



City of Sacramento City Council

915 I Street, Sacramento, CA, 95814
www.CityofSacramento.org

Meeting Date: 3/29/2011

Report Type: Consent

Title: Fiscal Year 2009/10 Single Audit Report

Report ID: 2011-00287

Location: Citywide

Recommendation: Adopt a Resolution accepting the Fiscal Year (FY) 2009/10 Single Audit Report.

Contact: Dennis Kauffman, Accounting Manager, (916) 808-5843; Leyne Milstein, Director of Finance, (916) 808-8491, Department of Finance

Presenter: None

Department: Finance

Division: Accounting Division

Dept ID: 06001311

Attachments:

- 1-Description/Analysis
- 2-Resolution.docx
- 3-Single Audit Report.pdf

City Attorney Review

Approved as to Form
Larry Duran
3/22/2011 4:43:03 PM

City Treasurer Review

Prior Council Financial Policy Approval or
Outside City Treasurer Scope
Russell Fehr
3/18/2011 11:44:04 AM

Approvals/Acknowledgements

Department Director or Designee: Leyne Milstein - 3/21/2011 4:37:28 PM

Assistant City Manager: Patti Bisharat - 3/22/2011 2:46:46 PM

Description/Analysis

Issue: The City's FY2009/10 Single Audit Report has been prepared to present the City's Schedule of Expenditures of Federal Awards (SEFA) for the fiscal year that ended June 30, 2010. The SEFA reports \$44.3 million of federal expenditures during the fiscal year ended June 30, 2010. An independent public accounting firm has audited the SEFA, as required by federal law.

Policy Considerations: This report is required by federal grants and is consistent with the City's fiscal transparency and accountability principles.

Environmental Considerations: Not Applicable

California Environmental Quality Act (CEQA): This recommendation does not constitute a "project" and is therefore exempt from the California Environmental Quality Act according to CEQA guidelines Section 15061 (b)(1) and 15378(b)(3).

Sustainability: Not Applicable

Commission/Committee Action: None

Rationale for Recommendation: It is in the best interest of the City to accept the FY2009/10 Single Audit Report because the annual audit of the City's federal grants is required by federal law.

Macias, Gini & O'Connell, LLP, an independent public accounting firm, has audited the SEFA and has rendered an unqualified audit opinion that the information is fairly stated in relation to the City's audited financial statements. The auditors tested eight major federal programs and report no instances of noncompliance and no audit findings in the FY2009/10 Single Audit Report.

Financial Considerations: There are no financial considerations associated with this report.

Emerging Small Business Development (ESBD): No goods or services are being purchased under this report.

RESOLUTION NO.

Adopted by the Sacramento City Council

ACCEPTING THE FISCAL YEAR 2009/10 SINGLE AUDIT REPORT

BACKGROUND

- A. The City's Fiscal Year (FY) 2009/10 Single Audit Report was prepared to present the City's Schedule of Expenditures of Federal Awards (SEFA) for the fiscal year ended June 30, 2010. The SEFA was audited, as required by federal law, by an independent public accounting firm.
- B. The public accounting firm of Macias, Gini & O'Connell, LLP, audited the City's FY2009/10 SEFA and rendered its unqualified opinion that the schedule is fairly presented in relation to the City's audited financial statements.
- C. The FY2009/10 Single Audit Report contains no current year or prior year audit findings.

BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE CITY COUNCIL RESOLVES AS FOLLOWS:

- Section 1. The City Council accepts the FY2009/10 Single Audit Report, attached hereto as Exhibit A.
- Section 2. Exhibit A is part of this resolution.

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Exhibit A Single Audit Report

CITY OF SACRAMENTO, CALIFORNIA

Single Audit Reports

For the Fiscal Year Ended June 30, 2010

**CITY OF SACRAMENTO, CALIFORNIA
SINGLE AUDIT REPORTS**

For the Fiscal Year Ended June 30, 2010

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CITY OF SACRAMENTO, CALIFORNIA
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2010

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
United States Department of Agriculture			
Passed through State of California Department of Education:			
Child and Adult Care Food Program:			
Snack Program - 2009	10.558	34-2883-1K	\$ 90,305
Snack Program - 2010	10.558	34-2883-1K	546,657
Subtotal Child and Adult Care Food Program			<u>636,962</u>
Summer Food Service Program for Children:			
Year Round Food Program - 2009	10.559	34-83400V	395,134
Year Round Food Program - 2010	10.559	34-83400V	111,856
Subtotal Summer Food Service Program for Children			<u>506,990</u>
Total United States Department of Agriculture			<u>1,143,952</u>
United States Department of Commerce			
Direct Programs:			
Public Safety Interoperable Communications Grant Program	11.555	N/A	<u>3,288,327</u>
United States Department of the Interior			
Direct Programs:			
Central Valley Project Improvement (CVPI)			
Anadromous Fish Restoration Program (AFRP):			
Lower American River Salmonoid Spawning Gravel Work	15.648	N/A	<u>368,191</u>
Passed through Sacramento Suburban Water District:			
ARRA-WaterSMART (Sustaining and Manage America's Resources for Tomorrow):			
Water Meter Retrofit Project - Phase XII	15.507	R09AP20R23	1,052,097
Water Meter Retrofit Project - Phase XIII	15.507	R09AP20R23	660,000
Subtotal ARRA - WaterSMART (Sustaining and Manage America's Resources for Tomorrow)			<u>1,712,097</u>
Passed through State of California Office of Historic Preservation:			
Historic Preservation Fund Grants-in-Aid:			
Raised Streets/Hollow Sidewalks Historic Survey	15.904	06-08-21709	<u>3,150</u>
Total United States Department of the Interior			<u>2,083,438</u>
United States Department of Justice			
Direct Programs:			
Federal Forfeitures	16.Unknown	N/A	<u>25,489</u>
Part E - Developing, Testing and Demonstrating Promising New Programs:			
Attendance Centers - Working Towards a Brighter Future	16.541	N/A	80,970
Office of Juvenile Justice and Delinquency Prevention Safe Community Partnership	16.541	N/A	24,546
Subtotal Part E - Developing, Testing and Demonstrating Promising New Programs			<u>105,516</u>
National Institute of Justice; Research, Evaluation, Development Project Grants:			
Solving Cold Case with DNA	16.560	N/A	<u>15,151</u>
Public Safety Partnership and Community Policing Grants:			
Universal Hiring II	16.710	N/A	47,488
COPS Interoperable Communications Technology	16.710	N/A	104,876
COPS in Schools	16.710	N/A	403
ARRA - COPS Hiring Recovery Program	16.710	N/A	1,054,424
COPS Regional Community Policing Institute Integrity/Public Trust Initiative - 2003	16.710	N/A	7,665
COPS Secure Our Schools - 2006	16.710	N/A	132,847
COPS Technology Program - 2007	16.710	N/A	1,324,997
Interoperable Emergency Communications Grant Program - 2008	16.710	N/A	93,183
Subtotal Public Safety Partnership and Community Policing Grants			<u>2,765,883</u>
Gang Resistance Education and Training - 2008	16.737	N/A	<u>31,369</u>
Edward Byrne Memorial Justice Assistance Grant Program	16.738	N/A	6,947
Edward Byrne Memorial Justice Assistance Grant Program	16.738	N/A	114,463
Subtotal Edward Byrne Memorial Justice Assistance Grant Program			<u>121,410</u>

The accompanying notes are an integral part of this schedule.

CITY OF SACRAMENTO, CALIFORNIA
Schedule of Expenditures of Federal Awards (Continued)
For the Fiscal Year Ended June 30, 2010

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
United States Department of Justice (Continued)			
ARRA-Recovery Act - Edward Byrne Memorial Justice Assistance Grant Program/ Grants to Units of Local Governments	16.804	N/A	995,608
Total United States Department of Justice			4,060,426
United States Department of Labor			
Passed through Sacramento Employment and Training Agency:			
WIA Cluster:			
Workforce Investment Act - Youth Activities - 2008	17.259	046301IS (E)	16,519
Workforce Investment Act - Youth Activities - 2009	17.259	046301IS (E2)	3,410
Workforce Investment Act - Youth Activities - 2010	17.259	046301IS (E3)	213,315
ARRA - Workforce Investment Act - Youth Activities -2009	17.259	046107SYE	26,705
ARRA - Workforce Investment Act - Youth Activities -2010	17.259	046107SYE(2)	10,087
ARRA - Workforce Investment Act - Dislocated Workers - 2010	17.260	046102BRE	26,000
Total United States Department of Labor			296,036
United States Department of Transportation			
Passed through State of California Department of Transportation (CALTRANS):			
Highway Planning and Construction	20.205	STPLER-5002(066)	737,913
Highway Planning and Construction	20.205	BPNP-5002(114)	18,653
Highway Planning and Construction	20.205	BRLS-5002(122)	5,186
Highway Planning and Construction	20.205	BRLS-5002(123)	107
Highway Planning and Construction	20.205	HSIPL-5002(130)	8,036
Highway Planning and Construction	20.205	STPL-5002(103)	498,372
Highway Planning and Construction	20.205	HP21L-5002(068)	161,460
Highway Planning and Construction	20.205	STPL-5002(097)	60,617
Highway Planning and Construction	20.205	STPL-5002(097)	461,540
Highway Planning and Construction	20.205	STPL-5002(067)	16,675
Highway Planning and Construction	20.205	HP21L-5002(090)	196,974
Highway Planning and Construction	20.205	PNRSL-5002(135)	2,694,949
Highway Planning and Construction	20.205	CML-5002(109)	311,286
Highway Planning and Construction	20.205	ITS02-5002(091)	15,524
Highway Planning and Construction	20.205	DEM05L-5002(112)	62,964
Highway Planning and Construction	20.205	CML-5002(117)	106,640
Highway Planning and Construction	20.205	CML-5002(047)	101,140
Highway Planning and Construction	20.205	BHLS-5002(111)	518,680
Highway Planning and Construction	20.205	BRLS-5002(115)	16,158
Highway Planning and Construction	20.205	BHLO-5002(116)	10,346
Highway Planning and Construction	20.205	STPLR-7500(067)	102,695
Highway Planning and Construction	20.205	SRTSL-5002(131)	67,649
Highway Planning and Construction	20.205	CML-5002(119)	172,085
Highway Planning and Construction	20.205	HPLUL-5002(128)	310,964
Highway Planning and Construction	20.205	HPO2L-5002(089)	403,943
Highway Planning and Construction	20.205	STPL-5002(084)	109,665
Highway Planning and Construction	20.205	SRTSL-5002(143)	9,973
Highway Planning and Construction	20.205	HSIPL-5002(133)	3,691
Highway Planning and Construction	20.205	RPSTPLE-5002(105)	91,355
ARRA-Highway Planning and Construction:			
Economic Stimulus Overlay, Phase I	20.205	ESPL-5002(138)	4,660,034
Economic Stimulus Overlay, Phase II	20.205	ESPL-5002(140)	2,655,958
Economic Stimulus, Intermodal Facility - RR Track Relocation	20.205	ESPLCM-5002(142)	13,774
Passed through State of California Department of Parks and Recreation:			
Recreational Trails Program	20.219	RT-34-015	12,024
Subtotal Highway Planning and Construction Cluster			14,617,030
Passed through Sacramento Regional Transit District:			
Sacramento Intermodal Transportation Facility Retrofit Project	20.500	CA-04-0013-01	548,853
Passed through State of California Office of Traffic Safety:			
State and Community Highway Safety	20.600	PS0416-04-PS	206
Total United States Department of Transportation			15,166,089

The accompanying notes are an integral part of this schedule.

CITY OF SACRAMENTO, CALIFORNIA
Schedule of Expenditures of Federal Awards (Continued)
For the Fiscal Year Ended June 30, 2010

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
United States Department of Treasury			
Direct Programs:			
Sacramento Suspicious Activity Report - Review Team Task Force	21.Unknown	N/A	<u>12,696</u>
United States Environmental Protection Agency			
Direct Programs:			
Brownfields Assessment and Cleanup Cooperative Agreements:			
Assessment	66.818	N/A	1,413
Revolving Loan Fund	66.818	N/A	<u>405,279</u>
Subtotal Brownfields Assessment and Cleanup Cooperative Agreements			<u>406,692</u>
Passed through State of California Department of Public Health:			
ARRA-Capitalization Grants for Drinking Water State Revolving Funds:			
Water Meter Retrofit Project - Phase I	66.468	AR09FP22	1,926,693
Water Meter Retrofit Project - Phase II	66.468	AR09FP22	2,023,875
Water Meter Retrofit Project - Phase III	66.468	AR09FP22	1,557,793
Water Meter Retrofit Project - Phase IV	66.468	AR09FP22	264,187
Water Meter Retrofit Project - Phase V	66.468	AR09FP22	1,857,261
Water Meter Retrofit Project - Phase VI	66.468	AR09FP22	784,564
Water Meter Retrofit Project - Phase VII	66.468	AR09FP22	1,872,559
Water Meter Retrofit Project - Phase VIII	66.468	AR09FP22	857,683
Water Meter Retrofit Project - Phase IX	66.468	AR09FP22	897,004
Water Meter Retrofit Project - Phase X	66.468	AR09FP22	172,486
Water Meter Retrofit Project - Phase XI	66.468	AR09FP22	<u>1,177,364</u>
Subtotal ARRA - Capitalization Grants for Drinking Water State Revolving Funds			<u>13,391,469</u>
Total United States Environmental Protection Agency			<u>13,798,161</u>
United States Department of Energy			
Direct Programs:			
Energy Efficiency and Renewable Energy Information, Dissemination, Outreach, Training and Technical Analysis/Assistance:			
Solar Cities America	81.117	N/A	<u>30,977</u>
ARRA-Energy Efficiency and Conservation Block Program (EECBG):			
Climate Action Plan	81.128	N/A	83,199
Green Building Taskforce	81.128	N/A	36,081
Public Outreach	81.128	N/A	4,759
Assessment Financing Program Development	81.128	N/A	93,941
Grant Administration	81.128	N/A	14,842
Facilities Retrofit	81.128	N/A	69,013
LED Street Lighting	81.128	N/A	<u>849</u>
Subtotal ARRA - EECBG			<u>302,684</u>
Total United States Department of Energy			<u>333,661</u>
United States Department of Health and Human Services			
Passed through State of California Department of Aging:			
Special Programs for the Aging_ Title III, Part B_ Grants for Supportive Services and Senior Centers	93.044	26-00-34-10	<u>2,550</u>
Corporation for National and Community Service			
Passed through State of California Governor's Office of Planning and Research:			
AmeriCorps - 2009	94.006	06AFHY15-F111	12,187
AmeriCorps - 2010	94.006	09ACHY16-C112	<u>644,236</u>
Total Corporation for National and Community Service			<u>656,423</u>

The accompanying notes are an integral part of this schedule.

CITY OF SACRAMENTO, CALIFORNIA
Schedule of Expenditures of Federal Awards (Continued)
For the Fiscal Year Ended June 30, 2010

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
United States Department of Homeland Security			
Direct Programs:			
National Urban Search & Rescue (US&R) Response System:			
Urban Search and Rescue 2008	97.025	N/A	193,904
Urban Search and Rescue 2009	97.025	N/A	670,115
Urban Search and Rescue 2010	97.025	N/A	49,286
Urban Search and Rescue ND Flood Deployment	97.025	N/A	816
Urban Search and Rescue American Samoa	97.025	N/A	5,670
Urban Search and Rescue Haiti Earthquake Type I	97.025	N/A	582,910
Subtotal National Urban Search & Rescue (US&R) Response System			<u>1,502,701</u>
Passed through State of California Emergency Management Agency:			
Non-Profit Security Program:			
Homeland Security - 2007	97.008	067-64000	<u>1,838,098</u>
Passed through State of California Emergency Management Agency:			
Emergency Management Performance Grants	97.042	067-00000	<u>19,500</u>
Passed through State Homeland Security:			
Homeland Security Grant Program	97.067	067-00000	<u>130,910</u>
State Homeland Security Program (SHSP) - 2007 Grant (CERT)	97.073	067-0000	<u>31,143</u>
Total United States Department of Homeland Security			<u><u>3,522,352</u></u>
Total Expenditures of Federal Awards			<u><u>\$ 44,364,111</u></u>

The accompanying notes are an integral part of this schedule.

CITY OF SACRAMENTO, CALIFORNIA

**Notes to the Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2010**

NOTE 1 – GENERAL

The accompanying Schedule of Expenditures of Federal Awards (SEFA) presents the expenditures of all federal awards programs of the City of Sacramento, California (City) for the fiscal year ended June 30, 2010. The City’s reporting entity is defined in Note 1 to the City’s Comprehensive Annual Financial Report (CAFR). All federal awards received directly from federal agencies, as well as federal awards passed through other governmental agencies, are included on the SEFA.

NOTE 2 – BASIS OF ACCOUNTING

The accompanying SEFA is presented using the modified accrual basis of accounting for grants accounted for in the governmental fund types, and the accrual basis of accounting for grants accounted for in the proprietary fund types, as described in Note 1 to the City’s CAFR.

NOTE 3 – CATALOG OF FEDERAL DOMESTIC ASSISTANCE (CFDA) NUMBERS

The CFDA numbers included in the accompanying SEFA were determined based on the program name, review of grant contract information and the General Service Administration’s Catalog of Federal Domestic Assistance.

NOTE 4 – SCHEDULE OF AREA 4 AGENCY ON AGING EXPENDITURES

The following represents expenditures of the grant from the Area 4 Agency on Aging for the fiscal year ended June 30, 2010:

<u>Program</u>	<u>Grant Amount</u>	<u>Agreement Number</u>	<u>Expenditures</u>		<u>Total</u>
			<u>Federal</u>	<u>State</u>	
Alzheimer's Day Care Resource Center	\$ 27,808	AL-0910-03	\$ -	\$ 27,808	\$ 27,808

CITY OF SACRAMENTO, CALIFORNIA

**Notes to the Schedule of Expenditures of Federal Awards (Continued)
For the Fiscal Year Ended June 30, 2010**

NOTE 5 – SCHEDULE OF STATE OF CALIFORNIA EMERGENCY MANAGEMENT AGENCY EXPENDITURES

The following represents expenditures of the grant from the State of California Emergency Management Agency for the fiscal year ended June 30, 2010:

<u>Gang Violence Suppression</u>	<u>Grant Award Number</u>	<u>Grant Amount</u>	<u>Expenditures</u>			
			<u>Federal</u>	<u>State</u>	<u>Match</u>	<u>Total</u>
Personnel Service	GV09057901	\$ 71,112	\$ -	\$ 71,112	\$ 7,111	\$ 78,223
Operating Expense		278,888	-	234,124	23,412	257,536
Total		<u>\$ 350,000</u>	<u>\$ -</u>	<u>\$ 305,236</u>	<u>\$ 30,523</u>	<u>\$ 335,759</u>

NOTE 6 – SCHEDULE OF FIRST 5 SACRAMENTO COMMISSION EXPENDITURES

The following represents expenditures of the grant from the First 5 Sacramento Commission for the fiscal year ended June 30, 2010:

<u>Program</u>	<u>Grant Amount</u>	<u>Agreement Number</u>	<u>Expenditures</u>		
			<u>Federal</u>	<u>State</u>	<u>Total</u>
Cover the Kids	\$ 1,021,666	09/10-MH-044	\$ -	\$ 978,433	\$ 978,433

CITY OF SACRAMENTO, CALIFORNIA

**Notes to the Schedule of Expenditures of Federal Awards (Continued)
For the Fiscal Year Ended June 30, 2010**

**NOTE 7 – SCHEDULE OF SACRAMENTO EMPLOYMENT AND TRAINING AGENCY
(SETA) EXPENDITURES**

The following represents expenditures of the grant from the Sacramento Employment and Training Agency for the fiscal year ended June 30, 2010:

SETA Expenditures

CFDA Number	Sub-grant Number	Federal Expenditures		
		Personnel Service	Other	Total
Workforce Investment Act - Youth Program				
17.259	046301IS(E)	\$ -	\$ 16,519	\$ 16,519
17.259	046301IS(E2)	2,994	416	3,410
17.259	046301IS(E3)	198,841	14,474	213,315
17.259	046107SYE	24,045	2,660	26,705
17.259	046107SYE(2)	7,784	2,303	10,087
			Total Youth Program	270,036
Workforce Investment Act - Dislocated Workers				
17.260	046102BRE	15,059	10,941	26,000
		Total Workforce Investment Act		\$ 296,036

CITY OF SACRAMENTO, CALIFORNIA

**Notes to the Schedule of Expenditures of Federal Awards (Continued)
For the Fiscal Year Ended June 30, 2010**

NOTE 8 – SCHEDULE OF THE TOTAL FEDERAL AWARDS PROVIDED TO SUBRECIPIENTS FROM EACH FEDERAL PROGRAM

Of the federal expenditures presented in the schedule, the City of Sacramento provided federal awards to sub-recipients as follows:

<u>Program Title</u>	<u>CFDA Number</u>	<u>Subrecipient</u>	<u>Amount</u>
Public Safety Interoperable Communications Grant Program	11.555	City of Roseville	\$ 312,419
		Cosumnes CSD Fire Department	12,813
		County of Alpine	647,458
		County of Placer	251,606
		County of Sacramento - Office of Communications and Information Technology	1,350,425
		County of San Joaquin	83,769
		County of Stanislaus	252,876
		Yolo Emergency Communications Agency	57,951
			<u>2,969,317</u>
Public Safety Partnership and Community Policing Grants	16.710	County of Sacramento - Office of Communications and Information Technology	<u>1,423,063</u>
Total federal awards provided to sub-recipients			<u><u>\$ 4,392,380</u></u>

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

INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Sacramento, California (City), as of and for the fiscal year ended June 30, 2010, which collectively comprise the City’s basic financial statements and have issued our report thereon dated December 16, 2010. Our report contained an explanatory paragraph describing the City’s adoption of the provisions of Governmental Accounting Standards Board (GASB) Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City’s internal control over financial reporting 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 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 internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weakness. 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 a certain matter that we reported to management of the City in a separate letter dated December 16, 2010.

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

Maciea Meiri & O'Connell LLP

Certified Public Accountants

Sacramento, California
December 16, 2010

To the Honorable Mayor and
Members of the City Council
City of Sacramento, 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 SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS IN ACCORDANCE WITH OMB CIRCULAR A-133**

Compliance

We have audited the City of Sacramento, California’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 fiscal year ended June 30, 2010. 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 considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City’s compliance with those requirements.

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the fiscal year ended June 30, 2010.

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 the 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, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City, as of and for the fiscal year ended June 30, 2010, and have issued our report thereon dated December 16, 2010. Our report contained an explanatory paragraph describing the City's adoption of the provisions of Governmental Accounting Standards Board (GASB) Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

Maciel Neri & O'Connell LLP

Certified Public Accountants

Sacramento, California
February 22, 2011, except for the
schedule of expenditures of federal awards,
as to which the date is December 16, 2010

**CITY OF SACRAMENTO, CALIFORNIA
SINGLE AUDIT REPORTS**

**Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2010**

Section I – Summary of Auditor’s Results

Financial Statements:

Type of auditor’s report issued:	Unqualified
Internal control over financial reporting:	
• Material weaknesses identified?	No
• Significant deficiencies identified that are not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards:

Internal control over major programs:	
• Material weaknesses identified?	No
• Significant deficiencies identified that are 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 Circular A-133?	No

**CITY OF SACRAMENTO, CALIFORNIA
SINGLE AUDIT REPORTS**

**Schedule of Findings and Questioned Costs (Continued)
For the Fiscal Year Ended June 30, 2010**

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

Identification of major programs:

<u>Program Title</u>	<u>CFDA Number(s)</u>
○ ARRA-WaterSMART (Sustaining and Manage America’s Resources for Tomorrow)	15.507
○ ARRA-Public Safety Partnership and Community Policing Grants	16.710
○ ARRA-Recovery Act – Edward Byrne Memorial Justice Assistance Grant Program/Grants to Units of Local Governments	16.804
○ Highway Planning and Construction Cluster	20.205, 20.219
○ ARRA-Capitalization Grants for Drinking Water State Revolving Funds	66.468
○ ARRA-Energy Efficiency and Conservation Block Program (EECBG)	81.128
○ Non-Profit Security Program	97.008
○ National Urban Search & Rescue (US&R) Response System	97.025
 Dollar threshold used to distinguish between Type A and Type B programs:	 \$1,330,923
 Auditee qualified as low-risk auditee?	 No

Section II – Financial Statement Findings

None.

Section III – Federal Award Findings and Questioned Costs

None.

**CITY OF SACRAMENTO, CALIFORNIA
SINGLE AUDIT REPORTS**

**Status of Prior Year Findings
For the Fiscal Year Ended June 30, 2010**

None.