

**CITY OF MONTEREY**  
**MONTEREY, CALIFORNIA**

**SINGLE AUDIT REPORT**

**JUNE 30, 2011**

## TABLE OF CONTENTS

	<u>PAGE</u>
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 <i>Government Auditing Standards</i>	1-2
Independent Auditors' 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	3-4
Schedule of Expenditures of Federal Awards	5
Notes to the Schedule of Expenditures of Federal Awards	6
Schedule of Findings and Questioned Costs	7
Status of Prior Year Findings and Recommendations	8

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

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

We have audited the basic financial statements of City of Monterey as of and for the year ended June 30, 2011, and have issued our report thereon dated January 19, 2012. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the U.S. Comptroller General.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered City of Monterey's internal control over financial reporting as a basis for designing our auditing procedures, for the purpose of expressing our opinion on City of Monterey's basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Monterey's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of City of Monterey'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 there is a reasonable possibility that a material misstatement of City of Monterey's basic financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the 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 City of Monterey's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under *Government Auditing Standards*.

To the Honorable Mayor and  
Members of the City Council  
City of Monterey – Page 2

This report is intended for the information of the City Council and management of City of Monterey, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than the specified parties.

*R.J. Ricciardi, Inc.*

R.J. Ricciardi, Inc.  
Certified Public Accountants

San Rafael, California  
January 19, 2012

INDEPENDENT AUDITORS' 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 the City Council  
City of Monterey  
Monterey, California

Compliance

We have audited City of Monterey's compliance 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 its major federal programs for the year ended June 30, 2011. City of Monterey's major federal programs are identified in the summary of auditors' 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 the major federal programs is the responsibility of City of Monterey's management. Our responsibility is to express an opinion on City of Monterey'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 identified in the accompanying schedule of findings and questioned costs occurred. An audit includes examining, on a test basis, evidence about City of Monterey'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 City of Monterey's compliance with those requirements.

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

Internal Control Over Compliance

Management of City of Monterey 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 City of Monterey's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our 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 City of Monterey'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 that might be deficiencies, significant deficiencies or material weaknesses in internal control over compliance. 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 basic financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Monterey as of June 30, 2011 and for the fiscal year then ended and issued our report dated January 19, 2012. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise City of Monterey'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 for the information of the City Council, audit committee, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than the specified parties.

*R.J. Ricciardi, Inc.*

R. J. Ricciardi, Inc.  
Certified Public Accountants

San Rafael, California  
March 19, 2012

City of Monterey  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended June 30, 2011

<u>Grantor/Pass-Through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Grantor/ Pass-Through Entity Grant Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of the Army</u>			
Pass through the Presidio:			
Municipal Services Agency:			
Presidio of Monterey Base Operations and Maintenance Contract	99.unknown	DABT67-97-R-0015	\$ 13,712,894
Total U.S. Department of the Army			<u>13,712,894</u> *
<u>U.S. Department of Housing and Urban Development</u>			
Direct Program:			
Community Development Block Grant	14.218	B-07-MC-06-0004	705,674 *
Community Development Block Grant - Recovery Funds (Estrella)	14.253	B-09-MY-06-0004	<u>61,266</u> *
Total U.S. Department of Housing and Urban Development			<u>766,940</u>
<u>U.S. Department of Homeland Security</u>			
Direct Program:			
Assistance to Firefighter Grant	97.044	EMW-2008-FR-00239	486,158
Harbor Security Camera System	97.056	2008-GB-T8-0042	<u>24,696</u>
Total U.S. Department of Homeland Security			<u>510,854</u>
<u>U.S. Department of Justice</u>			
Direct Program:			
Bulletproof Vest Partnership	16.607	OMB#1121-0235	<u>748</u>
Total U.S. Department of Justice			<u>748</u>
<u>National Park Service</u>			
Direct Program:			
Save America's Treasures	15.929	06-06-PA-2003	<u>3,727</u>
Total U.S. Department of Justice			<u>3,727</u>
<u>U.S. Department of Energy</u>			
Pass through the State of California:			
Energy Retrofit -Lighting replacement (1% CEC Loan)	81.041	DE-EE0000221-/015-09	<u>173,883</u>
Total U.S. Department of Energy		ECE-ARRA	<u>173,883</u> *
Total Federal Expenditures			<u>\$ 15,169,046</u>

\* Major Program

See Accompanying Notes to the Schedule of Expenditures of Federal Awards.

City of Monterey  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended June 30, 2011

NOTE 1 - BASIS OF ACCOUNTING

The expenditures included in the accompanying schedule were reported on the modified accrual basis of accounting. Under the modified accrual basis of accounting, expenditures are incurred when City of Monterey becomes obligated for payment as a result of the receipt of the related goods and services.

NOTE 2 - BASIS OF PRESENTATION

The Schedule of Expenditures of Federal Awards includes the federal grant activity of City of Monterey and is presented on the accrual basis. 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*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

NOTE 3 - SUBRECIPIENTS

Of the federal expenditures presented in the schedule, City of Monterey provided federal awards to recipients as follows:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Provided to Subrecipients</u>
Community Development Block Grant	14.218	\$84,692

NOTE 4 - DEFERRED LOANS RECEIVABLE

Deferred loans from CDBG funds in the amount of \$2,461,609 are outstanding at June 30, 2011. There were no new loans made during the year. Loans made during the year would be included in the Schedule of Expenditures of Federal Awards.



City of Monterey  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2011

**Section I – Summary of Auditors’ Results**

1. The auditors’ report is unqualified.
2. With respect to internal control over financial reporting:
  - A. There were no material weaknesses identified.
  - B. There were no significant deficiencies identified that were not considered to be material weaknesses.
  - C. There were no instances of noncompliance material to financial statements noted.
3. With respect to internal control over major programs:
  - A. There were no material weaknesses identified.
  - B. There were no significant deficiencies identified that were not considered to be material weaknesses.
  - C. The auditors’ report issued on compliance for major programs is unqualified.
  - D. There were no audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133.
4. Audited as Major Programs:

<u>CFDA Number</u>	<u>Program Name</u>	<u>Expenditures</u>
99. Unknown	U.S Department of the Army – Presidio Base Operations and Maintenance contract	\$13,712,894
14.218	U.S. Department of Housing and Urban Development Community Development Block Grant	\$705,674
14.253	U.S. Department of Housing and Urban Development Community Development Block Grant Recovery Funds - Estrella	\$61,266
81.041	U.S. Department of Energy Energy Retrofit – Lighting Replacement (1% CEC Loan)	\$173,883

5. Dollar threshold used to distinguish between type A and type B programs: \$455,071
6. The auditee is qualified as a low-risk auditee.

**Section II – Financial Statement Findings**

There were no financial statement findings.

**Section III – Federal Award Findings and Questioned Costs**

There were no federal award findings and questioned costs.

## STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS

### Recommendation

### Status/Explanation

There were no prior year findings or recommendations.