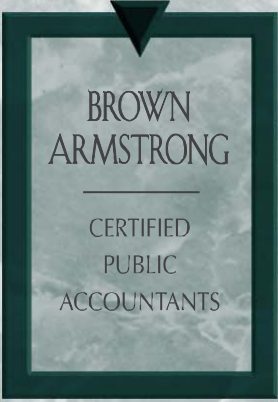


CITY OF PASADENA
AIR QUALITY IMPROVEMENT FUND
FINANCIAL AND COMPLIANCE REPORT
YEAR ENDED JUNE 30, 2013

**CITY OF PASADENA
AIR QUALITY IMPROVEMENT FUND
FINANCIAL AND COMPLIANCE REPORT
YEAR ENDED JUNE 30, 2013**

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BROWN ARMSTRONG

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
City of Pasadena, California

Report on the Financial Statements

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, 2013, 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.

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.

Auditor's Responsibility

Our responsibility is to express 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 auditor's 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 entity's preparation and fair presentation of the 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 entity'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.

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REGISTERED with the Public Company Accounting Oversight Board and MEMBER of the American Institute of Certified Public Accountants

Opinion

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, 2013, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

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, 2013, 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.

Other Matters

Management has omitted the presentation of management 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. Our opinion on the basic 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 November 8, 2013, on our consideration of the Air Quality Improvement Fund'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. 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.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

*Brown Armstrong
Accountancy Corporation*

Bakersfield, California
November 8, 2013

**CITY OF PASADENA
AIR QUALITY IMPROVEMENT FUND
BALANCE SHEET
JUNE 30, 2013**

Assets

Motor vehicle fees receivable	\$ 43,976
Total assets	<u>\$ 43,976</u>

Liabilities and Fund Balance

Liabilities:	
Due to other funds	\$ 26,702
Fund balance:	
Restricted	<u>17,274</u>
Total liabilities and fund balance	<u>\$ 43,976</u>

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, 2013**

Revenues:	
Motor vehicle registration fees	<u>\$ 167,946</u>
Total revenues	<u>167,946</u>
Excess of revenues over expenditures	167,946
Other financing sources (uses):	
Transfers out	<u>(167,946)</u>
Change in fund balance	-
Fund balance at beginning of year	<u>17,274</u>
Fund balance at end of year	<u><u>\$ 17,274</u></u>

See accompanying notes to financial statements.

**CITY OF PASADENA
AIR QUALITY IMPROVEMENT FUND
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013**

NOTE 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.

NOTE 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.

E. Cash and Investments

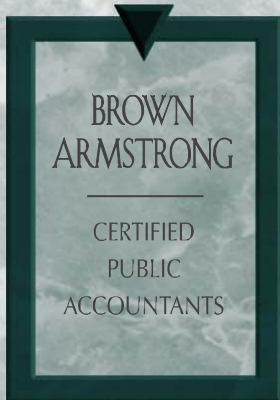
The Air Quality Improvement Fund cash balances during the year were pooled with various other City of Pasadena funds for deposit and investment purposes. The share of each fund in the pooled cash account was separately maintained and interest income was apportioned to the participating funds based on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

NOTE 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, 2013, are available at the Pasadena City Hall.



BROWN ARMSTRONG

Certified Public Accountants

INDEPENDENT AUDITOR'S 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 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 Air Quality Improvement Fund of the City of Pasadena, California (City) as of and for the year ended June 30, 2013, and have issued our report thereon dated November 8, 2013.

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 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 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. 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

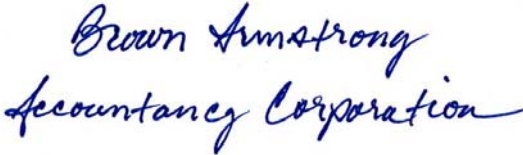
As part of obtaining reasonable assurance about whether the Air Quality Improvement Fund financial statements of the City are free of material misstatement, we performed tests of its compliance with Assembly Bill 2766, Chapter 1705 (Health and Safety Code Sections 44220 through 44247), noncompliance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



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 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 internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

A handwritten signature in blue ink that reads "Brown Armstrong Accountancy Corporation". The signature is written in a cursive style.

Bakersfield, California
November 8, 2013