

City of Pomona

Pomona, California

Single Audit Reports

For the year ended June 30, 2010

C&L
Caporicci & Larson, Inc.
A Subsidiary of Marcum LLP
Certified Public Accountants

City of Pomona
Single Audit Reports
For the year ended June 30, 2010

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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 City Council
of the City of Pomona
Pomona, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Pomona, California (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 January 26, 2011. 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 in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be significant deficiencies or material weaknesses. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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 *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 the 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 the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be 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 Pomona
Pomona, California
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Compliance

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 result of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain other matters that we reported to management of the City in a separate letter dated January 26, 2011.

This report is intended solely for the information and use of the City Council, management, 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. However, this report is a matter of public record and its distribution is not limited.

Caporicci & Larson, Inc.

Caporicci & Larson, Inc.
A Subsidiary of Marcum LLP
Certified Public Accountants
Irvine, California
January 26, 2011



Caporicci & Larson, Inc.
A Subsidiary of Marcum LLP
Certified Public Accountants

**INDEPENDENT AUDITORS' 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**

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

Compliance

We have audited the City of Pomona, California's (the "City") 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 the 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 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. 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, 2010. The results of our auditing procedures did not disclose instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133.

Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine the auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

The Honorable Mayor and Members of City Council
of the City of Pomona
Pomona, California
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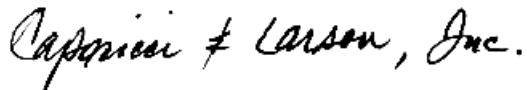
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a 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 the 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 control deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weakness, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the basic financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City as of and for the year ended June 30, 2010, which collectively comprise the City's basic finance statements and have issued our report thereon dated January 26, 2010. Our audit was performed for the purpose of forming 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 whole.

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.



Caporicci & Larson, Inc.
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Irvine, California

March 24, 2011 except for the Schedule of Expenditures of Federal Awards which is as of January 26, 2011

City of Pomona
Single Audit Reports
Schedule of Expenditures of Federal Awards
For the year ended June 30, 2010

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	Agency or Pass-Through Number	Federal Expenditures
U.S. Department of Housing and Urban Development:			
<i>Direct programs:</i>			
Community Development Block Grant			
- Community Development Block Grant - Program Income	14.218	B-06-MC-06-0527	\$ 57,347
- Community Development Block Grant - Program Income	14.218	B-07-MC-06-0527	61,950
- Community Development Block Grant - Program Income	14.218	B-08-MC-06-0527	36,145
- Community Development Block Grant	14.218	B-05-MC-06-0527	72,670
- Community Development Block Grant	14.218	B-07-MC-06-0527	231,300
- Community Development Block Grant	14.218	B-08-MC-06-0527	2,826,368
- Community Development Block Grant	14.218	B-09-MC-06-0527	811,570
- Community Development Block Grant - ARRA	14.253	B-09-MC-06-0527	380,275
Total Community Development Block Grant			<u>4,477,625</u>
Emergency Shelter Grant			
- Emergency Shelter Grant	14.231	S-08-MC-06-0527	26,132
- Emergency Shelter Grant	14.231	S-09-MC-06-0527	98,976
Total Emergency Shelter Grant			<u>125,108</u>
Supportive Housing Program			
- Supportive Housing Program	14.235	CA16B400024	103,806
- Supportive Housing Program	14.235	CA0436B9D000802	30,790
Total Supportive Housing Program			<u>134,596</u>
Shelter Plus Care + Renewal			
- Shelter Plus Care + Renewal	14.238	CA0462C9D00801	484,764
- Shelter Plus Care + Renewal	14.238	CA0462C9D00802	244,612
Total Shelter Plus Care + Renewal			<u>729,376</u>
Home Investment Partnership Program			
- Home Investment Partnership Program - Program Income	14.239	M-06-MC-06-0528	1,044,789
- Home Investment Partnership Program - Program Income	14.239	M-07-MC-06-0528	210,089
- Home Investment Partnership Program	14.239	M-03-MC-06-0528	530,998
- Home Investment Partnership Program	14.239	M-06-MC-06-0528	975,066
- Home Investment Partnership Program	14.239	M-07-MC-06-0528	1,074,617
- Home Investment Partnership Program	14.239	M-08-MC-06-0528	308,204
- Home Investment Partnership Program	14.239	M-09-MC-06-0528	1,059
Total Home Investment Partnership Program			<u>4,144,822</u>
Neighborhood Stabilization - HERA	14.256	B-08-MN-06-0516	1,300,048
Homeless Prevention and Rapid Re-Housing Program - ARRA	14.257	S-09-MY-06-0527	239,644
Section 8 - HVAP	14.871	CA-1230014-0028	11,845,739
Lead Paint Hazard Control - ARRA	14.907	CALHB0426-08	1,109,425
Total U.S. Department of Housing and Urban Development			<u>24,106,383</u>
Balance Carried Forward			<u>24,106,383</u>

City of Pomona
Single Audit Reports
Schedule of Expenditures of Federal Awards, Continued
For the year ended June 30, 2010

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	Agency or Pass-Through Number	Federal Expenditures
Balance carried over from previous page			\$ 24,106,383
U.S. Department of Justice			
<i>Direct programs:</i>			
Federal Equitable Sharing	16.000	-	826,094
Byrne Grant	16.580	2007-DD-BX-0636	80,257
Weed & Seed Grant			
- Weed & Seed Grant	16.595	2008-WS-QX-0165	40,783
- Weed & Seed Grant	16.595	2009-WS-QX-0017	135,533
- Weed & Seed Grant	16.595	2009-WS-QX-0047	25,336
Total Weed & Seed Grant			<u>201,652</u>
<i>Pass through County of Los Angeles :</i>			
JAG Grant			
- JAG Grant	16.579	-	9,368
- JAG Grant - ARRA	16.804	-	125,723
Total JAG Grant			<u>135,091</u>
Total U.S. Department of Justice			<u>1,243,094</u>
U.S. Department of Transportation:			
<i>Passed through State of California:</i>			
Highway Planning and Construction Grant			
- Interchange Improvement - Mission Blvd/SR-71	20.205	STPLN-5070 (009)	2,023,776
- Street Improvement Project - White Avenue - ARRA	20.205	ESPL-5070(017)	1,641,463
- Street Improvement Project - Towne Avenue - ARRA	20.205	ESPL-5070(018)	702,402
Total Highway Planning and Construction Grant			<u>4,367,641</u>
State and Community Highway Safety Grant			
- OTS Selective Traffic Enforcement Program	20.600	PT1003	210,604
Total State and Community Highway Safety Grant			<u>210,604</u>
Total U.S. Department of Transportation			<u>4,578,245</u>
U.S. Department of Treasury			
<i>Direct programs:</i>			
Federal Equitable Sharing	21.000	-	73,439
Total U.S. Department of Treasury			<u>73,439</u>
Balance Carried Forward			<u>30,001,161</u>

See accompanying Notes to Schedule of Expenditures of Federal Awards

City of Pomona
Single Audit Reports
Schedule of Expenditures of Federal Awards, Continued
For the year ended June 30, 2010

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	Agency or Pass-Through Number	Federal Expenditures
Balance carried over from previous page			\$ 30,001,161
U.S. Department of Health & Human Services			
<i>Passed through the County of Los Angeles:</i>			
Title III-C Nutrition	93.045	AAA-ENP1-0809-013	137,079
Title III-C Nutrition	93.045	AAA-ENP1-0809-013	23,802
Title III-C Nutrition - ARRA	93.705	AAA-ENP1-0809-013	1,664
Total U.S. Department of Health & Human Services			162,545
U.S. Department of Homeland Security Grant			
<i>Direct program:</i>			
Homeland Security Grant	97.004	-	265,000
Total U.S. Department of Homeland Security Grant			265,000
Total Expenditures of Federal Awards			\$ 30,428,706

See accompanying Notes to Schedule of Expenditures of Federal Awards

City of Pomona
Single Audit Reports
Notes to the Schedule of Expenditures of Federal Awards
For the year ended June 30, 2010

1. REPORTING ENTITY

The financial reporting entity consists of the primary government, which is the City of Pomona, California (City), organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The City Council acts as the governing body and is able to impose its will on the following organizations by establishing financial accountability:

- The Redevelopment Agency of the City of Pomona
- The Pomona Public Financing Authority
- The Housing Authority of the City of Pomona
- The Canon Water Company

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. *Basis of Accounting*

Funds received under the various grant programs have been recorded within the general fund and special revenue funds of the City. The City utilizes the modified accrual method of accounting for the general fund and special revenue funds. The accompanying Schedule of Expenditures of Federal Awards (Schedule) is presented in accordance with the requirements of Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in the Schedule may differ from amounts presented in, or used in, the preparation of the City's basic financial statements.

B. *Schedule of Expenditures of Federal Awards*

The accompanying Schedule 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 and the County of Los Angeles, is included in the Schedule. The Schedule was prepared from only the accounts of various grant programs and, therefore, does not present the financial position, changes in fund balance, or results of operation of the City.

City of Pomona
Single Audit Reports
Schedule of Findings and Questioned Costs
For the year ended June 30, 2010

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unqualified opinion on the basic financial statements of the City.
2. No Significant deficiencies relating to the audit of the financial statements are reported in the basic financial statements.
3. No instances of noncompliance material to the basic financial statements of the City were disclosed during the audit.
4. No significant deficiencies or material weaknesses in internal control over compliance of the major federal award programs were identified or reported.
5. The auditors' report on compliance for the major federal award programs for the City expresses an unqualified opinion.
6. Audit findings required to be reported in accordance with section 510(a) of OMB Circular A-133 are reported in Part C of this Schedule.
7. The programs tested as major programs included:

Major Program	CFDA #	Expenditures
Community Development Block Grant	14.218	\$ 4,097,350
Community Development Block Grant - ARRA	14.253	380,275
Home Investment Partnership Program	14.239	4,144,822
Neighborhood Stabilization - HERA	14.256	1,300,048
Lead Paint Hazard Control - ARRA	14.907	1,109,425
Highway Planning and Construction	20.205	2,023,776
Highway Planning and Construction - ARRA	20.205	2,343,865
Homeland Security Grant	97.004	265,000
Total Major Program Expenditures		\$ 15,664,561
Total Federal Award Expenditures		\$ 30,428,706
Percent of Total Federal Award Expenditures		51.48%

8. The threshold for distinguishing Types A and B programs was \$912,861.
9. The City qualified as a high-risk auditee under Section 530 of OMB Circular A-133.

B. CURRENT YEAR FINDINGS - FINANCIAL STATEMENTS AUDIT

No financial statement findings were noted.

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAM AUDIT

No findings or questioned costs were noted on the City's major programs.

City of Pomona
Single Audit Reports
Schedule of Findings and Questioned Costs, Continued
For the year ended June 30, 2010

D. SUMMARY OF PRIOR YEAR AUDIT FINDINGS AND QUESTIONED COSTS

2009-01 FINANCIAL CONDITION OF THE REDEVELOPMENT AGENCY (Significant Deficiency)

Criteria

The Redevelopment Agency should maintain a financial condition that will provide a financially sustainable operation.

Observation

At June 30, 2009, the Agency had a deficit unrestricted net assets of (\$203,796,906), a decrease in the deficit of \$2,208,898 from the prior year, on the Government-Wide Financial Statements, and a deficit fund balance of (\$69,999,641), an increase in the deficit of \$1,440,370 from the prior year.

The following is the five year trend information of financial condition of the Redevelopment Agency:

Government-Wide Financial Statements

	Total Net Assets (Deficit) (as restated)		Unrestricted Net Assets		Change in Net Assets (as restated)	
		\$ Change		\$ Change		\$ Change
2005	\$ (86,397,744)		\$ (190,872,292)		\$ (5,847,279)	
2006	(90,865,725)	\$ (4,467,981)	(194,726,363)	\$ (3,854,071)	(4,467,981)	\$ 1,379,298
2007	(102,564,832)	(11,699,107)	(196,660,709)	(1,934,346)	(11,699,107)	(7,231,126)
2008	(97,017,814)	5,547,018	(206,005,804)	(9,345,095)	1,522,018	13,221,125
2009	(98,880,699)	(1,862,885)	(203,796,906)	2,208,898	(1,862,884)	(3,384,902)

Fund Financial Statements

	Total Fund Balance (Deficit) (as restated)	
		\$ Change
2005	\$ (56,733,283)	
2006	(61,854,820)	\$ (5,121,537)
2007	(75,661,599)	(13,806,779)
2008	(68,559,271)	7,102,328
2009	(69,999,641)	(1,440,370)

Questioned Costs

None.

City of Pomona
Single Audit Reports
Schedule of Findings and Questioned Costs, Continued
For the year ended June 30, 2010

D. SUMMARY OF PRIOR YEAR AUDIT FINDINGS AND QUESTIONED COSTS, Continued

**2009-01 FINANCIAL CONDITION OF THE REDEVELOPMENT AGENCY (Significant Deficiency),
Continued**

Context and Effect

The Redevelopment Agency's financial condition deteriorated this fiscal year after a slight improvement in the prior fiscal year. There was a decrease in deficit net assets, but increases in the deficit of the fund balance. There are still uncertainties regarding the Redevelopment Agency's ability to conduct future operations. A continuation of negative financial results will hinder the ability of the Redevelopment Agency to function in a manner for which it was designed. Though the City appears to not be legally obligated for any defaults of Redevelopment Agency Bonds, given the component unit status of the Redevelopment Agency, the City may still be impacted in a negative financial way should Redevelopment Agency operations be disrupted.

Recommendation

We recommend that the City continue to review the Redevelopment Agency's financial condition and continue its plan to reduce the Redevelopment Agency's deficit fund balance and deficit total net assets.

Status

In progress.