Meeting Date: **3/19/2013**

Report Type: Consent

Report ID: 2013-00202

City of SACRAMENTO

City Council Report
915 I Street, 1st Floor
www.CityofSacramento.org

Title: Fiscal Year 2011/12 Audit of Federal Grants and Report to City Council

Location: Citywide

Issue: State and federal law requires an annual single audit of the City's finances be conducted by an independent public accounting firm.

Recommendation: Pass a Resolution 1) accepting the Fiscal Year (FY) 2011/12 Single Audit Report and 2) accepting the FY 2011/12 Auditor's Report to the City Council.

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

Presenter: None.

Department: Finance

Division: Accounting Division

Dept ID: 06001311

Attachments:
1-Description/Analysis
2-Resolution
3-Exhibit A - Single Audit Report 063012
4-Exhibit B - Report to the City Council

City Attorney Review

Approved as to Form
Grace Arupo
3/14/2013 8:40:50 AM

City Treasurer Review

Reviewed for Impact on Cash and Debt
Russell Fehr
3/13/2013 1:11:25 PM

Approvals/Acknowledgements

Department Director or Designee: Leyne Milstein - 3/13/2013 4:47:56 PM

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Description/Analysis

Issue: The City's FY2011/12 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, 2012. The SEFA reports $75 million of Federal expenditures during the fiscal year ended June 30, 2012. An independent public accounting firm has audited the SEFA, as required by federal law.

Policy Considerations: This report is required by federal and state law.

Economic Impacts: None

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: Not Applicable

Rationale for Recommendation: It is in the best interest of the City to accept the FY2011/12 Single Audit Report and the Auditor's Report to the City Council for the following reasons:

- The FY2011/12 Single Audit Report is required by federal and state 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 five major federal programs and report no instances of noncompliance and no audit findings in the FY2011/12 Single Audit Report.
- The Auditor's Report to the City Council is communication required by audit standards and reflects no significant audit adjustments or disagreements with management in connection with this year's audit. The report includes a summary of the new standard for accounting and financial reporting for pensions, which the City will implement for its FY2014/15 Comprehensive Annual Financial 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.

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RESOLUTION NO.

Adopted by the Sacramento City Council

ACCEPTING THE FISCAL YEAR 2011/12 SINGLE AUDIT REPORT

BACKGROUND

A. The City's Fiscal Year (FY) 2011/12 Single Audit Report was prepared to present the City's Schedule of Expenditures of Federal Awards (SEFA) for the fiscal year ended June 30, 2012. 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 FY2011/12 SEFA and rendered its unqualified opinion that the schedule is fairly presented in relation to the City's audited financial statements. The FY 2011/12 Single Audit Report contains no audit findings.

C. The Auditors' Report to the City Council is communication required by audit standards and reflects no significant audit adjustments or disagreements with management in connection with this year's audit. The report includes a summary of the new standard for accounting and financial reporting for pensions, which the City will implement for its FY2014/15 Comprehensive Annual Financial Report.

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

Section 1. The City Council accepts the FY2011/12 Single Audit Report, attached hereto as Exhibit A.

Section 2. The City Council accepts the FY2011/12 Auditor's Report to the City Council, attached hereto as Exhibit B.

Section 3. Exhibits A and B are part of this resolution.

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Exhibit A Single Audit Report
Exhibit B Auditor's Report to the City Council

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CITY OF SACRAMENTO, CALIFORNIA

Single Audit Reports

For the Fiscal Year Ended June 30, 2012

MGO Certified Public Accountants.

CITY OF SACRAMENTO, CALIFORNIA
SINGLE AUDIT REPORTS

For the Fiscal Year Ended June 30, 2012

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CITY OF SACRAMENTO, CALIFORNIA
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2012

Federal Grantor/Pass-Through Grantor/Program or Cluster 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 - 2010	10.558	34-2883-1K	$ 41,953
Snack Program - 2011	10.558	34-2883-1K	160,969
Subtotal Child and Adult Care Food Program			202,922
Summer Food Service Program for Children:			
Year Round Food Program - 2011	10.559	34-83400V	154,217
Subtotal Summer Food Service Program for Children			154,217
Total United States Department of Agriculture			**357,139**
United States Department of Commerce			
Passed through State of California Emergency Management Agency:			
Public Safety Interoperable Communications Grant Program	11.555	067-64000	2,513,905
Public Safety Interoperable Communications Grant Program	11.555	067-64000	24,746
Total United States Department of Commerce			**2,538,651**
United States Department of Housing and Urban Development			
Passed through Sacramento Housing and Redevelopment Agency:			
Community Development Block Grants/Entitlement Grants			
Jib boom Power Street Station	14.218	2001-0224-285	99,967
Chinatown Mall Improvements	14.218	2001-0224-272	6,999
Ramona Avenue Technology Village Specific Plan - Community Development Department	14.218	2001-0224-259	88,319
Ramona Avenue Technology Village Specific Plan - Department of Utilities	14.218	2001-0224-259	225
Ramona Avenue Technology Village Specific Plan - Department of Transportation	14.218	2001-0224-259	283
Manor Recreation and Swimming Club Master Plan	14.218	2001-0224-246	1,646
McClellan Heights/Parker Homes Infrastructure	14.218	2001-0224-233	66,412
McClellan Heights-North Avenue	14.218	2001-0224-233	38,637
Dixieanne "Green" Street Improvements	14.218	2001-0224-208	20,000
ADA Street Improvements	14.218	2001-0224-242	58
Main Avenue Sidewalks	14.218	2001-0224-298	594,505
Del Paso Boulevard Streetscape	14.218	2001-0224-303	169,877
Downtown Lighting Project	14.218	2001-0224-302	7,408
Mayes Jewelers' Clock Restoration	14.218	2001-0224-262	5,962
I Street and J Street Lighting	14.218	2001-0224-254	469,130
SHRA Capital Improvement Project Scoping	14.218	2001-0224-261	410
Mack Road Median Fence Improvements	14.218	2001-0224-277	56,975
Total United States Department of Housing and Urban Development			**1,626,813**
United States Department of the Interior			
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	34,440
Direct Programs:			
Central Valley Project Improvement (CVPI)			
Anadromous Fish Restoration Program (AFRP):			
Lower American River Salmonid Spawning Gravel Work	15.648	N/A	389,399
Total United States Department of the Interior			**423,839**

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, 2012

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
United States Department of Justice			
Passed through State of California Department of Corrections and Rehabilitation:			
Juvenile Accountability Block Grants	16.523	CSA 204-11	30,420
Direct Programs:			
Federal Forfeitures	16.Unknown	N/A	1,358,521
Part E - Developing, Testing and Demonstrating Promising New Programs:			
Attendance Centers - Working Towards a Brighter Future	16.541	N/A	66,128
Office of Juvenile Justice and Delinquency Prevention Safe Community Partnership	16.541	N/A	61,073
Subtotal Part E - Developing, Testing and Demonstrating Promising New Programs			127,201
Office of Justice Programs:			
Bulletproof Vest Partnership Program - 2010	16.607	N/A	25,183
Bulletproof Vest Partnership Program - 2011	16.607	N/A	3,930
Subtotal Bulletproof Vest Partnership Program			29,113
Public Safety Partnership and Community Policing Grants:			
ARRA - COPS Hiring Recovery Program	16.710	N/A	2,865,524
COPS Hiring Program - 2011	16.710	N/A	1,219,214
COPS Regional Community Policing Institute Integrity/Public Trust Initiative - 2003	16.710	N/A	19,030
COPS Technology Program - 2007	16.710	N/A	1,415,436
Subtotal Public Safety Partnership and Community Policing Grants			5,519,204
Justice Assistance Grant (JAG) Program Cluster:			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	N/A	614,921
Edward Byrne Memorial Justice Assistance Grant Program	16.738	N/A	512,746
Edward Byrne Memorial Justice Assistance Grant Program	16.738	N/A	13,687
ARRA - Recovery Act - Edward Byrne Memorial Justice Assistance Grant Program/ Grants to Units of Local Government	16.804	N/A	565,910
Subtotal JAG Program Cluster			1,707,264
Congressionally Recommended Awards Program - 2010:			
Sacramento Cold Case Justice	16.753	N/A	46,297
Total United States Department of Justice			**8,818,020**
United States Department of Labor			
Passed through Sacramento Employment and Training Agency:			
Workforce Investment Act - Youth Activities - 2012	17.259	046301IS-12	**174,275**

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, 2012

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
United States Department of Transportation			
Passed through State of California Department of Transportation (CALTRANS):			
Highway Planning and Construction	20.205	STPLER-5002(066)	1,208,548
Highway Planning and Construction	20.205	STPL-5002(153)	2,175,903
Highway Planning and Construction	20.205	BPNP-5002(114)	10,774
Highway Planning and Construction	20.205	HSIPL-5002(130)	39,314
Highway Planning and Construction	20.205	STPL-5002(103)	561,127
Highway Planning and Construction	20.205	HP21L-5002(068)	236,592
Highway Planning and Construction	20.205	CML-5002(109)	42,208
Highway Planning and Construction	20.205	BRLS-5002(098)	56,135
Highway Planning and Construction	20.205	DEM05L-5002(112)	2,196,881
Highway Planning and Construction	20.205	CML-5002(117)	17,295
Highway Planning and Construction	20.205	CML-5002(047)	517,386
Highway Planning and Construction	20.205	BHLS-5002(111)	6,989,297
Highway Planning and Construction	20.205	BRLS-5002(115)	134,677
Highway Planning and Construction	20.205	SRTSL-5002(131)	2,008
Highway Planning and Construction	20.205	CML-5002(119)	97,400
Highway Planning and Construction	20.205	HPLUL-5002(128)	5,755,257
Highway Planning and Construction	20.205	BRLS-5002(134)	28,139
Highway Planning and Construction	20.205	CML-5002(141)	622,620
Highway Planning and Construction	20.205	SRTSL-5002(143)	89,351
Highway Planning and Construction	20.205	HSIPL-5002(133)	175,538
Highway Planning and Construction	20.205	HSIPL-5002(145)	21,414
Highway Planning and Construction	20.205	STPL-5002(148)	169,764
Highway Planning and Construction	20.205	2012-0311	45,587
Highway Planning and Construction	20.205	HPO2L-5002(089)	134,899
Highway Planning and Construction			
ARRA - Highway Planning and Construction:			
Economic Stimulus, Intermodal Facility - RR Track Relocation	20.205	ESPLCM-5002(142)	27,649,658
Subtotal Highway Planning and Construction Cluster			48,977,772
Passed through Sacramento Regional Transit District:			
Federal Transit - Capital Investment Grants:			
Sacramento Intermodal Transportation Facility Retrofit Project	20.500	CA-04-0013-03	71,213
Passed through State of California Office of Traffic Safety:			
Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	20.601	AL0753	836
Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	20.601	AL1172	214,169
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	20588	503,265
Subtotal Highway Safety Cluster			718,270
Passed through State of California Office of Traffic Safety:			
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	AL1173	251,033
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	20574	39,788
Passed through the Regents of the University of California School of Public Health, Berkeley:			
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	SC11357	15,669
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	SC12357	75,128
Subtotal Minimum Penalties for Repeat Offenders for Driving While Intoxicated			381,618
Total United States Department of Transportation			**50,148,873**

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, 2012

Federal Grantor/Pass-Through Grantor/Program or Cluster 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	2,435
Federal Forfeitures	21.Unknown	N/A	253,510
Total United States Department of Treasury			**255,945**
United States Environmental Protection Agency			
Passed through State of California Department of Public Health:			
ARRA - Capitalization Grants for Drinking Water State Revolving Funds:			
Water Meter Retrofit Project - Phase III	66.468	AR09FP22	438
Water Meter Retrofit Project - Phase IV	66.468	AR09FP22	14,701
Water Meter Retrofit Project - Phase VI	66.468	AR09FP22	378
Water Meter Retrofit Project - Phase XV	66.468	AR09FP22	1,038,665
Subtotal ARRA - Capitalization Grants for Drinking Water State Revolving Funds			1,054,182
Direct Programs:			
Brownfields Assessment and Cleanup Cooperative Agreements:			
Assessment Phase I	66.818	N/A	11,475
Assessment Phase II	66.818	N/A	191,987
Assessment and Cleanup	66.818	N/A	5,932
Revolving Loan Fund	66.818	N/A	14,848
Revolving Loan Fund	66.818	N/A	8,444
19th and Q Streets Site Soil Remediation	66.818	N/A	35,443
Subtotal Brownfields Assessment and Cleanup Cooperative Agreements			268,129
Total United States Environmental Protection Agency			**1,322,311**
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	31,491
ARRA - Energy Efficiency and Conservation Block Program (EECBG):			
Climate Action Plan	81.128	N/A	201,805
Green Building Taskforce	81.128	N/A	4,602
Public Outreach	81.128	N/A	22,552
Assessment Financing Program Development	81.128	N/A	166,906
Grant Administration	81.128	N/A	34,969
Small Business Pilot	81.128	N/A	232,634
Facilities Retrofit	81.128	N/A	268,358
Light Emitting Diode Street Lighting	81.128	N/A	33,479
Pannell Direct Digital Control/Hot Water Plant	81.128	N/A	35,222
Pannell Air Handler Guide Vanes	81.128	N/A	27,352
Pannell Interior Lighting	81.128	N/A	12,608
Central Library Hot Water Heating Boiler	81.128	N/A	71,988
Central Library Hot Water Heating Pumps	81.128	N/A	6,584
Central Library Commercial Water Heating Pumps	81.128	N/A	6,855
Central Library Cooling Tower	81.128	N/A	6,479
Central Library Vanes/Motors	81.128	N/A	23,005
Central Library Carbon Dioxide Demand-Controlled Ventilation/Air-Handling Unit	81.128	N/A	4,371
Plaza Garage Central Light Emitting Diode	81.128	N/A	11,685
Plaza Garage West Light Emitting Diode	81.128	N/A	424,049
City Hall Garage Light Emitting Diode	81.128	N/A	326,849
Capitol Garage Light Emitting Diode	81.128	N/A	192,312
Tower Bridge Garage Light Emitting Diode	81.128	N/A	113,959
Measurement & Verification Equipment/Software	81.128	N/A	163,064
Subtotal ARRA - EECBG			2,391,687
Total United States Department of Energy			**2,423,178**

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, 2012

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
United States Department of Health and Human Services			
Passed through Area 4 Agency on Aging:			
Special Programs for the Aging - Title III, Part D -			
Disease Prevention and Health Promotion Services	93.043	26-23-34-12	28,607
Special Programs for the Aging - Title III, Part B -			
Grants for Supportive Services and Senior Centers	93.044	49-22-34-12	2,833
National Family Caregiver Support - Title III, Part E	93.052	26-15-34-11	354
National Family Caregiver Support - Title III, Part E	93.052	26-15-34-12	41,358
Subtotal National Family Cargiver Support - Title III, Part E			41,712
Passed through State of California Department of Education:			
CCDF Cluster:			
Child Care and Development Block Grant	93.575	CCTR-1214	74,369
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	CCTR-1214	135,090
Subtotal CCDF Cluster			209,459
Total United States Department of Health and Human Services			**282,611**
Corporation for National and Community Service			
Passed through State of California Governor's Office of Planning and Research:			
Corporation for National and Community Service	94.006	09ACHY17-C112	**702,538**
United States Department of Homeland Security			
Direct Programs:			
National Urban Search & Rescue (US&R) Response System:			
Urban Search and Rescue 2009	97.025	N/A	69,381
Urban Search and Rescue 2010	97.025	N/A	223,965
Urban Search and Rescue 2011	97.025	N/A	716,054
Subtotal National Urban Search & Rescue (US&R) Response System			1,009,400
Federal Emergency Management Agency:			
Assistance to Firefighters Grant:			
Staffing for Adequate Fire and Emergency Response (SAFER) - 2010	97.044	N/A	1,696,385
Passed through State of California Emergency Management Agency:			
Passed through the City and County of San Francisco:			
Interoperable Emergency Communications Grant Program - 2008	97.055	2011-1097	42,863
Passed through State of California Emergency Management Agency:			
Homeland Security Grant Program - 2008	97.067	2008-0006	174,794
Homeland Security Grant Program - 2009	97.067	2009-0019	2,107,548
Homeland Security Grant Program - 2009	97.067	2009-0019	50,000
Homeland Security Grant Program - 2010	97.067	2010-0085	669,549
Homeland Security Grant Program - 2010	97.067	2010-0085	99,999
Homeland Security Grant Program - 2011	97.067	2011-SS-0077	119,740
Subtotal Homeland Security Grant Program			3,221,630
Total United States Department of Homeland Security			**5,970,278**
Total Expenditures of Federal Awards			**$ 75,044,471**

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, 2012

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, 2012. The City's reporting entity is defined in Note 1 to the City's basic financial statements included in its 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 governmental funds, and the accrual basis of accounting for grants accounted for in the proprietary funds, as described in Note 1 to the City's basic financial statements included in its 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 schedule represents expenditures of the grants from the Area 4 Agency on Aging for the fiscal year ended June 30, 2012:

				Expenditures		
Program	**Grant Amount**	**Grant Number**	**CFDA Number**	**Federal**	**State**	**Total**
Special Programs for Aging - Title III, Part D - Disease Prevention and Health Promotion Services						
Renewable Grant	$27,000	26-23-34-12	93.043	$27,000	$ -	$27,000
One-Time-Only - Baseline Grant	1,607	26-23-34-12	93.043	1,607	-	1,607
	28,607			28,607	-	28,607
Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers						
One-Time-Only - Equipment Grant	2,892	49-22-34-12	93.044	2,833	-	2,833
National Family Caregiver Support - Title III, Part E						
Renewable Grant	41,008	26-15-34-11	93.052	354	-	354
Renewable Grant	40,000	26-15-34-12	93.052	40,000	-	40,000
One-Time-Only - Equipment Grant	1,358	26-15-34-12	93.052	1,358	-	1,358
	82,366			41,712	-	41,712
Total Area 4 Agency on Aging				$73,152	$ -	$73,152

NOTE 5 – SCHEDULE OF STATE OF CALIFORNIA EMERGENCY MANAGEMENT AGENCY (CalEMA) EXPENDITURES

The following represents expenditures of the grant from the State of California Emergency Management Agency for the fiscal year ended June 30, 2012:

Gang Violence Suppression	Grant Award Number	Grant Amount	Expenditures Federal	State	Match	Total
Personnel Service	GV09057901	$185,583	$ -	$ 81,165	$ 8,634	$89,799
Operating Expense		390,707	-	81,718	9,191	90,909
Total		$576,290	$ -	$162,883	$17,825	$180,708

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, 2012:

Program	Cost Reimbursement Contract Amount	Contract Number	Expenditures Federal	State	Total
Cover the Kids	$ 571,865	10/11-HA-139-A01	$ -	$ 571,865	$ 571,865

The outstanding 4th quarter receivables for the fiscal year ended June 30, 2012 in the amount of $158,768 was received by August 30, 2012.

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, 2012:

Workforce Investment Act (WIA) - Youth Program

		Federal Expenditures		
CFDA Number	Sub-grant Number	Personnel Service	Other	Total
17.259	046301IS-12	$ 172,833	$ 1,442	$ 174,275

NOTE 8 – SCHEDULE OF THE TOTAL FEDERAL AWARD PROVIDED TO SUB-RECIPIENTS FROM EACH FEDERAL PROGRAM

Of the federal expenditures presented in the schedule, the City of Sacramento provided federal awards to sub-recipients as follows for the fiscal year ended June 30, 2012:

Program Title	CFDA Number	Name of Sub-recipient	Amount Provided to Sub-recipient
Public Safety Interoperable Communications Grant Program	11.555	Alpine County	$ 600,000
		City of Rocklin	154,435
		City of Roseville	144,965
		County of Calaveras	58,634
		County of Sacramento	750,868
		County of San Joaquin	455,170
		County of Stanislaus	289,464
		Placer County	24,430
		Tuolumne County	45,195
			2,523,161
Public Safety Partnership and Community Policing Grants	16.710	County of Sacramento	1,415,436
ARRA - Energy Efficiency and Conservation Block Program	81.128	Sacramento Municipal Utility District	232,634
Total federal awards provided to sub-recipients			$ 4,171,231

MGO Certified Public Accountants.

Sacramento
3000 S Street, Suite 300
Sacramento, CA 95816
916.928.4600

Walnut Creek

Oakland

LA/Century City

Newport Beach

San Diego

Seattle

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, 2012, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 28, 2012. 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

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 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 28, 2012.

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.

Macias Gini & O'Connell LLP

Sacramento, California
December 28, 2012

MGO Certified Public Accountants.

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916.928.4600

Walnut Creek

Oakland

LA/Century City

Newport Beach

San Diego

Seattle

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, Internal Control Over Compliance and the 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 *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, 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, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the 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, 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 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, 2012, and have issued our report thereon dated December 28, 2012, which contained an unqualified opinion on those financial statements. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City's 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 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 other 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 schedule of expenditures of federal awards 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 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.

Macias Gini & O'Connell LLP

Sacramento, California
March 8, 2013

CITY OF SACRAMENTO, CALIFORNIA

Schedule of Findings and Questioned Costs
For the Fiscal 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 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

Schedule of Findings and Questioned Costs (Continued)
For the Fiscal Year Ended June 30, 2012

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

Identification of major programs:

Program Title	CFDA Number
o Public Safety Interoperable Communications	11.555
o ARRA and non-ARRA -Public Safety Partnership and Community Policing Grants	16.710
o ARRA and non-ARRA Highway Planning and Construction	20.205
o ARRA-Energy Efficiency and Conservation Block Grant	81.128
o Assistance to Firefighters Grant	97.044

Dollar threshold used to distinguish between Type A and Type B programs:	$2,251,334
Auditee qualified as low-risk auditee?	Yes

CITY OF SACRAMENTO, CALIFORNIA

Schedule of Findings and Questioned Costs (Continued)
For the Fiscal Year Ended June 30, 2012

Section II – Financial Statement Findings

None.

Section III – Federal Award Findings and Questioned Costs

None.

CITY OF SACRAMENTO, CALIFORNIA
Status of Prior Year Findings
For the Fiscal Year Ended June 30, 2012

Reference Number:	**2011-1**
Federal Catalog Number:	**97.044**
Federal Program Title:	**Assistance to Firefighters Grant**
Federal Award Number:	**EWW-2009-FO-06581**
Award Year:	**2010**
Category of Finding:	**Cash Management, Matching and Reporting**
Federal Agency:	**Department of Homeland Security**
Passed through:	**N/A - Direct Program**

CRITERIA:

U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, Subpart C – Auditees, Section .300 – Auditee Responsibilities

(b) Maintain internal control over Federal programs that provides reasonable assurance the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of the Federal programs.

CONDITION:

The City is required to submit a quarterly Request for Reimbursement Report, which serves as the claim for reimbursement of program expenditures, less the City's matching requirement. Although the claims for reimbursements were correct, the reports were prepared and submitted to the State by a single individual without review and approval by a program supervisor.

CAUSE:

Management failed to establish appropriate segregation of duties over the preparation and submission of its quarterly Request for Reimbursement reports.

EFFECT:

The City is exposed to the risk of submitting inaccurate and unauthorized claims for reimbursement of program funds.

QUESTIONED COSTS:

There are no questioned costs.

RECOMMENDATION:

Management should design and implement internal controls establishing proper segregation of duties between the preparation and approval of the quarterly Request for Reimbursement Reports. Documentation of this segregation of duties should be maintained by program management to demonstrate that appropriate review and approval of the reports occurred prior to the submission of the reports.

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN:

The City agrees with the recommendation and will design and implement internal controls establishing and documenting proper segregation of duties between the preparation and the approval of quarterly grant reports.

STATUS:

Corrected. During our testing, we noted that the claims for reimbursements were approved by the Fire Chief.

Reference Number:	**2011-2**
Federal Catalog Number:	**97.044**
Federal Program Title:	**Assistance to Firefighters Grant**
Federal Award Number:	**EWW-2009-FO-06581**
Award Year:	**2010**
Category of Finding:	**Cash Management and Reporting**
Federal Agency:	**Department of Homeland Security**
Passed through:	**N/A – Direct Program**

CRITERIA:

TITLE 44 – EMERGENCY MANAGEMENT AND ASSISTANCE, PART 13 – UNIFORM ADMINISTRATIVE REQUIREMENTS FOR GRANTS AND COOPERATIVE AGREEMENTS TO STATE AND LOCAL GOVERNMENTS, Subpart C – Post-Award Requirements, Reports, Records and Retention, and Enforcement, Section 13.42 – Retention and access requirements for records.

(b) *Length of retention period*

(1) Except as otherwise provided, records must be retained for three years from the starting date specified in paragraph (c) of this section.

(2) If any litigation, claim, negotiation, audit or other action involving the records has been started before the expiration of the 3-year period, the records must be retained until completion of the action and resolution of all issues which arise from it, or until the end of the regular 3-year period, whichever is later.

CONDITION:

Of the two Federal Financial Reports (Form SF-425) submitted to the Federal Emergency Management Agency, the City was unable to provide a copy of the Form SF-425 submitted for the 6-month period ended June 30, 2011. The absence of a copy of the report and documentation supporting the amounts reported prohibited the testing of the report for compliance with program requirements.

CAUSE:

The City does not have internal controls in place to ensure retention of significant records is being maintained by program personnel in accordance with grant and federal requirements.

EFFECT:

The lack of documentation prevents management from demonstrating that the reports were prepared accurately and submitted in a timely manner and may result in disciplinary action from the granting agency.

QUESTIONED COSTS:

There are no questioned costs.

RECOMMENDATION:

Management should design and implement internal controls to ensure that all reports and supporting documentation are retained as required by grant and federal requirements.

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN:

The City agrees with the recommendation and will design and implement internal controls to ensure that all reports and supporting documentation are retained as required by grant and federal requirements.

STATUS:

Corrected. We were able to obtain copies of the Federal Reports (Form SF-425) during our testing.

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CITY OF SACRAMENTO

Report to the City Council

For the Fiscal Year Ended June 30, 2012

MGO Certified Public Accountants.

CITY OF SACRAMENTO

Report to the City Council
For the Fiscal Year Ended June 30, 2012

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Walnut Creek

Oakland

LA/Century City

Newport Beach

San Diego

Seattle

Honorable Members of the
City Council of the City of Sacramento

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, 2012, in accordance with auditing standards generally accepted in the United States of America, and have issued our report thereon dated December 28, 2012.

In planning and performing our audit in accordance with auditing standards generally accepted in the United States of America, 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 over financial reporting 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 second paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses, and therefore, there can be no assurance that all such deficiencies have been identified. In addition, because of inherent limitations in internal control over financial reporting, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However we have reported on the status of a matter previously reported to management in the Status of Prior Year's Comment and Recommendation.

We previously reported on the City's internal control over financial reporting in our report dated December 28, 2012.

This letter does not affect our report dated December 28, 2012, on the financial statements of the City.

Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, and OMB Circular A-133, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated July 9, 2012. Professional standards also require that we communicate to you information related to our audit as discussed in required communications section of this report.

We would like to thank the City's management and staff for the courtesy and cooperation extended to us during the course of our engagement.

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

Macias Gini & O'Connell LLP

Sacramento, California
December 28, 2012

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during fiscal year ended June 30, 2012. We noted no transactions entered into by the City during the fiscal year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- Depreciation estimates for capital assets
- Self-funded insurance liabilities
- Actuarial valuations of pension and other postemployment benefit obligations and required contributions
- Landfill postclosure care costs

Depreciation expense is based on management's estimate of the useful lives of the related capital assets. Management's estimate of the City's self-funded insurance liabilities is actuarially determined based on the City's loss history. The actuarial pension data contained in Note 8 to the financial statements and required supplementary information (unaudited) is based on actuarial calculations performed in accordance with the parameters set forth in GASB Statement No. 50, *Pension Disclosures (an amendment of GASB Statements No. 25 and 27)* and GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers.* The actuarial data for other postemployment benefit obligations contained in Note 9 to the financial statements and required supplementary information is based on actuarial calculations performed in accordance with the parameters set forth in GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions.* Management's estimate of its landfill postclosure care costs is determined using methods and assumptions consistent with GASB Statement No. 18, *Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Costs*. We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to each opinion unit's financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. The attached schedule summarizes an uncorrected misstatement of the financial statements. Management has determined that its effect is immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 28, 2012.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Information in Documents Containing Audited Financial Statements

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

CITY OF SACRAMENTO

Report to the City Council
Status of Prior Year's Comment and Recommendation
For the Fiscal Year Ended June 30, 2012

I. OUT-OF-CLASS WORK ASSIGNMENTS

In accordance with Section 3.12(e) of the City of Sacramento Salary Administration Policy and Section 13.1(a) of the labor agreement with the International Union of Operating Engineers, Stationary Local 39, AFL-CIO, (Local 39 Labor Agreement), out-of-class work assignments are required to be documented in writing. During our testing of employees who earned out-of-class pay during the fiscal year ended June 30, 2010, there was no evidence of written notification of the employee's out-of-class work assignment for 5 of the 8 employee files reviewed.

We recommend the City implement procedures to properly document and communicate out-of-class work assignments in writing as required by the Salary Administration Policy and the Local 39 Labor Agreement.

Status 2011

Not implemented. We selected 8 employee files for testing during the fiscal year ended June 30, 2011 and noted that there was no evidence of written notification of the employee's out-of-class work assignment for 5 of the 8 employee files reviewed.

Management Response

The City agrees with the recommendation and will strengthen procedures performed by departments to comply with the City's Salary Administration Policy and labor bargaining agreements. In addition, the Human Resources Department will adopt and implement a new Out of Class Pay policy.

The Human Resources Department presented a draft Out of Class Pay policy to the Executive Team in April 2009. The item was placed on hold during the transition of the City Manager to the Interim City Manager. During the Interim's tenure the primary focus was the adoption of the fiscal year budgets and the recruitment of a new City Manager. With the hiring of the new City Manager completed, Human Resources can now redirect its focus and make this item a priority.

Status 2012

Not implemented. Instead, the City modified its Local 39 labor agreement and approved and passed Motion No. 2012-160 on June 26, 2012, to be consistent with other labor agreements, to no longer require written documentation of out-of-class assignments.

CITY OF SACRAMENTO

Report to the City Council
General Information Regarding New Accounting Standard
For the Fiscal Year Ended June 30, 2012

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*

On June 25, 2012, GASB approved Statement No. 68, *Accounting and Financial Reporting for Pensions*. Statement No. 68, which primarily relates to reporting by governments that provide pensions to their employees, is effective for fiscal years beginning after June 15, 2014.

Key changes include:

- Separating how the accounting and financial reporting is determined from how pensions are funded.
- Employers with defined benefit pension plans will recognize a net pension liability, as defined by the standard, in their government-wide, proprietary and fiduciary fund financial statements.
- Incorporating ad hoc cost-of-living adjustments and other ad hoc postemployment benefit changes into projections of benefit payments, if an employer's past practice and future expectations of granting them indicate they are essentially automatic.
- Using a discount rate that applies (a) the expected long-term rate of return on pension plan investments for which plan assets are expected to be available to make projected benefit payments, and (b) the interest rate on a tax-exempt 20-year AA- or higher rated municipal bond index to projected benefit payments for which plan assets are not expected to be available for long-term investment in a qualified trust.
- Adopting a single actuarial cost allocation method – entry age normal – rather than the current choice among six actuarial cost methods.
- Requiring more extensive note disclosures and required supplementary information.

As an employer, the City will be subject to the provisions of Statement No. 68 beginning with the fiscal year ending June 30, 2015. Statement No. 68 replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers* and Statement No. 50, *Pension Disclosures*, as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria.

The Statement requires governments that participate in defined benefit pension plans to report in their statement of net position a net pension liability. The net pension liability is the difference between the total pension liability (the present value of projected benefit payments to employees based on their past service) and the assets (mostly investments reported at fair value) set aside in a trust and restricted to paying benefits to current employees, retirees, and their beneficiaries.

The Statement calls for immediate recognition of more pension expense than is currently required. This includes immediate recognition of annual service cost and interest on the pension liability and immediate recognition of the effect on the net pension liability of changes in benefit terms. Other components of pension expense will be recognized over a closed period that is determined by the average remaining service period of the plan members (both current and former employees, including retirees). These other components include the effects on the net pension liability of (a) changes in economic and demographic assumptions used to project benefits and (b) differences between those assumptions and actual experience. Lastly, the effects on the net pension liability of differences between expected and actual investment returns will be recognized in pension expense over a closed five-year period.

Statement No. 68 also requires employers to present more extensive note disclosures and RSI, including disclosing descriptive information about the types of benefits provided, how contributions to the pension plan are determined, and assumptions and methods used to calculate the pension liability.

These changes, however, relate only to accounting and financial reporting, not to how governments approach the funding of their pension plans. Pension funding is a policy decision made by government officials.

MANAGEMENT RESPONSE

Management is aware of GASB Statement No. 68 and is starting to evaluate the effects on City accounting and financial reporting.

CITY OF SACRAMENTO
SCHEDULE OF UNCORRECTED MISSTATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Government Wide Statements - Business-type Activities

Impact of Adjustments on Government-Wide Financial Statement - Increase (Decrease)

	Description (Nature) of Audit Difference	Statement of Net Assets: Assets	Statement of Net Assets: Liabilities	Statement of Net Assets: Net Position	Changes in Net Position: Revenues	Changes in Net Position: Expenses	Changes in Net Position: Transfers	Changes in Net Position: Beginning Net Position	Changes in Net Position: Ending Net Position
1	To record the interest expense and the interest payable on the Wastewater fund related to the Refuse Trucks (Vac-Con) Capital lease agreement as of June 30, 2012.	$ -	$ 59	$ (59)	$ -	$ 59	$ -	$ -	$ (59)
	Total	$ -	$ 59	$ (59)	$ -	$ 59	$ -	$ -	$ (59)
	Financial statement amounts	$ 1,285,657	$ 423,126	$ 862,531	$ 260,581	$ 220,473	$ (22,722)	$ 845,145	$ 862,531
	Impact as a percentage of financial statement amounts	0.00%	0.01%	-0.01%	0.00%	0.03%	0.00%	0.00%	-0.01%

Proprietary Funds - Wastewater Major Enterprise Fund

Impact of Adjustments on Fund Financial Statement - Increase (Decrease)

	Description (Nature) of Audit Difference	Balance Sheet: Assets	Balance Sheet: Liabilities	Balance Sheet: Net Position	Changes in Net Position: Revenues	Changes in Net Position: Expenses	Changes in Net Position: Contributions and Transfers	Changes in Net Position: Beginning Net Position	Changes in Net Position: Ending Net Position
1	To record the interest expense and the interest payable on the Wastewater fund related to the Refuse Trucks (Vac-Con) Capital lease agreement as of June 30, 2012.	$ -	$ 59	$ (59)	$ -	$ 59	$ -	$ -	$ (59)
	Total	$ -	$ 59	$ (59)	$ -	$ 59	$ -	$ -	$ (59)
	Financial statement amounts	$ 142,203	$ 17,759	$ 124,444	$ 21,853	$ 20,491	$ (718)	$ 123,800	$ 124,444
	Impact as a percentage of financial statement amounts	0.00%	0.33%	-0.05%	0.00%	0.29%	0.00%	0.00%	-0.05%