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# CITY OF POMONA

## COUNCIL REPORT

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February 24, 2020

To: Honorable Mayor and Members of the City Council

From: James Makshanoff, City Manager

Submitted by: Andrew Mowbray, Finance Director

**Subject: Approval of Annual Audit Reports for Fiscal Year Ended June 30, 2019**

### **RECOMMENDATION:**

It is recommended that the City Council receives and files the annual audit reports for fiscal year ended June 30, 2019.

### **EXECUTIVE SUMMARY:**

Section 1016 of the City Charter requires that the City Council employ a firm of certified public accountants to prepare an annual audit of all City accounts. In compliance with that provision, the City Council awarded a contract to The Pun Group to perform the audit of fiscal year 2018-19 financial records of the City, Housing Authority, and Financing Authority. Based on the audit, the attached financial reports have been prepared. Once the City Council has received and filed these reports, the Comprehensive Annual Financial Report (CAFR) will be posted on the City's webpage along with the 21 years of history already available for public view.

### **FISCAL IMPACT:**

There is no fiscal impact.

### **PREVIOUS RELATED ACTIONS:**

On July 18, 2016, the City Council approved a contract with The Pun Group to prepare the annual audit for the fiscal years ended June 30, 2017, June 30, 2018 and June 30, 2019.

### **DISCUSSION:**

This report contains the following set of financials for fiscal year 2018-19:

1. The Comprehensive Annual Financial Report (CAFR)
2. Pomona Financing Authority
3. Housing Authority
4. The auditors' letter to the Mayor and City Council regarding the audit

The 'independent auditors' report included in the financial reports indicates the statements are presented fairly, in all material respects, the financial condition of the governmental agencies, the business-type activities, each major fund, and the aggregate remaining fund information of the City, basically a 'clean' opinion.

Because of the elimination of the Redevelopment Agency per ABX1-26, a separate Redevelopment Agency report is no longer issued. Successor Agency transactions are now considered a Trust and Agency fund within the City's financial statements.

Along with the Financial Statements, the auditors issue what is called an Audit Communication Letter. The purpose of this letter is to inform Council of any issues that may have come up during the audit such as difficulties encountered in performing the audit, uncorrected misstatements, disagreements with management and other audit findings or issues.

While the information presented within the reports is quite comprehensive, there are a few funds staff wishes to highlight. As shown on page 32 of the CAFR, the General Fund increased its fund balance by \$4.0 million in 2018-19 resulting in a \$22.0 million fund balance at June 30, 2019.

The City of Pomona's total fiscal year 2018-19 General Fund revenues increased by \$12.1 million (approximately 12.34%) versus prior year actuals including other financing uses and sources. There was increases across almost all revenue categories. All tax related revenue increased by \$6.4 million with property taxes, and sales and use tax making up the majority of the increase. A portion of the increase includes \$2.6 million from the voter approved Measure PG that is described herein. Additionally, there was an increase of \$3.2 million due to the City selling future cell tower lease revenues for a one-time payment.

General Fund expenditures increased by \$8.9 million (approximately 9.16%) versus the prior year actuals including transfers out. The increase is mainly due to increased salary and retirement costs. CalPERS changed its actuarial assumptions in July 2011 resulting in rate increases that took effect in FY 2012. The yearly increases have been significant and will continue for FY 2019-20 and beyond. The City contracts with LA County for Fire Services and the contract continues to increase on an annual basis.

The financials for the City's Enterprise Funds can be found on Page 36. The Water fund accounts for the activities associated with the distribution and transmission of potable water to users. The Water fund had a slight increase in revenues primarily due to increased usage throughout the fiscal year. The Sewer fund accounts for the operation and maintenance of the City's sewer network. The Sewer fund stayed consistent with its performance from the prior year. The Refuse fund accounts for activities associated with refuse collection and curbside collection of recycling materials. When compared to the prior year, revenues increased and management was able to reduce the expenses by approximately \$400k. The Refuse fund ended the year with more revenues than expenditures and resulted in an increase to fund balance.

The City is also suffering a service deficit. The economic downturn in 2009 resulted in a reduction in service due to layoffs and regular attrition for the City. As the fiscal implications of the recession continue to stabilize and the economic outlook improves, it is essential for the City to continue to seek innovative, cost effective measures to restore the functions and levels of service to the community. The City has cut expenditures anywhere possible to maintain the services provided yet

maintain a lean operating budget. In November of 2018, Pomona residents voted 66.50% in favor of a  $\frac{3}{4}$  cent Sales Tax Measure PG. The estimated \$8 to \$12 million increase in annual revenues will vastly help the service deficit and will be a great benefit to the Citizens of Pomona.

The City annually submits its financial report to the Government Finance Officers Association (GFOA) for consideration of its Certificate of Achievement for Excellence in Financial Reporting and has done so again this year. The City has received this recognition for twenty-two years and believes this report continues to conform to GFOA program standards.

**ATTACHMENTS:**

Attachment 1 - Comprehensive Annual Financial Report for year ended June 30, 2019

Attachment 2 - Public Financing Authority Financial Statements for year ended June 30, 2019

Attachment 3 - Housing Authority Financial Statements for the year end June 30, 2019

Attachment 4 - Auditors' letter to Mayor and City Council for year ended June 30, 2019

Prepared by:

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Dustin Andolsen  
Accounting Supervisor