

CITY OF SAN LEANDRO, CALIFORNIA

**REPORT ON FEDERAL AWARDS
IN ACCORDANCE WITH
OMB CIRCULAR A-133**

FISCAL YEAR ENDING JUNE 30, 2010

CITY OF SAN LEANDRO, CALIFORNIA

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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VAVRINEK, TRINE, DAY
& COMPANY, LLP
Certified Public Accountants

VALUE THE DIFFERENCE

**INDEPENDENT AUDITORS' 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***

The Honorable Mayor and
Members of the City Council
City of San Leandro
San Leandro, 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 San Leandro, California (the City) as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 22, 2010. 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 City of San Leandro'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.

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 Mayor and City Council, Federal awarding agencies, pass-through entities and the Controller of the State of California, and is not intended to be and should not be used by anyone other than these specified parties.

Varrinet, Trine, Day & Co., LLP.

Pleasanton, California
December 22, 2010



VAVRINEK, TRINE, DAY
& COMPANY, LLP
Certified Public Accountants

VALUE THE DIFFERENCE

**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**

The Honorable Mayor and
Members of the City Council
City of San Leandro
San Leandro, California

Compliance

We have audited City of San Leandro'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, 2010. 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 of San Leandro's management. Our responsibility is to express an opinion on the City of San Leandro'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, *Audit's 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 of San Leandro'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 of San Leandro's compliance with those requirements.

In our opinion, the City of San Leandro 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, 2010.

Internal Control Over Compliance

Management of the City of San Leandro 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 of San Leandro'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 of San Leandro's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of San Leandro, California, as of and for the year ended June 30, 2010, and have issued our report thereon dated December 22, 2010. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by *OMB Circular A-133* and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of management, the Mayor and City Council, Federal awarding agencies, pass-through entities and the Controller of the State of California, and is not intended to be and should not be used by anyone other than these specified parties.

Varrinek, Trine, Day & Co., LLP.

Pleasanton, California
March 6, 2011, except for the Schedule of Expenditures of Federal
Awards as of which the date is December 22, 2010

CITY OF SAN LEANDRO

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2010**

Federal Grantor / Pass-through Grantor / Program or Cluster Title	Federal Catalog Number	Grant Identifying Number	Program Expenditures
<u>U.S. Department of Housing and Urban Development:</u>			
Community Development Block Grant	14.218	B-09-MC-06-0017	\$ 727,379
Section 108 Loan Guarantee Program	14.248	B-09-MC-06-0017 *	2,500,000
Pass-Through Alameda County Department of Housing and Community Development- HOME Program	14.239	M08-DC060201	<u>18,124</u>
Total U.S. Department of Housing and Urban Development:			<u>3,245,503</u>
<u>U.S. Department of Justice:</u>			
Edward Burns Memorial Justice Assistance Grant (JAG)	16.580	2007 DJ-BX-1405	11,841
Edward Burns Memorial Justice Assistance Grant (JAG)	16.580	2008 DJ-BX-0606	13,447
(ARRA) Recovery Act - Edward Burns Memorial Justice Assistance Grant (JAG)	16.804	2009 SB-B9-0733 *	<u>118,263</u>
Total U.S. Department of Justice:			<u>143,551</u>
<u>U.S. Department of Energy:</u>			
(ARRA) Energy Efficiency Block Grant	81.128	SC0001702	<u>59,169</u>
<u>U.S. Department of Transportation:</u>			
Highway, Planning and Construction Cluster: Passed-Through State of California Department of Transportation:			
E. 14th St. Medians	20.205	HP21L-5041(022) *	118,999
Washington Av Rehab/SLZ Creek to I-880	20.205	STPL-5041(028) *	470,560
Traffic Management System Upgrade	20.205	CML-5041 (030) *	165,034
Bay Trail Slough Bridge	20.205	HP21L-5041(025) *	732,018
Washington/Estabrook Intersection Improvements	20.205	HSIPL-5041(031) *	335,734
Slough Pedestrian Bridge (TEA)	20.205	HP21L-5041(025) *	539,940
(ARRA) San Leandro Street Rehabilitation	20.205	ESPL-5041 (033) *	1,029,633
(ARRA) Springlake Drive Rehab	20.205	ESPL-5041 (034) *	333,020
(ARRA) Bancroft Ave Street Rehab	20.205	ESPL-5041 (035) *	5,458
Traffic Light Synchronization Program	20.205	TLSPL - 5041 (032) *	349,457
Shoreline RIP RAP Repairs	20.205	OES 001-68084 *	<u>175,146</u>
Total Highway, Planning and Construction Cluster:			4,254,999
Sobriety Checkpoint	20.600	SC10375	<u>14,936</u>
Total U.S. Department of Transportation:			<u>4,269,935</u>
Total Expenditures of Federal Awards:			<u><u>\$ 7,718,158</u></u>

* Denotes major federal financial assistance program.

CITY OF SAN LEANDRO, CALIFORNIA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2010

NOTE #1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. General

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards programs of the City of San Leandro (City). The City's reporting entity is defined in Note #1 of the City's basic financial statements. All federal awards received directly from federal agencies, as well as federal awards passed through other governmental agencies to the City are included in the accompanying schedule.

B. Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting except for programs recorded in the City's enterprise funds, which are presented using the accrual basis of accounting, which is described in Note 1 to the City's basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

C. Relationship to Basic Financial Statements

The amounts reported in the accompanying Schedule of Expenditures of Federal Awards agrees, 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, and Enterprise funds.

D. Catalog of Federal Domestic Assistance (CFDA) Numbers

The CFDA numbers included in this report were determined based on the program name, review of grant contract information, and the Office of Management and Budget's Catalog of Federal Domestic Assistance.

E. 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. When no identifying number is shown, the City has determined that no identifying number is assigned for the program or the City was unable to obtain an identifying number from the pass-through entity.

CITY OF SAN LEANDRO, CALIFORNIA

**SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2010**

FINANCIAL STATEMENTS

Type of auditors' report issued:	<u>Unqualified</u>
Internal control over financial reporting:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified?	<u>None reported</u>
Noncompliance material to financial statements noted?	<u>No</u>

FEDERAL AWARDS

Internal control over major programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified?	<u>None reported</u>
Type of auditors' report issued on compliance for major programs:	<u>Unqualified</u>
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)	<u>No</u>
Identification of major programs:	

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
<u>20.205 (ARRA)</u>	<u>Highway Planning and Construction Grant - (Includes ARRA)</u>
<u>16.804 (ARRA)</u>	<u>Recovery Act - Edward Byrne Memorial (JAG) - (Includes ARRA)</u>
<u>14.248</u>	<u>Section 108 Loan Guarantee Program</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 300,000</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

CITY OF SAN LEANDRO, CALIFORNIA

**FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2010**

None noted.

CITY OF SAN LEANDRO, CALIFORNIA

**FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010**

None noted.

CITY OF SAN LEANDRO, CALIFORNIA

**SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010**

None noted.