

Meeting Date: 3/25/2014

Report Type: Consent

Report ID: 2014-00144

Title: Fiscal Year 2012/13 Audit of Federal Grants and Report to City Council

Location: Citywide

Recommendation: Pass a Resolution 1) accepting the Fiscal Year (FY) 2012/13 Single Audit Report; and 2) accepting the FY 2012/13 Auditor's Report to the City Council.

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

Presenter: None

Department: Finance

Division: Accounting Division

Dept ID: 06001311

Attachments:

1-Description/Analysis

2-Resolution

3-Exhibit A - Single Audit Report 063013

4-Exhibit B - Report to the City Council

City Attorney Review

Approved as to Form

Steve Itagaki

3/17/2014 10:01:51 AM

Approvals/Acknowledgements

Department Director or Designee: Leyne Milstein - 3/10/2014 10:59:01 AM

Description/Analysis

Issue: The City's FY2012/13 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, 2013. The SEFA reports \$37.7 million of Federal expenditures during the fiscal year ended June 30, 2013. 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 FY2012/13 Single Audit Report and the auditor's Report to the City Council for the following reasons:

- The FY2012/13 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 FY2012/13 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.

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

Local Business Enterprise (LBE): No goods or services are being purchased under this report.

RESOLUTION NO.

Adopted by the Sacramento City Council

ACCEPTING THE FISCAL YEAR 2012/13 SINGLE AUDIT REPORT

BACKGROUND

- A. The City's Fiscal Year (FY) 2012/13 Single Audit Report was prepared to present the City's Schedule of Expenditures of Federal Awards (SEFA) for the fiscal year ended June 30, 2013. 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 FY2012/13 SEFA and rendered its unqualified opinion that the schedule is fairly presented in relation to the City's audited financial statements. The FY2012/13 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.

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

- Section 1. The City Council accepts the FY2012/13 Single Audit Report, attached hereto as Exhibit A.
- Section 2. The City Council accepts the FY2012/13 Auditor's Report to the City Council, attached hereto as Exhibit B.
- Section 3. Exhibits A and B are part of this resolution.

Table of Contents:

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

CITY OF SACRAMENTO, CALIFORNIA
Single Audit Reports
For the Fiscal Year Ended June 30, 2013



CITY OF SACRAMENTO, CALIFORNIA

**Notes to the Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2013**

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CITY OF SACRAMENTO, CALIFORNIA
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2013

| 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 - 2012 | 10.558 | 34-2883-1K | \$ 9,496 |
| Snack Program - 2013 | 10.558 | 34-2883-1K | 42,753 |
| Total United States Department of Agriculture | | | 52,249 |
| United States Department of Housing and Urban Development | | | |
| Passed through Sacramento Housing and Redevelopment Agency: | | | |
| Community Development Block Grants/Entitlement Grants: | | | |
| Focused Outreach and Code Inspections Strategy | 14.218 | 2001-0224-305 | 200,000 |
| Ramona Avenue Technology Village Specific Plan - Community Development Department | 14.218 | 2001-0224-259 | 27,792 |
| Oak Park Community Center Phase IIB | 14.218 | 2001-0224-255 | 348,000 |
| McClellan Heights - North Avenue | 14.218 | 2001-0224-233 | 266,363 |
| Del Paso Boulevard Streetscape | 14.218 | 2001-0224-303 | 56,208 |
| Downtown Lighting Project | 14.218 | 2001-0224-302 | 697 |
| Mack Road Median Fence Improvements | 14.218 | 2001-0224-277 | 3,415 |
| R Street Phase III | 14.218 | 2013-00125-1 | 8,130 |
| 12th Street Streetscape Project | 14.218 | 2013-00125-3 | 12,696 |
| Richards Blvd Streetscape Project | 14.218 | 2013-00125-2 | 53,107 |
| Total United States Department of Housing and Urban Development | | | 976,408 |
| United States Department of the Interior | | | |
| Direct Programs: | | | |
| WaterSMART (Sustaining and Manage America's Resources for Tomorrow) | 15.507 | N/A | 2,298 |
| Passed through Regional Water Authority: | | | |
| WaterSMART (Sustaining and Manage America's Resources for Tomorrow) | 15.507 | 2011-1483 | 84,894 |
| Subtotal WaterSMART (Sustaining and Manage America's Resources for Tomorrow) | | | 87,192 |
| Direct Programs: | | | |
| Central Valley Project Improvement (CVPI) | | | |
| Anadromous Fish Restoration Program (AFRP): | | | |
| Lower American River Salmon Spawning Gravel Work | 15.648 | N/A | 701,995 |
| Total United States Department of the Interior | | | 789,187 |
| United States Department of Justice | | | |
| Passed through State of California Board of State and Community Corrections: | | | |
| Juvenile Accountability Block Grants Program | 16.523 | BSCC 204-12 | 26,212 |
| Direct Programs: | | | |
| Part E - Developing, Testing and Demonstrating Promising New Programs: | | | |
| Office of Juvenile Justice and Delinquency Prevention Safe Community Partnership | 16.541 | N/A | 21,087 |
| Bulletproof Vest Partnership Program | 16.607 | N/A | 3,740 |
| Bulletproof Vest Partnership Program | 16.607 | N/A | 15,108 |
| Subtotal Bulletproof Vest Partnership Program | | | 18,848 |
| Public Safety Partnership and Community Policing Grants: | | | |
| ARRA - COPS Hiring Recovery Program | 16.710 | N/A | 2,303,932 |
| COPS Hiring Program - 2011 | 16.710 | N/A | 2,542,378 |
| COPS Technology Program - 2007 | 16.710 | N/A | 2,037,868 |
| COPS Secure Our Schools - 2009 | 16.710 | N/A | 214,175 |
| COPS Secure Our Schools - 2011 | 16.710 | N/A | 35,569 |
| Subtotal Public Safety Partnership and Community Policing Grants | | | 7,133,922 |
| Justice Assistance Grant (JAG) Program Cluster: | | | |
| Edward Byrne Memorial Justice Assistance Grant Program | 16.738 | N/A | 44,355 |
| Edward Byrne Memorial Justice Assistance Grant Program | 16.738 | N/A | 101,511 |
| ARRA - Recovery Act - Edward Byrne Memorial Justice Assistance Grant Program/ Grants to Units of Local Governments | 16.804 | N/A | 174,534 |
| Subtotal JAG Program Cluster | | | 320,400 |
| Equitable Sharing Program | 16.922 | N/A | 20,195 |
| Total United States Department of Justice | | | 7,540,664 |

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, 2013

| Federal Grantor/Pass-Through Grantor/Program or Cluster Title | Federal CFDA Number | Pass-Through Entity Identifying Number | Federal Expenditures |
|---|---------------------------|---|-------------------------|
| United States Department of Labor | | | |
| Passed through Sacramento Employment and Training Agency: | | | |
| WIA Youth Activities | 17.259 | 046301IS-12(E) | 216,855 |
| Total United States Department of Labor | | | 216,855 |
| United States Department of Transportation | | | |
| Passed through State of California Department of Transportation (CALTRANS): | | | |
| Highway Planning and Construction | 20.205 | CML-5002(041) | 32,840 |
| Highway Planning and Construction | 20.205 | STPLER-5002(066) | 41,413 |
| Highway Planning and Construction | 20.205 | CML-5002(155) | 25,326 |
| Highway Planning and Construction | 20.205 | STPL-5002(153) | 214,563 |
| Highway Planning and Construction | 20.205 | STPL-5002(158) | 509,313 |
| Highway Planning and Construction | 20.205 | HSIPL-5002(130) | 295,633 |
| Highway Planning and Construction | 20.205 | STPL-5002(156) | 5,561 |
| Highway Planning and Construction | 20.205 | STPL-5002(103) | 1,726,893 |
| Highway Planning and Construction | 20.205 | HP21L-5002(068) | 90,529 |
| Highway Planning and Construction | 20.205 | HPLUL-5002(154) | 2,607,099 |
| Highway Planning and Construction | 20.205 | DEMO5L-5002(112) | 320,917 |
| Highway Planning and Construction | 20.205 | CML-5002(047) | 490,466 |
| Highway Planning and Construction | 20.205 | BHLS-5002(111) | 188,823 |
| Highway Planning and Construction | 20.205 | BRLS-5002(115) | 517,584 |
| Highway Planning and Construction | 20.205 | SRTSL-5002(131) | 366,909 |
| Highway Planning and Construction | 20.205 | HPLUL-5002(128) | 439,889 |
| Highway Planning and Construction | 20.205 | BRLS-5002(134) | 210,118 |
| Highway Planning and Construction | 20.205 | CML-5002(141) | 1,837,380 |
| Highway Planning and Construction | 20.205 | SRTSL-5002(143) | 794,244 |
| Highway Planning and Construction | 20.205 | HSIPL-5002(133) | 52,136 |
| Highway Planning and Construction | 20.205 | HSIPL-5002(145) | 47,693 |
| Highway Planning and Construction | 20.205 | BPMP-5002(161) | 4,946 |
| Highway Planning and Construction | 20.205 | STPL-5002(148) | 172 |
| Highway Planning and Construction | 20.205 | 2012-0311 | 166,249 |
| Highway Planning and Construction | 20.205 | STPCML-5002(159) | 21,327 |
| Highway Planning and Construction | 20.205 | DEMO5L-5002(163) | 32,925 |
| Highway Planning and Construction | 20.205 | HPO2L-5002(089) | 327,592 |
| Highway Planning and Construction: | | | |
| ARRA - Highway Planning and Construction: | | | |
| Economic Stimulus, Intermodal Facility - RR Track Relocation | 20.205 | ESPLCM-5002(142) | 4,713,823 |
| Subtotal Highway Planning and Construction | | | <u>16,082,363</u> |
| Passed through Sacramento Regional Transit District: | | | |
| Federal Transit - Capital Investment Grants: | | | |
| Sacramento Intermodal Transportation Facility Retrofit Project | 20.500 | CA-04-0013-01 | 626,673 |
| Sacramento Intermodal Transportation Facility Retrofit Project - Phase II | 20.500 | CA-04-0013-03 | 1,348,890 |
| Subtotal Federal Transit - Capital Investment Grants | | | <u>1,975,563</u> |
| Passed through State of California Office of Traffic Safety: | | | |
| Highway Safety Cluster: | | | |
| State and Community Highway Safety | 20.600 | DD1335 | 27,550 |
| State and Community Highway Safety | 20.600 | PT1355 | 505,145 |
| Alcohol Impaired Driving Countermeasures Incentive Grants | 20.601 | 20588 | 284,515 |
| Subtotal Highway Safety Cluster | | | <u>817,210</u> |
| Passed through State of California Office of Traffic Safety: | | | |
| Minimum Penalties for Repeat Offenders for Driving While Intoxicated | 20.608 | 20574 | 170,505 |
| 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 | SC12357 | 23,813 |
| Minimum Penalties for Repeat Offenders for Driving While Intoxicated | 20.608 | SC13357 | 148,275 |
| Subtotal Minimum Penalties for Repeat Offenders for Driving While Intoxicated | | | <u>342,593</u> |
| Total United States Department of Transportation | | | 19,217,729 |

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, 2013

| 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: | | | |
| Equitable Sharing Program | 21.000 | N/A | 26,182 |
| Total United States Department of Treasury | | | 26,182 |
| United States Department of Veterans Affairs | | | |
| Passed through United States Olympic Committee: | | | |
| VA Assistance to Untitled States Paralympic Integrated Adaptive Sports Program | 64.034 | 2011-1498 | 150,000 |
| VA Assistance to Untitled States Paralympic Integrated Adaptive Sports Program | 64.034 | 2012-0936 | 119,321 |
| Total United States Department of Veteran Affairs | | | 269,321 |
| United States Environmental Protection Agency | | | |
| Direct Programs: | | | |
| Congressionally Mandated Projects: | | | |
| P Street - 5th to 7th | 66.202 | N/A | 21,827 |
| Brownfields Assessment and Cleanup Cooperative Agreements: | | | |
| Assessment Phase I | 66.818 | N/A | 6,540 |
| Assessment Phase II | 66.818 | N/A | 23,181 |
| Assessment and Cleanup | 66.818 | N/A | 13,661 |
| Revolving Loan Fund | 66.818 | N/A | 20,847 |
| 19th and Q Streets Site Soil Remediation | 66.818 | N/A | 107,477 |
| Subtotal Brownfields Assessment and Cleanup Cooperative Agreements | | | 171,706 |
| Total United States Environmental Protection Agency | | | 193,533 |
| 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 | 46,058 |
| ARRA - Energy Efficiency and Conservation Block Program (EECBG): | | | |
| Climate Action Plan | 81.128 | N/A | 27,655 |
| Public Outreach | 81.128 | N/A | 23,033 |
| Assessment Financing Program Development | 81.128 | N/A | 321,494 |
| Grant Administration | 81.128 | N/A | 14,663 |
| Small Business Pilot | 81.128 | N/A | 267,366 |
| Facilities Retrofit | 81.128 | N/A | 156,825 |
| Pannell Interior Lighting | 81.128 | N/A | 7,715 |
| Measurement & Verification Equipment/Software | 81.128 | N/A | 97,911 |
| Subtotal ARRA - EECBG | | | 916,662 |
| Total United States Department of Energy | | | 962,720 |
| United States Department of Health and Human Services | | | |
| Passed through Area 4 Agency on Aging: | | | |
| Special Programs for Aging - Title III, Part D - Disease Prevention and Health Promotion Services | | | |
| | 93.043 | 52-23-34-13 | 27,000 |
| National Family Caregiver Support - Title III, Part E | | | |
| | 93.052 | 26-18-34-13 | 40,000 |
| Passed through State of California Department of Education: | | | |
| CCDF Cluster: | | | |
| Child Care and Development Block Grant | 93.575 | CCTR-2202 | 205,591 |
| Child Care Mandatory and Matching Funds of the Child Care and Development Fund | 93.596 | CCTR-2202 | 99,139 |
| Subtotal CCDF Cluster | | | 304,730 |
| Total United States Department of Health and Human Services | | | 371,730 |

CITY OF SACRAMENTO, CALIFORNIA
Schedule of Expenditures of Federal Awards (Continued)
For the Fiscal Year Ended June 30, 2013

| Federal Grantor/Pass-Through Grantor/Program or Cluster 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 2010 | 97.025 | N/A | 79,309 |
| Urban Search and Rescue 2011 | 97.025 | N/A | 284,973 |
| Urban Search and Rescue 2012 | 97.025 | N/A | 901,319 |
| Urban Search and Rescue Hurricane ISAAC Deployment | 97.025 | N/A | 16,858 |
| Urban Search and Rescue Hurricane SANDY Deployment | 97.025 | N/A | 41,058 |
| Urban Search and Rescue Tornado MOORE Oklahoma Deployment | 97.025 | N/A | 8,104 |
| Subtotal National Urban Search & Rescue (US&R) Response System | | | <u>1,331,621</u> |
| Federal Emergency Management Agency: | | | |
| Assistance to Firefighters Grant: | | | |
| Staffing for Adequate Fire and Emergency Response (SAFER) - 2010 | 97.044 | N/A | <u>2,652,632</u> |
| Passed through State of California Emergency Management Agency: | | | |
| Passed through the City and County of San Francisco: | | | |
| Interoperable Emergency Communications | 97.055 | 2011-1097 | <u>138,119</u> |
| Passed through State of California Emergency Management Agency: | | | |
| Homeland Security Grant Program: | | | |
| Homeland Security Grant Program - 2010 | 97.067 | 2010-0085 | 2,488,282 |
| Homeland Security Grant Program - 2010 | 97.067 | 2010-0085 | 28,800 |
| Homeland Security Grant Program - 2010 | 97.067 | 2010-0085 | 75,056 |
| Homeland Security Grant Program - 2010 | 97.067 | 2010-0085 | 54,151 |
| Homeland Security Grant Program - 2010 | 97.067 | 2010-0085 | 68,626 |
| Homeland Security Grant Program - 2011 | 97.067 | 2011-SS-0077 | 16,671 |
| Homeland Security Grant Program - 2011 | 97.067 | 2011-SS-0077 | 251,497 |
| Subtotal Homeland Security Grant Program | | | <u>2,983,083</u> |
| Total United States Department of Homeland Security | | | <u>7,105,455</u> |
| Total Expenditures of Federal Awards | | | <u>\$ 37,722,032</u> |

CITY OF SACRAMENTO, CALIFORNIA

**Notes to the Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2013**

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, 2013. 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 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 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 grants from the Area 4 Agency on Aging for the fiscal year ended June 30, 2013:

| <u>Program</u> | <u>Grant Amount</u> | <u>Grant Number</u> | <u>CFDA Number</u> | <u>Expenditures</u> | | |
|--|-------------------------|-------------------------|------------------------|---------------------|--------------|------------------|
| | | | | <u>Federal</u> | <u>State</u> | <u>Total</u> |
| Special Programs for Aging - Title III, Part D - Disease Prevention and Health Promotion Services | \$ 27,000 | 52-23-34-13 | 93.043 | \$ 27,000 | \$ - | \$ 27,000 |
| National Family Caregiver Support - Title III, Part E | 40,000 | 26-18-34-13 | 93.052 | 40,000 | - | 40,000 |
| Total Area 4 Agency on Aging | | | | <u>\$ 67,000</u> | <u>\$ -</u> | <u>\$ 67,000</u> |

CITY OF SACRAMENTO, CALIFORNIA

**Notes to the Schedule of Expenditures of Federal Awards (Continued)
For the Fiscal Year Ended June 30, 2013**

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, 2013:

| Gang Violence Suppression | Grant Award Number | Grant Amount | Expenditures | | | Total |
|--|-----------------------------------|-------------------------|---------------------|--------------|--------------|--------------|
| | | | Federal | State | Match | |
| Personnel Service | GV09057901 | \$ 188,809 | \$ - | \$ 37,176 | \$ 6,838 | \$ 44,014 |
| Operating Expense | | 392,089 | - | 33,770 | 1,374 | 35,144 |
| Total | | \$ 580,898 | \$ - | \$ 70,946 | \$ 8,212 | \$ 79,158 |

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, 2013:

| Program | Cost Reimbursement Contract Amount | Contract Number | Expenditures | | |
|----------------|---|----------------------------|---------------------|--------------|--------------|
| | | | Federal | State | Total |
| Cover the Kids | \$ 655,440 | 10/11-HA-139-A01 | \$ - | \$ 655,440 | \$ 655,440 |

The outstanding 3rd quarter and 4th quarter receivables for the fiscal year ended June 30, 2013 in the total amount of \$358,945 was received by August 30, 2013.

CITY OF SACRAMENTO, CALIFORNIA

**Notes to the Schedule of Expenditures of Federal Awards (Continued)
For the Fiscal Year Ended June 30, 2013**

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

The following represents expenditures of the grants from the Sacramento Employment and Training Agency for the fiscal year ended June 30, 2013:

Workforce Investment Act (WIA) - Youth Program

| CFDA Number | Sub-grant Number | Federal Expenditures | | |
|----------------|---------------------|----------------------|-----------|------------|
| | | Personnel Service | Other | Total |
| 17.259 | 046301IS-12(E) | \$ 204,141 | \$ 12,714 | \$ 216,855 |

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

Of the federal expenditures presented in the SEFA, the City of Sacramento provided federal awards to subrecipients as follows for the fiscal year ended June 30, 2013:

| Program Title | CFDA Number | Name of Sub-recipient | Amount Provided to Sub-recipient |
|--|----------------|---|-------------------------------------|
| Public Safety Partnership and Community Grant Program | 16.710 | Sacramento City Unified School District | \$ 214,176 |
| ARRA - Energy Efficiency and Conservation Block Program | 81.128 | Sacramento Municipal Utility District | 267,366 |
| Total federal awards provided to sub-recipients | | | <u>\$ 481,542</u> |

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

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

We have audited, 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, 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 year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 22, 2014.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Maciar Meiri & O'Connell LLP

Sacramento, California
January 22, 2014

Independent Auditor’s Report on Compliance for Each Major Federal Program, Report on Internal Control Over Compliance and Report on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

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

Report on Compliance for Each Major Federal Program

We have audited the City of Sacramento, California’s (City) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City’s major federal programs for the year ended June 30, 2013. The City’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

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

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for each of the City’s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City’s compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City’s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the

auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of the 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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

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 year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated January 22, 2014, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the 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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Maclean Mini & O'Connell LLP

Sacramento, California
March 14, 2014

CITY OF SACRAMENTO, CALIFORNIA

**Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2013**

Section I – Summary of Auditor’s Results

Financial Statements:

| | |
|---|---------------|
| Type of auditor’s report issued: | Unmodified |
| Internal control over financial reporting: | |
| • Material weakness(es) identified? | No |
| • Significant deficiency(ies) identified? | None reported |
| Noncompliance material to financial statements noted? | No |

Federal Awards:

| | |
|--|---------------|
| Internal control over major programs: | |
| • Material weakness(es) identified? | No |
| • Significant deficiency(ies) identified? | None reported |
| Type of auditor’s report issued on compliance for major programs: | Unmodified |
| Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? | No |

Identification of major programs:

Identification of major programs:

| <u>Program Title</u> | <u>CFDA Number</u> |
|--|--------------------|
| ○ Public Safety Partnership and Community Policing Grants | 16.710 |
| ○ ARRA and non-ARRA Highway Planning and Construction | 20.205 |
| ○ Federal Transit – Capital Investment Grants | 20.500 |
| ○ ARRA-Energy Efficiency and Conservation Block Grant | 81.128 |
| ○ National Urban Search & Rescue (US&R) Response System | 97.025 |
| Dollar threshold used to distinguish between Type A and Type B programs: | \$1,131,661 |
| 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, 2013**

Section II – Financial Statement Findings

None Reported.

Section III – Federal Award Findings and Questioned Costs

None Reported.

CITY OF SACRAMENTO, CALIFORNIA

**Schedule of Prior Year Findings
For the Fiscal Year Ended June 30, 2013**

No Prior Year Findings.

CITY OF SACRAMENTO

Report to the City Council

For the Fiscal Year Ended June 30, 2013

CITY OF SACRAMENTO
Report to the City Council
For the Fiscal Year Ended June 30, 2013

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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, 2013, in accordance with auditing standards generally accepted in the United States of America, and have issued our report thereon dated January 22, 2014.

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.

We previously reported on the City's internal control over financial reporting in our report dated January 22, 2014.

This letter does not affect our report dated January 22, 2014, 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 1, 2013. 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.

Macinn Meiri & O'Connell LLP

Sacramento, California

January 22, 2014

CITY OF SACRAMENTO

Report to the City Council
Required Communications
For the Fiscal Year Ended June 30, 2013

Significant Audit Findings

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. As described in Note 1, the City adopted the provisions of the following Governmental Accounting Standards Board Statements: Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, Statement No. 61, *The Financial Reporting Entity: Omnibus-an amendment of GASB Statements No. 14 and No. 34*; Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained In Pre-November 30, 1989 FASB and AICPA Pronouncements*. We noted no transactions entered into by the governmental unit during the 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.

CITY OF SACRAMENTO

Report to the City Council
Required Communications (Continued)
For the Fiscal Year Ended June 30, 2013

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. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's 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 January 22, 2014.

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.

CITY OF SACRAMENTO

Report to the City Council
Required Communications (Continued)
For the Fiscal Year Ended June 30, 2013

Other Matters

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. With respect to other information accompanying the financial statements such as the introductory and statistical sections, we read the other information, and did not identify any material inconsistencies with the audited financial statements.