

CITY OF MANTECA
SINGLE AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2012

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CITY OF MANTECA
SINGLE AUDIT REPORT
For The Year Ended June 30, 2012

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CITY OF MANTECA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2012**

SECTION I—SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? Yes X No
- Significant deficiency(ies) identified? X Yes None Reported

Noncompliance material to financial statements noted? Yes X No

Federal Awards

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

Internal control over major programs:

- Material weakness(es) identified? Yes X No
- Significant deficiency(ies) identified? X Yes None Reported

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

Identification of major programs:

<u>CFDA#(s)</u>	<u>Name of Federal Program or Cluster</u>
<u>20.205</u>	<u>Department of Transportation – Highway Planning and Construction Grant (ARRA)</u>
<u>20.507</u>	<u>Department of Transportation- Federal Transit – Formula Grants (ARRA)</u>
<u>16.710</u>	<u>Department of Justice – Public Safety Partnership Community Policing Grants (ARRA)</u>

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? Yes X No

Finding: 2012-01

Unallowable Salary Costs Charged to Grant (Continued)

View of Responsible Officials and Planned Corrective Actions:

Name of contact person: Tamara Connor Accountant, (209) 456-8730

The City is awaiting a ruling from the Department of Justice regarding allowable expenses. No further reimbursement requests have been made pending the final ruling.

Finding: 2012-02

Review and Approval of Reimbursement Requests

CFDA Number: 16.710

CFDA Title: ARRA- Public Safety Partnership and Community Policing Grants

Federal Agency: Department of Justice

Criteria: Each grant reimbursement request should be reviewed and approved by a person other than the preparer before being submitted to the awarding agency.

Condition: During our testing of reimbursement requests for ARRA COPS Hiring Recovery Program, we found that reimbursement requests do not go through a review and approval process prior to submission.

Effect: Reimbursement requests that are not reviewed and approved prior to submission to the awarding agency could result in the reimbursement of ineligible costs from the grantor.

Cause: The ARRA COPS Hiring Recovery Program reimbursement requests are all payroll related expenditures and go through the City's payroll approval process, therefore the City believed that approval of the reimbursement request was not necessary.

Recommendation: The City should revise its procedures for the preparation and submission of reimbursement requests to ensure they include an in depth review and proper approval of the request prior to submission to the grantor. The performance of this review should be documented in the applicable grant files.

View of Responsible Officials and Planned Corrective Actions:

Name of contact person: Tamara Connor Accountant, (209) 456-8730

The City has not processed any further requests for this grant. If an additional request is made, the City will ensure that a procedure is in place which provides documentation that all reimbursement requests have been reviewed and approved prior to submission.

Finding: 2012-03

Submission of Disadvantage Business Enterprise Semiannual Report

CFDA Number: 20.507
CFDA Title: ARRA - Federal Transit Formula Grants
Name of Federal Agency: Department of Transportation

Criteria: Section L (3), Special Reporting, of the OMB A-133 Compliance Supplement regarding Disadvantaged Business Enterprise (DBE) reporting requires “to monitor the progress of DBE program, the recipient is required to submit semi-annual reports based on a record keeping system”.

Condition: The City did not submit semi-annual reports to on the progress of the DBE program.

Effect: The City is not in compliance with Compliance Supplement requirements of the grantor.

Cause: The employee responsible for the DBE plan was reassigned within the City and their duties were not assigned to an applicable employee.

Recommendation: The City should submit the required semi-annual DBE reports to the Federal Transit Authority. In the future, when employees are reassigned to new duties, their prior duties should be reassigned to applicable personnel.

View of Responsible Officials and Planned Corrective Actions:

Name of Contact person: Johanna Ferriera, Transit Manager (209) 456-8761

The City is now aware of the need for submission of semiannual reports regarding the DBE program. All applicable reporting forms have been identified and procedures have been put in place to ensure that this reporting requirement is met.

Finding: 2012-04

Consultant Pre-Award Audit and Procurement Requirements

CFDA Number: 20.205
CFDA Title: Highway Planning and Construction
ARRA - Highway Planning and Construction
Name of Federal Agency: Department of Transportation
Pass-Through Entity: California Department of Transportation

Criteria: Provision 43 of the Scope Section of the Cooperative Agreement with California Department of Transportation for the 99/120 Freeway Landscape Project (ESPLSE-5242(027)) requires that if the City uses a consultant to participate in the project the City will conduct a pre-award audit of the consultant in accordance with the California Department of Transportation’s Local Assistance Administrative Manual.

Condition: The City contracted with a third-party to perform construction management services related to the project, but was unable to provide documentation that the pre-award audit had been completed.

Effect: The City is not in compliance with consultant procurement requirements of the Cooperative Agreement.

Cause: The City hired the consultant with the assistance of the Stanislaus Council of Governments and believes the required procedures were performed, but City staff was unable to locate the documentation.

Finding: 2012-04

**Consultant Pre-Award Audit and Procurement Requirements
(Continued)**

Recommendation: The City should determine whether the required pre-award audit had been completed. If the pre-award audit was not completed, the City should work with the grantor to determine what additional procedures, if any, should be completed. In the future, the City should ensure that documentation of compliance with the provisions of grant or cooperative agreements are retained in the City's files.

View of Responsible Officials and Planned Corrective Actions:

Name of Contact person: Fernando Ulloa, Senior Engineer (209) 456-8427

The City worked with the San Joaquin Council of Governments (COG) to develop a list of eligible consultants. Since the COG was the lead agency conducting the Requests for Proposals, the City relied on their short list of consultants. The City will work with COG to receive the proper compliance documentation for our files.

**SECTION IV - STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS –
Prepared by Management**

Financial Statement Prior Year Findings

We have included the current status of the prior year material weakness and significant deficiencies in our separately issued Memorandum of Internal Control dated January 30, 2013 which is an integral part of our audit and should be read in conjunction with this report.

Federal Award Prior Year Findings and Questioned Costs

Finding: 2011-01

Allocation of Reimbursement to Grants

CFDA Number: 20.507
CFDA Title: ARRA - Federal Transit Formula Grants
Name of Federal Agency: U.S. Department of Transportation

Criteria: The Budget section of the grant agreement states that Operating Assistance will be reimbursed at a rate of up to fifty percent by the federal government.

Condition: For the first and second quarter of fiscal year 2011 the City requested more than the federally allowed fifty percent reimbursement rate. Under the terms of the grant agreement, the total allowable amount that should have been charged to grant number Y661 should have been \$194,492; however the City charged \$203,680 to this grant in order to use up the last of the available grant award.

Effect: The City charged the grant for more than is allowable under the grant agreement.

Cause: Since there was only \$203,680 left in the grant award and the City decided to request the full amount of the available funds.

Recommendation: The City should review all reimbursement requests prior to submittal to ensure that all amounts being requested for reimbursement are in compliance with the terms laid out in the grant agreement.

Finding: 2011-01

Allocation of Reimbursement to Grants (Continued)

View of Responsible Officials and Planned Corrective Actions:

Names of contact persons: Johanna Ferriera, Transit Manager, (209) 456-8761

The City's reimbursement request of \$203,680 was based on FTA C 9030.1D Exhibit III-1. Service Contracts wherein the contractor provides maintenance and transit service and the recipient (City) provide vehicles. Under the guideline for the capital cost of contracting, 40% of the expenses are eligible to be reimbursed at an 80% percent federal share and 60% of the expenses are reimbursable at a 50% federal share. However, since staff did not include a separate line item in the grant to account for the capital cost of contracting, \$9,188 was incorrectly charged to the grant. Staff will be returning funds with the next drawdown and will be match future requests to the allowable 50% reimbursement rate.

Current Status:

The City has developed and implemented a Federal Grant Reimbursement Request Procedure which addresses these findings. The City returned the excess funds by reducing the May 2012 drawdown.

Finding: 2011-02

Monthly Project Status Reporting to Caltrans

CFDA Number: 20.205
CFDA Title: ARRA - Highway Planning and Construction
Federal Agency: Department of Transportation
Pass-Through Entity: California Department of Transportation

Criteria: As a subrecipient for the ARRA-funded 99/120 Freeway Interchange Landscaping project, the City is required to file monthly project status reports with CalTrans. This information is subsequently used by CalTrans to file Section 1512 ARRA Reports with the U.S. Department of Transportation.

Condition: The City did not submit the required monthly report for June 2011, and the project was listed as a "Non-Reported ARRA Project" on the CalTrans website.

Effect: Late submission of required monthly report could result in the delay of grant reimbursements or even the denial of reimbursement.

Cause: Due to staff turnover, the required monthly status report was not submitted.

Recommendation: The City should develop procedures to ensure timely filing of all required reports.

View of Responsible Officials and Planned Corrective Actions:

Name of contact person: Fernando Ulloa, Senior Engineer (209) 456-8427

The City experienced an unanticipated change in staff due to layoffs. All project responsibilities were immediately reassigned. Upon reassignment the project report has been submitted on a monthly basis and the City has remained and is currently in compliance with grant reporting requirements.

Current Status: The City has developed and implemented a Federal Grant Reimbursement Request Procedure which addresses these findings.

Finding 2011-03 **Timely Submission of Grant Reimbursement Requests**

CFDA Number: 20.205
CFDA Title: ARRA - Highway Planning and Construction
Federal Agency: Department of Transportation
Pass-Through Entity: California Department of Transportation

Criteria: Special Covenant number 5 of the Program Supplement STPL-5242(022) for the Moffat Blvd./Yosemite Ave. Asphalt Concrete Overlay project requires that invoices are to be submitted “at least once every six months commencing after the funds are encumbered.” If no invoices are submitted for a six month period the City is required to submit a written explanation to the State which includes a target billing date and amount. If invoices or a written explanation are not submitted every six months, the State reserves the right to suspend future authorizations/obligations, and invoice payments for any ongoing or future federal-aid. In addition, the Cooperative Agreement for the ARRA 99/120 Landscape Project requires that the City submit monthly invoices to the State for actual monthly costs based on the prior month's actual expenditures.

Condition: The City submitted the first invoice for the Moffat Blvd./Yosemite Ave. Asphalt Concrete Overlay project on August 26, 2010 and did not submit another invoice until August 22, 2011 and did not submit a written explanation to the State. In addition, for the ARRA 99/120 Landscape Project the City did not submit invoices for expenditures incurred in the months of February, March, April and May 2011 within the required one month period. The reimbursement request was not filed until July 2011.

Effect: The City is not in compliance with reimbursement request requirements of the Program Supplement and the Cooperative Agreement and is potentially subject to the sanctions noted above.

Cause: Due to absence of project activity during the winter season, and no billing from the contractor, the City had not incurred any costs and reimbursement request were not prepared. In addition, due to staff turnover the City failed to submit a written explanation regarding absence of the project activity to the State and did not prepare invoices monthly for ARRA 99/120 Landscape Project.

Recommendation: The City should submit invoices for the Moffat Blvd./Yosemite Avenue Project at least once every six months or a written explanation for the lack of invoice submittal with a target date and billing amount to remain in compliance with the Program Supplement. The City should prepare invoices at least monthly or as expenditures are incurred for the ARRA 99/120 Landscape Project to remain in compliance with the Cooperative Agreement.

View of Responsible Officials and Planned Corrective Actions:

Name of contact person: Fernando Ulloa, Senior Engineer (209) 456-8427

The City experienced an unanticipated change in staff due to layoffs. All project responsibilities were immediately reassigned. Reassigned staff members are now aware of invoice and reporting requirements and the City has remained and is currently in compliance with grant requirements.

Current Status: The City has developed and implemented a Federal Grant Reimbursement Request Procedure which addresses these findings.

Finding: 2011-04

Delayed Filing of Reimbursement Requests

CFDA Number: 20.507
CFDA Title: ARRA - Federal Transit Formula Grants
Name of Federal Agency: U.S. Department of Transportation

Criteria: In order to effectively manage the cash inflows and outflows of the grant, once expenditures are incurred, the reimbursement requests should be filed in a timely fashion. In addition, proper internal controls dictate that a second employee should be trained to perform the duties of an employee in the event of their extended absence.

Condition: The City did not submit a reimbursement request for its Federal Transit Formula grants for periods up to eleven months after the expenditure had been incurred due to the maternity leave of the employee responsible for filing the requests.

Effect: Late submission of reimbursement requests puts the City at risk of not being fully reimbursed or even at risk of not being reimbursed.

Cause: This delay in reimbursement filing was due to an employee's maternity leave. In addition, no other employee had been trained or held responsible to file the claim during this employee's absence.

Recommendation: Reimbursement requests should be filed timely after expenditures are incurred. The City should have another employee trained and fully capable as well as prepared to take on such responsibility when any type of emergency and or long absence occurs.

View of Responsible Officials and Planned Corrective Actions:

Name of contact person: Johanna Ferreira, Transit Manager, (209) 456-8761

The delay in reimbursement request is not attributable to the employee's maternity leave, rather it is due to the practice of submitting requests on a semi-annual basis. Staff has revised its previous practice of semi-annual drawdowns and will be conducting drawdowns on a quarterly basis in order to ensure timely reimbursement requests. Transit staff has scheduled drawdown appointments with the Finance Director 30-days after the completion of each quarter.

Current Status: Although improved, grant reimbursement requests continue to lag behind expenditures incurred. For example, expenditures for August 2011 to February 2012 were not requested until May 2012, and costs from April 2012 to June 2012 were not requested until November 2012. The City has since developed and implemented a Federal Grant Reimbursement Request Procedure which addresses these findings.

CITY OF MANTECA
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 Identifying Number	Federal Expenditures
Department of Housing and Urban Development Pass-Through Programs From:			
California State University, Fresno Foundation			
Sustainable Communities Regional Planning Grant Program			
Smart Valley Places	14.703	SC360080-11-02	<u>\$24,886</u>
San Joaquin County Community Development Department			
Community Development Block Grants			
Program Expenditures	14.218	A-93-916	445,835
Subgrants	14.218	A-93-916	24,700
ARRA - Community Development Block Grant (CDBG-R)	14.253	Not Available	<u>53,127</u>
Subtotal Community Development Block Grants			<u>523,662</u>
Total Department of Housing and Urban Development			<u>548,548</u>
Department of Homeland Security Direct Program			
Assistance to Firefighters			
SAFER Grant	97.044		<u>18,630</u>
Department of Justice Programs			
Direct Programs			
Bureau of Justice Assistance			
Bulletproof Vest Partnership Program	16.607		<u>5,230</u>
Public Safety Partnership and Community Policing Grants			
ARRA - COPS Hiring Recovery Program Grant	16.710	2009RKWX0152	<u>551,715</u>
Pass-Through Programs From:			
San Joaquin County			
Edward Byrne Memorial Justice Assistance Grant Program			
2009 Justice Assistance Grant	16.738	2009-SB-B9-0539	<u>1,550</u>
Total Department of Justice			<u>558,495</u>
Department of Transportation Programs			
Pass-Through Programs From:			
State of California Department of Transportation			
Highway Planning and Construction			
Moffat/Yosemite STP	20.205	STPL-5242 (022)	164,046
Atherton Gap	20.205	STPL-5242 (024)	305,751
ARRA 99/120 Landscape	20.205	ESPL-5242 (025)	69,610
ARRA 99/120 Landscape	20.205	ESPLSE-5242 (027)	1,355,931
McKinley Ave/SR120	20.205	HPLULN-5242 (028)	293,426
Union Rd UPRR	20.205	STPLR-7500 (156)	<u>4,517</u>
Subtotal Highway Planning and Construction			<u>2,193,281</u>
State of California Office of Traffic Safety			
State and Highway Community Safety Programs			
Mini DUI Checkpoint	20.600	SC11248	11,291
AVOID the 10 DUI Campaign	20.600	AL0837	24,965
DUI EAP	20.600	AL1177	26,505
Its Up to Us	20.600	SAC-11-139	<u>3,850</u>
Subtotal State and Highway Community Safety Programs			<u>66,611</u>
Direct Program			
Federal Transit Administration			
Federal Transit-Formula Grants (Urbanized Area Formula Program)			
ARRA - Passenger Amenities	20.507	CA-96-X032	391,857
Capital Purchase and Short Range Plan	20.507	CA-90-Y368	3,128
Operation, Bus Stop Improvement, Safety	20.507	CA-90-Y661	48,909
Multimodal Station Construction	20.507	CA-90-Y856	591,376
Bus Stop Improvement and Construction	20.507	CA-90-Y575	22,013
Multimodal Station Design	20.507	CA-90-Y814	<u>181,103</u>
Subtotal Federal Transit-Formula Grants (Urbanized Area Formula Program)			<u>1,238,386</u>
Total Department of Transportation			<u>3,498,278</u>
Total Expenditures of Federal Awards			<u>\$4,623,951</u>

See Accompanying Notes to Schedule of Expenditures of Federal Awards

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CITY OF MANTECA

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended June 30, 2012**

NOTE 1-REPORTING ENTITY

The Schedule of Expenditure of Federal Awards (the Schedule) includes expenditures of federal awards for the City of Manteca, California and its component units as disclosed in the notes to the Basic Financial Statements.

NOTE 2-BASIS OF ACCOUNTING

Basis of accounting refers to *when* revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus applied. All governmental funds and agency funds are accounted for using the modified accrual basis of accounting. All proprietary funds are accounted for using the accrual basis of accounting. Expenditures of Federal Awards reported on the Schedule are recognized when incurred.

NOTE 3-DIRECT AND INDIRECT (PASS-THROUGH) FEDERAL AWARDS

Federal awards may be granted directly to the City by a federal granting agency or may be granted to other government agencies which pass-through federal awards to the City. The Schedule includes both of these types of Federal award programs when they occur.

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

Honorable Mayor and City Council
of the City of Manteca, California

We have audited the financial statements of the City of Manteca as of and for the year ended June 30, 2012, and have issued our report thereon dated January 30, 2013. The report includes special emphasis paragraphs concerning the dissolution of the Redevelopment Agency. We conducted our audit in accordance with generally accepted auditing standards 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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City'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 weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies in internal control over financial reporting. These are listed as items in our separately issued Memorandum on Internal Control dated January 30, 2013. 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.

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 have also issued a separate Memorandum on Internal Control dated January 30, 2013 which is an integral part of our audits and should be read in conjunction with this report.

The City's response to the findings identified in our audit is described in our separately issued Memorandum on Internal Control dated January 30, 2013. We did not audit the City's response and, accordingly, we express no opinion on it.

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

Mane & Associates

January 30, 2013

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL
EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Honorable Mayor and City Council
of the City of Manteca, California

Compliance

We have audited City of Manteca's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2012. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs.

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. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as items 2012-01 and 2012-02. 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.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of and for the year ended June 30, 2012, and have issued our report thereon dated January 30, 2013 which contained an unqualified opinion on those financial statements. Our audit was performed for the purpose of forming our 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, *Audits of States, Local Governments, and Non-Profit Organizations*, 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 expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City's responses and, accordingly, we express no opinion on the responses.

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

Mane & Associates

February 22, 2013