

CITY OF PASADENA

Single Audit Report on
Federal Awards

Year ended June 30, 2005

CONRAD AND
ASSOCIATES, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

CITY OF PASADENA
Single Audit Report on Federal Awards
Year ended June 30, 2005

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Honorable Mayor and City Council
City of Pasadena, California

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

We have audited the basic financial statements of the City of Pasadena, California as of and for the year ended June 30, 2005, and have issued our report thereon dated October 5, 2005. 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Pasadena's basic financial statements are free of material misstatements, 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*.

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 we reported the management of the City of Pasadena in a separate letter dated October 5, 2005

Honorable Mayor and City Council
City of Pasadena, California
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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.

Conrad and Associates, L.L.P.

October 5, 2005

Honorable Mayor and City Council
City of Pasadena, California

**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, 2005. 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 have 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, 2005.

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, 2005, and have issued our report thereon dated October 5, 2005. 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.

Coward and Associates, L.L.P.

October 5, 2005

CITY OF PASADENA
Schedule of Expenditures of Federal Awards
Year ended June 30, 2005

	Federal Domestic Assistance <u>Number</u>	Program Identification <u>Number</u>	Program Expenditures	Amount Provided to Subrecipients
<u>Department of Housing and Urban Development</u>				
Direct Assistance:				
Community Development Block Grant Entitlement	14.218	n/a	\$ 2,549,060	1,294,135
Section 108 Loan - Fair Grove Shopping Center	14.218	n/a	<u>296,573</u>	<u>-</u>
Total CDBG Entitlement and Small Cities Grants			2,845,633 *	1,294,135
Section 8 Rental Voucher Program	14.871	CA079VO	10,781,587 *	-
Emergency Shelter Grant Program	14.231	n/a	103,081	103,081
Supportive Housing	14.235	n/a	864,782	864,782
Shelter Plus Care	14.238	n/a	295,121	-
Home-Investment in Affordable Housing	14.239	n/a	<u>1,522,470</u> *	<u>-</u>
Total direct assistance			16,412,674	2,261,998
Passed through Pacific Clinics:				
Supportive Housing	14.235	1020000-301	55,485	-
Passed through the City of Los Angeles:				
Home Opportunities for Persons with AIDS	14.241	C98522	<u>31,479</u>	<u>-</u>
Total Department of Housing and Urban Development			<u>16,499,638</u>	<u>2,261,998</u>
<u>Department of Labor</u>				
Passed through the State of California:				
Workforce Investment Act	17.258	Various	3,138,914	1,556,380
Passed through the County of Los Angeles:				
Workforce Investment Act	17.258	Various	215,517	164,684
Passed through the South Bay WIB:				
Workforce Investment Act - Phoenix Project	17.260	18199-18374	<u>4,724</u>	<u>-</u>
Total Department of Labor			<u>3,359,155</u>	<u>1,721,064</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 <u>Expenditures</u>	Amount Provided to <u>Subrecipients</u>
<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	200561	207,273	-
Centers for disease Control and Prevention - TB Control	93.283	TB CSGF 90-76	40,618	-
Preventive Health & Health Service Block Grant	93.991	Pasadena 62	5,287	-
Child Health Development Program - Foster Care	93.658	n/a	81,145	-
Early Periodic Screening Diagnosis and Treatment - Administrative	93.778	n/a	164,899	-
Medi-Cal Administrative Claiming	93.778	02-02125	267,859	-
Immunization Subvention Funds	93.268	98-15761,99-86354	53,536	-
AIDS Drug Assistance Program - ADAP	93.917	n/a	9,079	-
Passed through the County of Los Angeles:				
Alcohol and Drug Abuse/Mental Health Services Block Grant	93.992	Various	251,042	-
AIDS HIV Early Intervention	93.915	H209212	790,932	-
Total Department of Health and Human Services			1,871,670	-
<u>Department of Justice</u>				
Direct Assistance:				
Asset Forfeiture	16.000	CA1953	126,565	-
Local Law Enforcement Block Grants Program	16.592	Various	192,398	-
Community Oriented Policing Services Grant	16.710	CKWX0021	1,564,730 *	-
Passed through the State of California Department of Criminal Justice and Planning:				
Elder Abuse and Advocacy and Outreach Program	16.575	EA 03067625	90,000	-
Total Department of Justice			1,973,693	-
<u>Department of Treasury:</u>				
Direct Assistance:				
Asset Forfeiture	16.000	CA 1953	85,225	-
Total Department of Treasury			85,225	-

* 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 <u>Expenditures</u>	Amount Provided to <u>Subrecipients</u>
<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	02-25695	637,050	-
Summer Lunch Inspection	10.559	2063	<u>9,006</u>	<u>-</u>
Total Department of Agriculture			<u>646,056</u>	<u>-</u>
<u>Department of Transportation:</u>				
Passed through the California Department of Transportation:				
Highway Planning and Construction	20.205	Various	<u>5,479,210</u>	<u>-</u>
Total Department of Transportation			<u>5,479,210</u>	<u>-</u>
<u>Department of Interior:</u>				
Direct Assistance:				
Water Reclamation and Reuse Program	15.504	03FC350099	<u>30,985</u>	<u>-</u>
Total Department of Interior			<u>30,985</u>	<u>-</u>
<u>Department of Homeland Security:</u>				
Passed through from the California Office of Emergency Services:				
Hazard Mitigation Grant Program	97.039	037-56000	14,484	-
Public Assistance Grant	97.036	037-56000	725,269 *	-
State Homeland Security Grant Program	97.005	037-56000	524,061	-
Urban Areas Security Initiative	97.008	037-56000	<u>221,098</u>	<u>-</u>
Total Department of Homeland Security			<u>1,484,912</u>	<u>-</u>
Total expenditures of federal awards			<u>\$ 31,430,544</u>	<u>3,983,062</u>

* 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, 2005

(1) Summary of Significant Accounting Policies Applicable to the Schedule 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, 2005, the City disbursed \$3,983,062 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 \$4,556,760 at June 30, 2005. 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 \$286,357 at June 30, 2005. 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 \$90,000 are comprised of \$4,870 for personnel services, \$85,130 for operating expenditures and \$0 for equipment.

CITY OF PASADENA
Financial Data Schedule
June 30, 2005

Line Item #	Account Description	Section 8 Rental Voucher Program
	<u>Assets</u>	
	Current assets:	
111	Cash - unrestricted	\$ 702,365
100	Total cash	<u>702,365</u>
122	Accounts receivable - HUD other projects	45,703
125	Accounts receivable - miscellaneous	<u>34,399</u>
120	Total receivables, net of allowances for doubtful accounts	<u>80,102</u>
150	Total current assets	<u>782,467</u>
	Non-current assets:	
160	Total fixed assets, net of accumulated depreciation	-
171	Notes and mortgages receivable - non-current	-
180	Total non-current assets	<u>-</u>
190	Total assets	<u>\$ 782,467</u>
	<u>Liabilities and Fund Balance</u>	
	Current liabilities:	
312	Accounts payable, less than 90 days	\$ 30,512
321	Accrued wage/payroll tax payable	37,493
324	Accrued contingent liability	26,162
331	Accounts payable, HUD PHA programs	-
310	Total current liabilities	<u>94,167</u>
	Non-current liabilities:	
353	Noncurrent liabilities - other	-
350	Total non-current liabilities	<u>-</u>
300	Total liabilities	<u>94,167</u>
	Fund balance:	
508	Contributed capital	-
511	Reserved fund balance	-
512	Undesignated fund balance	<u>688,300</u>
513	Total fund balance	<u>688,300</u>
600	Total liabilities and fund balance	<u>\$ 782,467</u>

Schedule A-1 (Continued)

CITY OF PASADENA
Financial Data Schedule
Year ended June 30, 2005

<u>Line Item #</u>	<u>Account Description</u>	<u>Section 8 Rental Voucher Program</u>
	Revenues:	
705	Tenant revenues	\$ -
706	HUD PHA grants	10,564,369
708	Other government grants	29,498
711	Investment income - unrestricted	-
720	Investment income - restricted	21,269
700	Total revenues	<u>10,615,136</u>
	Operating Expenditures:	
912	Auditing fees	4,840
916	Other operating - administrative	1,281,347
962	Other general expenses	-
969	Total operating expenditures	<u>1,286,187</u>
970	Excess operating revenues over operating expenditures	<u>9,328,949</u>
	Expenditures:	
973	Housing assistance payments	<u>9,495,400</u>
900	Total expenditures	<u>10,781,587</u>
1000	Excess (deficiency) of operating revenues over (under) expenditures	<u>\$ (166,451)</u>

Schedule A-1 (Continued)

CITY OF PASADENA
Financial Data Schedule
June 30, 2005

<u>Line Item #</u>	<u>Account Description</u>	<u>Section 8 Rental Voucher Program</u>
1103	Beginning equity	\$ 731,821
1104	Prior period adjustments, equity transfers and correction of errors	122,930
1113	Maximum annual contributions commitment (per ACC)	\$ 10,538,666
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>\$ 11,903,006</u>
1120	Unit months available	15,194
1121	Number of unit months leased	15,194

CITY OF PASADENA
Schedule of Findings and Questioned Costs
Year ended June 30, 2005

(A) Summary of Auditors' Results

1. An unqualified report was issued by the auditors on the financial statements of the auditee.
2. There were not material weaknesses or reportable conditions in internal control over financial reporting based upon our audit of the financial statements of the auditee.
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 – Community Development Block Grant Entitlement Program – CFDA #14.218
 - Department of Housing and Urban Development – Section 8 Rental Voucher Program – CFDA #14.871
 - Department of Housing and Urban Development – HOME – Investment in Affordable Housing – CFDA #14.239
 - Department of Justice – Community Oriented Policing Services Grant – CFDA #16.710
 - Department of Homeland Security – Public Assistance Grant – CFDA #97.036
8. The dollar threshold used to distinguish Type A and Type B programs was \$942,916.
9. The auditee was not considered a low risk auditee for the year ended June 30, 2005 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, 2005

The following is the status of the audit finding for the year ended June 30, 2004:

2004-1

Under the direction of the California Office of Emergency Services, the City submitted a reimbursement request to the Federal Emergency Management Agency (FEMA) under the Hazard Mitigation Grant (CFDA #83.548). This reimbursement request included a \$4,244,471 prepayment of rent for the alternate location of the City's offices during the renovation of City Hall. The federal portion of the expenditure was 75% or \$3,183,353. FEMA is currently considering the allowability of the reimbursement through federal grant funding.

Resolution

The City received a letter from the U.S. Department of Homeland Security, dated 4/20/05, approving the Statement of Work change for pre-construction activities (including staff relocation). As a result, the relocation costs noted above were determined eligible.