

Agenda Report

JANUARY 8, 2001

TO: City Council
THROUGH: Audit Committee

FROM: City Manager

SUBJECT: FY 2000 ANNUAL FINANCIAL REPORTS

RECOMMENDATION:

It is recommended that the following attached audited reports for the year ending June 30, 2000 be received by the City Council:

- Comprehensive Annual Financial Report
- Single Audit Reports
- Pasadena Community Development Commission Annual Financial Report
- Pasadena Center Operating Company Annual Financial Statements
- Pasadena Fire and Police Retirement System Report on Audited Financial Statements and Required Supplemental Information
- Independent Auditors' Report on the Internal Control Over Financial Reporting Based on an Audit of the City of Pasadena General Purpose Financial Statements
- Independent Auditor's Report for Article XIIIB Appropriations Limitation Verification
- Auditor's Management Letter

DISCUSSION:

Comprehensive Annual Financial Report (CAFR)

During fiscal year ending June 30, 2000, the City's tax revenues grew by \$6.4 million or 6.4%. The tax increase occurred primarily in the areas of property tax (\$1.5 million), sales tax (\$2 million), transient occupancy tax (\$.7 million), utility users tax (\$1.3 million), and construction tax (\$.5 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 \$9.5 million. After adjusting for restricted cash and funding reserve requirements, the City's General Fund cash balance grew by \$4.1 million.

Regarding fiscal success, the City reduced its General Fund FY2000 operating budget appropriations by \$1.9 million from the previous year. Furthermore, General Fund expenditures ended the year \$3.4 million under budget. The Stranded Investment Reserve grew by \$26.4 million to a market value of \$112 million. Lastly, it should be noted that the cash reserves balances in the major funds are consistent with the cash reserve policy.

Single Audit Reports

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 years Single Audit demonstrates success on the part of all program and finance functions. A total of \$22.3 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 Reports.

Pasadena Community Development Commission Financial Statements

The Pasadena Community Development Agency (PCDC) revenues were approximately \$16.2 million. Expenditures included \$1.1 million in low and moderate housing expenditures, \$16.8 million in debt service, and \$4.5 million in capital project related costs during the year. The majority of the debt service was paid with revenues received in fiscal year 1999.

Pasadena Center Operating Company Annual Financial Statements

The Pasadena Center Operating Company (PCOC) had a successful year by generating a \$695,116 net income before extraordinary items and expending \$1,145,339 on building improvements. Two extraordinary items occurred during the year that reduced the profit to zero. First, PCOC established an allowance for doubtful accounts of \$308,925 for a loan to the Pasadena Civic Auditorium Foundation. The original loan was \$508,925. Secondly, PCOC wrote down the value of the thermal energy storage system fixed asset to 20% of its value, or \$371,403 based on the unit's remaining value and capacity. A total of \$165,000 was received as a settlement for the project general contractor, from the manufacturer and from the distributor of an integral component.

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.

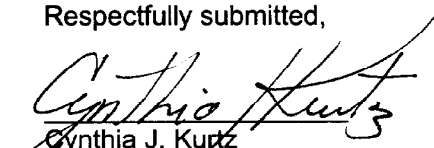
Pasadena Fire and Police Retirement System Report on Audited Financial Statements and Required Supplemental Information

As a result of the new contribution agreement, the City issued \$101.9 million of Taxable Pension Funding Bonds of which \$100 million was contributed to the Pasadena Fire and Police Retirement System (FPRS). Under the Contribution agreement, the system is considered fully funded for the year ended June 30, 2000 so long as the funded percentage of the System exceeded 70%. At June 30, 2000, the system was 86.7% funded with \$159.7 million of actuarial value of assets and \$184.2 million of actuarial accrued liability. The minimum fully funded percentage will increase by ½% each year until it reaches 80%.

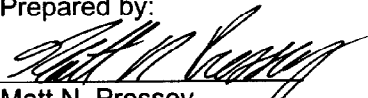
FISCAL IMPACT:

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

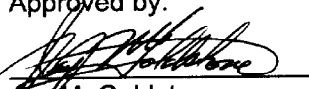
Respectfully submitted,


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