# City of Merced

Merced, California

Single Audit Report For the year ended June 30, 2011

# **CITY OF MERCED**

# Single Audit Report For the Year Ended June 30, 2011

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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*

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

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 of Merced (City), as of and for the year ended June 30, 2011, which collectively comprise the City's financial statements and have issued our report thereon dated March 30, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### Internal Control Over Financial Reporting

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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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.

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

#### **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*.

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

Balling LLP

Roseville, California March 30, 2012



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

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

#### Compliance

We have audited the compliance of the City of Merced (City), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2011. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

#### Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with 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

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

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 reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

#### Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Merced as of and for the year ended June 30, 2011, and have issued our report thereon dated March 30, 2012 which contained unqualified opinions on those financial statements. Our audit was performed for the purpose of forming opinions on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, 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 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 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 information is fairly stated in all material respects in relation to the financial statements as a whole.

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

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

Gallina LLP

Roseville, California March 30, 2012

# CITY OF MERCED Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2011

Federal Grantor/Pass-Through Grantor/Program TitleNumberNumberExpendituresUS. Department of Housing and Urban DevelopmentDirect Programs:CDBG - Entitlement Grants Cluster- Community Development Block Grant (CDBG)14.218B-09-MC-06-0044- Community Development Block Grant (CDBG)14.218B-10-MC-06-0044- Community Development Block Grant (CDBG)- ARRA - Community Development Block Grant- ARRA - Community Development Block Grant- Neighborhood Stabilization Program- Neighborhood Stabilization Program- Neighborhood Stabilization Program- Neighborhood Stabilization Program- HOME Investment Partnership Act- HOME Investment of Housing and Urban Development- Scure Cur Schools- Secure Cur Schools- Secure Cur Schools- Secure Cur Schools- Secure Cur Schools- Justice Assistance Grant- Justice Assistance Grant- Justice Assistance Grant- Total U.S. Department of JusticeDirect Programs:- Subtotal- Subtotal- Subtotal- ARRA - Justice Assistance Grant- ARRA - Justice Assistance Grant- Cur Schools- ARRA - Justice Assistance Grant- ARRA - Justice Assistance Grant- ARRA - Justice Assistance Grant- ARRA - Justice Assistance Grant <t< th=""><th>Federal Creater (Dece Three sh Creater / Droomen Title</th><th>Federal CFDA</th><th>Agency or Pass-Through Grantor's</th><th>E</th></t<>	Federal Creater (Dece Three sh Creater / Droomen Title	Federal CFDA	Agency or Pass-Through Grantor's	E
Direct Programs:         CDBG - Entitlement Grants Cluster         Community Development Block Grant (CDBG)         14.218         B-09-MC-06-0044         \$ 229,367           - Community Development Block Grant (CDBG)         14.218         B-10-MC-06-0044         1,287,780         1,287,780           - ARRA - Community Development Block Grant         14.253         B-09-MY-06-0044         6,9954           - ARRA - Community Development Block Grant         14.253         B-09-MY-06-0044         1,587,101           - CDBG - State-Administered Small Clities Program Cluster         -         1,587,101         1,149,438           - Total CDBG - State-Administered Small Clities Program Cluster         -         6,9954         1,049,438           - ARRA - Homelessness Prevention and Rapid Re-Housing Program         14.257         S-09-MY-06-0044         134,352           Passed through California Department of Housing and Community         -         -         -         -           - HOME Investment Partnership Act         14.239         M07-MC060227         32,416           - HOME Investment Partnership Act         14.239         M0-9-MC-060227         32,9161           - HOME Investment Partnership Act         14.239         M0-9-MC-060227         32,9161           - BORE Investment Partnership Act         14.239         M0-9-MC-060227         32,951	Federal Grantor/ Pass-Inrough Grantor/ Program Inte	Number	Number	Expenditures
CDBG - Entitlement Grants Cluster       9.09-MC-06-0044       \$ 229,367         - Community Development Block Grant (CDBG)       14.218       B-10-MC-06-0044       \$ 229,367         - Community Development Block Grant       14.218       B-10-MC-06-0044       \$ 229,367         - ARRA - Community Development Block Grant       14.218       B-10-MC-06-0044       \$ 229,367         - ARRA - Community Development Block Grant       14.223       B-09-MY-06-0044       \$ 1,577,107         CDBG - State-Administered Small Cities Program Cluster       -       \$ 1,049,438       \$ 1,049,438         - Neighborhood Stabilization Program       14.257       \$ 09-NSP1-6084       \$ 1,049,438         - ARRA - Homelessness Prevention and Rapid Re-Housing Program       14.257       \$ 09-NSP1-6084       \$ 1,049,438         - HOME Investment Partnership Act       14.239       M07-MC060227       \$ 99,824         - HOME Investment Partnership Act       14.239       M07-MC060227       \$ 23,416         - HOME Investment Partnership Act       14.239       M08-MC060227       \$ 23,416         - HOME Investment Partnership Act       14.239       M08-MC060227       \$ 23,616         - Total U.S. Department of Housing and Urban Development       \$ 3,297,807       \$ 256,6916       \$ 3,297,807         - Secure Our Schools       16,710	U.S. Department of Housing and Urban Development			
- Community Development Block Grant (CDBG)       14.218       B-09-MC-06-0044       \$ 1287,780         - Community Development Block Grant (CDBG)       14.218       B-10-MC-06-0044       1,287,780         - RRRA - Community Development Block Grant       14.253       B-09-MY-06-0044       69,954         - Total CDBG - Entitlement Grants Cluster       1,287,700       1,587,101         - Neighborhood Stabilization Program       14.228       09-NSP1-6084       1,049,438         - Total CDBG - State-Administered Small Cities Program Cluster       14.227       S-09-MY-06-0044       134,352         Passed through California Department of Housing and Community       14.239       M07-MC060227       99,824         - HOME Investment Partnership Act       14.239       M07-MC060227       32,416         - HOME Investment Partnership Act       14.239       M08-MC060227       32,9507         - HOME Investment Partnership Act       14.239       M-09-MC-060227       32,9507         - US. Department of Housing and Urban Development       3,297,807       526,916       526,916         - Total U.S. Department of Housing and Urban Development       3,297,807       520,907       544,503         - Secure Our Schools       16,710       2008CKWX0636       72,639       526,916         - Justice Assistance Grant       16,738	õ			
- Community Development Block Grant (CDBG) Subtotal ARRA - Community Development Block Grant total CDBG - Entitlement Grants Cluster CDBG - State-Administered Small Cities Program Cluster - Neighborhood Stabilization Program Total CDBG - State-Administered Small Cities Program Cluster - Neighborhood Stabilization Program Total CDBG - State-Administered Small Cities Program Cluster - ARRA - Homelessness Prevention and Rapid Re-Housing Program 14.227 <i>S</i> -09-MY-06-0044 10.49,438 <i>Total CDBG - State-Administered Small Cities Program</i> 14.257 <i>S</i> -09-MY-06-0044 10.49,438 <i>Total CDBG - State-Administered Small Cities Program</i> 14.257 <i>S</i> -09-MY-06-0044 13.4352 <i>Passed through California Department of Housing and Community</i> - HOME Investment Partnership Act HOME Investment of <b>Housing and Urban Development</b> <i>Subtotal</i> - Secure Our Schools - ARRA - COPS Hiring Recovery Program 16.710 2009CKWX0636 72,639 <i>Subtotal</i> - Justice Assistance Grant - Justice Assistance Grant - Justice Assistance Grant - ARRA - Justice Assistance Grant - Arport Improvement Program Subtotal - Ariport Improvement Program Subtotal - Ariport Improvement Program - Ariport Improvement Program Subtotal - Ariport Improvement Program - Ariport Improvement Program - Ariport Improvement Program Subtotal - Small Community Air Service Development - Core - Small Community Air Service Development - Core - Core - Schore - Small Community Air Servi				
Subtotal11,517,147- ARRA - Community Development Block Grant Total CDBG - State-Administered Small Cities Program Cluster14.253B-09-MY-06-004469,954- Neighborhood Stabilization Program Total CDBG - State-Administered Small Cities Program Cluster14.22809-NSP1-60841,049,438- ARRA - Homelessness Prevention and Rapid Re-Housing Program14.257S-09-MY-06-00441049,438- ARRA - Homelessness Prevention and Rapid Re-Housing Program14.257S-09-MY-06-00441049,438- HOME Investment Partnership Act14.239M07-MC06022799,824- HOME Investment Partnership Act14.239M07-MC06022732,416- HOME Investment Partnership Act14.239M-09-MC-060227239,511- HOME Investment Partnership Act14.239M-00-MC-060227239,511- HOME Investment Partnership Act14.239M-10-MC-060227155,165- Subtotal16.7102008CKWX063672,639- Secure Our Schools16.7102008CKWX063672,639- Secure Our Schools16.7102009CKWX063672,639- Secure Our Schools16.7302009CKWX063672,639- Justice Assistance Grant16.7382009-DJ-BX-087833,2104- Justice Assistance Grant16.7382009-DJ-BX-087833,2104- Justice Assistance Grant16.7382009-DJ-BX-087836,863- Subtotal16.8042009-SB-B9-267348,601- Direct Programs:736,367- Airport Improvement Program20.106 <td></td> <td></td> <td></td> <td></td>				
<ul> <li>- ARRA - Community Development Block Grant Total CDBG - Entitlement Grants Cluster</li> <li>- Neighborhood Stabilization Program Total CDBG - State-Administered Small Cities Program Cluster</li> <li>- Neighborhood Stabilization Program Total CDBG - State-Administered Small Cities Program Cluster</li> <li>- ARRA - Homelessness Prevention and Rapid Re-Housing Program</li> <li>14.228</li> <li>09-NSP1-6084</li> <li>1,049,438</li> <li>10,49,438</li> <li>10,49,438</li> <li>10,49,438</li> <li>10,49,438</li> <li>11,4257</li> <li>S-09-MY-06-0044</li> <li>134,352</li> <li>Passed through California Department of Housing and Community</li> <li>- HOME Investment Partnership Act</li> <li>14,239</li> <li>M07-MC060227</li> <li>99,824</li> <li>- HOME Investment Partnership Act</li> <li>14,239</li> <li>M-09-MC-060227</li> <li>239,511</li> <li>155,165</li> <li>Subtotal</li> <li>Subtotal</li> <li>14,239</li> <li>M-10-MC-060227</li> <li>239,511</li> <li>155,165</li> <li>526,916</li> <li>Total U.S. Department of Housing and Urban Development</li> <li>3,297,807</li> <li>U.S. Department of Justice</li> <li>Direct Programs:</li> <li>- Secure Our Schools</li> <li>16,710</li> <li>2008CKWX0636</li> <li>72,639</li> <li>- Secure Our Schools</li> <li>16,710</li> <li>2009CKWX0636</li> <li>44,84,503</li> <li>598,779</li> <li>- Justice Assistance Grant</li> <li>16,738</li> <li>2010-J-J-BX-0436</li> <li>56,883</li> <li>Subtotal</li> <li>- ArRA - Justice Assistance Grant</li> <li>16,804</li> <li>2009-DJ-BX-0486</li> <li>- ArRA - Justice Assistance Grant</li> <li>16,804</li> <li>2009-DJ-BX-0486</li> <li>- ArRA - Justice Assistance Grant</li> <li>16,804</li> <li>2009-SB-B9-2673</li> <li>- ArRA - Justice Assistance Grant</li> <li>16,804</li> <li>2009-SB-B9-2673</li> <li>- ArRA - Justice Assistance</li></ul>		14.218	B-10-MC-06-0044	
Total CDBG - Éntitlement Grants Cluster1,587,101CDBG - State-Administered Small Cities Program Cluster14.22809-NSP1-60841,049,438Neighborhood Stabilization Program14.257S-09-MY-06-0044134,352Passed through California Department of Housing and Community- HOME Investment Partnership Act14.239M07-MC06022799,824- HOME Investment Partnership Act14.239M08-MC06022732,416- HOME Investment Partnership Act14.239M-09-MC-060227239,511- HOME Investment Partnership Act14.239M-09-MC-060227239,511- HOME Investment Partnership Act14.239M-10-MC-060227239,511- HOME Investment Partnership Act14.239M-10-MC-060227239,511- HOME Investment Partnership Act14.239M-10-MC-060227239,511- Secure Our Schools16.7102008CKWX063672,639- Secure Our Schools16.7102009CKWX065041,637- Secure Our Schools16.7102009CKWX065044,630- Justice Assistance Grant16.7382009-DJ-BX-087832,104- Justice Assistance Grant16.7382009-DJ-BX-0878348,601- Justice Assistance Grant16.8042009-SB-B9-267348,601- Total U.S. Department of Justice736,36748,601- Justice Assistance Grant16.8042009-SB-B9-267348,601- Justice Assistance Grant16.8042009-SB-B9-267348,601- Direct Programs:-736,36748,601 </td <td></td> <td></td> <td><b>D</b> 00 <b>D</b> 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0</td> <td></td>			<b>D</b> 00 <b>D</b> 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0	
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- Neighborhood Stabilization Program Total CDBC - State-Administered Small Cities Program Cluster - ARRA - Homelessness Prevention and Rapid Re-Housing Program14.22809-NSP1-60841,049,438Pased through California Department of Housing and Community - HOME Investment Partnership Act14.239M07-MC06022799,824- HOME Investment Partnership Act14.239M07-MC060227299,824- HOME Investment Partnership Act14.239M09-MC-060227239,511- HOME Investment Partnership Act14.239M-09-MC-060227239,511- HOME Investment Partnership Act14.239M-09-MC-060227239,511- HOME Investment Partnership Act14.239M-09-MC-060227259,516- Subtotal16,7102008CKWX063672,639- Secure Our Schools16,7102009CKWX065041,637- Secure Our Schools16,7102009CKWX065041,637- Secure Our Schools16,7102009CKWX06504484,503- Justice Assistance Grant16,7382009-DJ-BX-087832,104- Justice Assistance Grant16,8042009-SB-B9-2673486,017- Justice Assistance Grant16,8042009-SB-B9-2673486,017- ARR A - Justice Assistance Grant16,8042009-SB-B9-2673486,001- Argort Improvement Program Subtotal20,10603-06-0152-1720,177- Argort Improvement Program Subtotal20,10603-06-0152-1720,177- Argort Improvement Program Subtotal20,30008-SCASDP27,122- Argort Improvement P				1,587,101
Total CDBG - State-Administered Small Cities Program Cluster1,049,438- ARRA - Homelessness Prevention and Rapid Re-Housing Program14.257S-09-MY-06-0044134,352Passed through California Department of Housing and Community14.239M07-MC06022799,824- HOME Investment Partnership Act14.239M08-MC06022732,416- HOME Investment Partnership Act14.239M-09-MC-060227239,511- HOME Investment Partnership Act14.239M-09-MC-060227239,511- HOME Investment Partnership Act14.239M-10-MC-060227256,916- Total U.S. Department of Housing and Urban Development3,297,807U.S. Department of Justice16.7102008CKWX063672,639Direct Programs:- Secure Our Schools16.7102009RKWX0128484,503- Secure Our Schools16.7102009RKWX0128484,503- Subtotal16.7382009-DJ-BX-087832,104- Justice Assistance Grant16.7382009-DJ-BX-087832,104- Justice Assistance Grant16.8042009-SB-B9-267348,601- ArRA - Justice Assistance Grant16.8042009-SB-B9-267348,601- Total U.S. Department of Justice736,367736,367U.S. Department of Transportation736,36748,601Direct Programs:- Airport Improvement Program20.10603-06-0152-1720,177- Airport Improvement Program20.10603-06-0152-171,032,329- Airport Improvement Program20.10603-06-0152-171,032,329 </td <td>õ</td> <td>1 ( 000</td> <td></td> <td>1 0 10 100</td>	õ	1 ( 000		1 0 10 100
- ARRA - Homelessness Prevention and Rapid Re-Housing Program       14.257       \$-09-MY-06-0044       134,352         Passed through California Department of Housing and Community       14.239       M07-MC060227       99,824         - HOME Investment Partnership Act       14.239       M07-MC060227       32,416         - HOME Investment Partnership Act       14.239       M08-MC060227       32,416         - HOME Investment Partnership Act       14.239       M-09-MC-060227       239,511         - HOME Investment Partnership Act       14.239       M-10-MC-060227       155,165         - Subtotal       14.239       M-10-MC-060227       155,165         - Total U.S. Department of Housing and Urban Development       3,297,807       3,297,807         U.S. Department of Justice       16,710       2008CKWX0636       72,639         - Secure Our Schools       16,710       2009CKWX0650       41,637         - Secure Our Schools       16,710       2009CKWX0636       72,639         - Justice Assistance Grant       16,738       2009-DJ-BX-0878       32,104         - Justice Assistance Grant       16,738       2010-DJ-BX-0436       598,779         - Justice Assistance Grant       16,738       2010-DJ-BX-0436       598,879         - ARRA - Justice Assistance Grant       16		14.228	09-NSP1-6084	
Passed through California Department of Housing and Community       14.239       M07-MC060227       99,824         HOME Investment Partnership Act       14.239       M08-MC060227       32,416         HOME Investment Partnership Act       14.239       M-09-MC-060227       239,511         HOME Investment Partnership Act       14.239       M-09-MC-060227       259,511         HOME Investment Partnership Act       14.239       M-10-MC-060227       155,165         Subtotal       14.239       M-10-MC-060227       155,165         Total U.S. Department of Housing and Urban Development       3,297,807         U.S. Department of Justice       3,297,807         Direct Programs:       Secure Our Schools       16,710       2008CKWX0636       72,639         Secure Our Schools       16,710       2009CKWX0650       41,637       598,779         Justice Assistance Grant       16,738       2009-DJ-BX-0878       32,104         Justice Assistance Grant       16,738       2009-DJ-BX-0878       32,104         Justice Assistance Grant       16,804       2009-SB-B9-2673       48,601         Total U.S. Department of Justice       736,367       48,601       56,883         Subtotal       6,804       200-SB-B9-2673       48,601       56,883       56,883 </td <td></td> <td>14.057</td> <td><math>C = 00 \mathbf{N} \mathbf{N} \mathbf{N} = 00.0044</math></td> <td></td>		14.057	$C = 00 \mathbf{N} \mathbf{N} \mathbf{N} = 00.0044$	
- HOME Investment Partnership Act       14.239       M07-MC060227       99,824         - HOME Investment Partnership Act       14.239       M08-MC060227       32,416         - HOME Investment Partnership Act       14.239       M-09-MC-060227       239,511         - HOME Investment Partnership Act       14.239       M-09-MC-060227       239,511         - HOME Investment Partnership Act       14.239       M-10-MC-060227       155,165         Subtotal       -       -       -       -       526,916         - Total U.S. Department of Housing and Urban Development       3,297,807       -	- AKKA - Homelessness Prevention and Kapid Ke-Housing Program	14.257	S-09-MY-06-0044	134,352
- HOME Investment Partnership Act       14.239       M07-MC060227       99,824         - HOME Investment Partnership Act       14.239       M08-MC060227       32,416         - HOME Investment Partnership Act       14.239       M-09-MC-060227       239,511         - HOME Investment Partnership Act       14.239       M-09-MC-060227       239,511         - HOME Investment Partnership Act       14.239       M-10-MC-060227       155,165         Subtotal       -       -       -       -       526,916         - Total U.S. Department of Housing and Urban Development       3,297,807       -	Passed through California Department of Housing and Community			
- HOME Investment Partnership Act       14.239       M08-MC060227       32,416         - HOME Investment Partnership Act       14.239       M-09-MC-060227       239,511         - HOME Investment Partnership Act       14.239       M-09-MC-060227       239,511         - HOME Investment Partnership Act       14.239       M-10-MC-060227       155,165         Subtotal       14.239       M-10-MC-060227       155,165         - Total U.S. Department of Housing and Urban Development       3,297,807         U.S. Department of Justice       3,297,807         Direct Programs:       -       3,297,807         - Secure Our Schools       16.710       2008CKWX0636       72,639         - Secure Our Schools       16.710       2009CKWX0636       72,639         - Secure Our Schools       16.710       2009CKWX0636       72,639         - Secure Our Schools       16.710       2009CKWX0636       72,639         - Justice Assistance Grant       16.738       2009-DJ-BX-0878       32,104         - Justice Assistance Grant       16.738       2010-DJ-BX-0436       56,883         Subtotal       2010-DJ-BX-0436       56,883       88,987         - ARRA - Justice Assistance Grant       16.804       2009-SB-B9-2673       48,601		14 239	M07-MC060227	99 874
- HOME Investment Partnership Act       14.239       M-09-MC-060227       239,511         - HOME Investment Partnership Act       14.239       M-10-MC-060227       155,165         Subtotal       3,297,807         U.S. Department of Housing and Urban Development       3,297,807         U.S. Department of Justice       3,297,807         Direct Programs:       - Secure Our Schools       16.710       2008CKWX0636       72,639         - Secure Our Schools       16.710       2009CKWX0650       41,637         - ARRA - COPS Hiring Recovery Program       16.738       2009-CWX0650       44,503         - Justice Assistance Grant       16.738       2009-DJ-BX-0878       32,104         - Justice Assistance Grant       16.738       2010-DJ-BX-0436       56,833         - ARRA - Justice Assistance Grant       16.804       2009-SB-B9-2673       48,601         - Total U.S. Department of Justice       736,367       736,367         U.S. Department of Justice       736,367       736,367         U.S. Department of Justice       736,367       1,032,329         - Airport Improvement Program       20.106       03-06-0152-17       20,177         - Airport Improvement Program       20.106       03-06-0152-18       1,032,329         - Subtotal <td>1</td> <td></td> <td></td> <td></td>	1			
- HOME Investment Partnership Act Subtotal       14.239       M-10-MC-060227       155,165         Subtotal       3,297,807         U.S. Department of Housing and Urban Development       3,297,807         U.S. Department of Justice       3,297,807         Direct Programs:       -         - Secure Our Schools       16.710       2008CKWX0630       72,639         - Secure Our Schools       16.710       2009CKWX0650       41,637         - ARRA - COPS Hiring Recovery Program       16.710       2009CKWX0650       448,503         Subtotal       598,779       -       Justice Assistance Grant       16.738       2010-DJ-BX-0436       56,883         - Justice Assistance Grant       16.738       2010-DJ-BX-0436       56,883       58,987         - ARRA - Justice Assistance Grant       16.804       2009-SB-B9-2673       48,601         Total U.S. Department of Justice       736,367       736,367         U.S. Department of Justice       736,367       736,367         U.S. Department of Transportation       03-06-0152-17       20,177         - Airport Improvement Program       20.106       03-06-0152-17       20,177         - Airport Improvement Program       20.106       03-06-0152-17       1,032,329         - Subtotal	-			
Subtotal         526,916           Total U.S. Department of Housing and Urban Development         3,297,807           U.S. Department of Justice         3,297,807           Direct Programs:         -           - Secure Our Schools         16.710         2008CKWX0636         72,639           - Secure Our Schools         16.710         2009CKWX0650         41,637           - ARRA - COPS Hiring Recovery Program         16.710         2009RKWX0128         484,503           - Justice Assistance Grant         16.738         2009-DJ-BX-0878         32,104           - Justice Assistance Grant         16.738         2010-DJ-BX-0878         32,104           - Justice Assistance Grant         16.738         2010-DJ-BX-0878         32,104           - Justice Assistance Grant         16.738         2010-DJ-BX-0878         32,6883           Subtotal         88,987         48,601         88,987           - ARRA - Justice Assistance Grant         16.804         2009-SB-B9-2673         48,601           Direct Programs:         736,367         736,367         736,367           U.S. Department of Justice         736,06-0152-17         20,177           - Airport Improvement Program         20,106         03-06-0152-18         1,032,329           - Airport				
Total U.S. Department of Housing and Urban Development3,297,807U.S. Department of Justice Direct Programs: - Secure Our Schools16.7102008CKWX063672,639- Secure Our Schools16.7102009CKWX065041,637- ARRA - CDPS Hiring Recovery Program Subtotal16.7102009RKWX0128484,503- Justice Assistance Grant16.7382009-DJ-BX-087832,104- Justice Assistance Grant16.7382010-DJ-BX-043656,883- Subtotal - Ustice Assistance Grant16.8042009-SB-B9-267348,601- Total U.S. Department of Justice736,367736,367U.S. Department of Transportation Direct Programs: - Airport Improvement Program Subtotal20.10603-06-0152-17 - 20,17720,177 - 1/022,329- Airport Improvement Program Subtotal20.10603-06-0152-17 - 20,17720,177 - 1/022,3291/052,506 - 1/052,506- Small Community Air Service Development20.93008-SCASDP27,122		11.207	111 10 1110 000227	
Direct Programs:       -         - Secure Our Schools       16.710       2008CKWX0636       72,639         - Secure Our Schools       16.710       2009CKWX0650       41,637         - ARRA - COPS Hiring Recovery Program       16.710       2009RKWX0128       484,503         Subtotal       598,779         - Justice Assistance Grant       16.738       2009-DJ-BX-0878       32,104         - Justice Assistance Grant       16.738       2010-DJ-BX-0436       56,883         Subtotal       88,987         - ARRA - Justice Assistance Grant       16.804       2009-SB-B9-2673       48,601         Total U.S. Department of Justice         VIS. Department of Transportation         Federal Aviation Administration       736,367         Direct Programs:         - Airport Improvement Program       20,106       03-06-0152-17       20,177         - Airport Improvement Program       20.106       03-06-0152-17       20,177         - Airport Improvement Program       20.106       03-06-0152-17       1,032,329         Subtotal       1,052,506       1,052,506       1,052,506         - Small Community Air Service Development       20.930       08-SCASDP       27,122	Total U.S. Department of Housing and Urban Development			3,297,807
Direct Programs:       -         - Secure Our Schools       16.710       2008CKWX0636       72,639         - Secure Our Schools       16.710       2009CKWX0650       41,637         - ARRA - COPS Hiring Recovery Program       16.710       2009RKWX0128       484,503         Subtotal       598,779         - Justice Assistance Grant       16.738       2009-DJ-BX-0878       32,104         - Justice Assistance Grant       16.738       2010-DJ-BX-0436       56,883         Subtotal       88,987         - ARRA - Justice Assistance Grant       16.804       2009-SB-B9-2673       48,601         Total U.S. Department of Justice         VIS. Department of Transportation         Federal Aviation Administration       736,367         Direct Programs:         - Airport Improvement Program       20,106       03-06-0152-17       20,177         - Airport Improvement Program       20.106       03-06-0152-17       20,177         - Airport Improvement Program       20.106       03-06-0152-17       1,032,329         Subtotal       1,052,506       1,052,506       1,052,506         - Small Community Air Service Development       20.930       08-SCASDP       27,122				
- Secure Our Schools       16.710       2008CKWX0636       72,639         - Secure Our Schools       16.710       2009CKWX0650       41,637         - ARRA - COPS Hiring Recovery Program       16.710       2009RKWX0128       484,503         Subtotal       598,779         - Justice Assistance Grant       16.738       2009-DJ-BX-0878       32,104         - Justice Assistance Grant       16.738       2010-DJ-BX-0436       56,883         Subtotal       88,987         - ARRA - Justice Assistance Grant       16.804       2009-SB-B9-2673       48,601         Total U.S. Department of Justice         U.S. Department of Transportation         Federal Aviation Administration       736,367         Direct Programs:         - Airport Improvement Program       20.106       03-06-0152-17       20,177         - Airport Improvement Program       20.106       03-06-0152-17       20,177         - Airport Improvement Program       20.106       03-06-0152-17       1,032,329         Subtotal       1,052,506       1,052,506       1,052,506         - Small Community Air Service Development       20.930       08-SCASDP       27,122				
- Secure Our Schools       16.710       2009CKWX0650       41,637         - ARRA - COPS Hiring Recovery Program       16.710       2009RKWX0128       484,503         Subtotal       598,779         - Justice Assistance Grant       16.738       2009-DJ-BX-0878       32,104         - Justice Assistance Grant       16.738       2010-DJ-BX-0436       56,883         Subtotal       88,987         - ARRA - Justice Assistance Grant       16.804       2009-SB-B9-2673       48,601         Total U.S. Department of Justice       736,367         U.S. Department of Transportation       736,367         Federal Aviation Administration       20,106       03-06-0152-17       20,177         Output Improvement Program       20,106       03-06-0152-18       1,032,329         Subtotal       20,930       08-SCASDP       27,122		16 710	2000CVINIV0626	72 (20
- ARRA - COPS Hiring Recovery Program16.7102009RKWX0128484,503Subtotal598,779- Justice Assistance Grant16.7382009-DJ-BX-087832,104- Justice Assistance Grant16.7382010-DJ-BX-043656,883Subtotal88,987- ARRA - Justice Assistance Grant16.8042009-SB-B9-267348,601Total U.S. Department of Justice736,367U.S. Department of TransportationFederal Aviation Administration736,367Direct Programs:20.10603-06-0152-1720,177- Airport Improvement Program20.10603-06-0152-181,032,329Subtotal1,052,5061,052,506- Small Community Air Service Development20.93008-SCASDP27,122				
Subtotal598,779- Justice Assistance Grant16.7382009-DJ-BX-087832,104- Justice Assistance Grant16.7382010-DJ-BX-043656,883Subtotal16.8042009-SB-B9-267348,601- ARRA - Justice Assistance Grant16.8042009-SB-B9-267348,601Total U.S. Department of Justice736,367U.S. Department of Transportation Federal Aviation Administration Direct Programs: - Airport Improvement Program Subtotal20,10603-06-0152-17 1,032,32920,177 1,032,329- Airport Improvement Program Subtotal20.93008-SCASDP27,122				
- Justice Assistance Grant16.7382009-DJ-BX-087832,104- Justice Assistance Grant16.7382010-DJ-BX-043656,883Subtotal16.8042009-SB-B9-267348,601- ARRA - Justice Assistance Grant16.8042009-SB-B9-267348,601Total U.S. Department of Justice736,367U.S. Department of Transportation Federal Aviation Administration Direct Programs: - Airport Improvement Program Subtotal20.10603-06-0152-17 1,032,32920,177 1,032,329- Airport Improvement Program Subtotal20.93008-SCASDP27,122		10.710	2009111/0120	
- Justice Assistance Grant Subtotal - ARRA - Justice Assistance Grant <b>Total U.S. Department of Justice</b> <b>U.S. Department of Transportation</b> Federal Aviation Administration <i>Direct Programs:</i> - Airport Improvement Program Subtotal - Small Community Air Service Development		16 738	2009-DI-BX-0878	
Subtotal88,987- ARRA - Justice Assistance Grant16.8042009-SB-B9-267348,601Total U.S. Department of Justice736,367U.S. Department of Transportation Federal Aviation Administration Direct Programs: - Airport Improvement Program Subtotal20.10603-06-0152-17 1,032,32920,177- Airport Improvement Program Subtotal20.93008-SCASDP27,122	•		•	
- ARRA - Justice Assistance Grant16.8042009-SB-B9-267348,601Total U.S. Department of Justice736,367U.S. Department of Transportation Federal Aviation Administration Direct Programs: - Airport Improvement Program Subtotal20.10603-06-0152-17 1,032,32920,177 1,032,329- Airport Improvement Program Subtotal20.93008-SCASDP27,122		10.700	2010 DJ DA 0100	
U.S. Department of TransportationFederal Aviation AdministrationDirect Programs:- Airport Improvement Program20.10603-06-0152-1720,177- Airport Improvement Program20.106Subtotal1,032,329Subtotal1,052,506- Small Community Air Service Development20.93008-SCASDP27,122		16.804	2009-SB-B9-2673	
Federal Aviation AdministrationDirect Programs:- Airport Improvement Program20.10603-06-0152-1720,177- Airport Improvement Program20.10603-06-0152-181,032,329Subtotal1,052,506- Small Community Air Service Development20.93008-SCASDP27,122	Total U.S. Department of Justice			736,367
Federal Aviation AdministrationDirect Programs:- Airport Improvement Program20.10603-06-0152-1720,177- Airport Improvement Program20.10603-06-0152-181,032,329Subtotal1,052,506- Small Community Air Service Development20.93008-SCASDP27,122	U.S. Department of Transportation			
Direct Programs:- Airport Improvement Program20.10603-06-0152-1720,177- Airport Improvement Program20.10603-06-0152-181,032,329Subtotal1,052,5061,052,506- Small Community Air Service Development20.93008-SCASDP27,122				
- Airport Improvement Program       20.106       03-06-0152-17       20,177         - Airport Improvement Program       20.106       03-06-0152-18       1,032,329         Subtotal       1,052,506         - Small Community Air Service Development       20.930       08-SCASDP       27,122				
- Airport Improvement Program       20.106       03-06-0152-18       1,032,329         Subtotal       1,052,506         - Small Community Air Service Development       20.930       08-SCASDP       27,122	0	20.106	03-06-0152-17	20.177
Subtotal1,052,506- Small Community Air Service Development20.93008-SCASDP27,122				
- Small Community Air Service Development 20.930 08-SCASDP 27,122				
	- Small Community Air Service Development	20.930	08-SCASDP	

See accompanying Notes to Schedule of Expenditures of Federal Awards

# CITY OF MERCED Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2011

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Agency or Pass-Through Grantor's Number	Expenditures
U.S. Department of Transportation (continued)			
Passed through California Department of Transportation:			
- Highway Planning and Construction Cluster			
- ARRA - 16th Street Overlay	20.205	ESPL-5085(19)	\$ 332,584
- ARRA - Central Merced Reconstruction - 18th Street	20.205	ESPL-5085(20)	1,282,303
Total Highway Planning and Construction Cluster			1,614,887
Passed through California Office of Traffic Safety:			
Highway Safety Cluster			
- DUI Enforcement & Awareness Program	20.600	AL10110	42,903
- DUI Enforcement & Awareness Program	20.600	AL1150	31,200
- AVOID the 10 DUI Campaign	20.600	AL0834	76,039
- AVOID the 11 DUI Campaign	20.600	AL11101	71,901
Total Highway Safety Cluster			222,043
Total U.S. Department of Transportation			2,916,558
<b>U.S. Environmental Protection Agency</b> Direct Programs:			
- ARRA - Merced Center Brownfield	66.818	2B-00T16001-0	91,143
- Costco Parking Lot	66.818	BF-00T16701-0	60,287
Subtotal	00.010		151,430
Total U.S. Environmental Protection Agency			151,430
<b>U.S. Department of Energy</b> <i>Direct Programs:</i>			
- ARRA - Energy Efficiency Activities	81.128	DE-SC0001848	300,401
Total U.S. Department of Energy			300,401
U.S. Department of Homeland Security			
Federal Emergency Management Agency Direct Programs:			
- Staffing for Adequate Fire & Emergency Subtotal	97.083	EMW-2005-FF-02158	14,400 14,400
Passed through the California Emergency Management Agency:			
Legislative Pre-Disaster Mitigation Grant	97.047	EMF-2010-PD-0001	66,973
Subtotal	<i>J</i> <b>1</b> .01		66,973
Total U.S. Department of Homeland Security			81,373
Total Expenditures of Federal Awards			\$ 7,483,936
See accompanying Notes to Schedule of Expendi	tures of Fe	deral Awards	

#### 1. **REPORTING ENTITY**

The City of Merced (City) was incorporated in 1889 as a charter city. It has a council-manager form of government. The City Council is composed of six members-at-large elected to serve four-year terms, and the mayor who is elected to serve a two-year term. The City Council appoints the City Manager, City Attorney and Finance Officer. The financial reporting entity consists of: (1) the City; (2) organizations for which the City is financially accountable; and (3) organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The following entities are component units of the City:

- The City of Merced Redevelopment Agency
- The City of Merced Public Financing and Economic Development Authority

Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. In addition, component units can be other organizations for which the primary government's exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Basis of Accounting

Funds received under the various grant programs have been recorded within the General, Special Revenue, Capital Projects, and Enterprise funds of the City. The City utilizes the modified accrual method of accounting for the General, Special Revenue and the Capital Projects funds and the accrual basis of accounting for the Enterprise funds. The accompanying schedule of expenditures of federal awards (schedule) is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, and Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in the Schedule may differ from amounts presented in, or used in, the presentation of the City's basic financial statements.

#### Schedule of Expenditures of Federal Awards

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal financial assistance programs of the City. Federal financial assistance received directly from federal agencies as well as federal financial assistance passed through the State of California is included in the schedule.

The schedule was prepared only from the accounts of various grant programs and, therefore, does not present the financial position or results of operations of the City.

#### 3. RELATIONSHIP TO FINANCIAL STATEMENTS

The amounts reported in the accompanying Schedule of Expenditures of Federal Awards agree, in all material respects, to amounts reported within the City's financial statements. Federal award revenues are reported principally in the City's financial statements as intergovernmental revenues in the General, Special Revenue, Capital Projects and Enterprise funds.

#### 4. PASS-THROUGH ENTITIES' IDENTIFYING NUMBER

When federal awards were received from a pass-through entity; the Schedule of Expenditures of Federal Awards shows, if available, the identifying number assigned by the pass-through entity.

# **CITY OF MERCED**

# Schedule of Findings and Questioned Costs For the Year Ended June 30, 2011

# Section 1

Financial Statements	Summary of Auditor's Results
1. Type of auditor's report issued:	Unqualified
<ul><li>2. Internal controls over financial reporting:</li><li>a. Material weaknesses identified?</li><li>b. Significant deficiencies identified not considered to be material weaknesses?</li></ul>	No None Reported
3. Noncompliance material to financial statements noted?	No
Federal Awards	
<ol> <li>Internal control over major programs:         <ul> <li>Material weaknesses identified?</li> <li>Significant deficiencies identified not considered to be material weaknesses?</li> </ul> </li> </ol>	No None Reported
2. Type of auditor's report issued on compliance for major programs:	Unqualified for all major programs.
3. Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133, Section 510(a)?	No

# 4. Identification of major programs:

CFDA		
Number	Grantor's Number	Program Title
14.239	M07-MC060227	HOME Investment Partnership Act
14.239	M08-MC060227	HOME Investment Partnership Act
14.239	M-09-MC-060227	HOME Investment Partnership Act
14.239	M-10-MC-060227	HOME Investment Partnership Act
16.710	2008CKWX0636	Secure Our Schools
16.710	2009CKWX0650	Secure Our Schools
16.710	2009RKWX0128	ARRA - COPS Hiring Recovery Program

#### **CITY OF MERCED**

#### Schedule of Findings and Questioned Costs For the Year Ended June 30, 2011

#### 4. Identification of major programs (continued):

CFDA			
Number	Grantor's Number	Program Title	
Highway Planr	ning and Construction Clu	ister	
20.205	ESPL-5085(19)	ARRA - 16th Street Overlay	
20.205	ESPL-5085(20)	ARRA - Central Merced Reconstruction - 18th Street	
Highway Safet	y Cluster		
20.600	AL10110	DUI Enforcement & Awareness Program	
20.600	AL1150	DUI Enforcement & Awareness Program	
20.600	AL0834	AVOID the 10 DUI Campaign	
20.600	AL11101	AVOID the 11 DUI Campaign	
66.818	BF-00T16701-0	Costco Parking Lot	
66.818	2B-00T16001-0	ARRA - Merced Center Brownfield	
81.128	DE-SC0001848	ARRA - Energy Efficiency Activities	
Federal Awards		Summary of Auditor's Results	
	hold used to distinguish		
Type A and Type B programs?		\$300,000	
6. Auditee qualified as a low-risk auditee under			
-	lar A-133, Section 530?	Yes	
Child Chicu	iu ii 155, 5001011 550.	105	
Section 2			

Financial Statement Findings

No financial statement findings were noted for the year ended June 30, 2011

#### Section 3

#### Federal Award Findings and Questioned Costs

No findings or questioned costs were noted on the City's major programs for the year ended June 30, 2011

#### Section 4

#### Prior Year Findings and Questioned Costs

No findings or questioned costs were noted on the City's major programs for the year ended June 30, 2010.