CITY OF ALAMEDA

SINGLE AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2012

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CITY OF ALAMEDA

SINGLE AUDIT REPORT
For The Year Ended June 30, 2012

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CITY OF ALAMEDA

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:	Qualified		
Internal control over major programs:			
• Material weakness(es) identified?	X Yes	____ 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:

CFDA#(s)	Name of Federal Program or Cluster
20.205	ARRA – Department of Transportation – Highway Planning and Construction (Federal-Aid Highway Program)
14.239	Department of Housing and Urban Development – Home Investment Partnerships Program
97.083	Department of Homeland Security – Staffing for Adequate Fire and Emergency Response (SAFER)
97.044	Department of Homeland Security – Assistance to Firefighters Grant
12.607	Department of Defense Office of Economic Adjustment – Community Economic Adjustment Assistance for Establishment, Expansion, Realignment, or Closure of a Military Installation

SECTION I—SUMMARY OF AUDITOR'S RESULTS (Continued)

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

Auditee qualified as low-risk auditee? _____ Yes ___X___ No

SECTION II – FINANCIAL STATEMENT FINDINGS

Our audit disclosed a significant deficiency, but no material weaknesses or instances of noncompliance material to the basic financial statements. The significant deficiency is listed in our separately issued Memorandum on Internal Control dated December 3, 2012 which is an integral part of our audits and should be read in conjunction with this report.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Our audit disclosed the following findings and questioned costs required to be reported in accordance with section 510(a) of OMB Circular A-133.

Finding SA# 2012-01: Accurate Preparation of the Schedule of Expenditures of Federal Awards

CFDA Number: 97.044
CFDA Title: Assistance to Firefighters Grant
Federal Agency: Department of Homeland Security

Criteria: In accordance with the requirements of OMB Circular A-133 and the Single Audit Act, the City should report all Federal expenditures in the Schedule of Expenditures of Federal Awards (SEFA) each fiscal year.

Condition: In reviewing the expenditure details and supporting documentation for the Schedule of Expenditures of Federal Awards (SEFA), the City had omitted the following expenditures in the fiscal year 2012 SEFA:

- Assistance to Firefighters Grant – the City did not report $99,304 of federal expenditures that was spent in fiscal year 2011 on the prior year SEFA.

Effect: Excluding program expenditures from the SEFA results in the City being out of compliance with the requirements of individual grant agreements and OMB Circular A-133.

Cause: The City made a down payment in fiscal year 2011 to the vendor in the amount of $198,608, of which $99,304 was City match and $99,304 was grant funds; the City was reimbursed in the same fiscal year. However, this $99,304 was not included in fiscal year 2011 SEFA's because it was not deemed payment for a service or product, rather a down payment for a product the City was to receive in fiscal year 2012. Therefore the amount was omitted form the fiscal year 2011 SEFA.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (Continued)

Recommendation: The City should develop policies and procedures for City departments to ensure that annual expenditures for all grant agreements are included on the SEFA. It should be noted that expenditures should be included the SEFA regardless if funds have been received from the grantor.

View of Responsible Officials and Planned Corrective Actions:

- **Name of contact person:** Fred Marsh
- The City will implement this recommendation.

Finding SA# 2012-02: Overhead Costs for Engineering Labor Billing

CFDA Number: 20.205
CFDA Title: Highway Planning and Construction (Federal-Aid Highway Program)
Federal Agency: Department of Transportation
Pass-Through Entity: State of California - Department of Transportation

Criteria: OMB Circular A-87 Attachment E, State and Local Indirect Cost Rate Proposal, states that the City should develop an indirect cost proposal in accordance with the requirements of this Circular and maintain the proposal and related supporting documentation for audit. In addition, the City should be charging the indirect cost rate consistently throughout the life of the grant once it has been established.

Condition: We selected three employees that worked on the Otis Drive Overlay project and three employees that worked on the Park Street Streetscape project for payroll testing. Our testing discovered the following two issues:

- The City charges indirect cost rate of 113.23% to both of the projects. However, the City could not provide documentation that would support the calculation of indirect cost rate of 113.23% which includes benefits and overhead costs charged to the grant for each engineering hour.

- The City was inconsistent in charging the indirect costs rate for the Otis Drive Overlay project. The City charged 150.54% of indirect cost rate to Construction Inspector & Survey Supervisor's salary for pay period 7/16/2011 and this caused the City to over charge the grant by $735. In addition, the City charged the indirect cost rate of 146.82% for the Assistant Engineer and 126.56% for the Associate Civil Engineer during the pay period of 9/10/2011. These errors caused the City to over charge the grant by $177 and $156 respectively.

Question Cost: $1,068

Effect: Without the proper the documentation, we could not determine if the indirect cost rate was established in accordance to OMB Circular A-87. In addition, the City did not charge the grant correctly due to the fluctuation of the indirect cost rate.

Cause: The study that was done to determine appropriate overhead cost rate for engineering labor was performed years ago by an outside consultant, and the City did not retain the documentation and report of that study. Errors in charging the established indirect cost rate were due to Public Works Department transition from the old work order system to the new system in fiscal year 2012.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (Continued)

Recommendation: We recommend that the City retains documentation pertaining to all federal expenditures. Procedures should be established so that all the costs are reviewed for accuracy before submission to the grantor for reimbursement.

View of Responsible Officials and Planned Corrective Actions:

- **Name of contact person:** Fred Marsh
- The City will implement this recommendation.

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

Financial Statement Prior Year Findings

We noted no material weaknesses or instances of noncompliance material to the basic financial statements with our prior year audit, but we did note a significant deficiency from a prior year which is listed in our separately issued Memorandum on Internal Control dated December 3, 2012 which is an integral part of our audits and should be read in conjunction with this report.

Federal Award Prior Year Findings and Questioned Costs

Finding SA# 2011-01: Accurate Preparation of the Schedule of Expenditures of Federal Awards

CFDA Number:	20.205, 66.458, 14.239, and 97.083
CFDA Title:	ARRA - Highway Planning and Construction (Federal Aid Highway Program), ARRA – Capitalization Grants for Clean Water State Revolving Funds, Home Investment Partnerships Program, and Staffing for Adequate Fire and Emergency Response (SAFER)
Federal Agency:	Department of Transportation, Environmental Protection Agency, Department of Housing and Urban Development, and Department of Homeland Security
Pass-Through Entity:	California Department of Transportation, State of California - State Water Resources Control Board, County of Alameda, and Federal Emergency Management Agency

Criteria: In accordance with the requirements of OMB Circular A-133 and the Single Audit Act, the City should report all Federal expenditures in the Schedule of Expenditures of Federal Awards (SEFA) each fiscal year.

Condition: In reviewing the expenditure details that support the expenditures of federal awards for the Buena Vista Resurfacing project (ARRA grant ESPL 5014(032)) on the current year SEFA, it was discovered that $160,464 of the amount reported was actually expenditures incurred in fiscal 2009-10 and should have been reported on the SEFA for fiscal year 2009-10.

SECTION IV - STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS –
Prepared by Management (Continued)

In addition, subsequent to the issuance of the City's original Single Audit Report for the fiscal year ended June 30, 2011, the City discovered that it understated the federal awards reported under the Home Investment Partnerships Program on the SEFA by $330,401. It also discovered that it omitted to report the following two federal awards on the SEFA:

- Environmental Protection Agency – Capital Grants for Clean Water State Revolving Funds for $612,208
- Department of Homeland Security – Staffing for Adequate Fire and Emergency Response (SAFER) for $454,693

Effect: Excluding program expenditures from the SEFA results in the City being out of compliance with the requirements of individual grant agreements and OMB Circular A-133. The subsequent discovery by the City after the issuance of the original Single Audit Report resulted in an additional three major programs. Consequently, the Single Audit Report for the fiscal year ended June 30, 2011, is reissued to include these programs.

Cause: In August 2010, the City made a grant reimbursable payment of $160,464 to a vendor. It was later determined that this transaction should be accrued back to fiscal year 2009-10 through a financial adjustment. In preparing for the fiscal 2009-10 SEFA, the City did not take into account the above audit adjustment. Therefore, this amount was omitted from the fiscal 2009-10 SEFA.

For the Home Investment Partnership program, the expenditure was paid in September 2011, after the City closed its books for fiscal year 2010-11 and therefore the City recorded the expense in fiscal year 2011-12.

For the Capitalization Grants for Clean Water State Revolving Funds program and Staffing for Adequate Fire and Emergency Response (SAFER) program, omissions were due to an inadvertent omission by staff of these two grants in the preparation of the SEFA for the City's auditors.

Recommendation: The City should develop policies and procedures for City departments to ensure that annual expenditures for all grant agreements are included on the SEFA.

Current Status: This recommendation has been implemented by the City.

Finding SA# 2011-02: Unallowable Expenditure

CFDA Number: 97.083
CFDA Title: Staffing for Adequate Fire and Emergency Response (SAFER)
Federal Agency: Department of Homeland Security

Criteria: According to the "FY 2009 Staffing for Adequate Fire and Emergency Response Program guidance and application kit", Part II, Section E, expenditure for uniforms is an ineligible expenditure under this grant.

Condition: In reviewing the expenditure details of this grant, it was noted that the City requested for reimbursement for uniform allowance totaling $2,392.50 in fiscal 2010-11.

SECTION IV - STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS –
Prepared by Management (Continued)

Questioned costs: $2,390.50

Effect: The City is not in compliance with above guidance and application kit.

Cause: The City considered the uniform allowance as part of salaries and benefits of the eligible firefighters. Therefore, the City believed the allowance was allowable under the grant agreement.

Recommendation: The City needs to contact the grantor to return the funds. In the future, the City should ensure to only request for grant reimbursement for items that are eligible as listed on the guidance and application kit.

Current Status: This recommendation has been implemented by the City.

Finding SA# 2011-03: Unsupported Payroll Expenditures

CFDA Number: 14.239
CFDA Title: Home Improvement Partnership Program
Federal Agency: Department of Housing and Urban Development
Pass-Through Entity: County of Alameda

Criteria: OMB Circular A-87 Attachment A, Section C, states that an allowable cost should be allocable to Federal awards.

Condition: This City claimed payroll expenditure of $13,194 under the above grant program. However, the City could not provide any supporting document to substantiate this amount.

Question Cost: $13,194

Effect: We could not determine if the associated staff time charged to grant program was spent under allowable activities.

Cause: The City claims that it did not keep copies of the employees' timesheets that charged time to this grant.

Recommendation: During the life of a grant program, the City should maintain adequate records to support expenditures incurred in case of future audits.

Current Status: This recommendation has been implemented by the City.

CITY OF ALAMEDA

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	Federal and Pass-Through Identifying Number	Federal Expenditures
U.S. Environmental Protection Agency Pass-Through Programs From:			
State of California, State Water Resources Control Board			
Capitalization Grants for Clean Water State Revolving Funds	66.458		
ARRA - Installation of Trash Racks at Storm Water Pump Stations		2W-06000209	$19,043
Total Environmental Protection Agency Pass-Through Programs			19,043
U.S. Department of Homeland Security Direct Programs			
Federal Emergency Management Agency			
Assistance to Firefighters Grant Program			
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	EMW-2009-FH-01063	785,526
Assistance to Firefighters Grant	97.044	EMW-2010-FV-03684	297,912
Assistance to Firefighters Grant - FY11 Expenditure	97.044	EMW-2010-FV-03684	99,304
Program Subtotal			397,216
Total Department of Homeland Security Direct Programs			1,182,742
U.S. Department of Transportation Pass-Through Programs From:			
State of California, Department of Transportation			
Highway Planning and Construction	20.205		
Tinker/Webster Extension Project		EA 448200	211,950
Park Street Streetscape		DEMO06L-5014(031)	1,002,831
Park Street Streetscape		DEM08L-5014(035)	134,203
Otis Drive Overlay		STPL 5014(034)	837,000
Shoreline Dr/Westline Dr/Broadway		HSIPL-5014(037)	34,066
ARRA-Central Avenue Resurfacing		ESPL 5014(032)	61,125
ARRA-Buena Vista Resurfacing		ESPL-5014(033)	18,197
Total Department of Transportation Pass-Through Programs			2,299,372
U.S. Department of Justice Pass-Through Program From:			
County of Alameda			
Edward Byrne Memorial Formula Grant Program	16.579		
Justice Assistance Grant		2009-SB-B9-0733	98,931
Justice Assistance Grant		2009-DJ-BX-0128	4,514
Total Department of Justice Pass-Through Programs			103,445
U.S. Department of Housing and Urban Development Direct Program			
Community Development Block Grants			
ARRA - Homeless Prevention and Rapid Re-Housing Program (HPRP)	14.257	S09MY060007	176,164
Community Development Block Grant/Entitlement Grant	14.218		
Program Income		B10MC060007	151,312
Program Expenditures		B10MC060007	1,297,898
Loan Program:			
New Loans		B10MC060007	390,440
Program Subtotal			1,839,650
Subtotal Department of Housing and Urban Development Direct Program			2,015,814

(Continued)

CITY OF ALAMEDA

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	Federal and Pass-Through Identifying Number	Federal Expenditures
U.S. Department of Housing and Urban Development Pass-Through Programs From:			
County of Alameda			
Home Investment Partnerships Program	14.239		
Program Income		M10DC060201	145,226
Program Expenditures		M10DC060201	1,224,161
Subtotal Department of Housing and Urban Development Pass-Through Programs			1,369,387
Total Department of Housing and Urban Development Programs			3,385,201
U.S. Department of Defense - Office of Economic Adjustment Direct Program			
Community Planning Assistance Grant	12.607	CL 0811-11-02	132,350
Total Department of Defense Direct Program			132,350
Total Expenditures of Federal Awards			$7,122,153

See Accompanying Notes to Schedule of Expenditures of Federal Awards

CITY OF ALAMEDA

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 Alameda, California and its component units as disclosed in the notes to the Basic Financial Statements, except for federal awards of the Alameda Municipal Power (AMP), California. Federal awards expended by AMP, if any, are excluded from the Schedule and are subject to a separate Single Audit performed by other auditors.

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.

NOTE 4 - SUBRECIPIENTS

Of the federal expenditures presented in the Schedule, the City provided federal awards to subrecipients as follows:

CFDA Number	Program Name	Amount Provided to Subrecipients
	CDBG Entitlement Grants Cluster:	
14.218	Community Development Block Grants/Entitlement Grants	$407,641
14.257	ARRA - Homeless Prevention and Rapid Re-Housing Program (HPRP)	176,164

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MAZE & ASSOCIATES

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 Alameda, California

We have audited the financial statements of the City of Alameda as of and for the year ended June 30, 2012, and have issued our report thereon dated December 3, 2012. The report included a special emphasis paragraph concerning dissolution of 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 of Alameda 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 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 weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. 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. However, we identified certain deficiency in internal control over financial reporting, that we consider to be a significant deficiency: 2012-01. That matter is included in our separately issued Memorandum on Internal Control dated December 3, 2012 which is an integral part of our audits and should be read in conjunction with this report.

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Compliance and Other Matters

As part of obtaining reasonable assurance about the whether City 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 December 3, 2012 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 the accompanying schedule of findings and questioned costs. 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, the City Auditor, 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.

Maze & Associates

December 3, 2012

MAZE & ASSOCIATES

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 Alameda, California

Compliance

We have audited City of Alameda'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.

The City of Alameda's basic financial statements include the operations of Alameda Municipal Power, California, (AMP) which engaged other auditors to perform an audit of its financial statements and when applicable, an audit performed in accordance with Circular A-133. Our audit, described below, did not include any federal assistance which may have been received by AMP as a result of AMP engaging other auditors to audit its activities.

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.

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As described in item SA#2012-01 in the accompanying schedule of findings and questioned costs, the City did not comply with requirements regarding preparation of the Schedule of Expenditures of Federal Awards that are applicable to the following major federal programs. Compliance with such requirements is necessary, in our opinion, for the City to comply with the requirements applicable to those programs.

CFDA Numbers:	97.044
CFDA Titles:	Assistance to Firefighters Grant
Federal Agency:	Department of Homeland Security

In our opinion, except for the noncompliance described in the preceding paragraph, 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. The results of our auditing procedures also disclosed one other instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item SA#2012-02.

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 consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item SA#2012-01 to be a material weakness. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiency as described in the accompanying schedule of findings and questioned costs as item SA#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, the aggregate discretely presented component units, 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 December 3, 2012 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, the City Auditor, 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.

Maze & Associates

March 1, 2013

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