



To the Honorable City Council  
of the City of Pasadena  
Pasadena, California

We have audited the financial statements of the governmental activities, business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Pasadena, California (the City), for the year ended June 30, 2020. Professional standards require that we provide you with information about our responsibilities under auditing standards generally accepted in the United States of America and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter dated June 22, 2020 and our letter on planning matters dated July 15, 2020. Professional standards also require that we communicate to you the following information related to our audit.

## **Significant Audit Findings**

### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during fiscal year ended 2020. We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The most sensitive estimates affecting the City's financial statements were as follows:

- a. The annual required contributions, pension expense, net pension liability and corresponding deferred outflows of resources and deferred inflows of resources for the City's public defined benefit pension plans with CalPERS are based on actuarial valuations provided by CalPERS.

## Significant Audit Findings (Continued)

### *Qualitative Aspects of Accounting Practices (Continued)*

- b. The annual required contributions, pension expense, net pension liability and corresponding deferred outflows of resources and deferred inflows of resources for the Fire and Police Retirement System Plan are based on actuarial valuations provided by a third-party consultant.
- c. The actuarially determined contribution, OPEB expense, net OPEB liability, and corresponding deferred outflows of resources and deferred inflows of resources for the City's OPEB plan are based on actuarial valuations provided by a third-party consultant.
- d. Management's estimate of the claims payable liabilities related to workers' compensation claims are based on internal data and/or reports prepared by third-party claims administrators and general liability are based on City Attorney's Office reports.

We evaluated the key factors and assumptions used to develop these estimates in determining that they were reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were reported in Note 18 regarding CalPERS and the Fire and Police Retirement System defined benefit pension plans, Note 19 regarding the City's other post-employment benefit plan, Note 16 regarding claims payable, and Note 21 regarding restatement of net position and fund balance.

The financial statement disclosures are neutral, consistent, and clear.

### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. The attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. As a result of our audit-related work, the following material misstatements were corrected by management:

- Adjustments to estimated claims payable
- Adjustment to construction in progress for business-type activities and the Light and Power enterprise fund

## **Significant Audit Findings (Continued)**

### *Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated February 8, 2021.

### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the City's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### *Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### *Audits of Group Financial Statements*

We noted no matters related to the group audit of the Fire and Police Retirement System Fiduciary Pension Trust Fund that we consider to be significant to the responsibilities of those charged with governance of the group.

### *Quality of Component Auditors' Work*

There were no instances in which our evaluation of the work of a component auditor gave rise to a concern about the quality of those auditors' work.

### *Limitations on the Group Audit*

There were no restrictions on our access to information of components or other limitations on the group audit.

## **Other Matters**

We applied certain limited procedures to management's discussion and analysis, the budgetary comparison schedules - general and major special revenue funds, the schedules of changes in net pension liability and related ratios, and the schedules of contributions for the City's defined benefit pension plans, the schedule of changes in the net other post-employment benefit (OPEB) liability and related ratios, the schedule of OPEB plan contributions, and the schedule of OPEB plan investment returns which are required supplementary information (RSI) that supplements the financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the supplementary information, which accompanies the financial statements but is not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We were not engaged to report on the introductory and statistical sections, which accompany the financial statements but are not RSI. We did not audit or perform other procedures on this other information and we do not express an opinion or provide any assurance.

## **Restriction on Use**

This information is intended solely for the information and use of City Council and management of the City and is not intended to be, and should not be, used by anyone other than these specified parties.



**CliftonLarsonAllen LLP**

Irvine, California  
February 8, 2021

**City of Pasadena**  
**Fiscal Year 2019-2020 Passed Adjusting Journal Entries**  
**June 30, 2020**

<u>ACCOUNT</u>	<u>DESCRIPTION</u>	<u>DEBIT</u>	<u>CREDIT</u>
<u>Proposed Entry 1</u>			
To adjust inventory to actual.			
401-41009120-810100	Materials And Supplies	470,316	-
402-41007920-810100	Materials And Supplies	87,456	-
401-401-120500	Stores Inventory	-	(470,316)
402-402-120500	Stores Inventory	-	(87,456)
		<u>557,772</u>	<u>(557,772)</u>
<u>Proposed Entry 2</u>			
To adjust deposits.			
406-406-315000	Deposits Payable	2,500,000	-
406-406-503000	Retained Earnings	-	(2,500,000)
		<u>2,500,000</u>	<u>(2,500,000)</u>