - Pass-through Program</b>				
Enforcing Underage Drinking Laws Program (ABC FY13)	16.727	CA Dept of Alcoholic Beverage Control	12G-LA15	773
Enforcing Underage Drinking Laws Program (ABC FY12)	16.727	CA Dept of Alcoholic Beverage Control	11G-LA08	75,509
		<u>Total Pass-through OJP-JDP Program</u>		<u>76,282</u>
<b>JAG Program Cluster</b>				
<b>Office of Justice Programs / Bureau of Justice Assistance (OJP - BJA) - Direct Program</b>				
Edward Byrne Memorial Justice Assistance Grant Program '11	16.738		2011-DJ-BX-3397	160,334
Edward Byrne Memorial Justice Assistance Grant Program '10	16.738		2010-DJ-BX-0838	105,936
Edward Byrne Memorial Justice Assistance Grant Program '09	16.738		2009-DJ-BX-0171	4,816
		<u>Total Direct OJP-BJA Program</u>		<u>271,086</u>
<b>Office of Justice Programs / Bureau of Justice Assistance (OJP - BJA) - Direct Program ARRA</b>				
ARRA: Edward Byrne Memorial Justice Assistance Grant (JAG) Program / Grants to Units of Local Government	16.804		2009-SB-B9-0686	36,740
		<u>Total Direct ARRA - OJP-BJA Program</u>		<u>36,740</u>
<b>Office of Justice Programs/Bureau of Justice Assistance (OJP-BJA) - Pass-through Program</b>				
ARRA: Edward Byrne Memorial Justice Assistance Grant (JAG) Program / Grants to Units of Local Government - Anti-Human Trafficking Task Force Recovery Act Program	16.804	CA Emergency Management Agency	ZH09016675	246,925
		<u>Total Pass-through ARRA - OJP-BJA Program</u>		<u>246,925</u>
		<b>Total JAG Program Cluster</b>		<u>554,751</u>
<b>Equitable Revenue Sharing Program - Direct Program</b>				
Department of Justice Seized Assets (DOJ)	16.922		2011	12,698
		<u>Total Direct DOJ Program</u>		<u>12,698</u>
<b>TOTAL U.S. DEPARTMENT OF JUSTICE</b>				<b>4,714,883</b>

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**CITY OF FRESNO**  
**Schedule of Expenditures of Federal and Nonfederal Awards (Continued)**  
**For the Year Ended June 30, 2012**

<u>Federal Grantor/Program and/or Project Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Grantor</u>	<u>Grant Number</u>	<u>Total Federal Expenditures</u>
<b>U.S. Department of Transportation:</b>				
<b>Federal Aviation Administration (FAA) - Direct Program</b>				
<b>Airport Improvement Program</b>				
AIP-53 FF08	20.106		3-06-0087-53	32,337
AIP-54 FF08	20.106		3-06-0087-54	337,642
AIP-58 FF09	20.106		3-06-0087-58	381,966
AIP-60 FF10	20.106		3-06-0087-60	328,778
AIP-61 FF10	20.106		3-06-0087-61	103
AIP-62 FF10	20.106		3-06-0087-62	72,939
AIP-63 FF11	20.106		3-06-0087-63	206,281
AIP-64 FF11	20.106		3-06-0087-64	3,239,029
AIP-65 FF11	20.106		3-06-0087-65	20,609,486
AIP-66 FF11	20.106		3-06-0087-66	30,650
AIP-67 FF11	20.106		3-06-0087-67	104,652
AIP-68 FF11	20.106		3-06-0087-68	779,251
AIP-17 FF10	20.106		3-06-0088-17	9,952
AIP-18 FF11	20.106		3-06-0088-18	401,074
			<u>Total Direct FAA Program</u>	<u>26,534,140</u>
			<b>Total Airport Improvement Program</b>	<b>26,534,140</b>
 <b>Highway Planning and Construction Cluster</b>				
<b>Federal Highway Administration (FHWA) - Pass-through Program</b>				
Highway Research, Planning and Construction Program	20.205	CA State Department of Transportation	Master Agreement 06-5060	4,935,887
			<u>Total Pass-through FHWA Program</u>	<u>4,935,887</u>
ARRA: Highway, Research, Planning and Construction Program	20.205	CA State Department of Transportation	Master Agreement 06-5060	1,250,218
			<u>Total Pass-through ARRA FHWA Program</u>	<u>1,250,218</u>
			<b>Total Highway Planning and Construction Cluster</b>	<b>6,186,105</b>
 <b>Federal Transit Cluster</b>				
<b>Federal Transit - Capital Investment Grants (FTA) - Direct Program</b>				
FY05 Federal Transit Capital Investment Grant Fresno Bus Program -(6 paratransit, 1 forty ft hybrid bus )	20.500		CA-03-0794	23,849
FY06-08 Federal Transit Capital Investment Grant - Fresno Bus Program	20.500		CA-04-0090	355,965
FY09 Federal Transit Capital Investment Grant - Fresno Bus Program	20.500		CA-04-0137-00	144,605
2012 5309: BRT - Very Small Starts	20.500		CA-03-0821-00	302,182
			<u>Total Direct FTA Program</u>	<u>826,601</u>
 <b>Federal Transit Administration (FTA) - Direct Program</b>				
<b>Federal Transit - Formula Grants:</b>				
ARRA: FY09 Federal Transit Formula Grant	20.507		CA-96-X011	1,904,098
			<u>Total Direct ARRA - FTA Program</u>	<u>1,904,098</u>
 <b>Federal Transit Administration (FTA) - Direct Program</b>				
<b>Federal Transit - Formula Grants:</b>				
FY04 Urban Mass Transportation Capital, Planning, Operating Assistance	20.507		CA-90-Y309-00	118,788
FY07 Urban Mass Transportation Capital, Planning, Operating Assistance	20.507		CA-90-Y595-00	601
FY08 Urban Mass Transportation Capital, Planning, Operating Assistance	20.507		CA-90-Y622-00	29,374
FY09 Urban Mass Transportation Capital, Planning, Operating Assistance	20.507		CA-90-Y699-00	5,880
FY10 Urban Mass Transportation Capital, Planning, Operating Assistance	20.507		CA-90-Y794-00	170,663
FY11 Urban Mass Transportation Capital, Planning, Operating Assistance	20.507		CA-90-Y843-00	822,697
FY12 Urban Mass Transportation Capital, Planning, Operating Assistance	20.507		CA-90-Y947-00	7,641,507
FY05 Urban Mass Transportation Capital, CMAQ	20.507		CA-90-Y676	34,330
FY07/08 Urban Mass Transportation Capital, CMAQ	20.507		CA-95-X071	1,929,960
FY10 Urban Mass Transportation Capital, CMAQ	20.507		CA-90-X072	1,812,951
			<u>Total Direct FTA Program</u>	<u>12,566,751</u>
			<b>Total Federal Transit Cluster</b>	<b>15,297,450</b>

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

**CITY OF FRESNO**  
**Schedule of Expenditures of Federal and Nonfederal Awards (Continued)**  
**For the Year Ended June 30, 2012**

<u>Federal Grantor/Program and/or Project Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Grantor</u>	<u>Grant Number</u>	<u>Total Federal Expenditures</u>
<b>Transit Services Program Cluster</b>				
<b>Capital Assistance Program for Elderly Persons and Persons with Disabilities - Direct Program</b>				
FY07-08 Elderly and Disabled Transit Program (Purchase 2 Paratrans Vch.; 3 AVL/GPS Units)	20.513		SA-648519	30,761
		<u>Total Direct FTA CAPEPD Program</u>		<u>30,761</u>
<b>Federal Transit Administration (FTA) - Pass-Through Program</b>				
Job Access Reverse Commute (JARC)	20.516	Fresno Council of Governments	CA-37-X102-00	130,650
Job Access Reverse Commute (JARC)	20.516	Fresno Council of Governments	CA-37-X129	232
New Freedom Program	20.521	Fresno Council of Governments	CA-57-X029-00	711
New Freedom Program	20.521	Fresno Council of Governments	CA-57-X054	104
		<u>Total Pass-through FTA Program</u>		<u>131,697</u>
		<b>Total Transit Services Program Cluster</b>		<b>162,458</b>
<b>National Highway Traffic Safety Administration (NHTSA) - Pass-through Program</b>				
State and Community Highway Safety - UC Sobriety Checkpoint (FY11)	20.600	CA Office of Traffic Safety	SC11151	99,663
State and Community Highway Safety - DUI Enforcement and Awareness Program (DEAP)10/11	20.600	CA Office of Traffic Safety	AL1147	113,542
Selective Traffic Enforcement Program FY2012	20.600	CA Office of Traffic Safety	20587	509,182
		<u>Total Pass-through NHTSA Program</u>		<u>722,387</u>
<b>TOTAL U.S. DEPARTMENT OF TRANSPORTATION</b>				<b>48,902,540</b>
<b>U.S. Department of Treasury</b>				
<b>Direct Program</b>				
DOT Seized Assets	21.000		n/a	3,503
		<u>Total Direct DOT Program</u>		<u>3,503</u>
<b>TOTAL U.S. DEPARTMENT OF TREASURY</b>				<b>3,503</b>
<b>U.S. Environmental Protection Agency (EPA):</b>				
<b>Office of Water - Pass through Program</b>				
ARRA - Capitalization Grants for Drinking Water: Herndon Town Water (WC70)	66.468	State of California Dept of Public Health	1000048-002	20,499
		<u>Total Pass-through ARRA Safe Drinking Water Program</u>		<u>20,499</u>
Capitalization Grants for Drinking Water State Loan - Well-site Chlorination Project/Multiple Sites	66.468	State of California Dept of Public Health	SRF06CX150	92,851
Capitalization Grants for Drinking Water State Loan - Enterprise/Jefferson Canal Project	66.468	State of California Dept of Public Health	SRF08CX101	538,665
Capitalization Grants for Drinking Water State Loan - Residential Meter Project	66.468	State of California Dept of Public Health	SFR11CX104	22,611,775
		<u>Total Pass-through Safe Drinking Water Program</u>		<u>23,243,291</u>
<b>TOTAL U.S. ENVIRONMENTAL PROTECTION AGENCY</b>				<b>23,263,790</b>
<b>U.S. Department of Energy:</b>				
<b>Direct Program</b>				
ARRA: Energy Efficiency and Conservation Block Grant Program (EECBG)	81.128		DE-EE0000863	1,091,989
		<u>Total Direct ARRA - EECBG Program</u>		<u>1,091,989</u>
<b>TOTAL U.S. DEPARTMENT OF ENERGY</b>				<b>1,091,989</b>
<b>U.S. Department of Health and Human Services:</b>				
<b>Office of the Secretary - Direct Program</b>				
Medical Reserve Corp Small Grant Program - NACCHO	93.008		MRC 11 36	5,000
		<u>Total Direct NACCHO Program</u>		<u>5,000</u>
<b>Administration for Community Living - Pass-through Program</b>				
Special Programs for the Aging - Nutrition Services: Senior Hot Meals 2011	93.045		12-0310	55,625
		<u>Total Pass-through ACL Program</u>		<u>55,625</u>

(Continued)

**CITY OF FRESNO**  
**Schedule of Expenditures of Federal and Nonfederal Awards (Continued)**  
**For the Year Ended June 30, 2012**

<u>Federal Grantor/Program and/or Project Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Grantor</u>	<u>Grant Number</u>	<u>Total Federal Expenditures</u>
<b>Administration for Children and Families - Pass-through Program</b>				
Children's Justice Grants to States - Children Exposed to Domestic Violence 1/1/11 - 9/30/11	93.643	Office of Emergency Services	EV10036675	130,826
Children's Justice Grants to States - Children Exposed to Domestic Violence FY2011	93.643	Office of Emergency Services	EV110426675	130,381
		<u>Total Pass-through ACF Program</u>		<u>261,207</u>
<b>TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>				<b>321,832</b>
<b>U.S. Department of Homeland Security:</b>				
<b>Assistance to Firefighters Grant (AFG) - Direct Program</b>				
FY10 Assistance to Firefighters ("Fire Prevention and Safety")	97.044		EMW-2010-FR-03226	226,998
FY10 Assistance to Firefighters ("Fire Prevention and Safety")	97.044		EMW-2010-FR-00402	1,667,263
		<u>Total Direct AFG Program</u>		<u>1,894,261</u>
<b>Interoperable Emergency Communications (IECGP) - Pass-through Program</b>				
2009 Interoperable Emergency Communications Grant Program	97.055	CA Emergency Management Agency	2009-0015	628,510
2010 Interoperable Emergency Communications Grant Program	97.055	CA Emergency Management Agency	2010-IP-T0-0016	228,403
		<u>Total Pass-through IECGP Program</u>		<u>856,913</u>
<b>State Domestic Preparedness Equipment Support Program (SDPES) - Pass-through Program</b>				
FY2009 Homeland Security Grant Program	97.004	CA Office of Emergency Services and Fresno County	2009-0008	101,732
FY2010 Homeland Security Grant Program	97.004	CA Office of Emergency Services and Fresno County	2010-0006	180,088
FY2011 Homeland Security Grant Program	97.004	CA Office of Emergency Services and Fresno County	2010-0008	19,159
FY09 Homeland Security Grant Program	97.067	Fresno County / CA Homeland Security	HSGP 2009-0019	12,368
FY10 Homeland Security Grant Program	97.067	Fresno County / CA Homeland Security	HSGP 2009-0019	178,767
FY11 Homeland Security Grant Program	97.067	Fresno County / CA Homeland Security	HSGP 2009-0019	3,718
		<u>Total Pass-through SDPES Program</u>		<u>495,832</u>
<b>Metropolitan Medical Response System (MMRS) - Direct Program</b>				
FY09 Metropolitan Medical Response System	97.071		MMRS09	57,380
FY10 Metropolitan Medical Response System	97.071		MMRS10	45,800
		<u>Total Direct MMRS Program</u>		<u>103,180</u>
<b>Rail and Transit Security Grant Program</b>				
FY08 Transit Security Grant Program	97.075		2009-RA-TR-0058	363,423
		<u>Total Direct RTS Program</u>		<u>363,423</u>
<b>TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY</b>				<b>3,713,609</b>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>				<b>\$ 97,355,492</b>

**CITY OF FRESNO**  
**Schedule of Expenditures of Federal and Nonfederal Awards (Continued)**  
**For the Year Ended June 30, 2012**

State or Local Grantor/Program and/or Project Title	State Agency	Pass-through Grantor	Grant Number	Total State/Local Expenditures
<b>CA State Department of Conservation:</b>				
<b>Division of Recycling, Community Outreach</b>				
<b>Branch - Direct Program</b>				
FY010 Recycling Program	DOC		2009/2010	61,678
FY11 Recycling Program	DOC		2010/2014	904
			<u>Total Direct RCO Program</u>	<u>62,582</u>
<b>Division of Land Resource Protection - Direct Program</b>				
Prop 84 - Sustainable Communities Planning Grant Program	DOC		3010-513	571,656
			<u>Total Direct LRP Program</u>	<u>571,656</u>
<b>TOTAL CA DEPARTMENT OF CONSERVATION</b>				<b>634,238</b>
<b>CA State Environmental Protection Agency:</b>				
<b>CA Integrated Waste Management Board - Direct Program</b>				
09/10 Used Motor Oil Block Grant - 15th Cycle	CIWMB		UBG15-09-80	56,268
FY 11 CalRecycle Oil Payment Program	CIWMB		FY11 Opp1 & Opp1A	173,673
2010/2011 Waste Tire Enforcement Grant	CIWMB		TEA18-10-43	114,440
2010/2011 Waste Tire Cleanup & Amnesty Event Grant	CIWMB		TCA8-10-32	128,279
			<u>Total Direct CIWMB Program</u>	<u>472,660</u>
<b>TOTAL CA ENVIRONMENTAL PROTECTION AGENCY</b>				<b>472,660</b>
<b>CA State Department of Finance:</b>				
<b>Direct Program</b>				
2010 CA Supplemental Law Enforcement Services Program	DOF		FY10	6,427
2011 CA Supplemental Law Enforcement Services Program	DOF		FY11	477,309
2012 CA Supplemental Law Enforcement Services Program	DOF		FY12	35,711
Prop 1B - Public Works	DOF		Prop 1B	3,528,881
Prop 1B - FAX	DOF		Prop 1B	2,546,099
			<u>Total Direct DOF Program</u>	<u>6,594,427</u>
<b>TOTAL CA DEPARTMENT OF FINANCE</b>				<b>6,594,427</b>
<b>CA State Department of Fish and Game:</b>				
<b>Wildlife Conservation Board - Direct Program</b>				
San Joaquin River Parkway Riverwest	WCB		CSJR0716	34,022
			<u>Total Direct WCB Program</u>	<u>34,022</u>
<b>TOTAL CA DEPARTMENT OF FISH AND GAME</b>				<b>34,022</b>
<b>CA State Department of Housing and Community Development:</b>				
<b>Direct Program</b>				
CalHome Rehab 2006	HCD		06-CALHOME-185	142,086
CalHome Rehab Mortgage 2008	HCD		08-CALHOME-4910	381,960
			<u>Total Direct HCD Program</u>	<u>524,046</u>
<b>TOTAL CA DEPARTMENT HOUSING AND COMMUNITY DEVELOPMENT</b>				<b>524,046</b>
<b>CA State Department of Parks and Recreation:</b>				
<b>Offices of Grants and Local Services (OGALS)</b>				
Habitat Conservation Grant	TRA		C9763009	14,381
			<u>Total Direct TRA Program</u>	<u>14,381</u>
<b>TOTAL CA DEPARTMENT OF PARKS AND RECREATION</b>				<b>14,381</b>

**CITY OF FRESNO**  
**Schedule of Expenditures of Federal and Nonfederal Awards (Continued)**  
**For the Year Ended June 30, 2012**

State or Local Grantor/Program and/or Project Title	State Agency	Pass-through Grantor	Grant Number	Total State/Local Expenditures
<b>CA State Emergency Management Agency, Public Safety and Victim Services</b>				
<b>Direct Programs</b>				
09/10 CA Gang Reduction, Intervention, and Prevention Program (CalGrip)	CalEMA		GR09026675	137,349
10/11 CA Gang Reduction, Intervention, and Prevention Program (CalGrip)	CalEMA		GR10036675	254,331
11 CA Gang Reduction, Intervention, and Prevention Program (CalGrip)	CalEMA		GR11046675	20,131
			<u>Total CalEMA Program</u>	<u>411,811</u>
<b>TOTAL CA EMERGENCY MANAGEMENT AGENCY</b>				<b>411,811</b>
<b>CA State Department of Resources Recycling and Recovery:</b>				
<b>Direct Program</b>				
Romain Park Playground Softball	CalRecycle		TDP-09-0010	69,910
			<u>Total Direct CalRecycle Program</u>	<u>69,910</u>
<b>TOTAL CA DEPARTMENT OF RESOURCES RECYCLING AND RECOVERY</b>				<b>69,910</b>
<b>CA State Department of Transportation:</b>				
<b>Direct Programs</b>				
Romain Park Improvements	CA DOT		EEM-2011-0612000271	1,725
			<u>Total DOT Program</u>	<u>1,725</u>
<b>Aeronautics Program of the CA Transportation Commission - Direct Program</b>				
AIP - State Match to Fed Proj #3-06-0088-17	CTC		Fre-2-10-1-Mat	249
AIP - State Match to Fed Proj #3-06-0088-18	CTC		Fre-2-11-1-Mat	10,027
			<u>Total Direct CTC Program</u>	<u>10,276</u>
<b>Division of Local Transportation Assistance - Direct Program</b>				
<b>Highway Research, Planning &amp; Construction Program [State Portion]</b>				
	DOT		Master Agreement 06-5060	852,706
Bikeway Planning and Design - Willow/Shephard Connect Trail	DOT		BTA07/08-06-FRE-03	45,443
Cedar Bike Floradora/Los Altos	DOT		BTA09/10-06-FRE-02	7,580
Bike Lanes Fresno CA to C Street	DOT		BTA08/09-06-FRE-03	68,865
			<u>Total Direct HRPCP Program</u>	<u>974,594</u>
<b>Division of Planning - Pass-through Program</b>				
Community-Based Transportation Planning Grant (Old Fig Land Use & Transportation Planning Study)	DOT	County of Fresno		188,339
			<u>Total Pass-through DOP Program</u>	<u>188,339</u>
<b>TOTAL CA DEPARTMENT OF TRANSPORTATION</b>				<b>1,174,934</b>

**CITY OF FRESNO**  
**Schedule of Expenditures of Federal and Nonfederal Awards (Continued)**  
**For the Year Ended June 30, 2012**

State or Local Grantor/Program and/or Project Title	State Agency	Pass-through Grantor	Grant Number	Total State/Local Expenditures
<b>CA State Water Resources Control Board</b>				
<b>Prop 50 and Prop 84 - Pass-Through Programs</b>				
Supplemental Prop 50 Upper Kings Basin Water Forum IRWM Plan - Residential Water Meter Installation Project Phase II		Kings River Conservation District	4600009198	1,067,946
Prop 84 IRWM - Residential Water Meter Installation Project		Kings River Conservation District	4600009713	1,435,610
		<u>Total Prop 50 and 84 Programs</u>		<u>2,503,556</u>
<b>TOTAL STATE WATER RESOURCES CONTROL BOARD</b>				<b>2,503,556</b>
<b>Community Initiatives:</b>				
Granny's Science Workshop Program	CSW		2012	15,000
		<u>Total Direct CSW Program</u>		<u>15,000</u>
<b>TOTAL COMMUNITY INITIATIVES</b>				<b>15,000</b>
<b>State of CA Equitable Sharing Agreement</b>				
Equitable Sharing Agreement Seized Assets		Fresno County	FY12	674,486
		<u>Total Equitable Sharing Agreement</u>		<u>674,486</u>
<b>TOTAL EQUITABLE SHARING AGREEMENT</b>				<b>674,486</b>
<b>Fresno County Department of Public Health</b>				
Childhood Lead Poisoning Prevention Program (CLPPP) 2012	CLPPP		2012	8,552
		<u>Total CLPPP Program</u>		<u>8,552</u>
<b>TOTAL FRESNO COUNTY DEPT OF PUBLIC HEALTH</b>				<b>8,552</b>
<b>Fresno Metropolitan Flood Control District</b>				
Clean Storm Water Grant- Summer Camp River Adventures	FMFCD		FMFCD FY11	1,651
		<u>Total Fresno Metropolitan Flood Control District</u>		<u>1,651</u>
<b>TOTAL FRESNO METROPOLITAN FLOOD CONTROL DISTRICT</b>				<b>1,651</b>
<b>Children and Families Commission - First 5 of Fresno County</b>				
Romain Park Playground	FF5		2012CP6137	87,000
		<u>Total Direct Fresno First 5 Program</u>		<u>87,000</u>
<b>TOTAL FRESNO FIRST 5</b>				<b>87,000</b>
<b>CA State Agency - San Joaquin River Conservancy</b>				
FY11 Environmental Science Program	CSJR		CSJR1007	15,000
		<u>Total CSJR Program</u>		<u>15,000</u>
<b>TOTAL SJ RIVER CONSERVANCY</b>				<b>15,000</b>
<b>TOTAL EXPENDITURES OF NONFEDERAL AWARDS</b>				<b>\$ 13,235,674</b>



**CITY OF FRESNO**  
**Notes to the Schedule of Expenditures of Federal and Nonfederal Awards**  
**For the Year Ended June 30, 2012**

**Note 1: Basis of Presentation**

The accompanying Schedule of Expenditures of Federal and Nonfederal Awards (the Schedule) presents the activity of all federal and nonfederal award programs of the City of Fresno, California (the City). The Schedule includes federal awards received directly from federal agencies, federal awards passed through other agencies, and nonfederal awards. The City's reporting entity is defined in Note 1 to the City's basic financial statements. The basic financial statements of the City include the operations of the Successor Agency to the City of Fresno Redevelopment Agency, which had no federal award expenditures for the year ended June 30, 2012. Because the Schedule presents only a selected portion of the operations of the City, it is not intended to, and does not, present the operations of the City as a whole.

The accompanying Schedule is presented on the cash 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 its subrecipients as follows:

<u>Program Title</u>	<u>CFDA Number</u>	<u>Amount</u>
Community Development Block Grant Entitlement Program	14.218	\$ 122,424
Emergency Solution Grants	14.231	265,763

**Note 3: Section 108 Loans**

The City has four (4) Section 108 loans outstanding at June 30, 2012. Semi-annual payments on these Section 108 loans are made from interest earned on the restricted loan investments and from Community Development Block Grant Entitlement funds and are included in the federal expenditures for the Community Development Block Grant on the Schedule. Principal and interest payments on all four (4) loans totaled \$424,935 for the year ended June 30, 2012, of which \$424,935 was paid from Community Development Block Grant funds.

**CITY OF FRESNO**  
**Notes to the Schedule of Expenditures of Federal and Nonfederal Awards (Continued)**  
**For the Year Ended June 30, 2012**

As of June 30, 2012, there is \$283 of unspent Section 108 loan proceeds remaining. A summary of Section 108 loans outstanding as of June 30, 2012 is as follows:

<u>Grant Loan Program</u>	<u>Unspent Loan Proceed as of June 30, 2012</u>	<u>Outstanding Loan Balances as of June 30, 2012</u>
Section 108 Note - Fresno Pacific Towers	\$ 283	\$ -
Section 108 Note - Regional Medical Center	-	1,375,000
Section 108 Note - Fresno-Madera Area Agency on Aging	-	825,000
Section 108 Note – Neighborhood Streets/Parks	-	1,053,000
	<u>\$ 283</u>	<u>\$ 3,253,000</u>

**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 grant/loans is to assist in financing the contraction of projects that will enable the City to comply with statutory clean and safe drinking standards. The City can receive funds under five grant/loans. The terms of the grant/loans and the outstanding balances as June 30, 2012, are as follows:

<u>Fiscal Year</u>	<u>Agreement Number</u>	<u>Description</u>	<u>Project Number</u>	<u>Not to Exceed</u>	<u>Interest Rate &amp; Term</u>	<u>Outstanding Loan Balances as of June 30, 2012</u>
2007	SRF06CX150	Wellsite Chlorination Project	10100007-004	2,210,000	2.2923% / 20 yrs*	\$ 1,910,175
2009	SRF08SWX101	Enterprise/Jefferson Canal Project	10100007-011	1,968,136	2.2923% / 20 yrs*	1,236,639
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	40,000,000	0.0000% / 20 yrs*	7,493,026
						<u>\$ 10,639,840</u>

\* Term begins at completion of project

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

**CITY OF FRESNO**  
**Notes to the Schedule of Expenditures of Federal and Nonfederal Awards (Continued)**  
**For the Year Ended June 30, 2012**

These loans are not considered to have continuing compliance requirements under OMB Circular A-133, and, therefore, are only reported on the Schedule in the year in which funds are expended and drawn. The City expended \$23,263,790 under the loans during fiscal year 2012 and has reported this amount on the Schedule, as follows:

CFDA Number	Description	Non-ARRA Amount	ARRA Amount	Total Amount
	Herndon Town and Cortland/Fountain Way Sewer System	\$ -	\$ -	\$ -
66.458	Herndon Town Water	-	20,499	20,499
66.458	Wellsite Chlorination Project	92,851	-	92,851
66.458	Enterprise/Jefferson Canal Project	538,665	-	538,665
66.458	Residential Water Meters	22,611,775	-	22,611,775
		<u>\$ 23,243,291</u>	<u>\$ 20,499</u>	<u>\$ 23,263,790</u>

City management identified expenditure amounts drawn from 2007 through 2010 against these State Revolving Loan funds that were not reported on the respective Schedule of Expenditures for those fiscal years. These amounts are summarized below, and management considers them immaterial to the Schedule for each respective year:

<u>Fiscal Year</u> <u>Ended June 30,</u>	<u>Non-ARRA</u> <u>Expenditures</u>
2010	\$ 1,240,471
2009	675,647
2008	115,727
2007	3,426
Total	<u>\$ 2,035,271</u>

**Note 5: Pre-Award Authority Spending**

The City incurred costs totaling \$224,796 under the Airport Improvement Program during the year ended June 30, 2012, 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. These costs were not included as part of the Airport Improvement Program expenditures under the Schedule of Expenditures of Federal and Nonfederal Awards for the year ended June 30, 2012.

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**CITY OF FRESNO**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2012**

**Section I – Summary of Auditor’s Results**

***Financial statements:***

Type of auditor’s report issued:	Unqualified
Internal control over financial reporting:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

***Federal Awards:***

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

Identification of major programs:

CFDA No. 11.307	Economic Adjustment Assistance
CFDA No. 11.555	Public Safety Interoperable Communications Grant
	<i>Community Development Block Grant/Entitlement Grants Cluster:</i>
CFDA No. 14.218	Community Development Block Grant/Entitlement Grants
CFDA No. 14.253	Community Development Block Grant - Recovery Entitlement Grants
CFDA No. 16.710	Public Safety Partnership and Community Policing Grant
	<i>Highway Planning and Construction Cluster:</i>
CFDA No. 20.205	Highway Planning and Construction
	<i>Federal Transit Cluster:</i>
CFDA No. 20.500	Federal Transit - Capital Investment Grants
CFDA No. 20.507	Federal Transit - Formula Grants
CFDA No. 66.468	Capitalization Grants for Drinking Water State Revolving Funds
CFDA No. 81.128	Energy Efficiency and Conservation Block Grant Program - ARRA

**CITY OF FRESNO**  
**Schedule of Findings and Questioned Costs (Continued)**  
**For the Year Ended June 30, 2012**

**Section I – Summary of Auditor’s Results (Continued)**

Dollar threshold used to distinguish between Type A and Type B programs:	\$2,920,665
Auditee qualified as a low-risk auditee?	Yes

**Section II - Financial Statement Findings**

No matters were reported.

**Section III - Federal Award Findings and Questioned Costs**

No matters were reported.

**CITY OF FRESNO**  
**Summary Schedule of Prior Audit Findings and Questioned Costs**  
**Year Ended June 30, 2012**

No matters were reported.

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Sacramento

Walnut Creek

Oakland

LA/Century City

San Diego

Seattle

The Honorable City Council  
of the City of Fresno, California

### Independent Auditor's Report on Supplementary Information

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 (City), as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 30, 2013. Our report was modified to include a reference to other auditors. Our report also included explanatory paragraphs about the City's ability to continue as a going concern as a result of depleting emergency reserves, negative fund balances, declining revenues, and increasing employment costs; the City's intent to adopt a 5 year loan agreement related to interfund advances; and the dissolution of redevelopment agencies and formation of the City of Fresno Successor Agency and Housing Successor. Other auditors audited the financial statements of the City of Fresno Employees Retirement System, City of Fresno Fire and Police Retirement System pension trust funds, and the City of Fresno Cultural Arts Properties Corporation, as described in our report on the City's basic 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 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.

*Macias Jini & O'Connell LLP*

Newport Beach, California  
March 30, 2013

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The Honorable City Council  
of the City of Fresno, California

**Independent Auditor's Report on Compliance with Requirements  
Applicable to the Passenger Facility Charge Program and on  
Internal Control over Compliance**

**Compliance**

We have audited the City of Fresno, California's (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, that could have a direct and material effect on the City's passenger facility charge program for the year ended June 30, 2012. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its passenger facility charge program 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 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 direct and 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. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that could have a direct and material effect on the passenger facility charge program for the year ended June 30, 2012.

**Internal Control Over Compliance**

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to the passenger facility charge program. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on the passenger facility charge program to determine the auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on internal control over compliance in accordance with the Guide, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

*A 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 the passenger facility charge 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 the passenger facility charge program will not be prevented, or detected and corrected, on a timely basis.

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.

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

*Macias Jini & O'Connell LLP*

Newport Beach, California  
March 30, 2013

**CITY OF FRESNO**

Schedule of Passenger Facility Charge (PFC) Collections and Expenditures  
 Year Ended June 30, 2012, and for Each Quarter during the Year Ended June 30, 2012

Description	Beginning Balance Unliquidated PFC <sup>2</sup>	PFC Revenues <sup>1</sup>	Interest Earned <sup>3</sup>	Expenditures		Ending Balance Unliquidated PFC <sup>2</sup>
				Application #2	Total	
Cash receipts and disbursements quarter ended September 30, 2011	\$ 2,262,644	\$ 707,153	\$ 4,472	\$ -	\$ -	\$ 2,974,269
Cash receipts and disbursements quarter ended December 31, 2011	2,974,269	597,539	6,530	1,259,300	1,259,300	2,319,038
Cash receipts and disbursements quarter ended March 31, 2012	2,319,038	561,910	3,944	151,800	161,800	2,723,092
Cash receipts and disbursements quarter ended June 30, 2012	2,723,092	648,185	4,553	-	-	3,375,830
		<u>\$ 2,514,787</u>	<u>\$ 19,499</u>	<u>\$ 1,411,100</u>	<u>\$ 1,421,100</u>	

<sup>1</sup> PFC revenues are reported when the cash is received.

<sup>2</sup> Unliquidated PFC collections have not been applied to approved PFC projects.

<sup>3</sup> Interest revenue is reported when earned (accrued).

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

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**CITY OF FRESNO**  
**Notes to Schedule of Passenger Facility Charge (PFC)**  
**Collections and Expenditures**  
**Year Ended June 30, 2012**

**Note 1. Basis of Presentation**

The accompanying schedule of passenger facility charge collections, interest income 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, 2012.

**CITY OF FRESNO**  
**Passenger Facility Charge**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2012**

None noted.

**CITY OF FRESNO**  
**Passenger Facility Charge**  
**Status of Prior Year Findings and Questioned Costs**  
**Year Ended June 30, 2012**

None reported.

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