



CITY OF PASADENA, CALIFORNIA  
SAFE, CLEAN WATER PROGRAM  
FOR THE THREE YEAR PERIOD ENDING JUNE 30, 2023 FINANCIAL STATEMENTS

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on YOU



CITY OF PASADENA, CALIFORNIA

SAFE, CLEAN WATER PROGRAM

Financial Statements

For the Three Year Period Ending June 30, 2023

CITY OF PASADENA, CALIFORNIA

SAFE, CLEAN WATER PROGRAM

Financial Statements

For the Three Year Period Ending June 30, 2023

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## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Audit of the Financial Statements

#### *Opinions*

We have audited the accompanying financial statements of the Measure W Fund, a special revenue fund, which reports the Safe, Clean Water Program ("SCW Program") of the City of Pasadena, California (the "City"), as of and for the three-year period ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the SCW Program's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the SCW Program of the City, as of June 30, 2023, and the changes in financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinions*

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### *Emphasis of Matter*

As discussed in Note 1, the financial statements of the SCW Program are intended to present the financial position and the changes in financial position of only that portion of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City that is attributable to the transactions of the SCW Program. They do not purport to, and do not, present fairly the financial position of the City, as of June 30, 2023, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

#### *Responsibilities of Management for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.



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

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.



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

***Summarized Comparative Information***

The financial statements of the City for the year ended June 30, 2022 and June 30, 2021, were audited by another auditor, who expressed an unmodified opinion on those financial statements in their reports dated March 17, 2023 and January 19, 2022, respectively. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022 and June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2023, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters, including compliance with Los Angeles County Flood Control District Code Chapter Sections 16.05 and 18.05 through 18.07. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

*Lance, Soll & Lughard, LLP*

Brea, California  
December 28, 2023

CITY OF PASADENA, CALIFORNIA  
SAFE, CLEAN WATER PROGRAM  
Balance Sheet  
As of June 30,

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	<u>2023</u>	<u>2022</u>	<u>2021</u>
<b>ASSETS</b>			
Cash and investments	\$ 2,105,660	\$ 537,442	\$ -
Accounts Receivable	-	-	1,536,502
<b>Total assets</b>	<u><u>\$ 2,105,660</u></u>	<u><u>\$ 537,442</u></u>	<u><u>\$ 1,536,502</u></u>
<b>LIABILITIES AND FUND BALANCE</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 28,223	\$ -	\$ -
<b>Total liabilities</b>	<u>28,223</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCE</b>			
Restricted:			
Public works	2,126,469	537,442	1,536,502
<b>Total fund balance</b>	<u>2,126,469</u>	<u>537,442</u>	<u>1,536,502</u>
<b>Total liabilities and fund balance</b>	<u><u>\$ 2,154,692</u></u>	<u><u>\$ 537,442</u></u>	<u><u>\$ 1,536,502</u></u>

CITY OF PASADENA, CALIFORNIA  
SAFE, CLEAN WATER PROGRAM  
Statement of Revenues, Expenditures, and Changes in Fund Balance  
For the Year Ended June 30,

	<u>2023</u>	<u>2022</u>	<u>2021</u>
<b>REVENUES</b>			
Intergovernmental	\$ 3,099,753	\$ -	\$ 1,536,502
<b>Total revenues</b>	<u>3,099,753</u>	<u>-</u>	<u>1,536,502</u>
<b>EXPENDITURES</b>			
Current:			
Public works	584,636	999,060	-
<b>Total expenditures</b>	<u>584,636</u>	<u>999,060</u>	<u>-</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>2,515,117</u>	<u>(999,060)</u>	<u>1,536,502</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers out	(926,090)	-	-
<b>Total other financing sources (uses)</b>	<u>(926,090)</u>	<u>-</u>	<u>-</u>
<b>Net change in fund balance</b>	<b>1,589,027</b>	<b>(999,060)</b>	<b>1,536,502</b>
Fund balance, beginning	537,442	1,536,502	-
<b>Fund balance - ending</b>	<u><u>\$ 2,126,469</u></u>	<u><u>\$ 537,442</u></u>	<u><u>\$ 1,536,502</u></u>



**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Measure W special revenue fund (the "Fund"), which reports the Safe, Clean Water Program ("SCW Program") of the City of Pasadena (the "City") conform to accounting principles generally accepted in the United States of America as applicable to governments. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting principles. These financial statements present only the financial position of the Fund and do not present nor purport to present the financial position of the City as a whole. The following is a summary of the significant policies.

**A. Reporting Entity**

The Fund was set up to administer resources received from the Los Angeles County Flood Control District (the District) pursuant to the SCW Program. The purpose of the SCW program is to fund projects and programs to increase stormwater and urban runoff capture and reduce stormwater and urban runoff pollution in the District. Forty percent (40%) of the annual SCW Program tax revenues is allocated to Municipalities within the District, in the same proportion as the amount of revenues collected within each Municipality, and is expended by these cities within their respective jurisdictions for the implementation, operation and maintenance, and administration of projects and programs, in accordance with the criteria and procedures established in Chapters 16 and 18 of the Los Angeles County Flood Control District Code.

**B. Measurement Focus, Basis of Presentation, And Financial Statement Presentation**

The Fund Financial Statements include a Balance Sheet and a Statement of Revenues, Expenditures, and Changes in Fund Balance.

The Fund is accounted for on a spending or *current financial resources* measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual are recognized when due. The primary sources susceptible to accrual are property tax, sales tax, transient occupancy tax, investment income, and grant revenues. Generally, revenues are subject to accrual if anticipated to be received within 180 days after year-end. The exception to this general rule is that property taxes are subject to accrual if received within 60 days after year-end.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred.

**C. Stewardship, Compliance, and Accountability**

The legal level of budgetary control is at the fund level. For the year ended June 30, 2023, there were no violations of expenditures over appropriations.

**D. Investments and Interest Income on Investments**

Cash and investments of the City are managed on a pooled basis, and the Fund's share in this pool is displayed in the accompanying financial statements as cash and investments. Investment income from the pool is allocated quarterly to the Fund based on its average cash balance in relation to the pool's total balance. The primary components of investment earnings are interest earnings and distributions, unrealized gains or losses from changes in fair value, and realized gains or losses from the liquidation or sale of investments. All pooled investments are controlled by an investment policy that is adopted by the City Council and further controlled by State legislation.

**CITY OF PASADENA, CALIFORNIA  
SAFE, CLEAN WATER PROGRAM  
Notes to the Basic Financial Statements  
For the Three Year Period Ending June 30, 2023**

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**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**E. Fund Balance**

In the governmental fund financial statements, fund balance is made up of the following categories:

- **Restricted** fund balance includes amounts that can be spent only for specific purposes imposed by creditors, grantors, contributors, or laws or regulations of other governments or through enabling legislation.

When expenditures are incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) fund balances are available, the City's policy is to consider restricted fund balance to have been depleted before using any components of unrestricted fund balance. Further, when expenditures are incurred for purposes for which committed, assigned, or unassigned fund balances are available, the City's policy is to first deplete committed fund balance, then assigned fund balance, and finally unassigned fund balance.

**NOTE 2: CASH AND INVESTMENTS**

The Fund participates in the City's pooled cash and investments (the pool). Information relating to the City's cash and investments can be found in the City's financial statements.

**NOTE 3: SUBSEQUENT EVENTS**

The City evaluated subsequent events for recognition and disclosure through March 31, 2024, the date on which these financial statements were available to be issued. Management concluded that no material subsequent events have occurred since June 30, 2023, that required recognition or disclosure in these financial statements.

CITY OF PASADENA, CALIFORNIA  
SAFE, CLEAN WATER PROGRAM  
Budgetary Comparison Schedule  
For the Year Ended June 30, 2023

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	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Intergovernmental	\$ -	\$ -	\$ 3,099,753	\$ 3,099,753
<b>Total revenues</b>	<b>-</b>	<b>-</b>	<b>3,099,753</b>	<b>3,099,753</b>
<b>EXPENDITURES</b>				
Current:				
Public works	1,650,000	630,000	584,636	45,364
<b>Total expenditures</b>	<b>1,650,000</b>	<b>630,000</b>	<b>584,636</b>	<b>45,364</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>\$ (1,650,000)</b>	<b>\$ (630,000)</b>	<b>2,515,117</b>	<b>\$ 3,054,389</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	-	(700,000)	(926,090)	(226,090)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>(700,000)</b>	<b>(926,090)</b>	<b>(226,090)</b>
<b>Net change in fund balance</b>	<b>\$ (1,650,000)</b>	<b>\$ (1,330,000)</b>	<b>1,589,027</b>	<b>\$ 2,828,299</b>
Fund balance - beginning			537,442	
<b>Fund balance - ending</b>			<b>\$ 2,126,469</b>	

CITY OF PASADENA, CALIFORNIA  
 SAFE, CLEAN WATER PROGRAM  
 Budgetary Comparison Schedule  
 For the Year Ended June 30, 2022

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	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
<b>Total revenues</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>EXPENDITURES</b>				
Current:				
Public works	3,120,000	355,000	999,060	(644,060)
<b>Total expenditures</b>	<u>3,120,000</u>	<u>355,000</u>	<u>999,060</u>	<u>(644,060)</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>\$ (3,120,000)</u>	<u>\$ (355,000)</u>	<u>(999,060)</u>	<u>\$ (644,060)</u>
Fund balance - beginning			1,536,502	
<b>Fund balance - ending</b>			<u>\$ 537,442</u>	

CITY OF PASADENA, CALIFORNIA  
 SAFE, CLEAN WATER PROGRAM  
 Budgetary Comparison Schedule  
 For the Year Ended June 30, 2021

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	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Intergovernmental	\$ -	\$ -	\$ 1,536,502	\$ 1,536,502
<b>Total revenues</b>	<u>-</u>	<u>-</u>	<u>1,536,502</u>	<u>1,536,502</u>
<b>EXPENDITURES</b>				
Current:				
Public works	3,120,000	3,120,000	-	3,120,000
<b>Total expenditures</b>	<u>3,120,000</u>	<u>3,120,000</u>	<u>-</u>	<u>3,120,000</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>\$ (3,120,000)</u>	<u>\$ (3,120,000)</u>	<u>1,536,502</u>	<u>\$ 4,656,502</u>
Fund balance - beginning			-	
<b>Fund balance - ending</b>			<u>\$ 1,536,502</u>	



## INDEPENDENT AUDITORS' REPORT ON COMPLIANCE

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

### Opinion

We have audited City of Pasadena, California (the "City")'s compliance with the compliance requirements identified as subject to audit in Los Angeles County Flood Control District Code Chapter Sections 16.05 and 18.05 through 18.07 that could have a direct and material effect on the City's Safe, Clean Water Program ("SCW Program") for the three-year period ended June 30, 2023.

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 the SCW Program for the year ended June 30, 2023.

### Basis for Opinion

We conducted our audit of compliance 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the SCW Program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

### Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the City's SCW Program.

### Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about City's compliance with the requirements of the SCW Program as a whole.



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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

#### **Other Matters**

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported and which are described in the accompanying schedule of findings and questioned costs as items 2023-001, 2023-002 and 2023-003. Our opinion on the SCW Program is not modified with respect to these matters.

*Government Auditing Standards* requires the auditor to perform limited procedures on the City's response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

A handwritten signature in cursive script that reads "Lance, Soll &amp; Loughard, LLP".

Brea, California  
April 1, 2024



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 the City Council  
City of Pasadena, California

We have audited, in accordance with the 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, the financial statements of the Safe, Clean Water Program ("SCW Program") of the City of Pasadena, California (the "City"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the SCW Program's basic financial statements, and have issued our report thereon dated April 1, 2024.

### Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over SCW Program's financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* 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 and correct, misstatements, on a timely basis. A *material weakness* is a deficiency, or a 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses or significant deficiencies.

### Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the SCW Program's financial statements are free from 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 financial statements, including Los Angeles County Flood Control District Code Chapter Sections 16.05 and 18.05 through 18.07. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2023-001, 2023-002, and 2023-003.





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

### **City of Pasadena's Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on the City's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

### **Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Lance, Soll &amp; Loughard, LLP".

Brea, California  
April 1, 2024



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

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**Reference Number**

2023-001

**Evaluation of Finding**

Non-Compliance - Reporting

**Condition**

The City submitted the annual progress/expenditure reports beyond the six-month requirement.

**Criteria**

Program regulations under B-26 require the City to submit annual progress/expenditure reports within six months following the end of the fiscal year to the District.

**Cause of Condition**

The City submitted the FY21-22 and FY22-23 annual reports beyond the six-month requirement. The FY21-22 report was submitted August 7, 2023, and the FY22-23 report was submitted March 6, 2024.

**Effect or Potential Effect of Condition**

Measure W – Safe Clean Water Program is new funding for the City. The City has been implementing new processes and procedures to ensure all requirements are met, however the reconciliation and tracking of activity as well as requirements are new. Due to insufficient staff, information and invoices for services being provided in a timely manner, the City submitted the reports late.

**Recommendation**

We recommend the City implement procedures at year-end to ensure timely submissions for all reporting requirements.

**Management Response**

Management agrees with the recommendation. Due to this being new funding and new procedures the City does not expect this to be an issue in future years. The City will be able to reconcile information through the tracking under fund 243 and through a new administrator position. This will result in timely submission of the annual reports.



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

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

### **Reference Number**

2023-002

### **Evaluation of Finding**

Non-Compliance – Interest Allocation

### **Condition**

The City did not have internal controls to properly set up the fund into the pooled cash for interest allocation and did not allocate interest from the City's pooled cash and investments accounts to the Program.

### **Criteria**

Program regulations under Section 16.13 require the City to hold the Program funds under a separate interest-bearing account not be combined with other funds. Interest earned from each account shall be used by the account holder only for eligible expenditures consistent with the requirements of the Program.

### **Cause of Condition**

The City calculated and recorded their interest allocation journal entries independently of the compliance requirements and through the financial closing process. Program regulations under Section 16.13 were not communicated to the City's finance personnel prior to the calculations being recorded.

### **Effect or Potential Effect of Condition**

Measure W – Safe Clean Water Program is new funding for the City. The City has been implementing new processes and procedures to ensure all requirements are met, however the reconciliation and tracking of activity as well as requirements are new. Due to insufficient information, the City finance department unknowingly omitted the interest allocation to the SCW Program Fund within the City's general ledger.

### **Recommendation**

We recommend the City implement procedures to ensure interest is properly allocated to all SCW Program Funds within the City's general ledger.

### **Management Response**

Management agrees with the recommendation. Due to this being new funding and new procedures the City does not expect this to be an issue in future years. The Public Works department has communicated Program requirements to the City's finance department to alleviate this issue in subsequent fiscal years.



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

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

### **Reference Number**

2023-003

### **Evaluation of Finding**

Non-Compliance – Program Implementation

### **Condition**

The City did not attain the required threshold of at least 70% of SCW Program expenditures to be expended on eligible Projects and Programs implemented on or after November 6, 2018 during FY21-22 and FY22-23. The City obtained 65% on both years and calculation was monitored and will be adjusted moving forward.

### **Criteria**

Program regulations under Section 18.06 require that at least 70% of Program funds be spent annually on eligible expenses related to Projects or Programs implemented on or after November 6, 2018.

### **Cause of Condition**

Due to new Program costs and activities, costs were not fully implemented as anticipated during FY21-22 and FY22-23.

### **Effect or Potential Effect of Condition**

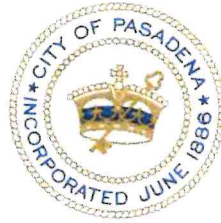
Measure W – Safe Clean Water Program is new funding for the City. The City has been implementing new processes and procedures to ensure all requirements are met, however the reconciliation and tracking of activity as well as requirements are new. Due to new implementation of new projects and programs, costs were not incurred as anticipated resulting in the failure to attain the aforementioned 70% expenditure threshold.

### **Recommendation**

We recommend the City implement procedures to track Program expenditures throughout the year and monitor against projected budgets to ensure funds are in line with developments and within required ratios of the Program.

### **Management Response**

Management agrees with the recommendation. Due to this being new funding and new procedures the City does not expect this to be an issue in future years. The City had delays in development and now has a new Stormwater Program Administrator position to monitor activity and ensure the ratios are being maintained in subsequent fiscal years.



## CORRECTIVE ACTION PLAN

**Reference Number:** 2023-001

**Name of Contact Person:** Dawn Petschauer (Stormwater Program Administrator)

**Corrective Action:** The City has implemented new monitoring and tracking procedures as well as established a new Stormwater Program Administrator position to ensure all compliance requirements are met with timely submissions of annual reports.

**Proposed Completion Date:** June 30, 2024

**Reference Number:** 2023-002

**Name of Contact Person:** Dawn Petschauer (Stormwater Program Administrator)

**Corrective Action:** The City has implemented new monitoring and tracking procedures as well as established a new Stormwater Program Administrator position to ensure all compliance requirements are met with proper interest allocation to all SCW Program activity within the City's general ledger.

**Proposed Completion Date:** June 30, 2024

**Reference Number:** 2023-003

**Name of Contact Person:** Dawn Petschauer (Stormwater Program Administrator)

**Corrective Action:** The City has implemented new monitoring and tracking procedures as well as established a new Stormwater Program Administrator position to ensure all compliance requirements are met with proper adherence to the required threshold of annual expenditures required to be expended on eligible Projects and Programs implemented on or after November 6, 2018.

**Proposed Completion Date:** June 30, 2024