



Mayer Hoffman McCann P.C.

An Independent CPA Firm

Conrad Government Services Division

2301 Dupont Drive, Suite 200

Irvine, California 92612

949-474-2020 ph

949-263-5520 fx

www.mhm-pc.com

The Honorable Mayor and City Council
City of Pasadena
Pasadena, California

Independent Accountant's Report on Agreed-Upon Procedures Applied to Employee
Deductions for the Internal Revenue Code Section 457 Deferred Compensation Program

We have applied the procedures enumerated below to employee deductions for the internal revenue code section 457 deferred compensation program for the year ended June 30, 2006. This engagement to apply agreed-upon procedures was performed in accordance with the standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the specified users of the report. Consequently, we make no representations regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures performed and the results of those procedures were as follows:

1. We selected four pay periods during the fiscal year ended June 30, 2006 and traced the amounts withheld for the deferred compensation provider (Hartford) from the payroll report to the amount recorded in the benefits fund liability account payable to the provider.

Results: We noted immaterial differences between the benefits withheld on the deferred compensation payroll reports and the amounts recorded in the liability account. The variances were due to timing differences between the date payroll reports are generated and the date accounts payable is recorded.

2. We agreed the amount withheld for the four pay periods selected to the payments made to the provider.

Results: We noted that the amounts paid to the provider were equal to the amounts reported on the deferred compensation payroll reports. However, the amounts paid to the provider were different than the amounts recorded as differences between the date payroll reports are generated and the date accounts payable is recorded.

3. Internal Revenue Code Section 457 requires investment of employee contributions within fifteen days following the close of the month that included the pay date. We reviewed the four payments selected to determine if they were made within the required timeline:

Results: No exceptions were noted as a result of our procedures.

The Honorable Mayor and City Council
Page Two

We were not engaged to, and did not perform an audit, the objective of which would be the expression of an opinion on the items referred to above. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of City Council and management of the City of Pasadena and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes.

Mayor Hoffman McClann P.C.

Irvine, California
September 28, 2006