

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

Notes to the Basic Financial Statements

Year Ended June 30, 2006

(11) Tax Allocation Bonds Payable, (Continued)

**Outstanding at
June 30, 2006**

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.

1,667,328

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 component unit activities column of the statement of net asset. The Commission completed the advance refunding to reduce its total debt service payments over the next 8 years by \$468,939 and to obtain an economic gain of \$543,847. Interest on the bonds is payable semiannually 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, 2006 the balance held in reserve account is \$194,092.

1,935,000

Total Tax Allocation Bonds Payable

\$10,607,328

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

Notes to the Basic Financial Statements

Year Ended June 30, 2006

(11) Tax Allocation Bonds Payable, (Continued)

Future debt service requirements for bonds payable are as follows:

<u>Year ended</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 678,778	459,094	1,137,872
2008	1,109,525	499,121	1,608,646
2009	1,162,336	441,808	1,604,144
2010	1,234,277	380,750	1,615,027
2011	1,273,412	315,383	1,588,795
2012-2015	3,529,000	677,072	4,206,072
2016-2020	1,185,000	238,215	1,423,215
2021-2025	<u>435,000</u>	<u>21,630</u>	<u>456,630</u>
	<u>\$10,607,328</u>	<u>3,033,073</u>	<u>13,640,401</u>

(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	\$983,313
Debt Service:		
Downtown	Special Revenue	800,000
Fair Oaks	Special Revenue	154,082
Fair Oaks	Other Government	87,643
Lake/Washington	Special Revenue	67,759
Capital Projects:		
Downtown	Debt Service Downtown	60,769
Old Pasadena	Special Revenue	899,157
Other Government	Special Revenue	346,366
Other Government	Other Government	<u>89,732</u>
		<u>\$3,488,821</u>

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

Notes to the Basic Financial Statements

Year Ended June 30, 2006

(12) Transfers In and Out (Continued)

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

\$983,313 transferred to debt service fund – Affordable Housing for the Affordable Housing portion of debt service payment on 1991 Tax Allocation Bonds Low Moderate Housing, 1996 Tax Allocation Bonds Housing Set-Aside Revenue Townhouse Project and 2001 \$6,500,000 Federal National Mortgage Association Note.

(13) Administrative Overhead Costs

During the year ending June 30, 2006, the Commission paid the City \$2,757,344 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, 2006, 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, 2006</u>
Downtown	\$24,017,712	112,663,605	136,681,317
Villa Parke	4,205,418	5,983,130	10,188,548
Old Pasadena	<u>30,555,410</u>	<u>26,175,983</u>	<u>56,731,393</u>
	<u>\$58,778,540</u>	<u>144,822,718</u>	<u>203,601,258</u>

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

Notes to the Basic Financial Statements

Year Ended June 30, 2006

(14) Commitments and Contingencies (Continued)

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, 2006. Additionally, the City has not recorded a receivable for the balance due to the City at June 30, 2006.

(15) Accumulated Fund Deficits

The following funds had accumulated funds balances deficits at June 30, 2002:

Capital Project, Fair Oaks	\$ (1,705,552)
Capital Project, Sycamore Halstead	<u>(8,809)</u>
	<u>\$ 1,714,361</u>

At June 30, 2006, the Fair Oaks Capital Project Fund had an accumulated deficit of \$1,705,552. 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.

At June 30, 2006, the Halstead/Sycamore Capital Project Fund had an accumulated deficit of \$8,809. The deficit is a temporary condition and should reverse itself in the next fiscal year.

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

Notes of the Required Supplementary Information

Year Ended June 30, 2006

(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. There were no significant budget amendments during the fiscal year. 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.

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

Special Revenue Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balances - Budget and Actual

Year ended June 30, 2006

	Budget		Actual	Variance with	Prior
	Original	Final		Final Budget	
				Positive (Negative)	Year
Revenues:					
Intergovernmental	\$ -	-	-	-	478,250
Rental income	168,000	243,300	97,610	(145,690)	151,966
Investment income	240,000	243,313	327,480	84,167	190,340
Net changes in fair value of investments	-	-	(70,792)	(70,792)	(19,068)
Repayment of housing assistance	900,000	250,000	-	(250,000)	-
Housing in lieu fees	1,609,001	1,500,000	4,987,558	3,487,558	3,020,823
Other revenue	99,321	-	1,205,913	1,205,913	507,154
Total revenues	<u>3,016,322</u>	<u>2,236,613</u>	<u>6,547,769</u>	<u>4,311,156</u>	<u>4,329,465</u>
Expenditures:					
Current:					
Administrative overhead costs	419,632	706,289	516,441	189,848	670,980
Legal and financial services	55,000	50,000	207,364	(157,364)	38,239
Planning	100,000	375,000	367,736	7,264	89,649
Project Management	629,641	629,641	437,985	191,656	-
Real estate acquisition	-	-	-	-	7,288
Emergency shelter service	239,321	143,100	172,847	(29,747)	119,919
Operation of acquired properties	10,000	235,300	9,787	225,513	4,154
Relocation	-	-	1,183,955	(1,183,955)	18,000
Rehabilitation	590,000	285,000	-	285,000	40,000
Affordable housing assistance	10,823,993	4,519,986	72,214	4,447,772	167,360
Total expenditures	<u>12,867,587</u>	<u>6,944,316</u>	<u>2,968,329</u>	<u>3,975,987</u>	<u>1,155,589</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(9,851,265)</u>	<u>(4,707,703)</u>	<u>3,579,440</u>	<u>8,287,143</u>	<u>3,173,876</u>
Other financing sources (uses):					
Issuance of notes	2,750,000	2,750,000	1,267,620	(1,482,380)	-
Transfers in	2,156,000	2,156,000	2,267,364	111,364	2,120,632
Transfers out	(1,115,768)	(1,115,768)	(983,313)	132,455	(987,682)
Total other financing sources (uses)	<u>3,790,232</u>	<u>3,790,232</u>	<u>2,551,671</u>	<u>(1,238,561)</u>	<u>1,132,950</u>
Change in fund balance	<u>(6,061,033)</u>	<u>(917,471)</u>	<u>6,131,111</u>	<u>7,048,582</u>	<u>4,306,826</u>
Fund balances at beginning of year	<u>24,411,124</u>	<u>24,411,124</u>	<u>24,411,124</u>	<u>-</u>	<u>20,104,298</u>
Fund balances at end of year	<u>\$ 18,350,091</u>	<u>23,493,653</u>	<u>30,542,235</u>	<u>7,048,582</u>	<u>24,411,124</u>

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

Non-Major Governmental Funds

Combining Balance Sheet

June 30, 2006

<u>Assets</u>	<u>Debt Service Funds</u>		
	<u>Orange</u>	<u>Villa</u>	<u>Affordable</u>
	<u>Grove</u>	<u>Parke</u>	<u>Housing</u>
Cash and investments	\$ 579,441	2,948,023	26,588
Cash and investments with fiscal agents	366,632	195,849	207,698
Interest receivable	6,131	13,759	-
Taxes receivable	125,296	71,590	-
Notes receivable	-	-	-
Advances to other funds	-	-	-
Allowance for uncollectible long-term receivables	-	-	-
Total assets	\$ 1,077,500	3,229,221	234,286
<u>Liabilities and Fund Balances</u>			
Liabilities:			
Accounts payable	\$ -	-	146,600
Due to the City of Pasadena	-	-	-
Due to other funds	25,059	14,318	-
Total liabilities	25,059	14,318	146,600
Fund balances:			
Reserved for:			
Debt service	1,052,441	3,214,903	87,686
Unreserved:			
Designated for future capital projects	-	-	-
Undesignated	-	-	-
Total fund balances	1,052,441	3,214,903	87,686
Total liabilities and fund balances	\$ 1,077,500	3,229,221	234,286

Capital Projects Funds

<u>Orange Grove</u>	<u>Villa Parke</u>	<u>Lake/ Washington</u>	<u>Lincoln</u>	<u>Halstead/ Sycamore</u>	<u>Totals</u>	
					<u>2006</u>	<u>2005</u>
10,205	17,996	1,020,887	1,409,167	42,591	6,054,898	6,576,038
-	-	-	-	-	770,179	994,714
-	838	4,109	8,947	3,314	37,098	25,384
-	-	-	21,868	-	218,754	24,370
230,000	859,054	-	-	-	1,089,054	1,090,106
189,485	-	-	-	-	189,485	189,485
<u>(419,485)</u>	<u>(859,054)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,278,539)</u>	<u>(1,279,591)</u>
<u>10,205</u>	<u>18,834</u>	<u>1,024,996</u>	<u>1,439,982</u>	<u>45,905</u>	<u>7,080,929</u>	<u>7,620,506</u>
-	-	1,100	-	54,714	202,414	268,210
-	-	260,101	-	-	260,101	660,101
-	-	-	4,375	-	43,752	-
-	-	<u>261,201</u>	<u>4,375</u>	<u>54,714</u>	<u>506,267</u>	<u>928,311</u>
-	-	-	-	-	4,355,030	4,460,342
10,205	18,834	763,795	1,435,607	-	2,228,441	2,231,853
-	-	-	-	(8,809)	(8,809)	-
<u>10,205</u>	<u>18,834</u>	<u>763,795</u>	<u>1,435,607</u>	<u>(8,809)</u>	<u>6,574,662</u>	<u>6,692,195</u>
<u>10,205</u>	<u>18,834</u>	<u>1,024,996</u>	<u>1,439,982</u>	<u>45,905</u>	<u>7,080,929</u>	<u>7,620,506</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, 2006

	Debt Service Funds		
	Orange Grove	Villa Parke	Affordable Housing
Revenues:			
Incremental property taxes	\$ 598,526	1,167,339	-
Intergovernmental	-	-	558,000
Investment earnings	72,622	108,080	13,591
Net changes in fair value of investments	(15,664)	(27,772)	(8,303)
Reimbursement from developers	-	-	-
Sales tax	-	-	-
Other revenue	-	-	-
	<u>655,484</u>	<u>1,247,647</u>	<u>563,288</u>
Expenditures:			
Current:			
Administrative overhead costs	1,949	-	-
Planning	-	-	-
Sales tax rebate - City of Pasadena	-	-	-
ERAF expense	284,334	-	-
Debt service:			
Principal	199,170	219,169	1,172,923
Interest and fiscal charges	147,893	176,158	468,801
Payment to refunded bond escrow agent	-	138,030	578,929
Cost of issuance and bond discount	-	25,829	61,304
	<u>633,346</u>	<u>559,186</u>	<u>2,281,957</u>
Excess (deficiency) of revenues over (under) expenditures	<u>22,138</u>	<u>688,461</u>	<u>(1,718,669)</u>
Other financing sources (uses):			
Issuance of notes	-	710,000	1,935,000
Payment to refunded bond escrow agent	-	(672,925)	(1,666,592)
Proceed of advance from the City of Pasadena	-	-	-
Transfers in	-	-	983,313
Transfers out	(152,570)	(233,468)	-
	<u>(152,570)</u>	<u>(196,393)</u>	<u>1,251,721</u>
Change in fund balances	(130,432)	492,068	(466,948)
Fund balances (deficit) at beginning of year	<u>1,182,873</u>	<u>2,722,835</u>	<u>554,634</u>
Fund balances (deficit) at end of year	<u>\$ 1,052,441</u>	<u>3,214,903</u>	<u>87,686</u>

Capital Projects Funds						
Orange Grove	Villa Parke	Lake/Washington	Lincoln	Halstead/Sycamore	Totals	
					2006	2005
	-	-	250,300	-	2,016,165	2,079,621
-	-	-	-	-	558,000	558,000
-	3,026	36,981	45,627	13,133	293,060	238,024
-	(695)	(7,950)	(9,203)	(2,325)	(71,912)	(42,142)
-	1,054	-	-	-	1,054	210,802
-	-	-	-	627,362	627,362	664,159
-	-	-	-	-	-	156,264
-	3,385	29,031	286,724	638,170	3,423,729	3,864,728
89,732	131,528	43,484	36,227	-	302,920	297,191
-	-	33,106	11,000	1,250	45,356	4,649
-	-	-	-	662,876	662,876	658,456
-	-	-	-	-	284,334	294,611
-	-	-	-	-	1,591,262	1,506,457
-	-	-	97,644	-	890,496	935,896
-	-	-	-	-	716,959	-
-	-	-	-	-	87,133	-
89,732	131,528	76,590	144,871	664,126	4,581,336	3,697,260
(89,732)	(128,143)	(47,559)	141,853	(25,956)	(1,157,607)	167,468
-	-	-	-	-	2,645,000	-
-	-	-	-	-	(2,339,517)	-
-	-	-	97,644	-	97,644	97,647
89,732	-	-	-	-	1,073,045	1,143,824
-	-	-	(50,060)	-	(436,098)	(720,696)
89,732	-	-	47,584	-	1,040,074	520,775
-	(128,143)	(47,559)	189,437	(25,956)	(117,533)	688,243
10,205	146,977	811,354	1,246,170	17,147	6,692,195	6,003,952
10,205	18,834	763,795	1,435,607	(8,809)	6,574,662	6,692,195



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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 basic financial statements of the Pasadena Community Development Commission (“Commission”) as of and for the year ended June 30, 2006, and have issued our report thereon dated September 28, 2006. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Commission’s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that have been communicated to management in a separate letter dated September 28, 2006.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission’s basic 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*.

The Honorable Mayor and City Council
Pasadena Community Development Commission
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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.

Mayor Holtzman Melann P.C.

Irvine, California
September 28, 2006