AIR QUALITY IMPROVEMENTS FUND
CITY OF PASADENA, CALIFORNIA

FOR THE YEAR ENDED JUNE 30, 2025

FINANCIAL STATEMENTS

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AIR QUALITY IMPROVEMENTS FUND
CITY OF PASADENA, CALIFORNIA

Financial Statements

For the Year Ended June 30, 2025

AIR QUALITY IMPROVEMENTS FUND
CITY OF PASADENA, CALIFORNIA

Financial Statements

For the Year Ended June 30, 2025

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INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and fund information of Air Quality Improvements Fund (hereafter, the Fund) a special revenue fund of the City of Pasadena, California (hereafter, the City) as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Fund's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and fund information as of June 30, 2025, and the respective changes in financial position 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 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 opinions.

Emphasis of Matter

Fund Reporting

As discussed in Note 1, the financial statements present only the Fund and do not purport to, and do not, present fairly the financial position of the City as of June 30, 2025, the changes in its financial position, or, where applicable, its cash flows 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 opinions. 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 generally accepted auditing standards 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 generally accepted auditing standards 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

Accounting principles generally accepted in the United States of America require that the budgetary comparison information as listed on the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about 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 do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2025, on our consideration of the City's internal control over the Fund's 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 the Fund's financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over the Fund's financial reporting and compliance.

LSL, LLP

Irvine, California
December 23, 2025

CITY OF PASADENA, CALIFORNIA
AIR QUALITY IMPROVEMENT TRUST FUND
Balance Sheet / Statement of Net Position
June 30, 2025

	Governmental Funds	Reclassification and Eliminations	Statement of Net Position
Assets:			
Cash and investments	415,909	$ -	$ 415,909
Due from other governments	48,624	-	48,624
Interest receivable	2,419	-	2,419
Capital assets, net of depreciation	-	65,160	65,160
Total Assets	**$ 466,952**	**$ 65,160**	**$ 532,112**
Liabilities, Deferred Inflows of Resources and Fund Balance:			
Liabilities:			
Accounts payable	$ 3,900	-	3,900
Total Liabilities	**3,900**	**-**	**3,900**
Deferred Inflows of Resources:			
Unavailable revenue	48,624	(48,624)	-
Total Deferred Inflows of Resources:	**48,624**	**(48,624)**	**-**
Fund Balance/Net Position:			
Invested in capital assets	-	65,160	65,160
Restricted for air quality improvements	414,428	48,624	463,052
Total Fund Balance/Net Position	**414,428**	**$ 65,160**	**$ 528,212**
Total Liabilities and Fund Balance	**$ 466,952**		

See Notes to Financial Statements.

CITY OF PASADENA, CALIFORNIA
AIR QUALITY IMPROVEMENTS FUND
Statement of Revenues, Expenditures and
Changes in Fund Balance / Statement of Activities
For the Year Ended June 30, 2025

	Governmental Funds	Adjustments	Statement of Activities
Revenues:			
Intergovernmental	$ 183,663	$ 48,624	$ 232,287
Investment earnings	11,937	-	11,937
Total Revenues	**195,600**	**48,624**	**244,224**
Expenditures:			
Community development	-	2,636	2,636
Contract services	52,206	-	52,206
Contributions to City of Pasadena	40,000	-	40,000
Capital outlay	67,796	(67,796)	-
Total Expenditures	**160,002**	**(65,160)**	**94,842**
Net Change in Fund Balance/Net Position	35,598	113,784	149,382
Fund Balance/Net Position - Beginning	378,830	-	378,830
Fund Balance/Net Position - Ending	**$ 414,428**	**$ 113,784**	**$ 528,212**

See Notes to Financial Statements.

NOTE 1: DESCRIPTION OF THE REPORTING ENTITY

The City of Pasadena Air Quality Improvements Fund was formed to account for allocations made by AB 2766 known as the Clean Air Act. The revenue provides means and incentives 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. Complete financial statements of the City can be obtained from the City's Finance Department.

NOTE 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 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 that comprise its assets, liabilities, fund balance, revenues and expenditures, as follows:

Governmental Fund Type:

Special Revenue Fund – The special revenue fund is used to account for the proceeds of specific revenue sources that are restricted by law to expenditures for a specific purpose. As with all governmental funds, the special revenue fund is accounted for on a spending or "current financial resources" measurement focus which means that current assets and current liabilities are generally included on its balance sheet. The reported fund balance is the net current assets, which is considered only to be a measure of "available spendable resources."

B. 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 recognized when they become measurable and available as net current assets. 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 of the current period. Amounts which could not be measured or were not available were not accrued as revenue in the current fiscal year. Expenditures are also generally recognized under the modified accrual basis of accounting which means that expenditures are generally recorded at the time liabilities are incurred.

C. Fund Balances

Fund balance is reported by the following fund balance classifications:

Nonspendable include amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted include amounts that are constrained on the use of resources by either (a) external creditors, grantors, contributors, or laws of regulations of other governments or (b) by law through constitutional provisions or enabling legislation.

Committed include amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest authority, City Council. The formal action that is required to be taken to establish, modify, or rescind a fund balance commitment is resolution or ordinance.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assigned include amounts that are constrained by the government's intent to be used for specific purposes but are neither restricted nor committed. The Director of Administrative Services is authorized to assign amounts to a specific purpose, which was established by the governing body in resolution.

Unassigned include the residual amounts that have not been restricted, committed, or assigned to specific purposes.

The entire fund balance/net position of the Fund has been classified as restricted fund balance since the external resource provider, SCAQMD, requires the motor vehicle fees to be used only to reduce air pollution.

NOTE 3: CASH AND INVESTMENTS

The Air Quality Improvements Fund participates in the City's pooled cash and investments (the pool). The June 30, 2025, cash and investment balance of $451,909 represents the Air Quality Improvements Fund's share of the pool. Information relating to the City's cash and investments can be found in the City's financial statements.

NOTE 4: CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2025, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets being depreciated:				
Vehicles and equipment	$ -	$ 67,796	$ -	$ 67,796
Total Capital Assets Being Depreciated	-	67,796	-	67,796
Less accumulated depreciation for:				
Vehicles and equipment	-	2,636	-	2,636
Total Accumulated Depreciation	-	2,636	-	2,636
Governmental Activities Capital Assets, Net	$ -	$ 65,160	$ -	$ 65,160

CITY OF PASADENA, CALIFORNIA
AIR QUALITY IMPROVEMENT TRUST FUND
Budgetary Comparison Schedule
For the Year Ended June 30, 2025

	Budget Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
Revenues:				
Intergovernmental	$ 170,000	$ 170,000	$ 183,663	$ 13,663
Investment earnings	5,966	5,966	11,937	5,971
Total Revenues	**175,966**	**175,966**	**195,600**	**19,634**
Expenditures:				
Contract services	172,388	172,388	52,206	120,182
Contributions to City of Pasadena	40,000	40,000	40,000	-
Capital outlay	208,000	208,000	67,796	140,204
Total Expenditures	**420,388**	**420,388**	**160,002**	**260,386**
Net Change in Fund Balance	$ 4,966,075	$ (12,009,565)	35,598	$ 12,045,163
Fund Balance - Beginning			378,830	
Fund Balance - Ending			**$ 414,428**	

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER COMPLIANCE

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

Report on Compliance

Opinion

We have audited the City of Pasadena, California (the City)'s compliance with the types of compliance requirements identified as subject to audit California Assembly Bill 2766, Chapter 1705 (44220 through 44247) (AB 2766) and the AB 2766 Subvention Fund Program Resource Guide (the Guide) that could have a direct and material effect on the City's AB 2766 Subvention Fund Program (the Program) for the year ended June 30, 2025.

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Program for the year ended June 30, 2025.

Basis for Opinion

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 the audit requirements of AB 2766 and the Guide. Our responsibilities under those standards, AB 2766, and the Guide are further described in the Auditors' 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 on compliance for the Program. 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 Program.

Auditors' 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 generally accepted auditing standards, *Government Auditing Standards*, AB 2766, and the Guide 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 Program as a whole.

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

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, AB 2766, and the Guide, 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 the 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 AB 2766 and the Guide, 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 with a type of compliance requirement of the Program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of the Program 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 with a type of compliance requirement of the Program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' 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 were not 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 requirements of AB 2766 and the Guide. Accordingly, this report is not suitable for any other purpose.

LSL, LLP

Irvine, California
December 23, 2025

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*

To the Honorable Members of the City Council
City 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 governmental activities and fund information of the Air Quality Improvements Fund special revenue fund (the Fund) of the City of Pasadena, California (the City), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Fund's basic financial statements, and have issued our report thereon dated December 23, 2025.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over the Fund's financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's 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 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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Fund's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, including the requirements of California Assembly Bill 2766, Chapter 1705 (44220 through 44247), 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*.

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

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.

LSL, LLP

Irvine, California
December 23, 2025