EXHIBIT K

City of Pompano Beach, Florida

Single Audit Reports in Accordance with
OMB Circular A-133 and the Florida Single
Audit Act and Management Letter in Accordance
with the *Rules of the Auditor General* of the
State of Florida
Fiscal Year Ended September 30, 2010

McGladrey

McGladrey & Pullen, LLP
Certified Public Accountants

Table of Contents

City of Pompano Beach, Florida

Schedule of Expenditures of Federal Awards and State Financial Assistance
Fiscal Year Ended September 30, 2010

Federal/State Agency, Pass Through Entity Federal Program/State Project		CFDA CSFA No.	Contractor/ Grant No.	Expenditures	Transfers to Sub recipients
Federal Awards					
U.S. Department of Agriculture:					
Pass through Florida Department of Education					
Summer Food Service Program		10.559	04-0984	$ 13,341	$ -
U.S. Department of Housing and Urban Development:					
Community Development Block Grants – Entitlement Grants Cluster					
Direct assistance:					
Community Development Block Grant		14.218	B-08-MC-12-0026 B-09-MC-12-0026	1,275,458	162,426
Community Development Block Grant NSP (1)		14.218	B-08-MN-12-0024	2,679,657	-
Pass through Florida Department of Community Affairs					
Pass through Broward County					
Community Development Block Grant ARRA Entitlement Grants (CDBG-R)	ARRA	14.253		318,873	-
Total Community Development Block Grants – Entitlement Grants Cluster				4,273,988	162,426
Pass through Florida Department of Community Affairs					
Pass through Broward County					
2005 CDBG Disaster Recovery Initiative/FL DCA		14.228	08DB-D3-11-16-01-A06	69,600	-
Direct assistance:					
Home Investment Partnership Program		14.239	M-07-MC-12-0229 through M-08-MC-12-0229	720,540	117,912
Homelessness Prevention and Rapid Re-Housing Program (HPRP)	ARRA	14.257		165,657	148,485
Total U.S. Department of Housing and Urban Development				5,229,785	428,823
U.S. Department of Energy					
Direct assistance					
Energy Efficiency and Conservation Block Grant Programs	ARRA	81.128	DE-SCOO2703	8,802	-
U.S. Department of Homeland Security, FEMA:					
Pass through Florida Department of Community Affairs					
CERT – Emergency Management programs		97.067	09-CI-49-11-16-02-416	5,914	-
TOTAL EXPENDITURES OF FEDERAL AWARDS				$ 5,257,842	$ 428,823

(Continued)

City of Pompano Beach, Florida

Schedule of Expenditures of Federal Awards and State Financial Assistance (continued)
Fiscal Year Ended September 30, 2010

Federal/State Agency, Pass Through Entity Federal Program/State Project	CFDA CSFA No.	Contractor/ Grant No.	Expenditures	Transfers to Sub recipients
State Financial Assistance				
Florida Department of Environmental Protection	37.039	Ip8967	$ 125,000	$ -
Statewide Surface Water Restoration and Wastewater Projects				
Florida Department of Water Savings Incentive Program	37.066	4600001974	13,377	-
Water Savings Incentive Program				
Florida Housing Finance Corporation				
State Housing Initiative Partnership Program	52.901	SHIP 08,09,10	808,375	-
Florida Department of Transportation:				
Aviation Development Grants	55.004	416245-1-94-01 APG37	159,033	
TOTAL EXPENDITURES OF STATE FINANCIAL ASSISTANCE			$ 1,105,785	$ -

See accompanying notes to schedule of expenditures of federal awards and state financial assistance.

Notes to Schedule of Expenditures of Federal Awards and State Financial Assistance
Fiscal Year Ended September 30, 2010

Note 1. General

The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance (the "Schedule") presents the activity of all federal programs and state projects of the City of Pompano Beach, Florida (the "City") for the year ended September 30, 2010. All federal awards and state financial assistance received directly from federal and state agencies, as well as federal and state awards passed through other government agencies are included in the accompanying Schedule. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the requirements described in the Florida Department of Financial Services' State Projects Compliance Supplement. Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net assets or cash flows of the City. The City's reporting entity is defined in Note 1 of the City's basic financial statements.

Note 2. Basis of Accounting

The accompanying Schedule is presented using the modified accrual basis of accounting for grants which are accounted for in the governmental fund types and on the accrual basis of accounting for grants which are accounted for in the proprietary fund types.

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Independent Auditor's 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 the
City Commission
City of Pompano Beach, 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 Pompano Beach, Florida (the "City") as of and for the year ended September 30, 2010, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 22, 2011. Our report was modified to include a reference to other auditors. 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. Other auditors audited the financial statements of the Pompano Beach Police and Firefighters' Retirement System and the City of Pompano Beach General Employees' Retirement System, as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

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 opinions 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 *deficiency in internal control* exists when the design or operation of a control does ot allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct 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 entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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.

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.*

We noted certain matters that we reported to management of the City in a separate letter dated March 22, 2011.

This report is intended solely for the information and use of the Honorable Mayor, members of the City Commission, management of the City, federal and state awarding agencies, pass-through entities and the Auditor General of the State of Florida, and is not intended to be and should not be used by anyone other than these specified parties.

McGladrey & Pullen, LLP

Fort Lauderdale, Florida
March 22, 2011

McGladrey

Independent Auditor's Report on Compliance With Requirements That Could Have A Direct and Material Effect on Each Major Federal Program and State Project and on Internal Control Over Compliance in Accordance With OMB Circular A-133 and Chapter 10.550, *Rules of the Auditor General*

To the Honorable Mayor and Members of the
City Commission
City of Pompano Beach, Florida

Compliance

We have audited the City of Pompano Beach, Florida's (the "City") compliance 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 Department of Financial Services' *State Projects Compliance Supplement*, that could have a direct and material effect on the City's major federal programs and state projects for the year ended September 30, 2010. The City's major federal programs and state 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 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; 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 or state 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 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 and state projects for the year ended September 30, 2010. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and Chapter 10.550, *Rules of the Auditor General* and which are described in the accompanying schedule of findings and questioned costs as items 2010-1, 2010-2, and 2010-3.

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 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 project 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 A133 and the requirements described in the Florida Department of Financial Services' State Projects Compliance Supplement, 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.

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 or state project on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program or state project will not be prevented, or detected and corrected, on a timely basis.

Our consideration of 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 deficiencies, 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. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as items 2010-1 and 2010-2. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program or state project that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

The City's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the City's response and, accordingly, we express no opinion on it.

Schedule of Expenditures of Federal Awards and State Financial Assistance

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 as of and for the year ended September 30, 2010, and have issued our report thereon dated March 22, 2011. Our report was modified to include a reference to other auditors. Our audit, and the audit of other auditors were 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 and state financial assistance is presented for purposes of additional analysis as required by OMB Circular A-133 and Chapter 10.550, *Rules of the Auditor General*, 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 a whole.

This report is intended solely for the information and use of the Honorable Mayor, the members of the City Commission, management of the City, federal and state awarding agencies and pass-through entities and the Auditor General of the State of Florida, and is not intended to be and should not be used by anyone other than these specified parties.

McGladrey & Pullen, LLP

Fort Lauderdale, Florida
March 22, 2011

The City of Pompano Beach, Florida

Schedule of Findings and Questioned Costs
Fiscal Year Ended September 30, 2010

I - Summary of Independent Auditor's Results

Financial Statements

Type of auditor's report issued:		Unqualified
Internal control over financial reporting:		
Material weakness(es) identified?	_____ Yes	X No
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	_____ Yes	X None Reported
Noncompliance material to financial statements noted?	_____ Yes	X No

Federal Awards

Internal control over major programs:		
Material weakness(es) identified?	_____ Yes	X No
Significant deficiency(ies) identified not considered to be material weakness(es)?	X Yes	_____ None Reported
Type of auditor's report issued on compliance for major programs:		Unqualified
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?	X Yes	_____ No

Identification of major programs:

The programs tested as major were as follows:

CFDA Number(s)	Name of Federal Program or Cluster
14.218	Community Development Block Grant
14.253	Community Development Block Grant - Recovery (ARRA)
14.257	Homeless Prevention and Rapid Re-Housing Program (ARRA)

Dollar threshold used to distinguish between type A and type B programs:	$	300,000
Auditee qualified as low-risk auditee?	_____ Yes	X No

(Continued)

Schedule of Findings and Questioned Costs (Continued)
Fiscal Year Ended September 30, 2010

State Financial Assistance

Internal control over major projects:		
Material weakness(es) identified?	____ Yes	X No
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	X Yes	____ None Reported
Type of auditor's report issued on compliance for major projects:	Unqualified	
Any audit findings disclosed that are required to be reported in accordance with Chapter 10.550, *Rules of the Auditor General*	X Yes	____ No

Identification of major projects:

The projects tested as major were as follows:

CFSA Number(s)	Name of State Financial Assistance Project
52.901	State Housing Initiatives Partnership ("SHIP")

Dollar threshold used to distinguish between type A and type B projects: $ 300,000

II – Financial Statements Findings

None reported.

III –Federal Awards and State Financial Assistance Findings and Questioned Costs

2010-1

Allowable Costs
U.S. Department of Housing and Urban Development
Community Development Block Grant – CFDA 14.218
Community Development Block Grant Recovery (ARRA) – CFDA 14.253
Homeless Prevention and Rapid Re-Housing Program (ARRA) – CFDA 14.257

Criteria: Per the OMB Circular A-87, recipients charging payroll to Federal Grants states that, "Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi annually and will be signed by the employee or supervisory official having firsthand knowledge of the work performed by the employee.

In addition, the OMB Circular A-87 states that where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports. Personnel activity reports or equivalent documentation must meet the following standards: (a) they must reflect an after the fact distribution of the actual activity of each employee, (b) they must account for the total activity for which each employee is compensated, (c) they must be prepared at least monthly and must coincide with one or more pay periods, and (d) they must be signed by the employee.

Condition: We noted that the City did not require employee's who worked solely on one Federal Grant Award to complete signed semi-annual "period of certification" forms stating they work only on one grant during that semi-annual period which is required by the OMB Circular A-87. In addition, it was noted that the City does not maintain Personnel Activity Report's (PAR) which reflects the distribution of hourly activity performed in whole or in part to the various Federal Grant Award's which is also required by the OMB Circular A-87.

Questioned costs: Based upon the lack of appropriate documentation noted above, the entire payroll costs ($247,958) charged to the programs has been questioned.

Context: Administrative oversight.

Effect: The possible effect of not properly accounting for each employee's actual activity and hourly distribution could result in overcharging a Federal Grant Award for payroll cost which were not actually incurred on the applicable Federal Grant Award.

Cause: The City's failure of internal controls and lack of appropriate review and approval.

Recommendation: We recommend that the City review the OMB Circular A-87 that states recipients charging payroll costs to Federal Grants should ensure that employees who are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages should be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi annually and will be signed by the employee or supervisory official having firsthand knowledge of the work performed by the employee. The City should also ensure that employees who are expected to work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports. Personnel activity reports or equivalent documentation must meet the following standards: (a) they must reflect an after the fact distribution of the actual activity of each employee, (b) they must account for the total activity for which each employee is compensated, (c) they must be prepared at least monthly and must coincide with one or more pay periods, and (d) they must be signed by the employee.

Views of responsible officials and planned corrective actions: Management agrees with this recommendation. The City's staff is aware of OMB Circular A-87 allowable cost requirement. As clearly stated in the recommendation above the Department has already implemented the proper Personnel Activity Reports for fiscal year 2011 and will prepare semiannual certifications which will be signed by the employee or supervisory official having firsthand knowledge of the work performed by the employee.

2010-2

Eligibility
Florida Housing Finance Corporation
State Housing Initiatives Partnership Program (SHIP) – CSFA 52.901

Criteria: Per part 5 of the State Compliance Supplement, an entity should establish control activities to ensure the calculation of eligibility amount are consistent with program requirements. The funding years 07-08 and 08-09 LHAP for rehab indicated that participants for this program should only receive up to $40,000.

Condition: We noted that 5 participants, paid with funds from fiscal year 2007-2008 and 2008-2009 funding years received benefits in excess of the stated maximum amount of benefits to be received for the SHIP rehabilitation program.

Questioned Costs: $78,429

Context: Administrative oversight.

Effect: The City's Office of Housing and Urban Improvement (OHUI) appears to have over awarded SHIP rehabilitation participants approximately $78,429 during the period under audit.

Cause: For funding year 09-10, the maximum amount of benefits for the rehabilitation program, per participant, was increased from $40,000 to $60,000. It appears the OHUI staff made an administrative oversight when determining the amount of funds to award the participant.

Recommendation: We recommend the OHUI enhance its procedures over eligibility determination to include indication of which funding year the participant will be paid out of and what the maximum amount of funding is allowed based upon the identified funding year.

Views of responsible officials and planned corrective actions: Management agrees with this finding. The prior Director advised staff to increase the maximum client spending limits pending the submission of an amended LHAP to the City Commission. OHUI staff amended the spending limits, but no amended LHAP was submitted to the City Commission. OHUI will be submitting a revised LHAP for the period in question at the second City Commission meeting in March 2011.

2010-3

Reporting
Florida Housing Finance Corporation
State Housing Initiatives Partnership Program - CSFA 52.901

Criteria: Reports filed with the state should be supported by accounting records and/or performance data.

Condition: We noted the amounts reported in the SHIP annual report did not agree with the financial records.

Questioned costs: Not applicable.

Context: Administrative oversight.

Effect: The amount of expenditures indicated on the annual report was $25,000 higher than the amount of expenditures in the accounting records for the project.

Cause: A participant payment of $25,000 was noted in the annual report twice, once as first time home buyers and a second time as purchase assistance.

Recommendation: We recommend the City follow its established policies and procedures over the review of grant reports being filed with the granting agencies.

Views of responsible officials and planned corrective actions: Management agrees with this finding. The Annual Performance Report was reconciled by the Finance Department to the general ledger and submitted to the State. During a preliminary review of the 2010 Annual Performance Report with Florida Housing Finance Corporation, it was brought to OHUI's attention that expenses could be reassigned from one SHIP distribution to another. The exercise of reassigning expenses from one SHIP distribution/award period to another is not uncommon and is typically used to achieve compliance with an expenditure or encumbrance deadline. Although the original report was reconciled to the City's general ledger, an error was made during the resubmission of this report while reassigning expenses from SHIP distribution FY2008-2009 to the FY 2007-2008 distribution. This error resulted in the finding above. OHUI staff will correct this error by removing the duplicated expense and filing the 2011 Annual Performance Report due September 15, 2011. In addition to reviewing the original submission, Finance staff will review any subsequent revisions to all SHIP annual reports to ensure it reconciles with the City's general ledger.

City of Pompano Beach, Florida

Summary Schedule of Prior Year's Audit Findings
Fiscal Year Ended September 30, 2010

2009-1 – Subrecipient Monitoring
U.S. Department of Housing and Urban Development (HUD)
Community Development Block Grant (CFDA 14.218)

Audit Finding: It was noted the City did not have a formalized policy or practice of recording documentation of the review of the subrecipient's single audit reports. We also noted the City did not have supporting records of the subrecipient's award agreements that would allow management to determine whether the subrecipient award is in compliance.

Corrective Action Taken: Corrective action taken.

2009-2 – Eligibility
Florida Housing Finance Corporation
State Housing Initiatives Partnership Program (CSFA 52.901)

Audit Finding: The program administrators were unable to provide participant file information in order to demonstrate compliance with the eligibility requirements.

Corrective Action Taken: Corrective action was taken.

2009-3 – Annual Reporting to the State
Florida Housing Finance Corporation
State Housing Initiatives Partnership Program (CSFA 52.901)

Audit Finding: We noted that the activity report filed with the State for the period ended June 30, 2009, was not in agreement with the City's accounting records.

Corrective Action Taken: Corrective action was taken.

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Management Letter Required By
Chapter 10.550 of the Rules of the
Auditor General of the State of Florida

To the Honorable Mayor and Members of the
City Commission
City of Pompano Beach, 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 Pompano Beach, Florida (the "City") as of and for the fiscal year ended September 30, 2010 and have issued our report thereon dated March 22, 2011. Our report was modified to include a reference to other auditors.

We conducted our audit 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*. We have issued our Independent Auditor's 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*, and Independent Auditor's Report on Compliance with Requirements Applicable to each Major Federal Program and State Project and on Internal Control over Compliance, and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule which are dated March 22, 2011, 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*, which governs the conduct of local governmental entity audits performed in the State of Florida. This letter includes the following information which is not in the aforementioned auditor's reports or schedule:

Section 10.554(1)(i) 1., *Rules of the Auditor General*, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Except as noted in Appendix B herein and in the accompanying schedule of findings and questioned costs, corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report.

Section 10.554(1)(i)2., *Rules of the Auditor General*, requires our audit to include a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the City complied with Section 218.415, Florida Statutes, relating to local government investment policies.

Section 10.554(1)(i)3., *Rules of the Auditor General*, requires that we address in the management letter any recommendations to improve financial management, accounting procedures, and internal controls. In connection with our audit, we did not have any such recommendations.

Section 10.554(1)(i)4., *Rules of the Auditor General*, requires that we address violations of laws, regulations, contracts or grant agreements, or abuse, that have an effect on the financial statements that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.

Section 10.554(1)(i)5., *Rules of the Auditor General*, provides that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect on financial statements, considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements or fraud, illegal acts or abuse and (2) control deficiencies that are not significant deficiencies. In connection with our audit, we did not have any such findings.

Section 10.554(1)(i)6., *Rules of the Auditor General*, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. This information is disclosed in Note 1 of the City's financial statements.

Section 10.554(1)(i)7.a., *Rules of the Auditor General*, requires a statement be included as to whether or not the local governmental entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the City did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Section 10.554(1)(i)7.b., *Rules of the Auditor General*, requires that we determine whether the annual financial report for the City for the fiscal year ended September 30, 2010 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 fiscal year ended September 30, 2010. In connection with our audit, we determined that these two reports were in agreement.

Pursuant to Sections 10.554(1)(i)7.c. and 10.556(7), *Rules of the Auditor General*, we applied financial condition assessment procedures. 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 same.

This report is intended solely for the information and use of the Honorable Mayor, members of the City Commission, management of the City, federal and state awarding agencies, pass-through entities and the State of Florida Office of the Auditor General, and is not intended to be and should not be used by anyone other than those specified parties.

McGladrey & Pullen, LLP

Fort Lauderdale, Florida
March 22, 2011

City of Pompano Beach, Florida

Appendix A –Current Year's Recommendations to Improve Financial Management, Accounting Procedures and Internal Controls
Fiscal Year Ended September 30, 2010

None Noted

Appendix B – Status of Prior Year's Recommendations to Improve Financial Management, Accounting Procedures and Internal Controls
Fiscal Year Ended September 30, 2010

ML 2009-01 – Observation and inspection of policies disclosed that IT Policies and Procedures do not include Physical Security regarding data center and facilities.

Current Year's Status: Corrective action was taken.

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