

# ATTACHMENT C

## PASADENA COMMUNITY DEVELOPMENT COMMISSION

(A Component Unit of the City of Pasadena, California)

Basic Financial Statements

Year Ended June 30, 2010



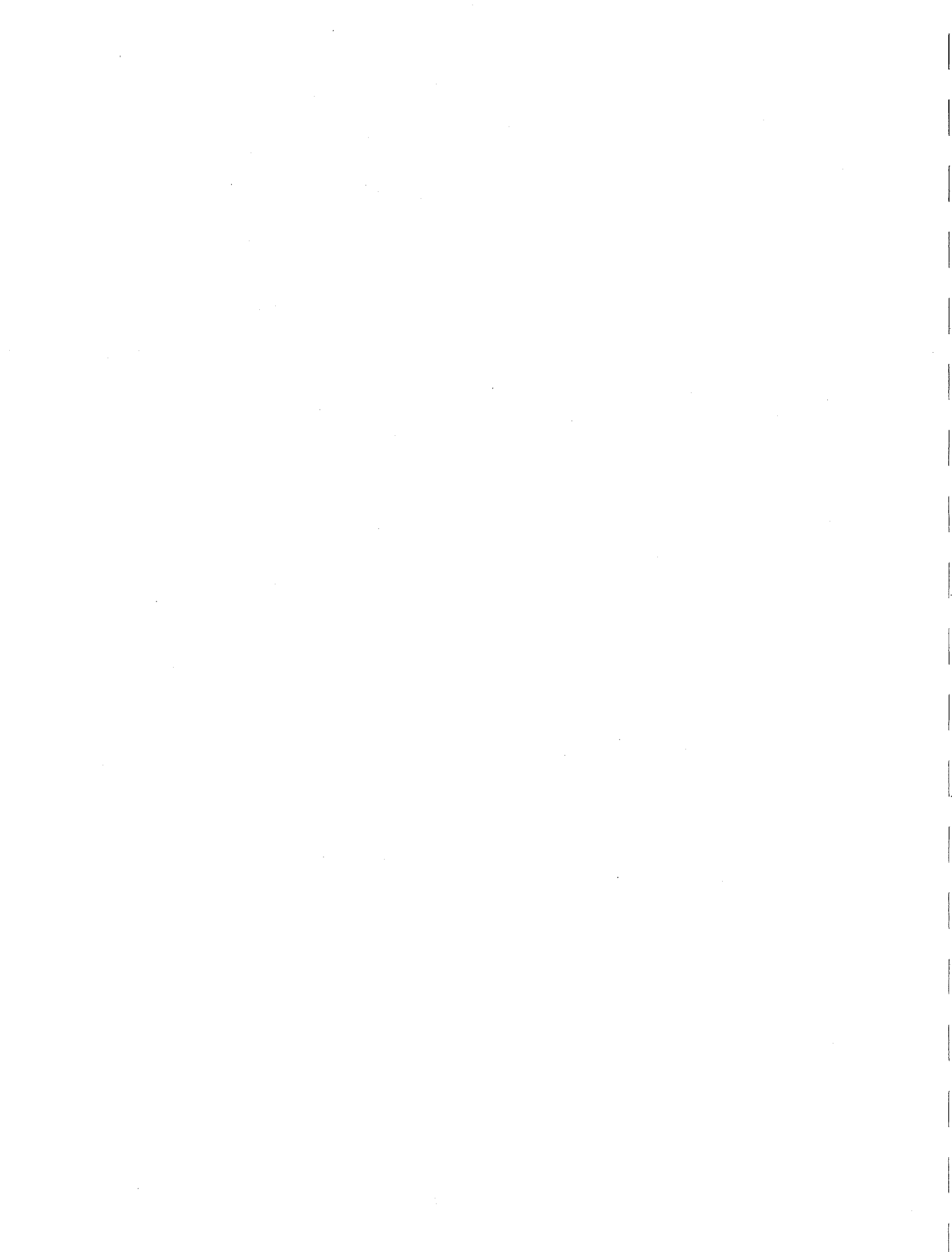
**PASADENA COMMUNITY DEVELOPMENT COMMISSION**  
**(A Component Unit of the City of Pasadena, California)**

**Basic Financial Statements**

**Year Ended June 30, 2010**

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**PASADENA COMMUNITY DEVELOPMENT COMMISSION**  
**(A Component Unit of the City of Pasadena, California)**

**Basic Financial Statements**

**Year Ended June 30, 2010**

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Honorable Mayor and City Council  
Pasadena Community Development Commission  
Pasadena, California

## **INDEPENDENT AUDITORS' REPORT**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Pasadena Community Development Commission, a component unit of the City of Pasadena, California, as of and for the year ended June 30, 2010, which collectively comprise the basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the management of the Pasadena Community Development Commission. Our responsibility is to express opinions on these financial statements based on our audit. The prior year partial comparative information has been derived from the financial statements of the Pasadena Community Development Commission for the year ended June 30, 2009 and, in our report dated November 30, 2009, we expressed an unqualified opinion on those financial statements.

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Pasadena Community Development Commission as of June 30, 2010 for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The information identified in the accompanying table of contents as *management's discussion and analysis* and *required supplementary information* are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Honorable Mayor and City Council  
Pasadena Community Development Commission  
Pasadena, California

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The combining fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 6, 2010 on our consideration of the Pasadena Community Development Commission'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 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 internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

*Mayer Hoffman McClann P.C.*

Irvine, California  
December 6, 2010



## MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the Pasadena Community Development Commission (Commission), offers readers of the Commission's financial statements this narrative overview and analysis of the financial activities of the Commission for the fiscal year ended June 30, 2010.

### FINANCIAL HIGHLIGHTS:

The net assets of the Commission exceeded its liabilities at the close of the fiscal year 2010 by \$6,532,885. Of this amount, the restricted net assets are for Low Moderate Housing of \$34,964,900 and three Capital Project funds of \$7,713,765, three Debt Service funds of \$1,912,914, and unrestricted net assets deficit of (\$38,058,694).

The Commission's net assets for Low Moderate Housing have increased by \$1,184,642 over the previous fiscal year.

The Commission's total long-term debt decreased by \$2,491,099 when compared with the prior fiscal year.

### OVERVIEW OF THE FINANCIAL STATEMENTS:

This discussion and analysis is intended to serve as an introduction to the Commission's basic financial statements. The Commission's financial statements consist of three components: government-wide financial statements, fund financial statements and notes to the financial statements. The financial statements are designed to provide readers with a broad overview of the Commission's finances, in a manner similar to a private sector business.

The statement of net assets presents information on all of the Commission's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Commission is improving or deteriorating.

The statement of revenues, expenses and changes in net assets presents information showing how the Commission's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in impacting cash flows in future fiscal periods.

Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 20 through 42 of this report.

## FINANCIAL ANALYSIS:

### Attachment A – Comparative Statement of Net Assets:

As noted earlier, net assets may serve over time as a useful indicator of an entity's financial position. The Commission's net assets exceeded liabilities by \$6,532,885 at the close of the most recent fiscal year.

The largest portion of the Commission net assets reflects its cash and investments less any outstanding related debt used to pay for redevelopment activities. Although the Commission's investment is reported net of related debt, it should be noted that the resources needed to repay this outstanding debt must be provided from incremental property tax. This portion of net assets is restricted.

An additional portion of the Commission's net assets represents resources that are subject to restrictions on how they may be used. Unrestricted net assets increased \$4,875,623 or 14.69 percent. While this is an increase, the balance of the unrestricted net assets is still negative.

The overall net assets of the Commission decreased by \$11,369,317 or 63.51 percent from the prior year. During 2010, the key factors in this loss are a decrease in property tax increments and other revenue 6.18 percent and increase in total expenditures of \$14,009,861 or 46.77 percent.

### Attachment B – Comparative Statement of Revenue, Expenditures and Changes in Fund Balances:

The Commission's net assets decreased by \$11,369,317 in comparison to an increase of \$4,787,918 in the prior year. The key elements of this decrease are as follows:

Property tax increment revenues of \$28,582,529 are the Commission's major revenue source. This revenue decreased by \$392,549 or 1.35 percent from the prior year, as a result of lower assessed values.

Capital grants and contributions decreased by \$894,350 or 58.53 percent from fiscal year 2009.

Other revenues decreased by \$184,189 or 59.73 percent as a result of more low and moderate loans paid-off before the maturity date from fiscal year 2009.

Due to payment of ERAF to the State in the amount of \$10,854,119, expenditures increased by \$1,087,514 or 29.74 percent in redevelopment activities, and increased by \$3,154,613 or 14.74 percent in interest expense from the prior year.

There was an overall increase of \$14,009,861 in total expenditures and decreased \$2,147,374 in total revenue over the previous fiscal year.

## Attachment C – Comparative Schedule of Outstanding Debt:

The Commission's total debt decreased by \$2,491,069 for the current fiscal year, due to an increase in advances and notes payable of \$1,189,344 and repayment of bonded debt, advances, and notes payable of \$3,680,443.

## ECONOMIC FACTORS AND NEXT YEAR BUDGET:

In July of 2009, The Legislature passed and Governor signed ABX4-26 as part of the budget package, a \$2.05 billion take of redevelopment funds for all California Redevelopment Association (CRA). The impact to the City of Pasadena is a loss of \$10,854,119 in FY2010, and an additional \$2,232,491 for FY2011. If the State takes the funds, it will stop work on any new redevelopment projects, stalling or eliminating any vital economic revitalization that is critical in a down economy.

In addition, PCDC may suspend all or part of the required 20% allocation to its low and moderate income housing fund in order to make the required payments. The CRA filed a second lawsuit in Sacramento Superior Court in October of 2009, the lawsuit seeks to invalidate ABX4-26 and block the unconstitutional transfer of \$2.05 billion in local redevelopment funds to county Supplemental Education Revenue Augmentation Funds (SERAF). In May 2010 the Superior Court upheld the legality of ABX4-26. On August 30, 2010, the CRA submitted its opening brief on appeal with the Third District of Appeals to overturn the \$2.5 raid of redevelopment funds by the State.

In January, 2007 the PCDC and the City Council approved the commencement of a merger process to combine the five redevelopment project areas in Northwest Pasadena (Orange Grove, Lincoln Ave., Fair Oaks Ave., Villa-Parke and Lake/Washington) in accordance with the provisions and requirements of the California Redevelopment Law-Health and Safety Code 33000 et seq. The merger will provide the ability to share tax increment funds within the merged project area, thereby achieving greater leverage of tax increment resources and flexibility to implement priority projects to benefit the entire Northwest area. The separate redevelopment plans, as amended, would continue to govern the individual project areas with respect to all matters other than the pooling of tax increment revenue. In addition to the Merger, the Commission is in the process of increasing the Villa Parke tax increment cap limit. The proposed increase will establish a new cap of \$65 million. The Commission anticipates the new cap to be established prior to the end of the 2010 calendar year. It is anticipated that the merger will take place some time in late 2010 or early 2011.

The Community Redevelopment Law Reform Act of 1993 requires local agencies to prepare and adopt a Five Year Implementation Plan every five years to ensure that each redevelopment agency plans and implements its redevelopment programs in a manner that is directly related to eliminating blight. On April 26, 2010, the Commission adopted a Resolution that approved the 2009-2014 Five Year Implementation Plan. The Implementation Plan is intended to be a guide, rather than a rigid

rather than a rigid unchangeable course of action. The Implementation Plan presents Commission priorities for future redevelopment activities within the project areas as appropriate and permissible by the California Redevelopment Law and other applicable statutes for the 2010-2015 planning period. Commission goals, objectives, policies, project areas and programs included in the Implementation Plan have been tailored to meet the needs of the Project Areas and the Affordable Housing Programs within the City of Pasadena.

**REQUEST FOR INFORMATION:**

This financial report is designed to provide a general overview of the Commission's financial position. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Finance, Pasadena Community Development Commission, 100 North Garfield Avenue – Third Floor, Pasadena, California, 91101-1726.

ATTACHMENT A

PASADENA COMMUNITY DEVELOPMENT COMMISSION  
Comparative Statement of Net Assets

	<u>2010</u>	<u>2009</u>	<u>Amount of Increase (Decrease)</u>	<u>Percent of Increase (Decrease)</u>
<u>Assets</u>				
Cash and investments	\$ 18,538,898	\$ 37,544,993	(19,006,095)	(50.62)
Cash and investments with fiscal agents	1,310,918	1,285,020	25,898	2.02
Other assets	<u>37,290,911</u>	<u>32,340,933</u>	<u>4,949,978</u>	<u>15.31</u>
 Total assets	 <u>57,140,727</u>	 <u>71,170,946</u>	 <u>(14,030,219)</u>	 <u>(19.71)</u>
<u>Liabilities</u>				
Other liabilities	1,709,503	1,879,305	(169,802)	(9.04)
Long-term liabilities outstanding	<u>48,898,339</u>	<u>51,389,438</u>	<u>(2,491,099)</u>	<u>(4.85)</u>
 Total liabilities	 <u>50,607,842</u>	 <u>53,268,743</u>	 <u>(2,660,901)</u>	 <u>(5.00)</u>
<u>Net assets</u>				
Restricted for:				
Low and Moderate	34,964,900	33,780,258	1,184,642	3.51
Downtown	5,537,325	6,349,119	(811,794)	(12.79)
Orange Grove	-	287,290	(287,290)	-
Villa Parke	1,740,672	3,724,144	(1,983,472)	(53.26)
Old Pasadena	2,115,154	6,689,569	(4,574,415)	(68.38)
Halstead Sycamore	61,286	100,437	(39,151)	(38.98)
Affordable Housing	172,242	154,456	17,786	11.52
Unrestricted	<u>(38,058,694)</u>	<u>(33,183,071)</u>	<u>(4,875,623)</u>	<u>14.69</u>
 Total net assets	 <u>\$ 6,532,885</u>	 <u>17,902,202</u>	 <u>(11,369,317)</u>	 <u>(63.51)</u>

ATTACHMENT B

PASADENA COMMUNITY DEVELOPMENT COMMISSION  
 Comparative Statement of Revenue, Expenditures and  
 Changes in Net Assets

	<u>2010</u>	<u>2009</u>	<u>Amount of Increase (Decrease)</u>	<u>Percent of Increase (Decrease)</u>
<b>Revenues:</b>				
Program revenues:				
Operating contributions and grants	\$ 1,581,017	1,671,448	(90,431)	(5.41)
Capital grants and contributions	633,650	1,528,000	(894,350)	(58.53)
General revenues:				
Incremental property tax	28,582,529	28,975,078	(392,549)	(1.35)
Grants and contributions not restricted to specific programs				
Rental income	1,072,008	1,094,255	(22,247)	(2.03)
Investment earnings	603,473	1,167,082	(563,609)	(48.29)
Other revenues	124,179	308,368	(184,189)	(59.73)
Total revenues	<u>32,596,856</u>	<u>34,744,231</u>	<u>(2,147,375)</u>	<u>(6.18)</u>
<b>Expenditures:</b>				
Administration overhead	3,165,627	4,158,417	(992,790)	(23.87)
Redevelopment activities	4,744,192	3,656,678	1,087,514	29.74
ERAF payment	10,854,119	-	10,854,119	-
Property tax pass-through	647,640	741,236	(93,596)	(12.63)
Interest expense	24,554,595	21,399,982	3,154,613	14.74
Total Expenses	<u>43,966,172</u>	<u>29,956,313</u>	<u>14,009,859</u>	<u>46.77</u>
Increase in net assets	(11,369,317)	4,787,918	(16,157,235)	337.46
Net assets (deficit) at beginning of year	<u>17,902,202</u>	<u>13,114,284</u>	<u>4,787,918</u>	<u>36.51</u>
Net assets (deficit) at end of year	<u>\$ 6,532,885</u>	<u>17,902,202</u>	<u>(11,369,317)</u>	<u>(63.51)</u>

ATTACHMENT C

PASADENA COMMUNITY DEVELOPMENT COMMISSION  
Comparative Schedule of Outstanding Debt

	<u>Initial Amount</u>	<u>Interest Rate</u>	<u>Balance 06/30/09</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance 06/30/10</u>
<b><u>Bonded debt</u></b>						
Fair Oaks Project						
2006 Tax Allocation Refunding Bonds	2,470,000	3.8%-4.9%	2,225,000	-	(130,000)	2,095,000
Orange Grove						
2000 Tax Allocation Refunding Bonds	2,801,000	4.35-5.50%	1,249,000	-	(220,000)	1,029,000
Villa Parke						
2000 Tax Allocation Refunding Bonds	1,814,000	4.35-5.50%	807,000	-	(142,000)	665,000
2006 Tax Allocation Refunding Bonds	710,000	3.8%-4.5%	455,000	-	(95,000)	360,000
Lake Washington						
2006 Tax Allocation Refunding Bonds	805,000	3.8%-4.7%	685,000	-	(65,000)	620,000
Low Moderate Housing						
1991 Tax Allocation Bonds	4,540,000	6%	725,689	-	(352,277)	373,412
2006 Tax Allocation Refunding Bonds	1,935,000	3.8%-4.3%	1,510,000	-	(230,000)	1,280,000
Total tax allocation bonds payable			7,656,689	-	(1,234,277)	6,422,412
Advances payable - City			39,061,496	1,189,344	(487,759)	39,763,081
Notes Payable - Other			4,671,253	-	(1,958,407)	2,712,846
Total outstanding debt			<u>\$51,389,438</u>	<u>1,189,344</u>	<u>(3,680,443)</u>	<u>48,898,339</u>

**PASADENA COMMUNITY DEVELOPMENT COMMISSION**  
**(A Component Unit of the City of Pasadena, California)**

**Statement of Net Assets**

**June 30, 2010**

	<u>Governmental Activities</u>	
	<u>2010</u>	<u>2009</u>
<b>Assets:</b>		
Cash and investments (note 3)	\$ 18,538,898	37,544,993
Accounts receivable	192,977	195,596
Interest receivable	72,498	143,319
Taxes receivable	691,418	846,925
Notes receivable (note 4)	30,067,406	28,214,132
Allowance for uncollectible long-term receivables (note 4)	(7,331,501)	(7,457,151)
Advance to City of Pasadena Del Mar Garage	2,959,136	2,959,136
Property held for resale (note 7)	10,638,977	7,438,976
<b>Restricted assets:</b>		
Cash and investments with fiscal agents (note 3)	1,310,918	1,285,020
 Total assets	 <u>57,140,727</u>	 <u>71,170,946</u>
 <b>Liabilities:</b>		
Accounts payable	555,909	623,002
Due to the City of Pasadena	460,506	666,822
Interest payable	693,088	589,482
<b>Noncurrent liabilities (notes 8 to 11):</b>		
Due within one year	1,565,566	3,345,786
Due in more than one year	47,332,773	48,043,652
 Total liabilities	 <u>50,607,842</u>	 <u>53,268,744</u>
 <b>Net assets (deficit):</b>		
<b>Restricted:</b>		
Low and Moderate	34,964,900	33,780,258
Downtown	5,537,325	6,349,119
Orange Grove	-	287,290
Villa Parke	1,740,672	3,724,144
Old Pasadena	2,115,154	6,689,569
Halstead Sycamore	61,286	100,437
Affordable Housing	172,242	154,456
Unrestricted	<u>(38,058,694)</u>	<u>(33,183,071)</u>
 Total net assets (deficit)	 <u>\$ 6,532,885</u>	 <u>17,902,202</u>

See accompanying notes to the basic financial statements.



**PASADENA COMMUNITY DEVELOPMENT COMMISSION**  
**(A Component Unit of the City of Pasadena, California)**

**Statement of Activities**

**Year Ended June 30, 2010**

	Program Revenues			Net		
	Expenses	Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants	Governmental Activities	
					2010	2009
<b>Governmental activities:</b>						
Administrative overhead costs	\$ 3,165,627	-	-	-	(3,165,627)	(4,158,417)
Legal and financial services	-	-	-	-	-	(338,215)
Planning	822,421	-	-	-	(822,421)	(833,922)
Project Management	817,389	-	-	-	(817,389)	(653,169)
Real estate acquisition	34,775	-	-	-	(34,775)	(83,355)
Emergency shelter service	158,250	-	-	-	(158,250)	(158,117)
Operation of						
acquired properties	7,425	-	-	-	(7,425)	(19,166)
Public improvement	940,981	-	-	-	(940,981)	(922,530)
Relocation	70,567	-	-	-	(70,567)	(27,664)
Rehabilitation	40,870	1,072,008	414,808	633,650	2,079,596	2,766,323
Affordable housing assistance	1,851,514	-	1,166,208	-	(685,306)	906,840
ERAF payment	10,854,119	-	-	-	(10,854,119)	-
Property tax pass-through	647,640	-	-	-	(647,640)	(741,236)
Interest expense	24,554,595	-	-	-	(24,554,595)	(21,399,982)
<b>Total governmental activities</b>	<b>\$ 43,966,172</b>	<b>1,072,008</b>	<b>1,581,016</b>	<b>633,650</b>	<b>(40,679,498)</b>	<b>(25,662,610)</b>
<b>General revenues:</b>						
<b>Taxes:</b>						
Incremental property taxes					28,582,529	28,975,078
Investment earnings					599,185	1,074,834
Net change in fair value of investments					4,288	92,247
Other revenues					124,179	308,368
<b>Total general revenues</b>					<b>29,310,182</b>	<b>30,450,528</b>
<b>Change in net assets</b>					<b>(11,369,317)</b>	<b>4,787,918</b>
<b>Net assets at beginning of year</b>					<b>17,902,202</b>	<b>13,114,284</b>
<b>Net assets (deficit) at end of year</b>					<b>\$ 6,532,885</b>	<b>17,902,202</b>

See accompanying notes to the basic financial statements.

**PASADENA COMMUNITY DEVELOPMENT COMMISSION**  
**(A Component Unit of the City of Pasadena, California)**

**Governmental Funds - Balance Sheet**

**June 30, 2010**

	Special Revenue	Debt Service	
	Low & Moderate /		Fair
	Inclusionary Housing	Downtown	Oaks
<u>Assets</u>			
Cash and investments (note 3)	\$ 9,344,228	-	1,769,000
Cash and investments with fiscal agents (note 3)	-		248,731
Accounts receivable	-	-	-
Interest receivable	-	-	7,278
Taxes receivable	-	460,506	53,483
Notes receivable (note 4)	22,735,908	-	-
Due from other funds (note 5)	53,061	-	-
Advance to City of Pasadena (Del Mar Garages)	-	-	-
Advances to other funds (note 6)	-	-	-
Allowance for uncollectible long-term receivables	-	-	-
Property held for resale (note 7)	7,438,977	-	-
	<u>\$ 39,572,174</u>	<u>460,506</u>	<u>2,078,492</u>
<u>Liabilities and Fund Balances</u>			
<b>Liabilities:</b>			
Accounts payable	\$ 240,986	-	50,678
Due to City of Pasadena	-	460,506	-
Due to other funds (note 5)	-	-	10,783
Advances from other funds (note 6)	-	-	-
	<u>240,986</u>	<u>460,506</u>	<u>61,461</u>
<b>Fund balances (deficit):</b>			
<b>Reserved for:</b>			
Property held for resale	7,438,977	-	-
Notes receivable	22,735,908	-	-
Encumbrances	2,131,206	-	-
Debt service	-	-	2,017,031
<b>Unreserved, reported in:</b>			
Special revenue fund	7,025,097	-	-
Capital project funds	-	-	-
	<u>39,331,188</u>	<u>-</u>	<u>2,017,031</u>
<b>Total fund balances (deficit)</b>	<u>\$ 39,331,188</u>	<u>-</u>	<u>2,017,031</u>
<b>Total liabilities and fund balances</b>	<u>\$ 39,572,174</u>	<u>460,506</u>	<u>2,078,492</u>

See accompanying notes to the basic financial statements.

Debt Service Lake/ Washington	Capital Projects			Other Governmental Funds	Totals	
	Downtown	Fair Oaks	Old Pasadena		2010	2009
685,440	3,129	-	2,356,405	4,380,696	18,538,898	37,544,993
83,400	-	-	-	978,787	1,310,918	1,285,020
-	117,075	52,215	10,987	12,700	192,977	195,596
8,160	18,963	-	-	38,097	72,498	143,319
6,970	-	-	65,697	104,762	691,418	846,925
-	4,211,680	2,059,876	-	1,059,942	30,067,406	28,214,132
-	1,350,470	-	-	-	1,403,531	1,431,530
-	1,479,568	-	1,479,568	-	2,959,136	2,959,136
-	767,158	-	-	189,485	956,643	956,643
-	(4,978,841)	(2,059,876)	-	(1,249,427)	(8,288,144)	(8,413,794)
-	3,200,000	-	-	-	10,638,977	7,438,976
<u>783,970</u>	<u>6,169,202</u>	<u>52,215</u>	<u>3,912,657</u>	<u>5,515,042</u>	<u>58,544,258</u>	<u>72,602,476</u>
13,800	68,104	-	-	182,341	555,909	623,002
-	-	-	-	-	460,506	666,822
1,395	-	1,350,470	19,781	21,102	1,403,531	1,431,530
767,158	-	-	189,485	-	956,643	956,643
<u>782,353</u>	<u>68,104</u>	<u>1,350,470</u>	<u>209,266</u>	<u>203,443</u>	<u>3,376,589</u>	<u>3,677,997</u>
-	3,200,000	-	-	-	10,638,977	7,438,976
-	1,479,568	-	1,479,568	-	25,695,044	23,716,120
-	83,224	-	59,580	133,977	2,407,987	6,145,304
1,617	-	-	-	1,874,045	3,892,693	11,570,255
-	-	-	-	-	7,025,097	6,670,601
-	1,338,306	(1,298,255)	2,164,243	3,303,577	5,507,871	13,383,223
<u>1,617</u>	<u>6,101,098</u>	<u>(1,298,255)</u>	<u>3,703,391</u>	<u>5,311,599</u>	<u>55,167,669</u>	<u>68,924,479</u>
<u>783,970</u>	<u>6,169,202</u>	<u>52,215</u>	<u>3,912,657</u>	<u>5,515,042</u>	<u>58,544,258</u>	<u>72,602,476</u>

See accompanying notes to the basic financial statements.

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**PASADENA COMMUNITY DEVELOPMENT COMMISSION**  
**(A Component Unit of the City of Pasadena, California)**  
**Governmental Funds**  
**Reconciliation of the Balance Sheet of Governmental Funds to**  
**the Statement of Net Assets**  
**June 30, 2010**

Fund balances of governmental funds	\$ 55,167,669
Amounts reported for governmental activities in the statement of net assets are different because:	
Long-term debt has not been included in the governmental fund activity.	(48,898,339)
Accrued interest payable for the current portion of interest due on long-term debt has not been reported in the governmental funds.	(693,088)
Interfund balances are eliminated in the governmental statements, except for residual amounts due between governmental activities.	<u>956,643</u>
Net assets of governmental activities	<u>\$ 6,532,885</u>

See accompanying notes to the basic financial statements.

**PASADENA COMMUNITY DEVELOPMENT COMMISSION**  
**(A Component Unit of the City of Pasadena, California)**

**Governmental Fund Types - Statement of Revenues, Expenditures and Changes in Fund Balances**

**Year Ended June 30, 2010**

	Special Revenue	Debt Service	
	Low & Moderate /		Fair
	Inclusionary Housing	Downtown	Oaks
<b>Revenues:</b>			
Incremental property taxes	\$ -	20,333,172	890,568
Intergovernmental	75,649	-	-
Rental income	92,474	-	-
Investment earnings	158,942	-	52,352
Net changes in fair value of investments	25,622	-	(4,049)
Reimbursement from developers	-	-	72,557
Sales tax	-	-	-
Housing in lieu fees	1,166,208	-	-
Other revenue	100,969	-	-
<b>Total revenues</b>	<u>1,619,864</u>	<u>20,333,172</u>	<u>1,011,428</u>
<b>Expenditures:</b>			
<b>Current:</b>			
Administrative overhead costs (note 13)	491,757	-	-
Legal and financial services	-	-	-
Planning	42,188	-	-
Project Management	812,393	-	-
Real estate acquisition	399	-	-
Emergency shelter service	158,250	-	-
Operation of acquired properties	7,425	-	-
Public improvement	-	-	-
Demolition	70,567	-	-
Rehabilitation	-	-	-
Disposition	-	-	-
Affordable Housing	1,851,514	-	-
Contingency	-	-	-
ERAF payment	-	-	1,635,456
Property tax pass-through	-	312,795	31,261
<b>Debt service:</b>			
Principal	-	42,418	202,557
Interest and fiscal charges	-	19,238,763	715,925
<b>Total expenditures</b>	<u>3,434,493</u>	<u>19,593,976</u>	<u>2,585,199</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,814,629)</u>	<u>739,196</u>	<u>(1,573,771)</u>
<b>Other financing sources (uses):</b>			
Issuance of notes	-	-	-
Advances from the City of Pasadena	-	-	618,240
Transfers from the City of Pasadena	-	-	-
Transfers to the City of Pasadena	-	-	-
Transfers in (note 12)	2,916,119	50,758	-
Transfers out (note 12)	(2,457,502)	(800,000)	(267,721)
<b>Total other financing sources (uses)</b>	<u>458,617</u>	<u>(749,242)</u>	<u>350,519</u>
<b>Change in fund balances</b>	<u>(1,356,012)</u>	<u>(10,046)</u>	<u>(1,223,252)</u>
<b>Fund balances (deficit) at beginning of year</b>	<u>40,687,200</u>	<u>10,046</u>	<u>3,240,283</u>
<b>Fund balances (deficit) at end of year</b>	<u>\$ 39,331,188</u>	<u>-</u>	<u>2,017,031</u>

See accompanying notes to the basic financial statements.

Debt Service		Capital Projects		Other		Totals	
Lake/ Washington	Downtown	Fair Oaks	Old Pasadena	Governmental Funds	2010	2009	
426,591	-	-	4,662,475	2,269,723	28,582,529	28,975,078	
-	-	-	-	558,000	633,649	1,528,000	
-	947,411	32,123	-	-	1,072,008	1,094,255	
29,732	70,638	-	100,991	186,530	599,185	1,074,834	
(1,816)	(12,711)	-	(1,863)	(895)	4,288	92,247	
290,036	-	52,215	-	-	414,808	298,750	
-	-	-	-	209,345	209,345	247,619	
-	-	-	-	-	1,166,208	1,372,698	
-	22,060	-	-	1,150	124,179	308,367	
<u>744,543</u>	<u>1,027,398</u>	<u>84,338</u>	<u>4,761,603</u>	<u>3,223,853</u>	<u>32,806,199</u>	<u>34,991,848</u>	
-	1,752,044	89,607	532,828	333,216	3,199,452	3,779,596	
-	-	-	-	-	-	338,215	
-	456,189	203	89,204	234,637	822,421	833,922	
-	-	-	-	4,996	817,389	653,169	
-	-	34,376	-	-	34,775	83,355	
-	-	-	-	-	158,250	158,117	
-	-	-	-	-	7,425	19,166	
-	-	-	940,981	-	940,981	922,530	
-	-	-	-	-	70,567	27,664	
-	10,870	-	-	30,000	40,870	154,682	
-	-	-	-	-	-	355,119	
-	-	-	-	-	1,851,514	110,739	
-	-	-	-	250,580	250,580	200,000	
1,508,506	-	-	3,018,352	4,691,805	10,854,119	-	
16,172	-	-	67,943	219,468	647,639	741,236	
371,068	-	-	-	3,064,400	3,680,443	2,359,823	
465,394	-	-	3,273,908	756,998	24,450,988	21,264,087	
<u>2,361,140</u>	<u>2,219,103</u>	<u>124,186</u>	<u>7,923,216</u>	<u>9,586,100</u>	<u>47,827,413</u>	<u>32,001,420</u>	
<u>(1,616,597)</u>	<u>(1,191,705)</u>	<u>(39,848)</u>	<u>(3,161,613)</u>	<u>(6,362,247)</u>	<u>(15,021,214)</u>	<u>2,990,428</u>	
-	-	-	-	-	-	232,380	
429,552	-	-	43,908	97,644	1,189,344	1,189,344	
-	800,000	-	-	-	800,000	800,000	
-	(401,703)	-	(14,060)	(309,177)	(724,940)	(1,226,440)	
-	-	89,607	-	4,795,619	7,852,103	4,416,123	
(85,318)	(50,758)	-	(1,398,742)	(2,792,062)	(7,852,103)	(4,416,123)	
<u>344,234</u>	<u>347,539</u>	<u>89,607</u>	<u>(1,368,894)</u>	<u>1,792,024</u>	<u>1,264,404</u>	<u>995,284</u>	
(1,272,363)	(844,166)	49,759	(4,530,507)	(4,570,223)	(13,756,810)	3,985,712	
<u>1,273,980</u>	<u>6,945,264</u>	<u>(1,348,014)</u>	<u>8,233,898</u>	<u>9,881,822</u>	<u>68,924,479</u>	<u>64,938,767</u>	
<u>1,617</u>	<u>6,101,098</u>	<u>(1,298,255)</u>	<u>3,703,391</u>	<u>5,311,599</u>	<u>55,167,669</u>	<u>68,924,479</u>	

See accompanying notes to the basic financial statements.

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**PASADENA COMMUNITY DEVELOPMENT COMMISSION**  
**(A Component Unit of the City of Pasadena, California)**  
**Reconciliation of the Statement of Revenues, Expenditures,**  
**and Changes in Fund Balances of Governmental Funds**  
**to the Statement of Activities**  
**Year ended June 30, 2010**

Net changes in fund balances - total governmental funds	\$ (13,756,810)
Amounts reported for governmental activities in the statement of activities is different because:	
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	3,680,443
When long-term debt is issued, the proceeds of the new debt issuance are reported as other financing sources and uses in the government funds. However, in the government-wide financial statements, the new debt is reported directly on the Statement of Net Assets and there is no effect on the changes in net assets reported on the Statement of Activities.	(1,189,344)
Long-term liabilities and accrued interest payable that are not in the current period are not reported in the governmental funds.	<u>(103,606)</u>
Changes in net assets of governmental activities	<u>\$ (11,369,317)</u>

See accompanying notes to the basic financial statements.

**PASADENA COMMUNITY DEVELOPMENT COMMISSION**  
**(A Component Unit of the City of Pasadena, California)**

**Notes to the Basic Financial Statements**

**Year Ended June 30, 2010**

**(1) Organization**

The Pasadena Community Development Commission (Commission) is a component unit of the City of Pasadena, California (City). The Commission was established on April 27, 1981 to succeed the Pasadena Redevelopment Agency (Agency). All obligations and assets of the Agency were transferred to the Commission, which adopted the by-laws of the Agency. The City provides management assistance to the Commission, and the members of the City Council also act as the governing body. The purpose of the Commission is to eliminate deterioration of the community and promote economic revitalization within the City through redevelopment activities.

Of the eight active Redevelopment Project Areas that are administered by the Pasadena Community Development Commission, the largest is the Downtown Project Area encompassing roughly 340 acres within the City's Central District. The Downtown Project Area is home to a variety of significant commercial and residential projects including the Paseo Colorado. Paseo Colorado replaced the Plaza Pasadena creating an open-air urban village and completely transforming the three blocks between Marengo and Los Robles Avenues, activating both Colorado Boulevard and Green Street with street front retail, and opening up the Garfield Promenade to restore the historic view corridor from the Public Library to the Civic Auditorium. Paseo Colorado serves as a multi-use destination that combines an active retail environment, prominent fine-dining restaurants and cafes, and entertainment with a residential colony of approximately 375 units. Other projects in the Downtown Redevelopment Project Area include the Parsons Company's world headquarters building, the Pasadena Playhouse, Laemmle's Theatres, regional headquarters for AT&T, and the Plaza Las Fuentes, a mixed use project that includes a Westin Hotel, a Class A office building and upscale restaurants including McCormick & Schmick's and California Pizza Kitchen.

**(2) Summary of Significant Accounting Policies**

**(a) Basis of Presentation**

The basic financial statements of the Commission are composed of the following:

- Government-wide financial statements
- Fund financial statements
- Notes to the financial statements

**PASADENA COMMUNITY DEVELOPMENT COMMISSION**  
**(A Component Unit of the City of Pasadena, California)**

**Notes to the Basic Financial Statements**

**Year Ended June 30, 2010**

**(2) Summary of Significant Accounting Policies, (Continued)**

**(a) Basis of Presentation, (Continued)**

**Government-wide Financial Statements**

Government-wide financial statements display information about the reporting government as a whole, except for its fiduciary activities. These statements include separate columns for the governmental and business-type activities of the primary government (including its blended component units), as well as its discretely presented component units. The Pasadena Community Development Commission has no business-type activities or discretely presented component units. Eliminations have been made in the Statement of Activities so that certain allocated expenses are recorded only once (by the function to which they were allocated). However, administrative overhead costs have not been allocated as indirect expenses to the various functions of the Commission.

The accompanying government-wide financial statements for the Commission present negative net assets because the primary activity of the Commission is to issue debt to construct infrastructure that will be owned and maintained by the City.

Government-wide financial statements are presented using the *economic resources measurement focus* and the *accrual basis of accounting*. Under the economic resources measurement focus, all (both current and long-term) economic resources and obligations of the reporting government are reported in the government-wide financial statements. *Basis of accounting* refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Under the accrual basis of accounting, revenues, expenses, gains, losses, assets, and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement No. 33.

Amounts paid to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements, rather than as an other financing source. Amounts paid to reduce long-term indebtedness of the reporting government are reported as a reduction of the related liability, rather than as an expenditure.

**PASADENA COMMUNITY DEVELOPMENT COMMISSION**  
**(A Component Unit of the City of Pasadena, California)**

**Notes to the Basic Financial Statements**

**Year Ended June 30, 2010**

**(2) Summary of Significant Accounting Policies, (Continued)**

**(a) Basis of Presentation, (Continued)**

**Fund Financial Statements**

The underlying accounting system of the Commission is organized and operated on the basis of separate funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise of its assets, liabilities, fund equity, revenues and expenditures. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. Fund financial statements for the primary government's governmental funds are presented after the government-wide financial statements. These statements display information about major funds individually and non-major funds in the aggregate.

**Governmental Funds**

In the fund financial statements, governmental funds are presented using the *modified accrual basis of accounting*. Their revenues are recognized when they become *measurable* and *available* as net current assets. *Measurable* means that the amounts can be estimated, or otherwise determined. *Available* means that the amounts were collected during the reporting period or soon enough thereafter to be available to finance the expenditures accrued for the reporting period. The Commission uses a sixty day availability period.

Revenue recognition is subject to the *measurable* and *availability* criteria for the governmental funds in the fund financial statements. *Exchange transactions* are recognized as revenues in the period in which they are earned (i.e. the related goods or services are provided). *Locally imposed derived tax revenues* are recognized as revenues in the period in which the underlying exchange transaction upon which they are based takes place. *Imposed non-exchange transactions* are recognized as revenues in the period for which they were imposed. If the period of use is not specified, they are recognized as revenues when an enforceable legal claim to the revenues arises or when they are received, whichever occurs first. *Government-mandated* and *voluntary non-exchange transactions* are recognized as revenues when all applicable eligibility requirements have been met.

**PASADENA COMMUNITY DEVELOPMENT COMMISSION**  
(A Component Unit of the City of Pasadena, California)

**Notes to the Basic Financial Statements**

**Year Ended June 30, 2010**

**(2) Summary of Significant Accounting Policies, (Continued)**

**(a) Basis of Presentation, (Continued)**

In the fund financial statements, governmental funds are presented using the *current financial resources measurement focus*. This means that only current assets and current liabilities are generally included on their balance sheets. The reported fund balance (net current assets) is considered to be a measure of "available spendable resources." Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Non-current portions of long-term receivables due to governmental funds are reported on their balance sheets in spite of their spending measurement focus. Special reporting treatments are used to indicate, however, that they should not be considered "available spendable resources," since they do not represent net current assets. Recognition of governmental fund type revenues represented by non-current receivables are deferred until they become current receivables. Non-current portions of other long-term receivables are offset by fund balance reserve accounts.

Because of their spending measurement focus, expenditure recognition for governmental fund types excludes amounts represented by non-current liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities.

Amounts expended to acquire capital assets are recorded as *expenditures* in the year that resources were expended, rather than as fund assets. The proceeds of long-term debt are recorded as *other financing sources* rather than as a fund liability. Amounts paid to reduce long-term indebtedness are reported as fund expenditures.

When both restricted and unrestricted resources are combined in a fund, expenses are considered to be paid first from restricted resources, and then from unrestricted resources.

**(b) Activities in Major Funds**

The following funds are presented as major funds in the accompanying basic financial statements:

Special Revenue, Low and Moderate Income Housing Fund – To account for the required set aside of property tax increments that is legally restricted for increasing or improving housing for low and moderate income households.

**PASADENA COMMUNITY DEVELOPMENT COMMISSION**  
**(A Component Unit of the City of Pasadena, California)**

**Notes to the Basic Financial Statements**

**Year Ended June 30, 2010**

**(2) Summary of Significant Accounting Policies, (Continued)**

**(b) Activities in Major Funds, (Continued)**

Debt Service, Downtown Project Area Fund – To account for tax increment, investment revenue, and the payment of interest and principal on the debt of the Downtown project area.

Debt Service, Fair Oaks Project Area Fund – To account for tax increment, investment revenue, and the payment of interest and principal on the debt of the Fair Oaks project area.

Debt Service, Lake/Washington Project Area Fund – To account for tax increment, investment revenue, and the payment of interest and principal on the debt of the Lake/Washington project area.

Capital Projects, Downtown Project Area Fund – To account for redevelopment and public improvement projects of the Downtown project area.

Capital Projects, Fair Oaks Project Area Fund – To account for redevelopment and public improvement projects of the Fair Oaks project area.

Capital Projects, Old Pasadena Project Area Fund – To account for redevelopment and public improvement projects of the Old Pasadena project area.

**(c) Investments**

Investments are carried at fair value. Fair value is determined using quoted market prices except for certain certificates of deposit and investment contracts that are reported at cost because they are not transferable and they have terms that are not affected by changes in market interest rates.

**(d) Property Held for Resale**

Land acquired for future sale has been capitalized in the Capital Projects Funds as land held for resale, and is carried at the lower of cost or estimated net realizable value. A portion of fund balance is reserved for property held for resale to indicate that a portion of fund balance is not available for expenditure.

**(e) Encumbrances**

Encumbrance accounting, under which purchase orders and contracts for the expenditures of funds are reported in order to reserve that portion of the fund balance, is employed in the Governmental Funds. Encumbrances are reported as a reservation of fund balance since they do not constitute expenditures or liabilities.

**PASADENA COMMUNITY DEVELOPMENT COMMISSION**  
**(A Component Unit of the City of Pasadena, California)**

**Notes to the Basic Financial Statements**

**Year Ended June 30, 2010**

**(2) Summary of Significant Accounting Policies, (Continued)**

**(f) Incremental Property Taxes**

Subject to certain limitations in the Revenue and Taxation Code and the California Constitution, the City is expressly empowered to levy and collect taxes on all taxable property within its boundaries for the purpose of carrying on its operations and paying its obligations. Property taxes are levied as of July 1 using a lien date of January 1 and are payable by property owners in two equal installments, which are due by December 10 and April 10, respectively. The taxes levied are billed and collected by the County of Los Angeles on behalf of the City, and are remitted to the City throughout the year. The Commission records incremental property taxes as revenue when received from the County, except at year-end when property taxes received within 60 days are accrued as revenue. The City allocates incremental property tax revenues arising from the Commission's projects to the Commission.

Property taxes are assessed and collected each fiscal year according to the following property tax calendar:

Lien	January 1
Levy	July 1 to June 30
Due	November 1 – 1 <sup>st</sup> installment February 1 – 2 <sup>nd</sup> installment
Collection	December 10 – 1 <sup>st</sup> installment April 10 – 2 <sup>nd</sup> installment

Property taxes on the secured roll are due in two installments; on November 1 and February 1 of the fiscal year. If unpaid, such taxes become delinquent on December 10 and April 10, respectively, and a 10% penalty is added to any delinquent payments. Such delinquent property may thereafter be redeemed by payments of the delinquent taxes and the delinquent penalty, plus a redemption penalty of 1% per month to the time of redemption. If taxes are unpaid for a period of five years or more, the property is then subject to sale by the County Tax Collector.

Property taxes on the unsecured roll are due as of the January 1 lien date and become delinquent, if unpaid, on August 31. A 10% penalty is attached to delinquent taxes on property of the unsecured roll, and an additional penalty of 1% per month begins to accrue. Collection of delinquent unsecured taxes is the responsibility of the County of Los Angeles using the several means legally available to it.

**PASADENA COMMUNITY DEVELOPMENT COMMISSION**  
**(A Component Unit of the City of Pasadena, California)**

**Notes to the Basic Financial Statements**

**Year Ended June 30, 2010**

**(2) Summary of Significant Accounting Policies, (Continued)**

**(g) Prior Year Data**

The information included in the accompanying financial statements for the prior year has been presented for comparison purposes only and does not represent a complete presentation in accordance with generally accepted accounting principles. Certain minor reclassifications of prior year data have been made in order to enhance their comparability with current year figures.

**(h) Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of financial statements and the reported amounts of revenue and expenditures during the reported period.

**(3) Cash and Investments**

The Commission follows the practice of pooling cash and investments of all funds, except for funds required to be held by outside fiscal agents under the provisions of bond or certificate of participation indentures. Interest income earned on pooled cash and investments is allocated monthly to the various funds on the basis of the average monthly share of the pooled cash and investments of each of the individual funds. Interest income from cash and investments with the fiscal agents is credited directly to the related funds.

Cash and investments at June 30, 2010 are reflected on the Statement of Net Assets as follows:

Cash and investments	\$ 18,538,898
Cash and investments with fiscal agents	<u>1,310,918</u>
Total cash and investments	<u>\$ 19,849,816</u>

Cash and investments at June 30, 2010 consist of the following:

Demand deposits	\$ 40,682
Investment in City of Pasadena Pool	4,027,682
Investments	<u>15,781,452</u>
Total cash and investments	<u>\$ 19,849,816</u>



**PASADENA COMMUNITY DEVELOPMENT COMMISSION**  
**(A Component Unit of the City of Pasadena, California)**

**Notes to the Basic Financial Statements**

**Year Ended June 30, 2010**

**(3) Cash and Investments, (Continued)**

**Investments Authorized by the California Government Code and the Commission's Investment Policy**

The table below identifies the investment types that are authorized for the Commission by the California Government Code and the Commission's investment policy. The table also identifies certain provisions of the California Government Code (or the City's investment policy, if more restrictive) that address interest rate risk and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of debt agreements of the Commission, rather than the general provisions of the California Government Code or the City's investment policy.

<u>Investment Types</u> <u>Authorized by State Law</u>	<u>Authorized I</u> <u>Investment</u>	<u>*Maximum</u> <u>*Maximum</u>	<u>*Maximum</u> <u>Percentage</u>	<u>*Maximum</u> <u>Investment</u>
	<u>Policy</u>	<u>Maturity</u>	<u>Of Portfolio</u>	<u>In One Issue</u>
Local Agency Bonds	Yes	5 years	None	None
U.S. Treasury Obligations	Yes	5 years	None	None
U.S. Agency Securities	Yes	5 years	None	None
Banker's Acceptances	Yes	180 days	40%	30%
Commercial Paper	Yes	270 days	15%	10%
Negotiable Certificates of Deposit	Yes	5 years	25%	None
Repurchase Agreements	Yes	1 year	None	None
Reverse Repurchase Agreements	No	92 days	20% of base value	None
Medium-Term Notes	Yes	5 years	30%	None
Mutual Funds	Yes	N/A	20%	10%
Money Market Mutual Funds	Yes	N/A	20%	10%
Mortgage Pass-Through Securities	Yes	5 years	20%	None
County Pooled Investment Funds	Yes	N/A	None	None
Local Agency Investment Fund (LAIF)	Yes	N/A	None	None
JPA Pools (other investment pools)	Yes	N/A	None	None

\* Based on state law requirements or investment policy requirements, whichever is more restrictive.

**PASADENA COMMUNITY DEVELOPMENT COMMISSION**  
**(A Component Unit of the City of Pasadena, California)**

**Notes to the Basic Financial Statements**

**Year Ended June 30, 2010**

**(3) Cash and Investments, (Continued)**

**Investments Authorized by Debt Agreements**

Investment of debt proceeds held by bond trustee are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the Commission's investment policy. The table below identifies the investment types that are authorized for investments held by bond trustee. The table also identifies certain provisions of these debt agreements that address interest rate risk and concentration of credit risk.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage Allowed</u>	<u>Maximum Investment in One Issuer</u>
U.S. Treasury Obligations	None	None	None
U.S. Agency Securities	None	None	None
Banker's Acceptances	360 days	None	None
Commercial Paper	270 days	None	None
Money Market Mutual Funds	N/A	None	None
Investment Contracts	20-30 years	None	None
Pre-refunded Municipal Bonds	None	None	None
Repurchase Agreements	1 year	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
General Obligations Bonds	None	None	None

**Disclosures Relating to Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the Commission manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

**PASADENA COMMUNITY DEVELOPMENT COMMISSION**  
**(A Component Unit of the City of Pasadena, California)**

**Notes to the Basic Financial Statements**

**Year Ended June 30, 2010**

**(3) Cash and Investments, (Continued)**

Information about the sensitivity of the fair values of the Entity's investments (including investments held by bond trustee) to market interest rate fluctuations is provided by the following table that shows the distribution of the Entity's investments by maturity:

<u>Investment Type</u>	<u>Total</u>	<u>12 Months Or Less</u>	<u>13 to 24 Months</u>	<u>25-60 Months</u>
Federal agency securities	\$ 6,133,27	5,531,95	-	601,313
Money market funds	7,746,57	7,746,57	-	-
State investment pool	590,66	590,66	-	-
Held by bond trustee:				
Federal agency securities	526,70	-	-	526,708
Money market funds	<u>784,22</u>	<u>784,22</u>	<u>-</u>	<u>-</u>
<b>Total</b>	<b><u>\$15,781,45</u></b>	<b><u>14,653,43</u></b>	<b><u>-</u></b>	<b><u>1,128,021</u></b>

**Disclosures Relating to Credit Risk**

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the City's investment policy, or debt agreements, and the actual rating as of year end for each investment type.

<u>Investment Type</u>	<u>Total</u>	<u>Minimum Legal Rating</u>	<u>Rating as of Year End</u>	
			<u>AAA</u>	<u>Not Rated</u>
Federal agency securities	\$ 6,133,271	N/A	6,133,27	-
Money market funds	7,746,576	N/A	-	7,746,57
State investment pool	590,668	N/A	-	590,66
Held by bond trustee:				
Federal agency securities	526,708	N/A	526,70	-
Money market funds	784,229	A	784,22	-
<b>Total</b>	<b><u>\$15,781,452</u></b>		<b><u>7,444,20</u></b>	<b><u>8,337,24</u></b>

**PASADENA COMMUNITY DEVELOPMENT COMMISSION**  
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**Notes to the Basic Financial Statements**

**Year Ended June 30, 2010**

**(3) Cash and Investments, (Continued)**

**Concentration of Credit Risk**

The investment policy of the City contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total Entity investments are as follows:

<u>Issuer</u>	<u>Investment Type</u>	<u>Reported Amount</u>	
Goldman Fin Sq Tr. Prime Oblig	Money Market Fund	\$ 784,21	60%
Federal Home Loan Bank	Federal agency securities		0%
Federal Home Loan Mortgage Corp	Federal agency securities	<u>526.70</u>	40%
Total held by Trustee Fiscal agents		<u>\$ 1,310.91</u>	
Federal Home Loan Mortgage Corp	Federal agency securities	\$ 4,522,58	31%
Federal National Mortgage Assoc	Federal agency securities	601,31	4%
Federal Home Loan Bank	Federal agency securities	1,009,37	7%
Merrill Lynch	Money Market Funds	7,746,57	54%
Local Agency Investment Fund	State Investment Pools	<u>590.68</u>	4%
Total Investments held by the Commission		<u>\$14,470.53</u>	

**Custodial Credit Risk**

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the Entity's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure Entity deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

**PASADENA COMMUNITY DEVELOPMENT COMMISSION**  
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**Notes to the Basic Financial Statements**

**Year Ended June 30, 2010**

**(3) Cash and Investments, (Continued)**

**Investment in City of Pasadena Investment Pool**

The Commission is a voluntary participant in the City of Pasadena's investment pool managed by the City of Pasadena. This pool is governed by and under the regulatory oversight of the Investment Policy adopted by the City Council of the City of Pasadena. The Commission has not adopted an investment policy separate from that of the City of Pasadena. The fair value of the Commission's investment in this pool is reported in the accompanying financial statements at amounts based upon the Commission's pro-rata share of the fair value calculated by the City for the entire City portfolio. This pool is unrated. Further information about the composition, maturities, and concentrations associated with this pool can be found in the Comprehensive Annual Financial Report of the City.

**Investment in State Investment Pool**

The Commission is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the Entity's investment in this pool is reported in the accompanying financial statements at amounts based upon the Entity's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

**(4) Notes Receivable**

The Commission has notes receivable arising from the sale of land to project developers and various other agencies, subject to approved redevelopment plans. These notes have various terms, including maturities ranging from 2 to 30 years and interest rates ranging from 3.5% to 11%. Due to the uncertainty of their collectibility, at June 30, 2010, the Commission has recorded in the accompanying balance sheet an allowance for uncollectible long-term receivables of \$7,331,501 related to certain notes receivable balances. The balance of notes receivable net of allowances for uncollectibility at June 30, 2010 was \$22,735,905.

**PASADENA COMMUNITY DEVELOPMENT COMMISSION**  
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**Notes to the Basic Financial Statements**

**Year Ended June 30, 2010**

**(5) Due From and To Other Funds**

Interfund receivable and payable balances at June 30, 2010 are as follows:

<u>Due From Other Funds</u>	<u>Due to Other Funds</u>	<u>Amount</u>
Special Revenue Fund	Capital Projects, Old Pasadena	\$ 19,781
	Other Governmental Funds	21,102
	Debt Service, Fair Oaks	10,783
	Debt Service, Lake/Washington	1,395
Capital Projects, Downtown	Capital Project, Fair Oaks	<u>1,350,470(1)</u>
Total Due From and To Other Funds		<u>\$1,403,531</u>

(1) The Commission has amounts due from the Fair Oaks Capital Project Fund and due to the Downtown Capital Project Fund to finance overrun of costs during the litigation and purchase of land within the Fair Oaks redevelopment project.

**(6) Advances To and From Other Funds**

Long-term interfund receivable and payable balances at June 30, 2010 are as follows:

<u>Advances From Other Funds</u>	<u>Advances to Other Funds</u>	<u>Amount</u>
Debt Service, Lake/Washington	Capital Projects, Downtown	\$767,158
Capital Projects, Old Pasadena	Other Governmental Funds	<u>189,485</u>
		<u>\$956,643</u>

The Commission interfund advance to Lake/Washington Debt Service Fund from Downtown Capital Projects Fund was made to finance the purchase of Block 4 for the implementation and public improvement within the redevelopment project area. The Old Pasadena project area advance from Orange Grove Capital Projects Fund was made to finance administrative planning cost.

**(7) Property Held for Resale**

Property held for resale is generally acquired under disposition and development agreements in the normal course of redevelopment activity. These agreements generally provide for transfer of the property to developers after certain redevelopment obligations have been fulfilled. As of June 30, 2010 the Commission total property held for resale is \$10,638,977.

**PASADENA COMMUNITY DEVELOPMENT COMMISSION**  
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**Notes to the Basic Financial Statements**

**Year Ended June 30, 2010**

**(8) Long-Term Liabilities**

Changes in long-term liabilities for the year ended June 30, 2010 are as follows:

	<u>Balance at</u> <u>June 30, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at</u> <u>June 30, 2010</u>	<u>Due Within</u> <u>One Year</u>
<b>Tax Allocation Bonds:</b>					
<b>Fair Oaks Project:</b>					
2006 Tax Allocation Revenue Bonds (Fair Oaks Redevelopment Project and Public Improvement Program Refunding)	\$ 2,225,000	--	(130,000)	2,095,000	135,000
<b>Orange Grove Project:</b>					
2000 Tax Allocation Refunding Revenue Bonds (Orange Grove Redevelopment Project)	1,249,000	--	(220,000)	1,029,000	234,000
<b>Villa Parke Project:</b>					
2000 Tax Allocation Refunding Revenue Bonds (Villa-Parke Redevelopment Project)	807,000	--	(142,000)	665,000	151,000
2006 Tax Allocation Revenue Bonds (Villa-Parke Redevelopment Project Refunding)	455,000	--	(95,000)	360,000	80,000
<b>Lake Washington Project:</b>					
2006 Tax Allocation Revenue Bonds (Lake/Washington Redevelopment Project and Public Improvement Program Refunding)	685,000	--	(65,000)	620,000	65,000
<b>Affordable Housing Projects:</b>					
1991 Tax Allocation Bond, Low Moderate Housing	725,689	--	(352,277)	373,412	373,412
2006 Tax Allocation Revenue Bonds (Housing Set Aside Revenues Townhouse Project Refunding)	<u>1,510,000</u>	<u>--</u>	<u>(230,000)</u>	<u>1,280,000</u>	<u>235,000</u>
Total Tax Allocation Bonds	7,656,689	--	(1,234,277)	6,422,412	1,273,412
Advances Payable – City	39,061,496	1,189,344	(487,759)	39,763,081	--
Notes Payable	<u>4,671,253</u>	<u>--</u>	<u>(1,958,407)</u>	<u>2,712,846</u>	<u>292,154</u>
Total Long-Term Liabilities	<u>\$51,389,438</u>	<u>1,189,344</u>	<u>(3,680,443)</u>	<u>48,898,339</u>	<u>1,565,566</u>

**PASADENA COMMUNITY DEVELOPMENT COMMISSION**  
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**Notes to the Basic Financial Statements**

**Year Ended June 30, 2010**

**(9) Advances Payable - City of Pasadena**

- (a) The Commission has negotiated certain advances with the City for the purchase of four different properties. The aggregate principal outstanding balance of such advances is \$6,386,637 at June 30, 2010. Interest ranges from 5.5% to 9.5%. The Commission will repay the principal and interest as funds become available. No interest payments were made during the year ended June 30, 2010.

<u>Project</u>	<u>Principal</u>	<u>Accrued Interest</u>	<u>Total</u>
Fair Oaks	\$ 1,154,737	2,057,416	3,212,153
Lake/Washington	4,474,900	9,787,365	14,262,265
Lincoln	<u>757,000</u>	<u>913,579</u>	<u>1,670,579</u>
Total	<u>\$ 6,386,637</u>	<u>12,758,360</u>	<u>19,144,997</u>

- (b) The City has advanced certain amounts to the Commission to assist in funding administrative and other expenses necessary or incidental to the implementation of redevelopment plans. Interest ranges from 4.25% to 12.0% and is due as funds become available. At June 30, 2010, the amounts of such advances payable to the City and unpaid interest thereon for each project area, are as follows:

<u>Project</u>	<u>Principal</u>	<u>Accrued Interest</u>	<u>Total</u>
Downtown	\$ 563,773	-	563,773
Fair Oaks	8,110,537	8,016,925	16,127,462
Orange Grove	152,827	-	152,827
Villa Parke	152,400	-	152,400
Old Pasadena	418,222	1,170,015	1,588,237
Lake/Washington	218,597	-	218,597
Lincoln	<u>636,844</u>	<u>1,177,944</u>	<u>1,814,788</u>
Total	<u>\$10,253,200</u>	<u>10,364,884</u>	<u>20,618,084</u>



**PASADENA COMMUNITY DEVELOPMENT COMMISSION**  
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**Notes to the Basic Financial Statements**

**Year Ended June 30, 2010**

**(10) Notes Payable**

**Outstanding at  
June 30, 2010**

On July 11, 2001, the Commission received \$6,500,000 from the Federal National Mortgage Association. The proceeds of the note were used for new construction (ownership and rental), homebuyers assistance, rental rehabilitation, and other special needs by soliciting funding proposals from nonprofit and for-profit developers in order to address the low-income affordable housing needs in a section of northwest Pasadena commonly known as the "Northwest Target Area" and the City of Pasadena at large. Interest accrues at 5.2% per annum. Principal and interest payments are due through July 11, 2010. \$292,124

On October 20, 2004, the Commission entered into a ten-year note agreement with the California Housing Finance Agency for site acquisition, predevelopment and construction associated with the development, rehabilitation and preservation of homeownership and multi-family rental units within the City. The terms of the note require annual interest payments with a rate of 3% per annum on funds drawn, maturing on October 20, 2014. 1,420,722

On May 19, 2006, the City entered into a ten-year agreement with the California Housing Finance Agency for site acquisition, predevelopment and construction associated with the development, rehabilitation and preservation of homeownership and multifamily rental units within the City. The terms of the note require annual interest payments with a rate of 3.00% per annum on funds drawn, maturing on May 19, 2016. 1,000,000

Total primary government notes payable \$2,712,846

<u>Year ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 292,124	80,580	372,704
2012	-	72,622	72,622
2013	-	72,622	72,622
2014	-	72,622	72,622
2015	1,420,722	43,078	1,463,800
Thereafter	<u>1,000,000</u>	<u>26,548</u>	<u>1,026,548</u>
	<u>\$ 2,712,846</u>	<u>368,072</u>	<u>3,080,918</u>

**PASADENA COMMUNITY DEVELOPMENT COMMISSION**  
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**Notes to the Basic Financial Statements**

**Year Ended June 30, 2010**

**(11) Tax Allocation Bonds Payable**

**Outstanding at  
June 30, 2010**

**Fair Oaks Project**

On May 17, 2006 the Commission issued \$2,470,000, 2006 Tax Allocation Bonds (Fair Oaks Refund and Public Improvement Program) for the refunding of the 1993 Tax Allocation Bonds and to finance redevelopment activities within the Fair Oaks Project Area. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the statement of net asset. Interest on the bonds is payable semiannually on January 1 and July 1, commencing January 1, 2007. The rate of interest varies from 3.800% to 4.900% per annum. Principal is payable in annual installments ranging from \$120,000 to \$225,000 commencing July 1, 2007 and ending July 1, 2021. The legal reserve requirement is \$230,815. As of June 30, 2010 the balance held in reserve account is \$248,731.

\$ 2,095,000

**Orange Grove Project**

On October 17, 2000, the Commission issued \$2,801,000, 2000 Tax Allocation Refunding Bonds (Orange Grove Redevelopment Project) for refunding of the 1985 Tax Allocation Refunding Bonds and 1989 Subordinate Tax Allocation Bonds. Interest on the bonds is payable semi-annually on December 1 and June 1, commencing June 1, 2001. The rate of interest varies from 4.35% to 5.50% per annum. Principal is payable in annual installments ranging from \$137,000 to \$282,000 commencing June 1, 2001 and ending June 1, 2014. The legal reserve requirement is \$280,100. The balance held in the reserve account as of June 30, 2010 was \$280,013.

1,029,000

**Villa Parke Project**

On October 17, 2000, the Commission issued \$1,814,000, 2000 Tax Allocation Refunding Bonds (Villa Parke Redevelopment Project) for the refinancing of the 1985 Subordinate Tax Allocation Bonds. Interest on the bonds is payable semi-annually on December 1 and June 1 commencing June 1, 2001. The rate of interest varies from 4.35% to 5.50% per annum. Principal is payable in annual installments ranging from \$89,000 to \$182,000 commencing June 1, 2001 and ending June 1, 2014. The legal reserve requirement is \$181,400. The balance held in the reserve account as of June 30, 2010 was \$180,012.

665,000

**PASADENA COMMUNITY DEVELOPMENT COMMISSION**  
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**Notes to the Basic Financial Statements**

**Year Ended June 30, 2010**

**(11) Tax Allocation Bonds Payable, (Continued)**

**Outstanding at  
June 30, 2010**

**Villa Parke Project**

On May 17, 2006 the Commission issued \$710,000 Tax Allocation Bonds Series 2006 (Villa Parke Redevelopment Project Refunding) for the refunding of the 1993 Tax Allocation Bonds and to finance redevelopment activities within the Villa Project Area. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the statement of net assets. Interest on the bonds is payable semi-annually on June 1 and December 1, commencing December 1, 2006. The rate of interest varies from 3.800% to 4.500% per annum. Principal is payable in annual installments ranging from \$80,000 to \$100,000 commencing June 1, 2007 and ending June 1, 2014. The legal reserve requirement is \$71,000. As of June 30, 2010 the balance held in reserve account is \$113,649.

360,000

**Lake/Washington Project**

On May 17, 2006 the Commission issued \$805,000, 2006 Tax Allocation Bonds (Lake/Washington Refunding and Public Improvement Program) for the purpose of reimbursing City Advances, financing certain redevelopment activities and refunding of the outstanding 1993 Tax Allocation Bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the statement of net assets. Interest on the bonds is payable semi-annually on January 1 and July 1, commencing January 1, 2007. The rate of interest varies from 3.800% to 4.700% per annum. Principal is payable in annual installments ranging from \$60,000 to \$90,000 commencing July 1, 2007 and ending July 1, 2018. The legal reserve requirement is \$80,500. As of June 30, 2010 the balance held in reserve account is \$83,400.

620,000

**Affordable Housing Project**

On July 16, 1991, the Commission issued \$4,540,000, 1991 Tax Allocation Bonds, Low Moderate Housing for the rehabilitation of Centennial Place, formerly the Pasadena YMCA. Interest on the bonds is payable annually on June 1, commencing June 1, 1992. The rate of interest is 6% per annum. Principal is payable in annual installments ranging from \$123,417 to \$373,413 commencing June 2, 1992 and ending June 1, 2011. A letter of credit has been obtained to satisfy the legal reserve.

373,412

**PASADENA COMMUNITY DEVELOPMENT COMMISSION**  
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**Notes to the Basic Financial Statements**

**Year Ended June 30, 2010**

**(11) Tax Allocation Bonds Payable, (Continued)**

**Outstanding at  
June 30, 2010**

**Affordable Housing Project**

On May 17, 2006 the Commission issued \$1,935,000, 2006 Tax Allocation Bonds (Housing Set-Aside Revenue-Townhouse Project) for the financing of residential housing redevelopment. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the statement of net assets. Interest on the bonds is payable semi-annually on February 1 and August 1, commencing August 1, 2007. The rate of interest varies from 3.800% to 4.300% per annum. Principal is payable in annual installments ranging from \$210,000 to \$275,000 commencing August 1, 2007 and ending August 1, 2015. The legal reserve requirement is \$193,500. As of June 30, 2010 the balance held in reserve account is \$200,396.

1,280,000

Total Tax Allocation Bonds Payable

\$ 6,422,412

Future debt service requirements for bonds payable are as follows:

<u>Year ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 1,273,412	315,383	1,588,795
2012	955,000	247,045	1,202,045
2013	1,000,000	197,443	1,197,443
2014	1,064,000	144,564	1,208,564
2015	510,000	88,020	598,020
Thereafter	<u>1,620,000</u>	<u>259,845</u>	<u>1,879,845</u>
	<u>\$ 6,422,412</u>	<u>1,252,300</u>	<u>7,674,712</u>

**Pledged Revenue**

The Commission has a number of debt issues outstanding that are collateralized by the pledging of certain revenues. The amount and term of the remainder of these commitments are indicated in the debt service to maturity tables presented in the accompanying notes. The purposes for which the proceeds of the related debt issues were utilized are disclosed in the debt description in the accompanying notes. For the current year, debt service payments as a percentage of the pledged gross revenue (or net of certain expenses where so required by the debt agreement) are indicated in the table below. These percentages also approximate the relationship of debt service to pledged revenue for the remainder of the term of the commitment:

**PASADENA COMMUNITY DEVELOPMENT COMMISSION**  
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**Notes to the Basic Financial Statements**

**Year Ended June 30, 2010**

**(11) Tax Allocation Bonds Payable (Continued)**

**Pledged Revenue (Continued)**

<u>Description of Pledged Revenue</u>	<u>Annual Amount of Pledged Revenue (n of expenses, where required)</u>	<u>Annual Debt Service Payments (of all debt secured by this revenue)</u>	<u>Debt Service as a Percentage of Pledged Revenue</u>
Tax Increment (Downtown)	20,333,172	19,436,831	96%
Tax Increment (Other Projects)	8,249,357	1,615,027	20%

**(12) Transfers In and Out**

The accompanying schedule identifies the funds from which interfund transfers are made and the funds to which those amounts are transferred:

<u>Transfers Out</u>	<u>Transfers In</u>	<u>Amount</u>
Special Revenue	Other Government	\$2,457,502 (1)
Debt Service:		
Downtown	Special Revenue	800,000
Fair Oaks	Special Revenue	178,114
Fair Oaks	Fair Oaks Capital Project	89,607
Lake/Washington	Special Revenue	85,318
Capital Projects:		
Downtown	Debt Service Downtown	50,758
Old Pasadena	Special Revenue	1,398,742 (2)
Other Government	Special Revenue	453,944
Other Government	Other Government	<u>2,338,118</u>
		<u>\$7,852,103</u>

Transfers from Special Revenue and Capital Project – Downtown consist in part of the following:

- (1) \$2,457,502 transferred to debt service fund – Affordable Housing for the Affordable Housing portion of debt service payment on 1991 Tax Allocation Bonds Low Moderate Housing, 2006 Tax Allocation Bonds Housing Set-Aside Revenue Townhouse Project and 2001 \$6,500,000 Federal National Mortgage Association Note, and \$1,000,000 State Loan.
- (2) \$1,398,742 transferred to Special Revenue Fund for the low and moderate housing set aside from Old Pasadena Redevelopment Project Area.

**PASADENA COMMUNITY DEVELOPMENT COMMISSION**  
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**Notes to the Basic Financial Statements**

**Year Ended June 30, 2010**

**(13) Administrative Overhead Costs**

During the year ending June 30, 2010, the Commission paid the City \$3,199,452 for services provided by City employees.

**(14) Commitments and Contingencies**

**Pending Litigation**

The Commission is subject to certain claims arising in the normal course of business; none of which, in management's opinion, is expected to have a material adverse effect on the Commission's financial statements.

**Contingencies**

The City constructed certain public improvements in various redevelopment project areas, some of which were financed through the issuance of bonds. The Commission and the City agreed by resolution, in accordance with the Health and Safety Code of the State of California, that these public improvements benefited the project areas. As a result, the Commission agreed to reimburse the City for the cost of such improvements with periodic payments as funds are available. These payments can be made from any funds which may be legally available to the Commission; however, payments are subordinate to pledges of tax increments or other proceeds for existing bonds and also for any bonds issued in the future with the prior approval of the City Council.

As of June 30, 2010, pursuant to the terms of these agreements, outstanding amounts are as follows:

<u>Project Area</u>	<u>Principal</u>	<u>Interest</u>	<u>Outstanding at June 30, 2010</u>
Downtown	\$24,017,712	52,067,464	76,085,176
Villa Parke	4,205,418	7,665,298	11,870,716
Old Pasadena	<u>30,555,410</u>	<u>24,659,925</u>	<u>55,215,335</u>
	<u>\$58,778,540</u>	<u>84,392,687</u>	<u>143,171,227</u>

Due to the subordinate nature of the commitment and the unlikelihood of the availability of funds for future payment, the Commission has not recorded the obligation at June 30, 2010. Additionally, the City has not recorded a receivable for the balance due to the City at June 30, 2010.

When adopting its budget for fiscal year 2010-11, the State of California reflected in that budget a shift of a significant portion of tax increment revenue from redevelopment agencies to school districts for fiscal years 2010-11. The California Redevelopment Association has filed a lawsuit challenging the legality of this tax shift. The outcome of that lawsuit is not certain at this time.

**PASADENA COMMUNITY DEVELOPMENT COMMISSION**  
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**Notes to the Basic Financial Statements**

**Year Ended June 30, 2010**

**(15) Accumulated Fund Deficits**

At June 30, 2010, the Fair Oaks Capital Project Fund had an accumulated deficit of \$1,298,255. The deficit exists primarily due to the sale of land held for resale in the Fair Oaks Project Area at \$5.8 million loss in 1997. The Commission plans to eliminate the accumulated deficit in the future through the restructuring of the notes and through increase in revenues.

**(16) Defeasance of Debt**

In prior years, the Commission defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old debt issues. Accordingly, the trust account assets and the liability for the defeased debt issues are not included the Commission's financial statements. All the defeased debt had been paid.

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**PASADENA COMMUNITY DEVELOPMENT COMMISSION**  
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**Notes to Required Supplementary Information**

**Year Ended June 30, 2009**

**(1) Budgets and Budgetary Accounting**

The City Council is required to adopt an annual budget resolution by June 30 of each fiscal year. The budgets are adopted on a basis that does not differ materially from generally accepted accounting principles (GAAP).

The Commission maintains budgetary controls to ensure compliance with legal provisions embodied in the appropriated budget approved by the City Council. The Commission's level of budgetary control (the level at which expenditures cannot legally exceed the appropriated amount) is the fund level. The Commission's chief executive officer may authorize transfer of appropriations within a department so long as it is within a single fund. Supplemental appropriations during the year must be approved by the Commission. During fiscal year 2010 the Commission approved a budget amendment appropriating \$6.4 million: \$3.2 from PCDC Downtown Capital to partially fund the acquisition of property at 78 N. Marengo, and \$3.2 from PCDC Old Pasadena Capital Fund as interest expense due the General Fund per reimbursement agreements. The following prior year appropriations are being carried forward in the Special Revenue Funds: \$3.2 million for renovation of Hudson Oaks project, a 45 unit affordable senior rental housing project and \$1.7 million rehabilitation of affordable housing at Green Hotel. All unencumbered appropriations lapse at fiscal year-end. In order to be an encumbered appropriation, there must be either an approved purchase order or contract in force at year-end.

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**PASADENA COMMUNITY DEVELOPMENT COMMISSION**  
**(A Component Unit of the City of Pasadena, California)**

**Special Revenue Fund**  
**Low and Moderate / Inclusionary Housing**  
**Schedule of Revenues, Expenditures and Changes**  
**in Fund Balances - Budget and Actual**

Year ended June 30, 2010

	Budget		Actual	Variance with Final Budget Positive (Negative)	Prior Year
	Original	Final			
<b>Revenues:</b>					
Intergovernmental	\$ 900,000	900,000	75,649	(824,351)	970,000
Rental income	-	-	92,474	92,474	78,513
Investment income	447,528	447,528	158,942	(288,586)	387,835
Net changes in fair value of investments	-	-	25,622	25,622	21,653
Housing in lieu fees	380,125	380,125	1,166,208	786,083	1,372,698
Other revenue	431,700	431,700	100,969	(330,731)	305,759
<b>Total revenues</b>	<b>2,159,353</b>	<b>2,159,353</b>	<b>1,619,864</b>	<b>(539,489)</b>	<b>3,136,458</b>
<b>Expenditures:</b>					
<b>Current:</b>					
Administrative overhead costs	579,018	630,585	491,757	138,828	980,206
Planning	186,357	269,995	42,188	227,807	173,470
Project Management	1,083,241	1,039,590	812,393	227,197	653,169
Real estate acquisition	-	3,207,292	399	3,206,893	49,865
Emergency shelter service	158,484	158,484	158,250	234	158,117
Operation of acquired properties	-	-	7,425	(7,425)	11,286
Demolition	-	-	70,567	(70,567)	27,664
Rehabilitation	40,000	2,561,797	-	2,561,797	154,682
Affordable housing assistance	1,460,000	1,460,000	1,851,514	(391,514)	355,119
Disposition	-	-	-	-	110,739
<b>Total expenditures</b>	<b>3,507,100</b>	<b>9,327,743</b>	<b>3,434,493</b>	<b>5,893,250</b>	<b>2,674,317</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(1,347,747)</b>	<b>(7,168,390)</b>	<b>(1,814,629)</b>	<b>5,353,761</b>	<b>462,141</b>
<b>Other financing sources (uses):</b>					
Issuance of notes	-	-	-	-	232,380
Transfers in	3,230,489	3,230,489	2,916,119	(314,370)	2,926,493
Transfers out	(2,550,246)	(2,550,246)	(2,457,502)	92,744	(1,034,236)
<b>Total other financing sources (uses)</b>	<b>680,243</b>	<b>680,243</b>	<b>458,617</b>	<b>(221,626)</b>	<b>2,124,637</b>
<b>Change in fund balance</b>	<b>(667,504)</b>	<b>(6,488,147)</b>	<b>(1,356,012)</b>	<b>5,132,135</b>	<b>2,586,778</b>
<b>Fund balances at beginning of year</b>	<b>40,687,200</b>	<b>40,687,200</b>	<b>40,687,200</b>	<b>-</b>	<b>38,100,422</b>
<b>Fund balances at end of year</b>	<b>\$ 40,019,696</b>	<b>34,199,053</b>	<b>39,331,188</b>	<b>5,132,135</b>	<b>40,687,200</b>

**PASADENA COMMUNITY DEVELOPMENT COMMISSION**  
**(A Component Unit of the City of Pasadena, California)**

**Non-Major Governmental Funds**

**Combining Balance Sheet**

**June 30, 2010**

	Debt Service Funds		
	Orange Grove	Villa Parke	Affordable Housing
<u>Assets</u>			
Cash and investments	\$ 1,076	955,288	2,093
Cash and investments with fiscal agents	484,654	293,661	200,472
Accounts receivable	-	-	-
Interest receivable	-	24,001	-
Taxes receivable	-	80,411	-
Notes receivable	-	-	-
Advances to other funds	-	-	-
Allowance for uncollectible long-term receivables	-	-	-
Total assets	\$ 485,730	1,353,361	202,565
<u>Liabilities and Fund Balances</u>			
Liabilities:			
Accounts payable	\$ 4,663	116,394	30,323
Due to other funds	-	16,231	-
Total liabilities	4,663	132,625	30,323
Fund balances:			
Reserved for:			
Encumbrance	-	-	-
Debt service	481,067	1,220,736	172,242
Unreserved reported in:			
Capital project funds	-	-	-
Total fund balances	481,067	1,220,736	172,242
Total liabilities and fund balances	\$ 485,730	1,353,361	202,565

**Capital Projects Funds**

Orange Grove	Villa Parke	Lake/ Washington	Lincoln	Halstead/ Sycamore	Totals	
					2010	2009
83	1,699,162	565,945	1,111,487	45,562	4,380,696	8,985,675
-	-	-	-	-	978,787	948,690
-	-	-	-	12,700	12,700	15,200
-	-	4,242	6,830	3,024	38,097	56,619
-	-	-	24,351	-	104,762	69,249
230,000	829,942	-	-	-	1,059,942	1,085,592
189,485	-	-	-	-	189,485	189,485
<u>(419,485)</u>	<u>(829,942)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,249,427)</u>	<u>(1,275,077)</u>
<u>83</u>	<u>1,699,162</u>	<u>570,187</u>	<u>1,142,668</u>	<u>61,286</u>	<u>5,515,042</u>	<u>10,075,433</u>
115	1,826	8,000	21,020	-	182,341	179,458
-	-	-	4,871	-	21,102	14,153
<u>115</u>	<u>1,826</u>	<u>8,000</u>	<u>25,891</u>	<u>-</u>	<u>203,443</u>	<u>193,611</u>
57,281	57,281	8,917	10,498	-	133,977	-
-	-	-	-	-	1,874,045	7,045,946
<u>(57,313)</u>	<u>1,640,055</u>	<u>553,270</u>	<u>1,106,279</u>	<u>61,286</u>	<u>3,303,577</u>	<u>2,835,876</u>
<u>(32)</u>	<u>1,697,336</u>	<u>562,187</u>	<u>1,116,777</u>	<u>61,286</u>	<u>5,311,599</u>	<u>9,881,822</u>
<u>83</u>	<u>1,699,162</u>	<u>570,187</u>	<u>1,142,668</u>	<u>61,286</u>	<u>5,515,042</u>	<u>10,075,433</u>

**PASADENA COMMUNITY DEVELOPMENT COMMISSION**  
**(A Component Unit of the City of Pasadena, California)**

**Non-Major Governmental Funds**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**

**Year ended June 30, 2010**

	Debt Service Funds		
	Orange Grove	Villa Parke	Affordable Housing
<b>Revenues:</b>			
Incremental property taxes	\$ 300,907	1,672,622	-
Intergovernmental	-	-	558,000
Investment earnings	51,287	84,075	10,299
Net changes in fair value of investments	2,141	514	(2,608)
Sales tax	-	-	-
Other revenue	-	-	-
Total revenues	354,335	1,757,211	565,691
<b>Expenditures:</b>			
<b>Current:</b>			
Administrative overhead costs	-	-	-
Planning	-	-	-
Real estate expense	-	-	-
Rehabilitation expense	-	-	-
Contingency	-	-	-
ERAF payment	1,022,916	2,615,954	-
Property tax pass-through	31,727	179,465	-
<b>Debt service:</b>			
Principal	253,358	270,358	2,540,684
Interest and fiscal charges	97,031	97,601	464,722
Total expenditures	1,405,032	3,163,378	3,005,406
Excess (deficiency) of revenues over (under) expenditures	(1,050,697)	(1,406,167)	(2,439,715)
<b>Other financing sources (uses):</b>			
Proceed of advance from the City of Pasadena	-	-	-
Transfer to City of Pasadena	-	-	-
Transfers in	-	-	2,457,501
Transfers out	(191,522)	(2,541,301)	-
Total other financing sources (uses)	(191,522)	(2,541,301)	2,457,501
Change in fund balances	(1,242,219)	(3,947,468)	17,786
Fund balances (deficit) at beginning of year	1,723,286	5,168,204	154,456
Fund balances (deficit) at end of year	\$ 481,067	1,220,736	172,242

Capital Projects Funds

Orange Grove	Villa Parke	Lake/ Washington	Lincoln	Halstead/ Sycamore	Totals	
					2010	2009
-	-	-	296,194	-	2,269,723	2,617,455
-	-	-	-	-	558,000	558,000
-	1,931	8,554	28,468	1,916	186,530	293,200
-	(265)	(239)	(606)	168	(895)	18,195
-	-	-	-	209,345	209,345	247,619
-	1,150	-	-	-	1,150	1,158
-	2,816	8,315	324,056	211,429	3,223,853	3,735,627
92,341	170,709	41,916	28,250	-	333,216	368,051
38,222	35,575	33,340	127,500	-	234,637	144,863
-	494	4,502	-	-	4,996	-
-	-	30,000	-	-	30,000	-
-	-	-	-	250,580	250,580	200,000
-	-	-	1,052,935	-	4,691,805	-
-	-	-	8,276	-	219,468	338,256
-	-	-	-	-	3,064,400	1,874,998
-	-	-	97,644	-	756,998	516,689
130,563	206,778	109,758	1,314,605	250,580	9,586,100	3,442,857
(130,563)	(203,962)	(101,443)	(990,549)	(39,151)	(6,362,247)	292,770
-	-	-	97,644	-	97,644	97,644
-	(309,177)	-	-	-	(309,177)	-
131,341	2,206,777	-	-	-	4,795,619	1,330,949
-	-	-	(59,239)	-	(2,792,062)	(820,204)
131,341	1,897,600	-	38,405	-	1,792,024	608,389
778	1,693,638	(101,443)	(952,144)	(39,151)	(4,570,223)	901,159
(810)	3,698	663,630	2,068,921	100,437	9,881,822	8,980,663
(32)	1,697,336	562,187	1,116,777	61,286	5,311,599	9,881,822



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The Honorable Mayor and City Council  
Pasadena Community Development Commission  
Pasadena, California

**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***

We have audited the financial statements of the Pasadena Community Development Commission (“Commission”) as of and for the year ended June 30, 2010, and have issued our report thereon dated December 6, 2010. 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 of America.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission’s financial statements are free of 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 determination of financial statement amounts. Such provisions included those provisions of laws and regulations identified in the *Guidelines for Compliance Audits of California Redevelopment Agencies*, issued by the State Controller and as interpreted in the *Suggested Auditing Procedures for Accomplishing Compliance Audits of California Redevelopment Agencies*, issued by the Governmental Accounting and Auditing Committee of the California Society of Certified Public Accounts. 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*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Commission’s internal control over financial reporting as a basis for designing our auditing procedures 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 Commission’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Commission’s internal control over financial reporting.

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 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.

The Honorable Mayor and City Council  
Pasadena Community Development Commission  
Page Two

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all the deficiencies in the internal control that might be deficiencies, significant deficiencies or material weaknesses. We believe that none of the significant deficiencies described above is a material weakness. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

This report is intended solely for the information of management, City of Pasadena, State Controller, awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Mayer Hoffman McCann P.C.*

Irvine, California  
December 6, 2010

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