

Agenda Report

October 22, 2001

TO: City Council
THROUGH: Audit Committee
FROM: City Manager
SUBJECT: FY 2001 ANNUAL FINANCIAL REPORTS

RECOMMENDATION:

It is recommended that the following attached audited reports for the year ending June 30, 2001 be received by the City Council:

- Comprehensive Annual Financial Report
- Single Audit Report on Federal Awards
- Pasadena Community Development Commission Annual Financial Report
- Pasadena Center Operating Company Financial Statements
- Rose Bowl Operating Company General Purpose Financial Statements (Final Draft)
- Pasadena Fire and Police Retirement System Report on Audited Financial Statements and Required Supplemental Information (Final Draft)
- Air Quality Improvement Fund Financial and Compliance Report
- Independent Accountant's Report on Agreed-Upon Procedures Applied to Appropriation Limit Worksheets
- Management Letter
- Report On Compliance and On Internal Control Over Financial Reporting Based On An Audit Of Financial Statements Performed In Accordance With Government Auditing Standards

DISCUSSION:

Comprehensive Annual Financial Report (CAFR)

During fiscal year ending June 30, 2001, the City's tax revenues grew by \$10.0 million or 9.5%. The tax increase occurred primarily in the areas of property tax (\$1.8 million), sales tax (\$1.4 million), transient occupancy tax (\$.7 million), utility users tax (\$2.6 million), streetlights and traffic signal tax (\$.4 million), construction tax (\$1.9 million), business license tax (\$.4 million), and franchise tax (\$.6 million). The growth came from a combination of economic recovery and business expansion in the commercial and retail development areas. The City also experienced

growth in new housing. General Fund revenues exceeded expenditures by approximately \$14.6 million. After adjusting for restricted cash and funding reserve requirements, the City's General Fund available cash balance now stands at \$15.2 million as of June 30, 2001.

The Stranded Investment Reserve grew by \$37.2 million to a market value of \$149.4 million. Citywide, total assets grew by \$127.7 million and total liabilities grew by \$15.4 million netting with total equity increasing by \$112.3 million. Lastly, it should be noted that the cash reserves balances in the major funds are consistent with the cash reserve policy.

Single Audit Report on Federal Awards

The Single Audit Act of 1984 and Single Audit Act Amendments of 1996 establish uniform audit requirements for local governments expending federal awards greater \$300,000 in a year. The audit is on an "entity-wide" basis and imposes additional requirements in relation to testing of, and reporting on, internal control and compliance with laws and regulations.

The results of this year's Single Audit demonstrates success on the part of all program and finance functions. A total of \$19.6 million of Federal awards were expended during the fiscal year. There were no reportable conditions or material weakness as a result of the audit, which are required to be reported in the Single Audit Report.

Pasadena Community Development Commission Annual Financial Report

The Pasadena Community Development Agency (PCDC) revenues were approximately \$18.8 million. Expenditures included \$1.5 million in low and moderate housing expenditures, \$16.8 million in debt service, and \$6.3 million in capital project related costs during the year. The majority of the debt service was paid with revenues received in fiscal year 2000.

Pasadena Center Operating Company Financial Statements

The Pasadena Center Operating Company (PCOC) had a successful year by generating a \$1,022,929 net income before extraordinary items and expending \$262,735 on equipment and improvements. One extraordinary item occurred during the year that reduced the profit to a loss of \$64,154. PCOC established an allowance for doubtful accounts for the remaining \$1,087,083 loan of \$1,396,005 to the Pasadena Civic Auditorium Foundation. In the prior year, \$308,925 was established as an allowance. The Foundation has indicated that it intends to set aside 25% of any profits earned on its own productions for repayment of the loan. However, PCOC believes that the collection of these amounts is unlikely.

For general background information, PCOC is a component unit of the City of Pasadena and therefore their audited financial statements roll up into the City's CAFR. PCOC was audited by Guill, Blankenbaker & Lawson.

Rose Bowl Operating Company General Purpose Financial Statements

The Rose Bowl Operating Company (RBOC) ended the year with net income of \$4,925,429. Operating revenues of \$9,443,534 exceeded operating expenses of \$7,784,862 by \$1,658,672.

Operating expenses decreased by \$239,604, or 3%, operating revenues decreased by \$545,287, or 5% and nonoperating revenues (expenses) increased by \$756,569 from (\$42,005). Operating transfers from the City included a \$2,838,834 transfer from the City as a second of three installments to make the RBOC cash whole. Operating transfers to the City included \$315,641 of 10% green fee dollars transferred to be spent on capital improvements to the development of the Arroyo Seco. The City has established a separate capital projects fund in order to track the 10% green fee revenues and expenditures. Total restricted and unrestricted cash and investments increased by \$3,762,244.

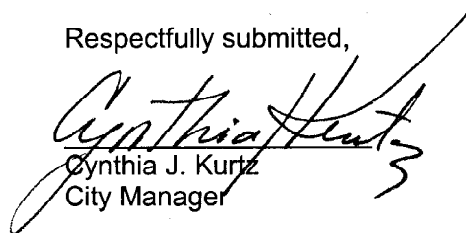
Pasadena Fire and Police Retirement System Report on Audited Financial Statements and Required Supplemental Information

Under the Contribution agreement, the system is considered fully funded for the year ended June 30, 2001 so long as the funded percentage of the System exceeded 70.5%. At June 30, 2001, the system was 79.2% funded with \$152.7 million of actuarial value of assets and \$192.6 million of actuarial accrued liability. The minimum fully funded percentage will increase by ½% each year until it reaches 80%.

FISCAL IMPACT:

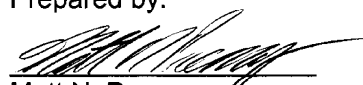
There is no fiscal impact as result of this report. Particular attention should be paid to the CAFR transmittal letter and Notes to the Financial Statements.

Respectfully submitted,



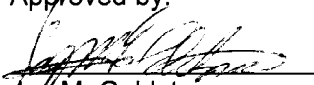
Cynthia J. Kurtz
City Manager

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