

CITY OF PASADENA

Single Audit Report on  
Federal Awards

Year ended June 30, 2006

**Conrad Government Services Division**

**MHM**

**Mayer  
Hoffman  
McCann P.C.**  
An Independent CPA Firm

CITY OF PASADENA  
Single Audit Report on Federal Awards  
Year ended June 30, 2006

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Honorable Mayor and City Council  
City of Pasadena, California

**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**

We have audited the financial statements of the City of Pasadena, California as of and for the year ended June 30, 2006, and have issued our report thereon dated September 28, 2006. 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 of America.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Pasadena'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 an opinion 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 that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that have been communicated to management in a separate letter dated September 28, 2006.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Pasadena'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*.

Honorable Mayor and City Council  
City of Pasadena, California  
Page Two

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

*Mayor Hoffman Melara A.C.*

Irvine, California  
September 28, 2006



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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH  
MAJOR PROGRAM, INTERNAL CONTROL OVER COMPLIANCE AND ON  
THE SCHEDULE OF FEDERAL AWARDS IN ACCORDANCE WITH OMB  
CIRCULAR A-133**

Compliance

We have audited the compliance of City of Pasadena with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2006. The City of Pasadena'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 Pasadena's management. Our responsibility is to express an opinion on the City of Pasadena'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 of Pasadena'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 of Pasadena's compliance with those requirements.

In our opinion, the City of Pasadena complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

Internal Control Over Compliance

The management of the City of Pasadena 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 of Pasadena's internal control over compliance with 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.

Honorable Mayor and City Council  
City of Pasadena, California  
Page Two

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance that we consider to be material weaknesses.

#### Schedule of Expenditures and Federal Awards

We have audited the basic financial statements of the City of Pasadena as of and for the year ended June 30, 2006, and have issued our report thereon dated September 28, 2006. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards and the supplementary information included in Schedule A-1 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 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 City management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specific parties.

*Mayor 1 to Honorable McCann P.C.*

Irvine, California  
September 28, 2006

CITY OF PASADENA  
Schedule of Expenditures of Federal Awards  
Year ended June 30, 2006

	Federal Domestic Assistance <u>Number</u>	Program Identification <u>Number</u>	Program <u>Expenditures</u>	Amount Provided to <u>Subrecipients</u>
<u>Department of Housing and Urban Development</u>				
Direct Assistance:				
Community Development Block Grant Entitlement	14.218	n/a	\$ 2,518,796	1,160,445
Section 108 Loan - Fair Grove Shopping Center	14.248	n/a	<u>313,448</u>	<u>-</u>
Total CDBG Entitlement and Small Cities Grants			2,832,244	1,160,445
Section 8 Rental Voucher Program	14.871	CA079VO	10,919,149 *	-
Emergency Shelter Grant Program	14.231	n/a	98,526	98,526
Supportive Housing	14.235	n/a	893,916	893,916
Shelter Plus Care	14.238	n/a	311,960	-
Home-Investment in Affordable Housing	14.239	n/a	<u>783,832</u>	<u>573,171</u>
Total direct assistance			15,839,627	2,726,058
Passed through Pacific Clinics:				
Supportive Housing	14.235	10220000-305	52,052	-
Passed through the City of Los Angeles:				
Home Opportunities for Persons with AIDS	14.241	C98522	<u>15,881</u>	<u>-</u>
Total Department of Housing and Urban Development			<u>15,907,560</u>	<u>2,726,058</u>
<u>Department of Labor</u>				
Passed through the State of California:				
Workforce Investment Act - Adult	17.258	Various	552,756 *	97,216
Workforce Investment Act - Youth	17.259	Various	705,188 *	237,792
Workforce Investment Act - Dislocated Workers	17.260	Various	583,940 *	85,880
Workforce Investment Act - Rapid Response	17.260	Various	202,294 *	-
Workforce Investment Act - Foster Youth	17.267	Various	361,744 *	269,626
Workforce Investment Act - Incentive Grants	17.267	Various	189,672 *	-
Passed through the County of Los Angeles:				
Workforce Investment Act - Adult	17.258	Various	78,429 *	14,116
Workforce Investment Act - Youth	17.259	Various	70,144 *	26,719
Workforce Investment Act - Dislocated Workers	17.260	Various	<u>65,911 *</u>	<u>10,442</u>
Total Department of Labor			<u>2,810,078</u>	<u>741,791</u>

\* Major program  
n/a = not available

(Continued)

See accompanying notes to the schedule of expenditures of federal awards.

CITY OF PASADENA  
Schedule of Expenditures of Federal Awards  
(Continued)

	Federal Domestic Assistance <u>Number</u>	Program Identification <u>Number</u>	Program Expenditures	Amount Provided to Subrecipients
<u>Department of Health and Human Services</u>				
Passed through the State of California				
Department of Health Services:				
Prenatal Care Maternal Child Health	93.994	200661,200662	280,295	-
Centers for Disease Control and Prevention - TB Control	93.283	TB CSGF 90-76	30,934	-
Child Health Development Program - Foster Care	93.658	n/a	16,805	-
Child Lead Poison Prevention	93.197	95-6000759	39,527	-
Early Periodic Screening Diagnosis and Treatment - Administrative	93.778	n/a	177,541	-
Medi-Cal Administrative Claiming	93.778	04-35118	357,769	-
Immunization Subvention Funds	93.268	98-15761,99-86354	62,115	-
Healthy Community Access Program - HCAP	93.252	G92CS06491A0	402,351	-
AIDS Drug Assistance Program - ADAP	93.917	n/a	8,528	-
Passed through the County of Los Angeles:				
Alcohol and Drug Abuse/Mental Health Services Block Grant	93.992	Various	246,453	-
AIDS HIV Early Intervention	93.915	H209212	792,963	-
Total Department of Health and Human Services			<u>2,415,281</u>	<u>-</u>
<u>Department of Justice</u>				
Direct Assistance:				
Asset Forfeiture	16.000	CA1953	312,970	-
Local Law Enforcement Block Grants Program	16.592	Various	145,139	-
Community Oriented Policing Services Grant	16.710	Various	611,676	-
Passed through the State of California Department of Criminal Justice and Planning:				
Elder Abuse and Advocacy and Outreach Program - Byrne Grant	16.579	EA 04077625	20,372	-
Elder Abuse and Advocacy and Outreach Program - VOCA Grant	16.575	EA 04077625	69,426	-
Total Department of Justice			<u>1,159,583</u>	<u>-</u>
<u>Department of Treasury</u>				
Direct Assistance:				
Asset Forfeiture	16.000	CA 1953	80,287	-
Total Department of Treasury			<u>80,287</u>	<u>-</u>

\* Major program  
n/a = not available

(Continued)

See accompanying notes to the schedule of expenditures of federal awards.



CITY OF PASADENA  
Schedule of Expenditures of Federal Awards  
(Continued)

	Federal Domestic Assistance Number	Program Identification Number	Program Expenditures	Amount Provided to Subrecipients
<u>Department of Agriculture</u>				
Passed through the State of California Department of Health Services:				
Supplemental Food Program for Women, Infants and Children (WIC)	10.557	05-45781	736,743	-
Total Department of Agriculture			736,743	-
<u>Department of Transportation</u>				
Passed through the California Department of Transportation:				
Highway Planning and Construction	20.205	Various	4,662,400	-
Total Department of Transportation			4,662,400	-
<u>Department of Interior</u>				
Direct Assistance:				
Water Reclamation and Reuse Program	15.504	03FC350099	250	-
Total Department of Interior			250	-
<u>Department of Homeland Security</u>				
Passed through the County of Los Angeles:				
State Domestic Preparedness Grant	97.004	2002-133,OES#37-00000	594	-
State Homeland Security Grant Program	97.005	Various	536,287	-
Urban Areas Security Initiative	97.008	Various	264,043	-
Pre-Disaster Mitigation Grant	97.017	2005-11,OES#37-56000	2,250,000 *	-
Public Assistance Grants	97.036	037-56000	234,303	-
Total Department of Homeland Security			3,285,227	-
Total Expenditures of Federal Awards			\$ 31,057,409	3,467,849

\* Major program  
n/a = not available

See accompanying notes to the schedule of expenditures of federal awards.

CITY OF PASADENA

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2006

(1) Summary of Significant Accounting Policies Applicable to the Schedule of Expenditures of Federal Awards

(a) Scope of Presentation

The accompanying schedule presents only the expenditures incurred by the City of Pasadena that are reimbursable under the programs of federal agencies providing financial assistance. For the purposes of this schedule, financial assistance includes both federal financial assistance received directly from a federal agency, as well as federal funds received indirectly by the City from a non-federal agency or other organization. Only the portion of program expenditures reimbursable with such federal funds are reported in the accompanying schedule. Program expenditures in excess of the maximum federal reimbursement authorized or the portion of the program expenditures that were funded with state, local or other non-federal funds are excluded from the accompanying schedule.

(b) 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 the City becomes obligated for payment as a result of the receipt of the related goods and services. Expenditures reported included any property or equipment acquisitions incurred under the federal program.

(c) Subrecipients

During the fiscal year ended June 30, 2006, the City disbursed \$3,467,849 to subrecipients to be used for the federally allowable expenditures in accordance with the grant agreements.

(d) Loans Outstanding

Outstanding loans under the U.S. Department of Housing and Urban Development – Section 108 program were \$4,505,770 at June 30, 2006. Amounts expended from loan proceeds are reflected in the accompanying Schedule of Federal Awards. Outstanding loans under the U.S. Department of Housing and Urban Development – Community Development Block Grant program were \$267,100 at June 30, 2006. Amounts expended from loan proceeds are reflected in the accompanying Schedule of Federal Awards.

(e) Additional Disclosures for Elder Abuse and Advocacy and Outreach Program

Total grant expenditures for the Elder Abuse and Advocacy and Outreach Program of \$89,798 are comprised of \$6,857 for personnel services, \$82,941 for operating expenditures and \$0 for equipment. The match on the Victims of Crime Act (VOCA) grant was \$17,407.

CITY OF PASADENA  
Financial Data Schedule  
June 30, 2006

Line Item #	Account Description	Section 8 Rental Voucher Program
	<u>Assets</u>	
	Current assets:	
111	Cash - unrestricted	\$ 1,171,073
100	Total cash	<u>1,171,073</u>
125	Accounts receivable - miscellaneous	<u>59,632</u>
120	Total receivables, net of allowances for doubtful accounts	<u>59,632</u>
150	Total current assets	<u>1,230,705</u>
	Non-current assets:	
160	Total fixed assets, net of accumulated depreciation	-
171	Notes and mortgages receivable - non-current	-
180	Total non-current assets	-
190	Total assets	<u>\$ 1,230,705</u>
	<u>Liabilities and Fund Balance</u>	
	Current liabilities:	
312	Accounts payable, less than 90 days	\$ 12,191
321	Accrued wage/payroll tax payable	39,968
324	Accrued contingent liability	41,500
331	Accounts payable, HUD PHA programs	
310	Total current liabilities	<u>93,659</u>
	Non-current liabilities:	
353	Noncurrent liabilities - other	-
350	Total non-current liabilities	-
300	Total liabilities	<u>93,659</u>
	Fund balance:	
508	Contributed capital	-
511	Reserved fund balance	-
512	Undesignated fund balance	<u>1,137,046</u>
513	Total fund balance	<u>1,137,046</u>
600	Total liabilities and fund balance	<u>\$ 1,230,705</u>

## Schedule A-1 (Continued)

CITY OF PASADENA  
Financial Data Schedule  
Year ended June 30, 2006

Line Item #	Account Description	Section 8 Rental Voucher Program
	Revenues:	
705	Tenant revenues	\$ -
706	HUD PHA grants	10,919,149
708	Other government grants	16,029
714	Fraud recovery	55,113
720	Investment income - restricted	21,683
700	Total revenues	<u>11,011,974</u>
	Operating Expenditures:	
912	Auditing fees	5,734
916	Other operating - administrative	1,355,712
962	Other general expenses	-
969	Total operating expenditures	<u>1,361,446</u>
970	Excess operating revenues over operating expenditures	<u>9,650,528</u>
	Expenditures:	
973	Housing assistance payments	<u>9,194,520</u>
900	Total expenditures	<u>10,555,966</u>
1000	Excess (deficiency) of operating revenues over (under) expenditures	<u>\$ 456,008</u>

CITY OF PASADENA  
Financial Data Schedule  
June 30, 2006

Line Item #	Account Description	Section 8 Rental Voucher Program
1103	Beginning equity	\$ 688,300
1104	Prior period adjustments, equity transfers and correction of errors	(7,262)
1113	Maximum annual contributions commitment (per ACC)	\$ 10,973,619
1114	Prorata maximum annual contributions applicable to a period of less than twelve months	-
1115	Contingency reserve, ACC program reserve	<u>1,364,340</u>
1116	Total annual contributions available	<u>\$ 12,337,959</u>
1120	Unit months available	15,026
1121	Number of unit months leased	15,026

CITY OF PASADENA

Schedule of Findings and Questioned Costs

Year ended June 30, 2006

(A) Summary of Auditors' Results

1. An unqualified report was issued by the auditors on the financial statements of the auditee.
2. There were no material weaknesses in internal control over financial reporting, nor were there any reportable conditions identified in internal controls as a result of the audit of the financial statements.
3. The audit disclosed no noncompliance which is material to the financial statements of the auditee.
4. There were no material weaknesses or other reportable conditions in internal control over the major programs of the auditee.
5. An unqualified report was issued by the auditors on compliance for the major programs.
6. The audit disclosed no audit findings required by the auditors to be reported under paragraph .510(a) of OMB Circular A-133.
7. The major programs of the auditee were as follows:
  - Department of Housing and Urban Development – Section 8 Rental Voucher Program – CFDA #14.871
  - Department of Labor – Workforce Investment Act – CFDA #17.258, 17.259, 17.260 and 17.267
  - Department of Homeland Security – Pre-Disaster Mitigation Grant – CFDA #97.017
8. The dollar threshold used to distinguish Type A and Type B programs was \$931,722.
9. The auditee was not considered a low risk auditee for the year ended June 30, 2006 for the purposes of determining major programs.

(B) Findings Related to the Financial Statements which are Required to be Reported in Accordance with GAGAS

There were no findings required to be reported in accordance with GAGAS.

CITY OF PASADENA  
Schedule of Findings and Questioned Costs  
(Continued)

(C) Findings and Questioned Costs for Federal Awards as Defined in Paragraph .510(a) of  
OMB Circular A-133

There were no auditors' findings required to be reported in accordance with paragraph .510(a) at OMB Circular A-133.

CITY OF PASADENA  
Summary Schedule of Prior Audit Findings  
Year ended June 30, 2006

There were no prior year audit findings.