

# ATTACHMENT H

CITY OF PASADENA  
Air Quality Improvement Fund  
Financial and Compliance Report  
Year ended June 30, 2009

CITY OF PASADENA  
Air Quality Improvement Fund  
Financial and Compliance Report  
Year ended June 30, 2009

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Honorable Mayor and City Council  
City of Pasadena, California

## INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the Air Quality Improvement Fund of the City of Pasadena, California, as of and for the year ended June 30, 2009 as listed in the table of contents. These financial statements are the responsibility of the City of Pasadena's management. 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 of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the accounting principals used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in note 2, the financial statements present only the Air Quality Improvement Fund and do not purport to, and do not, present fairly the financial position of the City of Pasadena, California, as of June 30, 2009 and the changes in revenues, expenditures and net assets for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Air Quality Improvement Fund of the City of Pasadena at June 30, 2009 and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 17, 2009 on internal control over financial reporting and on compliance and other matters based on an audit of the Air Quality Improvement Fund. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

*Mayer Hoffman McCann P.C.*

Irvine, California  
December 17, 2009

CITY OF PASADENA  
Air Quality Improvement Fund

Balance Sheet

June 30, 2009

Assets

Accrued interest receivable	\$ 15
Motor vehicle fees receivable	<u>42,300</u>
Total assets	<u>\$42,315</u>

Liabilities and Fund Balance

Liabilities:

Due to other funds \$ 5,772

Fund balance:

Designated for special fund purposes 36,543

Total liabilities and fund balance \$42,315

See accompanying notes to financial statements.  
CITY OF PASADENA  
Air Quality Improvement Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Year ended June 30, 2009

Revenues:	
Motor vehicle registration fees	\$169,236
Investment income	<u>102</u>
Total revenues	<u>169,338</u>
Expenditures:	
Public transportation	7,080
Transportation demand management	<u>172,534</u>
Total expenditures	<u>179,614</u>
Excess of revenues over (under) expenditures	(10,276)
Fund balance at beginning of year	<u>46,819</u>
Fund balance at end of year	<u>\$ 36,543</u>

See accompanying notes to financial statements.

CITY OF PASADENA  
Air Quality Improvement Fund

Notes to Financial Statements

Year ended June 30, 2009

(1) General

Assembly Bill 2766 (AB 2766) authorized the South Coast Air Quality Management District (SCAQMD) to impose an annual vehicle registration fee and to distribute a portion of the collected revenues to all local jurisdictions within the South Coast Air Basin. These revenues are to be used solely to reduce air pollution from motor vehicles by implementing new programs and studies necessary for the implementation of the California Clean Air Act.

(2) Summary of Significant Accounting Policies

(a) Fund Accounting

The accounts of the City of Pasadena are organized on the basis of funds, each of which is considered a separate accounting entity with a self-balancing set of accounts. Monies received under AB 2766 are recorded in a Special Revenue Fund, the Air Quality Improvement Fund, that is used to account for the proceeds of revenue to be used for the purpose of implementing the California Clean Air Act.

(b) Basis of Accounting

Special Revenue Funds are accounted for using the modified accrual basis of accounting. Revenues are recognized when they become "susceptible to accrual" that is, measurable and available to finance expenditures in the current period. Expenditures are incurred when the liability is incurred.

(c) Measurement Focus

Special Revenue Funds are accounted for on a spending or "financial flow" measurement focus. This means that generally only current assets and current liabilities are included on their balance sheets. Statements of revenues, expenditures and changes in fund balance for Special Revenue Funds generally present increases (revenues and other financial sources) and decreases (expenditures and other financing uses) in net current assets.

(d) Scope of Reporting

The accompanying financial statements are intended to reflect the financial position and results of operations for the Air Quality Improvement Fund relating to AB 2766 only.

CITY OF PASADENA  
Air Quality Improvement Fund

Notes to Financial Statements

(Continued)

(2) Summary Significant Accounting Policies (Continued)

(e) Cash and Investments

The Air Quality Improvement Fund cash balances during the year were pooled with various other City funds for deposit and investment purposes. The share of each fund in the pooled cash account was separately maintained and interest income was apportioned to the participating funds based on the relationship of their average monthly balances to the total of the pooled cash and investments.

(f) Payroll Expenditures

Salaries and benefits for one employee of the City of Pasadena are fully funded by the Air Quality Improvement Fund. The employee administers the ride-share program that is designed to reduce traffic and increase traffic flow.

(3) Availability of Other Information

Copies of separate progress reports filed with the SCAQMD Board which detail the accomplishments during the fiscal year ended June 30, 2009 are available at the Pasadena City Hall.



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City of Pasadena, California

**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**

We have audited the Air Quality Improvement Fund financial statements of the City of Pasadena, California (City) as of and for the year ended June 30, 2009, and have issued our report thereon dated December 17, 2009. 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.

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 opinion on the Air Quality Improvement Fund 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 control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control 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 that we consider to be material weaknesses, as defined above.



Honorable Mayor and City Council  
City of Pasadena, California  
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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Air Quality Improvement Fund financial statements of the City of Pasadena are free of material misstatement, we performed tests of its compliance with Assembly Bill 2766, Chapter 1705 (Health and Safety Code Sections 44220 through 44247), 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*.

This report is intended solely for the information and use of management, the City Council of the City of Pasadena and the South Coast Air Quality Management District and is not intended to be and should not be used by anyone other than these specified parties.

*Mayer Hoffman McCann P.C.*

Irvine, California  
December 17, 2009