

**Single Audit /  
Grants Compliance**



**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***

Honorable Mayor, City Councilmembers,  
City Manager and City Management  
City of Clearwater:

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 Clearwater (the "City") as of and for the year ended September 30, 2007, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 24, 2008. We have also audited the financial statements of each of the City's non-major governmental, non-major enterprise, internal service and fiduciary funds presented as supplementary information in the accompanying combining and individual fund financial statements as listed in the table of contents. 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 *control deficiency* 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 misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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.

We noted certain matters that we reported to management of the City in a separate letter dated March 24, 2008.

### **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 City Mayor, City Council members, City Manager and City Management, the State of Florida Office of the Auditor General and applicable federal and state awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

*Cherry, Bohacet & Holland, L.L.P.*

St. Petersburg, FL  
March 24, 2008



**Independent Auditors' Report on Compliance With Requirements  
Applicable to Each Major Federal Awards Program and State Financial Assistance  
Projects and Internal Control Over Compliance in Accordance With OMB Circular A-133  
and Chapter 10.550, Rules of the Auditor General**

Honorable Mayor, City Councilmembers,  
City Manager and City Management  
City of Clearwater, Florida

**Compliance**

We have audited the compliance of the City of Clearwater, Florida, "the City", with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement*, and the requirements described in the Executive Office of the Governor's State Projects Compliance Supplement, that are applicable to each of its major federal programs and state financial assistance projects for the year ended September 30, 2007. The City's major federal programs and state financial assistance projects 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 and state financial assistance projects 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* and Chapter 10.550, Rules of the Auditor General. Those standards, OMB Circular A-133, and Chapter 10.550, Rules of the Auditor General, 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 and state financial assistance project occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs and state financial assistance projects for the year ended September 30, 2007.

## Internal Control Over Compliance

The 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 and state financial assistance projects. 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 or state financial assistance project in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance in accordance with OMB Circular A-133 and Chapter 10.550, Rules of the Auditor General. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A *control deficiency* in the City's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program or state financial assistance project on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to administer a federal program or state financial assistance project such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program or state financial assistance project that is more than inconsequential will not be prevented or detected by the City's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program or state financial assistance project will not be prevented or detected by the City's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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.

This report is intended solely for the information and use of the City Mayor, City Council members, City Manager and City Management, the State of Florida Office of the Auditor General and applicable federal and state awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

*Cherry, Broughton & Holland, P.C.*

St. Petersburg, Florida  
March 24, 2008

City of Clearwater, Florida  
Schedule of Expenditures of Federal Awards  
and State Financial Assistance Projects  
For the Year Ended September 30, 2007

Federal Grantor / Pass-through Grantor / Program Title	CFDA Number	Grant I.D. Number	Federal Share of Expenditures
<b>FEDERAL AWARDS</b>			
<b>Department of Commerce:</b>			
<b>National Oceanic &amp; Atmospheric Administration</b>			
<b>Passed Through Florida Department of Environmental Protection</b>			
Cooper's Point	11.419	DEP Agreement CZ611	\$ 30,564
Passed Through Pinellas County Environmental Fund	11.463	(FL) - 11 (2005-003-020)	99,835
Clearwater Invasive Species Removal			
<b>Total Department of Commerce</b>			<b>130,399</b>
<b>U.S. Department of Housing and Urban Development:</b>			
Community Development Block Grant - Entitlement	14.218	B-06-MC-12-0002	942,173
Home Investment Partnerships Program	14.239	M-06-MC-12-0230	607,048
<b>Total U.S. Department of Housing and Urban Development</b>			<b>1,549,221</b>
<b>U.S. Department of the Interior:</b>			
<b>Passed thru Florida Department of Environmental Protection</b>			
Fish and Wildlife Service			
National Park Service			
Myron Smith Bayview Park	15.916	LW 12-00515	36,875
<b>Total U.S. Department of the Interior</b>			<b>36,875</b>
<b>U.S. Department of Justice:</b>			
Federal Forfeiture Sharing	16.000	FL0520300	50,602
Creation of the Clearwater Area	16.320	2006-VT-BX-0007	67,761
Task Force on Human Trafficking			
<b>Office of Justice Programs</b>			
<b>Bureau of Justice Assistance</b>			
Bulletproof Vest 2006	16.607	2006BOBX06133388	1,927
<b>Office of Community Oriented Policing Services</b>			
COPS 2004 Technology	16.710	2004CKWX032	445,219
COPS 2005 Technology	16.710	2005CKWX0071	122,224
	<u>16.710</u>		<u>567,443</u>
<b>Edward Byrne Memorial Justice Assistance Grant Program</b>			
Red Light Running Project	16.738	2007-JAGC-PINE-1-P3-212	49,993
Operacion Apoyo Hispano	16.738	2005-DJ-BX-0950	40,187
	<u>16.738</u>		<u>90,180</u>
<b>Total U.S. Department of Justice</b>			<b>777,913</b>

City of Clearwater, Florida  
Schedule of Expenditures of Federal Awards  
and State Financial Assistance Projects - Continued  
For the Year Ended September 30, 2007

Federal Grantor / Pass-through Grantor / Program Title	CFDA/CSFA Number	Grant I.D. Number	Federal Share of Expenditures
<b>FEDERAL AWARDS (continued)</b>			
<b>U.S. Department of Transportation:</b>			
Federal Highway Administration			
Passed thru Florida Department of Transportation:			
Clearwater Beach West Bridge Connector	20.205	Fed No. 9045-019C, Contract #AI 915	165,161
Druid Trail Design & Construction	20.205	FPN 415277-1-38-01	27,951
Beach Walk	20.205	FPN 416652-1-28-01	3,793,748
	<u>20.205</u>		<u>3,986,860</u>
Passed through Florida Department of Environmental Protection			
Recreation Trails Program			
East West Trail Renovations	20.219	DEP Agreement T2604	200,000
<b>Total U.S. Department of Transportation</b>			<b><u>4,186,860</u></b>
<b>U.S. Environmental Protection Agency:</b>			
Seville/Sunset Point & Del Oro Reclaimed water expansion	66.202	XP-97495304	682,065
Brownfield - Federal	66.811	BL984872-99-4	422,335
Brownfields Assessment and Cleanup Cooperative Agreements	66.818	BF-97493703-0	63,441
Passed through FL Department of Environmental Protection:			
Kapok Wetland & Floodplain Restoration Project	66.460	C9-9945-1503-0; FDEP G0087	12,242
<b>Total U.S. Environmental Protection Agency</b>			<b><u>1,180,083</u></b>
<b>Corporation For National and Community Services:</b>			
Passed through FL Commission on Community Services			
Americorps Clearwater Program	94.006	Contract 05AC051059	37,785
Americorps Clearwater 2006	94.006	Grant 06AFHFL0010008	68,935
<b>Total Corporation for National and Community Services</b>			<b><u>106,720</u></b>
<b>U.S. Department of Homeland Security:</b>			
Passed thru Florida Department of Law Enforcement			
FY2005 Buffer Zone Protection Grant	97.078	2007-BZPP-PINE-1-N5027	99,978
<b>Total U.S. Department of Homeland Security</b>			<b><u>99,978</u></b>
<b>Total Federal Financial Assistance</b>			<b><u>\$ 8,068,049</u></b>

City of Clearwater, Florida  
Schedule of Expenditures of Federal Awards  
and State Financial Assistance Projects - Continued  
For the Year Ended September 30, 2007

State Grantor / Pass-through Grantor / Program Title	CSFA Number	Grant I.D. Number	State Share of Expenditures (a)	Transfers to Subrecipients (b)
<b>STATE FINANCIAL ASSISTANCE</b>				
<b>Florida Department of Environmental Protection:</b>				
Stevenson's Creek Implementation Projects	37.039	WAP050	\$ 91,795	\$ -
<b>Total Florida Department of Environmental Protection</b>	37.039		<b>91,795</b>	<b>-</b>
<b>Florida Department of Community Affairs:</b>				
Florida Housing Finance Corporation State Housing Initiative Partnership Program (SHIP)	52.901	n/a	1,224,521	64,210
<b>Total Florida Department of Community Affairs</b>			<b>1,224,521</b>	<b>64,210</b>
<b>Florida Department of Transportation:</b>				
Drew Street & US19 Overpass Landscaping	55.003	FO#256957-1-54-01	74,208	
Memorial Causeway Landscape Beautification	55.003	FP#257093-1-54-01	374,921	
SR60 Courtney Campbell Causeway Landscape	55.003	FPN#418868-1-54-01	122,115	
	55.003		571,244	-
SR60 (Osceola Ave) to Ft Harrison Avenue Project	55.008	FPN:403730 2 54 01	280,000	
<b>Total Florida Department of Transportation</b>			<b>851,244</b>	<b>-</b>
<b>Florida Department of Revenue:</b>				
Phillies Stadium	73.016		1,080,624	
<b>Total Florida Department of Revenue</b>			<b>1,080,624</b>	<b>-</b>
<b>Florida Fish and Wildlife Conservation Commission:</b>				
High & Dry Marina Multi-Site Feasibility Study	77.006	FWC 05101	19,374	
<b>Total Florida Fish and Wildlife Conservation Commission</b>			<b>19,374</b>	<b>-</b>
<b>Total State Financial Assistance</b>			<b>\$ 3,267,558</b>	<b>\$ 64,210</b>
<b>Total Expenditures of Federal Awards and State Financial Assistance Projects</b>			<b>\$ 11,335,607</b>	

(a) Funded with State grants and aids appropriations.  
(b) State projects only.

City of Clearwater, Florida  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
AND STATE FINANCIAL ASSISTANCE PROJECTS  
For the Year Ended September 30, 2007

NOTE 1 – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance Projects presents the activity of all federal financial and state grant activity projects of the City of Clearwater, Florida (the "City"). Federal and state financial assistance received directly from federal and state agencies, and federal financial assistance passed through other governmental agencies are included on the schedules. 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* and Chapter 10.550, *Rules of the Auditor General*.

NOTE 2 – BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance Projects is presented using the modified accrual or accrual basis of accounting, which is described in Note 1 to the City's basic financial statements.

NOTE 3 – CFDA/CSFA NUMBER

CFDA numbers represent Catalog of Federal Domestic Assistance and apply only to federal awards. CSFA numbers represent Catalog of State Financial Assistance and apply only to state financial assistance.

**CITY OF CLEARWATER, FLORIDA**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended September 30, 2007**

**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     No
- Significant deficiency(s) identified  
that are not considered to be  
material weaknesses                                     Yes     None reported

Noncompliance material to financial  
statements noted                                         Yes     No

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified                     Yes     No
- Significant deficiency(s) identified  
that are not considered to be  
material weaknesses                                     Yes     None reported

Noncompliance material to federal  
awards     Yes     No

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

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

Identification of major federal programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
16.710	COPS Technology Grants
20.205	Highway Planning and Construction
20.219	Recreational Trails Program
66.811	Brownfield Revolving Loan Fund

Dollar threshold used to distinguish between Type A and Type B Programs    \$ 300,000

Auditee qualified as low-risk auditee?             Yes     No





## Independent Auditors' Management Letter

Honorable Mayor, City Councilmembers,  
City Manager and City Management  
City of Clearwater, Florida

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 Clearwater, Florida (the "City"), as of and for the year ended September 30, 2007, and have issued our report thereon dated March 24, 2008. We have also audited the financial statements of each of the City's non-major governmental, non-major enterprise, internal service and fiduciary funds presented as supplementary information in the accompanying combining and individual fund financial statements as listed in the table of contents.

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. We have issued our 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*, Independent Auditors' Report on Compliance with Requirements Applicable to each Major Federal Awards Program and State Financial Assistance Projects and Internal Control over Compliance in accordance with OMB Circular A-133 and Chapter 10.550, Rules of the Auditor General, and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated March 24, 2008, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with Chapter 10.550, *Rules of the Auditor General-Local Government Entity Audits*. Those rules (Section 10.554(1)(i)1) require that we address in the management letter whether or not corrective actions have been taken to address significant findings and recommendations made in the preceding annual financial audit report. There were no significant findings or recommendations made in the preceding annual financial audit.

The Rules of the Auditor General (Section 10.554(1)(i)2) state that a management letter shall have a statement as to whether or not the City complied with Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit of the financial statements of the City, the results of our tests did not indicate that the City was in noncompliance with Section 218.415 regarding the investment of public funds.

The Rules of the Auditor General (Section 10.554(1)(i)3) require disclosure in the management letter of any recommendations to improve the City's management, accounting procedures, and internal controls. See Appendix A for management letter comments with recommendations in connection with the fiscal 2007 financial statement audit.

The Rules of the Auditor General (Section 10.554(1)(i)4) require disclosure in the management letter of any violations of provisions of contracts and grant agreements or abuse that have an effect on the financial statements that is less than material but more than inconsequential. There were no such matters noted.

The Rules of the Auditor General (Section 10.554 (1)(i)5) allow for the following matters that are inconsequential to the financial statements, considering both quantitative and qualitative factors to be reported based on professional judgment: (a) immaterial violations of laws, rules, regulations, and contractual provisions or abuse that have occurred, or are likely to have occurred; (b) immaterial improper or illegal expenditures; (c) control deficiencies that are not significant deficiencies. There were no such matters noted.

The Rules of the Auditor General (Section 10.554(1)(i)6) also require that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in the management letter, unless disclosed in the notes to the financial statements. The City of Clearwater, located in Pinellas County, Florida was incorporated in June 1923. The legal authority by which the City was created and is governed is its charter, which was derived from Chapter 9710 Special Laws of Florida, as amended. The Clearwater Redevelopment Agency (CRA), a blended component unit of the City of Clearwater, Florida, was created by authority of Florida Statute Chapter 163, Part III, and the City of Clearwater Resolution 81.68.

As required by the Rules of the Auditor General (Section 10.554(1)(i)7.a.), the scope of our audit included a review of the provisions of Section 218.503(1), Florida Statutes, regarding financial emergencies. In connection with our audit of the financial statements of the City, the results of our tests did not indicate that the City met any of the specified conditions of a financial emergency contained in Section 218.503(1), Florida Statutes. However, our audit does not provide a legal determination on the City's compliance with this requirement.

The Rules of the Auditor General (Section 10.554(1)(i)7.b.) state that a management letter shall include a statement as to whether or not the financial report filed with the Florida Department of Financial Services, pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the current audit period and, if not, explanations of any significant differences. In connection with our audit of the City, the results of our tests indicate that the financial report, filed with the Department of Financial Services, is in agreement with the annual audited financial statements for the year ended September 30, 2007.

As required by the Rules of the Auditor General (Sections 10.554(1)(i)7.c. and 10.556(7), the scope of our audit included financial condition assessment procedures as of September 30, 2007. It is management's responsibility to monitor the City's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by management. The results of our financial condition assessment procedures disclosed no deteriorating financial conditions.

The City's response to the findings identified in Appendix A are included in Appendix A. We did not audit the City's response and, accordingly, we express no opinion on it.

This management letter is intended solely for the information and use of the City Mayor, City Councilmembers, City Manager, management, the State of Florida Office of the Auditor General, and applicable federal and state agencies, and is not intended to be and should not be used by anyone other than those specified parties.

We would like to thank the City for the courtesy and assistance extended to us by the staff during our engagement. Should you have any questions concerning the matters discussed herein, we shall be pleased to discuss them with you at your convenience.

*Cheryl B. Bisset & Holland, L.L.P.*

St. Petersburg, Florida  
March 24, 2008

**City of Clearwater, Florida**  
Appendix A – Management Letter Comments  
September 30, 2007

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Clearwater, Florida (the "City"), as of and for the year ended September 30, 2007, which collectively comprise the City's basic financial statements, we considered its internal controls in order to determine our auditing procedures for the purpose of expressing our opinions on the basis financial statements and not to provide assurance on internal control.

During our audit we became aware of matters that present opportunities for strengthening internal controls and operating efficiency. We will review the status of these comments during our next engagement.

## **CURRENT YEAR RECOMMENDATIONS**

### **General Internal Controls**

#### **Construction in Process**

**Observation:** We noted instances during our testing of capital assets where certain completed projects were not capitalized upon completion. In addition, we noted an instance where it was determined that a project included in construction in process should have been expensed but was not.

**Recommendation:** We recommend that the City monitor the Construction in Process closely to ensure that projects are being capitalized upon completion and to verify the overall accuracy of the balances recorded.

**Management's Response:** Management concurs with the recommendation and has implemented additional procedures to ensure that construction in process is monitored on an accurate and timely basis.

### **Information Technology Internal Controls**

#### **Security Program, SDLC Methodology and Formal Resource Classification**

**Observation:** A management-approved security program has not been developed to cover all major information systems, facilities, operations and financial reporting processes, which increases the risk that an end-user will waste or misuse the City's information systems assets or customer data. In addition, there was no formal documentation for the SDLC methodology and formal resource classifications. Documentation of the SDLC methodology is necessary to ensure procedures are followed when applications are designed and developed. Classifying data as critical and by sensitivity allows the City to ensure consistent protection of information and other critical data throughout the system.

**City of Clearwater, Florida**  
Appendix A – Management Letter Comments  
September 30, 2007

**Recommendation:** We recommend that a security program be formally documented, outlining the security policies of the organization that are in place to restrict both physical and logical access to sensitive data. Network security, back-up and disaster recovery procedures, including testing procedures and security training programs, should be included as part of this program and documentation. The program should be reviewed and updated annually to accurately reflect changes in the information systems environment. We also recommend the SDLC methodology and resource classification.

**Management's Response:** Management understands and agrees with the importance of system documentation. The City has operated under a governance structure which addresses many of these concerns and provides a framework for procedures and documentation. Development of a formal plan based upon the SDLC methodology will be evaluated and prioritized based upon available resources and potential benefit.

**Other Observations and Recommendations**

**Capital Assets Purchased with Grant Funding**

**Observation:** We noted during our testing of Federal and State grants that the City's capital asset system does not include procedures to specifically identify assets purchased with Federal or State grant funds. We did not become aware of any issues related to grant related asset disposals but procedures should be established to ensure problems do not arise in the future.

**Recommendation:** Since many times grantors require specific protocol be followed when assets purchased with Federal or State grant funds are later disposed of and/or sold, we recommend that the City implement a procedure to include a specific identifier in the City's capital asset record system to track assets purchased with Federal or State grant funds.

**Management's Response:** Management concurs and will modify the City's capital asset record system to identify and track assets purchased with Federal or State grant funds.

**STATUS OF PRIOR YEAR RECOMMENDATIONS**

There were no recommendations in connection with the prior year audit.