

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

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2022**



**CITY OF PASADENA, CALIFORNIA
AIR QUALITY IMPROVEMENT SPECIAL REVENUE FUND
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INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited 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, 2022, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Air Quality Improvement Special Revenue Fund of the City of Pasadena, California, as of June 30, 2022, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Air Quality Improvement 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, 2022, 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.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Management has omitted 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 financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. Our opinion on the financial statements is not affected by this missing information.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 17, 2023, on our consideration of the City'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 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 financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Housing Successor's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "CliftonLarsonAllen LLP". The signature is written in a cursive, flowing style.

CliftonLarsonAllen LLP

Irvine, California
March 17, 2023

**CITY OF PASADENA, CALIFORNIA
AIR QUALITY IMPROVEMENT SPECIAL REVENUE FUND
BALANCE SHEET
JUNE 30, 2022**

	Governmental Funds
ASSETS	
Cash and Investments	\$ 114,981
Accounts Receivable	48,003
Total Assets	\$ 162,984
LIABILITIES AND FUND BALANCE	
LIABILITIES	
Accounts Payable	\$ 3,020
Total Liabilities	3,020
DEFERRED INFLOWS OF RESOURCES	
Unavailable Revenues	47,791
Total Liabilities	47,791
FUND BALANCE	
Restricted for:	
Air Quality Improvements	112,173
Total Fund Balance	112,173
Total Liabilities, Deferred Inflow of Resources, and Fund Balance	\$ 162,984

See accompanying Notes to Financial Statements.

**CITY OF PASADENA, CALIFORNIA
 AIR QUALITY IMPROVEMENT SPECIAL REVENUE FUND
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 YEAR ENDED JUNE 30, 2022**

	Governmental Funds
REVENUES	
Intergovernmental	\$ 139,995
Investment Earnings	1,105
Total Revenues	141,100
 EXPENDITURES	
Transportation	146,012
Total Expenditures	146,012
 NET CHANGE IN FUND BALANCE	 (4,912)
Fund Balance - Beginning of Year	117,085
 FUND BALANCE - END OF YEAR	 \$ 112,173

See accompanying Notes to Financial Statements.

**CITY OF PASADENA, CALIFORNIA
AIR QUALITY IMPROVEMENT SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET TO ACTUAL
YEAR ENDED JUNE 30, 2022**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Intergovernmental	\$ 170,000	\$ 139,995	\$ (30,005)
Investment Earnings	2,131	1,105	(1,026)
Total Revenues	<u>172,131</u>	<u>141,100</u>	<u>(31,031)</u>
EXPENDITURES			
Transportation	<u>172,388</u>	<u>146,012</u>	<u>26,376</u>
Total Expenditures	<u>172,388</u>	<u>146,012</u>	<u>26,376</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(257)	(4,912)	(4,655)
Fund Balance - Beginning of Year	<u>117,085</u>	<u>117,085</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u><u>\$ 116,828</u></u>	<u><u>\$ 112,173</u></u>	<u><u>\$ (4,655)</u></u>

See accompanying Notes to Financial Statements.

CITY OF PASADENA, CALIFORNIA
AIR QUALITY IMPROVEMENT SPECIAL REVENUE FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 DESCRIPTION OF THE REPORTING ENTITY

The City of Pasadena Air Quality Improvement 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 Improvement 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 Improvement 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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Accounting

In order to ensure the proper identification of individual revenue sources and the expenditures made from those revenues, the Air Quality Improvement 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.

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.

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.

**CITY OF PASADENA, CALIFORNIA
AIR QUALITY IMPROVEMENT SPECIAL REVENUE FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 3 CASH AND INVESTMENTS

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 has not adopted an investment policy separate from that of the City.

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.

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.



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

Report on Compliance

Opinion on Compliance with Applicable Provisions of Assembly Bill 2766

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, 2022.

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, 2022.

Basis for Opinion

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards (Government Auditing Standards)* issued by the Comptroller General of the United States; and AB2766. Our responsibilities under those standards and AB2766 are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the City's government programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, Government Auditing Standards, and AB2766 will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of the government program as a whole.

In performing an audit in accordance with GAAS, Government Auditing Standards, and AB2766, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with AB2766, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance 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. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

Our consideration of internal control over compliance was for the limited purpose described in the "Auditor's Responsibilities for the Audit of Compliance" section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that have not been identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.



CliftonLarsonAllen LLP

Irvine, California
March 17, 2023



**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, 2022, and the related notes to financial statements, which collectively comprise the AQMD's financial statements, and have issued our report thereon dated March 17, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the AQMD financial statements, we considered the City's internal control over financial reporting (internal control) as it relates to the AQMD as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control related to the AQMD. Accordingly, we do not express an opinion on the effectiveness of the City's internal control related to the AQMD.

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 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 and significant deficiencies may exist that were not identified.

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

Report on 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 financial statements. 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.



CliftonLarsonAllen LLP

Irvine, California
March 17, 2023



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