

**CITY OF PASADENA, CALIFORNIA
AIR QUALITY IMPROVEMENTS
SPECIAL REVENUE FUND**

**FINANCIAL STATEMENTS
WITH REPORT ON AUDIT BY
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**

JUNE 30, 2020

CITY OF PASADENA, CALIFORNIA
AIR QUALITY IMPROVEMENTS SPECIAL REVENUE FUND

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Air Quality Improvements Special Revenue Fund (AQMD) of the City of Pasadena, California (the City), as of and for the year ended June 30, 2020, and the related notes to the financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the AQMD's financial statements 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Air Quality Improvements Special Revenue Fund of the City of Pasadena, California, as of June 30, 2020, and the changes in financial position and the budgetary comparison for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Air Quality Improvements Special Revenue Fund and do not purport to, and do not present fairly the financial position of the City of Pasadena, California, as of June 30, 2020, or the changes in financial position 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.

Other Matters

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 8, 2021, on our consideration of the internal control over the City's AQMD financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. 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 AQMD financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the internal control over the City's AQMD financial reporting and compliance.



CliftonLarsonAllen LLP

Irvine, California
February 8, 2021

CITY OF PASADENA
AIR QUALITY IMPROVEMENTS SPECIAL REVENUE FUND

BALANCE SHEET

June 30, 2020

	<u>Governmental Funds</u>
ASSETS	
Cash and investments	\$ 79,894
Accounts receivable	<u>46,259</u>
TOTAL ASSETS	<u><u>\$ 126,153</u></u>
LIABILITIES	
Accounts payable	<u>\$ 2,892</u>
TOTAL LIABILITIES	<u>2,892</u>
FUND BALANCE	
Restricted for:	
Air quality improvements	<u>123,261</u>
TOTAL FUND BALANCE	<u>123,261</u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 126,153</u></u>

See accompanying notes to financial statements.

CITY OF PASADENA
AIR QUALITY IMPROVEMENTS SPECIAL REVENUE FUND

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE

For the year ended June 30, 2020

	<u>Governmental Funds</u>
REVENUES	
Intergovernmental	\$ 185,564
Investment earnings	<u>4,326</u>
TOTAL REVENUES	<u>189,890</u>
EXPENDITURES	
Transportation	<u>295,231</u>
TOTAL EXPENDITURES	<u>295,231</u>
NET CHANGE IN FUND BALANCE	<u>(105,341)</u>
FUND BALANCE, BEGINNING OF YEAR	<u>228,602</u>
FUND BALANCE, END OF YEAR	<u><u>\$ 123,261</u></u>

See accompanying notes to financial statements.

CITY OF PASADENA
AIR QUALITY IMPROVEMENTS SPECIAL REVENUE FUND

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET TO ACTUAL

For the year ended June 30, 2020

	Budget	Actual	Variance
REVENUES			
Intergovernmental	\$ 170,000	\$ 185,564	\$ 15,564
Investment earnings	3,527	4,326	799
TOTAL REVENUES	173,527	189,890	16,363
EXPENDITURES			
Transportation	172,388	295,231	(122,843)
TOTAL EXPENDITURES	172,388	295,231	(122,843)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	1,139	(105,341)	(106,480)
FUND BALANCE - BEGINNING OF YEAR	228,602	228,602	-
FUND BALANCE - END OF YEAR	\$ 229,741	\$ 123,261	\$ (106,480)

See accompanying notes to financial statements.

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CITY OF PASADENA
AIR QUALITY IMPROVEMENTS SPECIAL REVENUE FUND
Notes to Financial Statements
June 30, 2020

1. DESCRIPTION OF THE REPORTING ENTITY

The City of Pasadena Air Quality Improvements Special Revenue Fund was formed to account for the allocations made by AB 2766 known as the Clean Air Act. The revenue provides a means and incentive for programs to reduce traffic and air pollution. The City performs all administrative and accounting functions. The accounting policies of the Air Quality Improvements Fund are in conformity with generally accepted accounting principles in the United States applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing accounting and financial reporting principles. These financial statements are exclusively for the Air Quality Improvements Special Revenue Fund and do not purport to, and do not, present fairly the financial position and changes in the financial position of the City of Pasadena. Complete financial statements of the City can be obtained from the City's Finance Department.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Fund Accounting

In order to ensure the proper identification of individual revenue sources and the expenditures made from those revenues, the Air Quality Improvements Special Revenue Fund is organized on the basis of an individual fund which is considered a separate accounting entity. The operations of the fund are accounted for with a separate set of self-balancing accounts. Monies under AB 2766 are accounted for in the Air Quality Improvement Special Revenue Fund.

b. Measurement Focus and Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements, regardless of the measurement focus applied. All governmental funds are presented using modified accrual basis of accounting. Revenues are recognized when they become measurable and available. Measurable means the amount of the transaction can be determined and available means the amount is collectible within the current period or soon enough thereafter (generally sixty days) to be used to pay liabilities in the current period. Amounts which could not be measured or were not available were not accrued as revenue in the current year. Expenditures are also recognized under the modified accrual basis of accounting which means that expenditures are generally recorded at the time liabilities are incurred.

c. Fund Balances

Governmental fund balance represents the net current assets of each fund. Net current assets generally represent a fund's cash and receivables, less its liabilities. Portions of a fund's balance may be restricted for future expenditure.

3. CASH AND INVESTMENTS

a. Equity in the Cash and Investment Pool of the City of Pasadena

The AQMD has no separate bank accounts or investments other than its equity in the cash and investment pool managed by the City. The AQMD is a voluntary participant in that pool. This pool is governed by and under the regulatory oversight of the Investment Policy adopted by the City Council of the City. The AQMD has not adopted an investment policy separate from that of the City.

CITY OF PASADENA
AIR QUALITY IMPROVEMENTS SPECIAL REVENUE FUND
Notes to Financial Statements
June 30, 2020

3. CASH AND INVESTMENTS (CONTINUED)

a. Equity in the Cash and Investment Pool of the City of Pasadena (Continued)

The fair value of the AQMD's investment in this pool is reported in the accompanying financial statements at amounts based upon the AQMD's pro rata share of the fair value calculated by the City for the entire City portfolio. The balance available for withdrawal is based on the accounting records maintained by the City.

b. Disclosures Relating to the Investment Policy, Interest Rate Risk, Credit Risk and Custodial Credit Risk

Additional disclosures related to the investment policy, interest rate risk, credit risk and custodial credit risk are available in the City of Pasadena's Comprehensive Annual Financial Report.

c. Fair Value Measurements

The AQMD categorizes its fair value measurement within the fair value hierarchy established by accounting principles generally accepted in the United States of America. The hierarchy is based on the valuation inputs used to measure the fair value of the assets. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are quoted prices of similar assets in active markets, and Level 3 inputs are significant unobservable inputs.

The AQMD's investment in the City investment pool is not subject to the fair value hierarchy.

4. AB 2766 BIENNIAL AUDIT AND QUESTIONED COSTS

Health and Safety Code Section 44244.1 stipulate that each recipient of AB 2766 funds be subject to an audit at least once every two years by an independent auditor selected by the SCAQMD. The most recent AB 2766 audit resulted in no questioned costs.



CLA (CliftonLarsonAllen LLP)
2875 Michelle Drive
Suite 300
Irvine, CA 92606
714-978-1300 | fax 714-978-7893
CLAconnect.com

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH APPLICABLE REQUIREMENTS AND ON INTERNAL CONTROL OVER COMPLIANCE

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

Compliance

We have audited the City of Pasadena's (the City) compliance with the applicable provisions of Assembly Bill 2766, Chapter 1705 (Health and Safety Code Sections 44220 through 44247) (AB2766) applicable to the City's Air Quality Improvement Special Revenue Fund (AQMD Fund) for the year ended June 30, 2020.

Management's Responsibility

Compliance with the requirements referred to above is the responsibility of City's management.

Auditor's Responsibility

Our responsibility is to express an opinion on 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; and AB2766. Those standards and AB2766 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the City's AQMD Fund occurred. An audit includes examining, on a test basis, evidence about 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 of City's compliance with those requirements.

Opinion

In our opinion, City complied, in all material respects, with the compliance requirements referred to above that are applicable to AQMD Fund for the year ended June 30, 2020.

Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit, we considered City's internal control over compliance to determine the auditing procedures for the purpose of expressing our opinion on compliance, 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 City's internal control over compliance.

Internal Control Over Compliance (Continued)

A *deficiency in internal control over compliance* 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, noncompliance on a timely basis. A *material weakness* in internal control over compliance is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement 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 that might be deficiencies, significant deficiencies, or material weaknesses in internal control over compliance. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the AB2766. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Irvine, California
February 8, 2021



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*

Honorable Mayor and
Members of the City Council
of the City of Pasadena, California
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 Air Quality Improvement Special Revenue Fund (AQMD) of the City of Pasadena, California (the City), as of and for the year ended June 30, 2020, and the related notes to financial statements, which collectively comprise the AQMD's financial statements, and have issued our report thereon dated February 8, 2021.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the City's internal control over AQMD financial reporting (AQMD's internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the AQMD's financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's AQMD internal control. Accordingly, we do not express an opinion on the effectiveness of the City's AQMD 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 AQMD'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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Air Quality Improvement Special Revenue Fund of the City of Pasadena, California's financial statements are free from material misstatements, 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*.

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 City's AQMD internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's AQMD internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Irvine, California
February 8, 2021