

Agenda Report

November 18, 2013

TO: Honorable Mayor and City Council/Successor to Pasadena
Community Development Commission

THROUGH: Audit Committee

FROM: Director of Finance

SUBJECT: FISCAL YEAR JUNE 30, 2013 ANNUAL FINANCIAL REPORTS

RECOMMENDATION:

It is recommended that the following reports for the year ended June 30, 2013 be received by the City Council and/or the Successor Agency to Pasadena Community Development Commission.

- A. Comprehensive Annual Financial Report
- B. Management Letter – City of Pasadena
- C. Pasadena Center Operating Company Basic Financial Statements
- D. Rose Bowl Operating Company Basic Financial Statements
- E. Pasadena Community Access Corporation Basic Financial Statements
- F. Pasadena Fire and Police Retirement System Report and Audited Financial Statements and Required Supplemental Information
- G. Air Quality Improvement Fund Financial and Compliance Report
- H. Independent Accountant's Report on Agreed-Upon Procedures Applied Appropriation Limit Worksheets
- I. Independent Accountant's Report on Agreed-Upon Procedures Applied to Employee Deductions for the Internal Revenue Code Section 457 Deferred Compensation Program
- J. The Auditor's Communications with the City's Audit and Finance Committee
- K. 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

EXECUTIVE SUMMARY:

This action is to receive and file the City's six annual financial statements and five compliance-related reports for the fiscal year ended June 30, 2013. All financial statements received an unqualified (or clean) opinion. No material weaknesses or material deficiencies in internal controls were noted. Two lesser findings were reported. A brief presentation will be made by the City's external auditors, Brown Armstrong, Certified Public Accountants.

BACKGROUND:

All six financial statements received unqualified opinions from our outside auditors. This is the highest or cleanest attestation report given by independent auditors and includes the phrase "the financial statements referred to above present fairly, in all material respects, the financial position..." The five remaining reports presented deal with compliance information, specifically requested test work, and provide comment on internal controls, errors, lack of errors, or suggestions for future improvements.

With the elimination of redevelopment during the previous fiscal year, Pasadena Community Development Commission Financial Report for the Seven Months Ended January 31, 2012 was presented last year and was the final report. The activities of the Successor Agency to Pasadena Community Development Commission are presented in the Fiduciary Funds Section of the CAFR as a Private Purpose Trust Fund.

The Single Audit Report would traditionally be presented at this time. As it has not yet been completed by our Auditors, it will be brought to you in the very near future. The single audit is performed 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. It is anticipated that it will be presented on December 9, 2013.

Comprehensive Annual Financial Report (CAFR)

Section 912 of the City Charter requires that an independent audit of the City's records, books, and inventories be conducted annually and a report issued thereon. In the attached audited CAFR for the year ending June 30, 2013, the City received an unqualified opinion, which means that the statements are free of material misstatement and are presented in conformity with generally accepted accounting principles.

Management Letter

The management letter provides a general overview of the financial report and identifies certain matters involving the internal control structure and other operational matters including comments and recommendations for improvement. These comments and recommendations have been reviewed with the appropriate members of City staff and responses provided. There were no findings of material weakness or significant deficiencies in internal controls. This report includes two “other matter” findings that are considered a lesser finding; one related to a \$133 signature approval in Accounts Payable controls, and one related to a cash shortage of \$6.80. In all cases staff is fully aware of the issues and has already or will fully address the issues. The management letter also reports on the status of four prior year findings.

Component Unit Financial Statements

Financial statements for Pasadena Center Operating Company, Rose Bowl Operating Company, Pasadena Community Access Corporation, and Pasadena Fire and Police Retirement System are included as they are component units of the City. Component units are legally separate entities in substance but are part of the government’s operations. Each of the City’s component units received an unqualified opinion.

Air Quality Improvement Fund Financial and Compliance Report

Assembly Bill 2766 (AB2766) authorized the South Coast Air Quality Management District (SCAQMD) to impose an annual vehicle registration fee and to distribute a portion of those 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. The City’s Air Quality Improvement Fund accounts for the use of these funds received from SCAQMD. The Air Quality Improvement Fund Financial and Compliance Report received an unqualified opinion.

Independent Accountant’s Report on Agreed-Upon Procedures Applied to Appropriation Limit Worksheets

Section 1.5 of Article XIII B of the California Constitution requires that the City follow the procedures agreed upon by the State of California and the League of California Cities (as presented in the League publication entitled Article XIII B Appropriations Limitation Uniform Guidelines) to determine the annual appropriations limit. The auditors provide this report, which confirms the City’s compliance.

Independent Accountant's Report on Agreed-Upon Procedures Applied to Employee Deductions for the Internal Revenue Code Section 457 Deferred Compensation Program

At the request of the City, the auditors performed certain procedures as enumerated in the report to verify the accuracy and timely posting of contributions to the deferred compensation program provided by Great West Retirement Services. No exceptions were noted.

The Auditor's Communications with the City's Audit and Finance Committees

One auditing pronouncement, Statement of Auditing Standards (SAS) No. 114 requires defined and documented communications between the auditors and the City Audit Committee/Finance Committee. This letter provides an opportunity for the auditors to report on any difficulties or major concerns discovered during the audit and to further define their role. They provide commentary on management's responsibilities for accounting policies and states that no significant difficulties were encountered in performing the audit, and no disagreements occurred with management. They point out that management has corrected all known misstatements, even those that could be passed adjustments that would be not material either individually or in the aggregate.

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

The auditors also consider the City's internal control over financial reporting to determine audit procedures that they deem appropriate to allow them to render an opinion. They did not notice any instances of noncompliance or other matters that are required to be communicated.

COUNCIL POLICY CONSIDERATION:

The City Council's strategic planning goal of maintaining fiscal responsibility and stability will be advanced through the receipt and review of these reports.

FISCAL IMPACT:

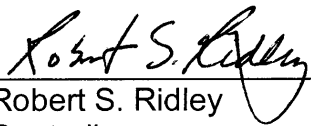
There is no fiscal impact as a result of this action nor will it have any indirect or support cost requirements. There is no anticipated impact to other operational programs or capital projects as a result of this action.

Respectfully submitted,



ANDREW GREEN
Director of Finance

Prepared by:



Robert S. Ridley
Controller

Approved by:



MICHAEL J. BECK
City Manager

Attachments: (11)

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