

PASADENA COMMUNITY  
DEVELOPMENT COMMISSION

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

Basic Financial Statements

Year Ended June 30, 2007

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

**Basic Financial Statements**

**Year Ended June 30, 2007**

**TABLE OF CONTENTS**

	<b><u>Page</u></b>
Independent Auditors' Report	1
Management's Discussion and Analysis	3
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	10
Statement of Activities	11
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	12
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	15
Statement of Revenues, Expenditures and Changes in Fund Balances	16
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	19
Notes to the Basic Financial Statements	20
Required Supplementary Information:	
Notes to Required Supplementary Information	42
Special Revenue Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual	43
Supplementary Information:	
Non-Major Governmental Funds:	
Combining Balance Sheet	44
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	46

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

**Basic Financial Statements**

**Year Ended June 30, 2007**

**TABLE OF CONTENTS, (CONTINUED)**

	<b><u>Page</u></b>
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	48



**Mayer Hoffman McCann P.C.**

An Independent CPA Firm

**Conrad Government Services Division**

2301 Dupont Drive, Suite 200

Irvine, California 92612

949-474-2020 ph

949-263-5520 fx

www.mhm-pc.com

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, 2007, 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, 2006 and, in our report dated September 28, 2006, 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, 2007 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 November 26, 2007 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.

*Mary Hoffman Melara P.C.*

Irvine, California  
November 26, 2007

## 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, 2007. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

### FINANCIAL HIGHLIGHTS:

The net assets of the Commission exceeded its liabilities at the close of the fiscal year 2007 by \$6,262. Of this amount, the restricted net assets are for Low Moderate Housing of \$34,956 and unrestricted long-term of (\$28,694).

The Commission's net asset's for Low Moderate Housing has increased by \$4,512 over the previous fiscal year.

The Commission's total debt decreased by (\$561) 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 41 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 \$6,262 at the close of the most recent fiscal year.

The largest portion of the Commission net assets reflects its investment in cash and investment 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 are restricted.

An additional portion of the Commission's net asset represents resources that are subject to restrictions on how they may be used. Unrestricted net assets increased \$4,427 or 13.37%. While this is an increase, the balance of the unrestricted net assets is still a negative.

The overall net assets of the commission increased by \$8,939 or 333 percent from the prior year. During 2007 fiscal year, the key factors in this gain are as follows:

The Special Revenue Fund fund balance increased by \$4,472 or 14.64 percent from prior year.

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

The Commission's net assets increased by \$8,939 in comparison to an increase of \$7,536 in the prior year. The key elements of this increase are as follows:

Program revenues decreased by \$1,185 or 20 percent. The largest change related to a decrease in housing in lieu fees of \$1,592 or 32 percent.

Also, ERAF expense decreased by (\$1,777) or 100 percent from the prior year.

Tax revenue increased by \$3,773 or 16.41 percent from fiscal year 2007. This increase was due to primarily to an increase assessed valuation for the current fiscal year.

There was an overall decrease of \$920 in total expenditures and increase of \$2,728 in total revenue over the previous fiscal year.

### Attachment C – Comparative Schedule of Outstanding Debt:

The Commission's total debt decreased by \$561 for the current fiscal year, due to an increase in advances of \$1,189 and repayment of bonded debt and notes payable of \$1,750.

## ECONOMIC FACTORS AND NEXT YEAR BUDGET:

In August, 2004 Senate Bill 1096 (SB 1096) which deals with local government, including several provisions for redevelopment, was passed. The provision pertaining to redevelopment in the bill included a loss of \$250 million in fiscal years 2005 and 2006 to provide a shift of annual property tax revenue from special districts to the Educational Revenue Augmentation Fund (ERAF). The PCDC deposited into the ERAF \$1,803,000 and \$1,839,000 in fiscal years 2005 and 2006 respectively to meet this provision. There was no ERAF contribution for 2007.

In an effort to offset the financial burden caused by the ERAF payments, SB 1096 authorizes redevelopment agencies to amend their redevelopment plans to extend the time limits of effectiveness of their plans and to extend the dates for debt repayment and receipt of tax increment. On March 26, 2007 the City Council and Community Development Commission authorized extending the plan effectiveness dates and the debt repayment and receipt of tax increment dates by two years in all project areas. The approval process has not yet been completed. This action is estimated to total approximately \$45,000,000 for the two-year extension period. These additional funds will be used to repay the Agency's outstanding debt and the costs of projects and activities necessary to carry out the goals and objectives of the Redevelopment Plans.

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 leveraging of tax increment resources and flexibility to implement priority projects of benefit to 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.

For fiscal year 2008 it is anticipated that the assessed value of property is estimated to rise in all project areas by the standard minimum.

## 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 address to the Director of Finance, Pasadena Community Development Commission, 100 North Garfield Avenue-Third Floor, Pasadena, California, 91101-1726.



(This page intentionally left blank)

ATTACHMENT A

PASADENA COMMUNITY DEVELOPMENT COMMISSION  
Comparative Statement of Net Assets

	<u>2007</u>	<u>2006</u>	Amount of Increase (Decrease)	Percent of Increase (Decrease)
<u>Assets</u>				
Cash and investments	\$ 35,162,903	\$ 28,326,582	6,836,321	24.13
Cash and investments with fiscal agents	1,211,116	1,110,669	100,447	9.04
Other assets	<u>24,091,144</u>	<u>24,862,218</u>	<u>(771,074)</u>	<u>(3.10)</u>
Total Assets	<u>60,465,163</u>	<u>54,299,469</u>	<u>6,165,694</u>	<u>11.35</u>
<u>Liabilities</u>				
Other liabilities	1,760,933	3,973,819	(2,212,886)	(55.69)
Long-term liabilities outstanding	<u>52,442,183</u>	<u>53,002,876</u>	<u>(560,693)</u>	<u>(1.06)</u>
Total Liabilities	<u>54,203,116</u>	<u>56,976,695</u>	<u>(2,773,579)</u>	<u>(4.87)</u>
<u>Net assets</u>				
Restricted for:	34,955,826	30,443,555	4,512,271	14.82
Unrestricted	<u>(28,693,779)</u>	<u>(33,120,781)</u>	<u>4,427,002</u>	<u>13.37</u>
Total net assets	<u>\$ 6,262,047</u>	<u>(2,677,226)</u>	<u>8,939,273</u>	<u>333.90</u>

ATTACHMENT B

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

	<u>2007</u>	<u>2006</u>	<u>Amount of Increase (Decrease)</u>	<u>Percent of Increase (Decrease)</u>
Revenues:				
Program revenues:				
Operating contributions and grants	\$ 3,730,404	5,165,376	(1,434,972)	(27.78)
Capital grants and contributions	808,000	558,000	250,000	44.80
General revenues:				
Incremental property tax	26,767,093	22,993,833	3,773,260	16.41
Grants and contributions not restricted to specific programs				
Rental income	1,143,295	1,121,202	22,093	1.97
Investment earnings	1,829,091	770,431	1,058,660	137.41
Other revenues	422,503	1,205,913	(783,410)	(64.96)
Total revenues	<u>34,700,386</u>	<u>31,814,755</u>	<u>2,885,631</u>	<u>9.07</u>
Expenses:				
Administration overhead	2,927,549	2,383,593	543,956	22.82
Redevelopment activities	2,906,927	3,700,511	(793,584)	(21.45)
Affordable housing assistance	-	72,214	(72,214)	(100.00)
ERAF expense	-	1,777,086	(1,777,086)	(100.00)
Interest expense	19,926,637	16,345,675	3,580,962	21.91
Total Expenses	<u>25,761,113</u>	<u>24,279,079</u>	<u>1,482,034</u>	<u>6.10</u>
Increase in net assets	8,939,273	7,535,676	1,403,597	18.63
Net assets (deficit) at beginning of year	<u>(2,677,226)</u>	<u>(10,212,902)</u>	<u>7,535,676</u>	<u>73.79</u>
Net assets (deficit) at end of year	<u>\$ 6,262,047</u>	<u>(2,677,226)</u>	<u>8,939,273</u>	<u>333.90</u>

ATTACHMENT C

PASADENA COMMUNITY DEVELOPMENT COMMISSION  
Comparative Schedule of Outstanding Debt

	<u>Initial Amount</u>	<u>Interest Rate</u>	<u>Balance 06/30/06</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance 06/30/07</u>
<b><u>Bonded debt</u></b>						
Fair Oaks Project						
2006 Tax Allocation Refunding Bonds	2,470,000	3.8%-4.9%	2,470,000	-	-	2,470,000
Orange Grove						
2000 Tax Allocation Refunding Bonds	2,801,000	4.35-5.50%	1,834,000	-	(184,000)	1,650,000
Villa Parke						
2000 Tax Allocation Refunding Bonds	1,814,000	4.35-5.50%	1,186,000	-	(119,000)	1,067,000
2006 Tax Allocation Refunding Bonds	710,000	3.8%-4.5%	710,000	-	(80,000)	630,000
Lake Washington						
2006 Tax Allocation Refunding Bonds	805,000	3.8%-4.7%	805,000	-	-	805,000
Low Moderate Housing						
1991 Tax Allocation Bonds	4,540,000	6%	1,667,328	-	(295,778)	1,371,550
2006 Tax Allocation Refunding Bonds	1,935,000	3.8%-4.3%	<u>1,935,000</u>	-	-	<u>1,935,000</u>
Total tax allocation bonds payable			10,607,328	-	(678,778)	9,928,550
Advances payable - City			36,577,892	1,189,344	(319,228)	37,448,008
Notes Payable - Other			<u>5,817,656</u>	-	(752,031)	<u>5,065,625</u>
Total outstanding debt			<u>\$53,002,876</u>	<u>1,189,344</u>	<u>(1,750,037)</u>	<u>52,442,183</u>

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

**Statement of Net Assets**

**June 30, 2007**

	Governmental Activities	
	2007	2006
<b>Assets:</b>		
Cash and investments (note 3)	\$ 35,162,903	28,326,582
Accounts receivable	223,376	412,392
Interest receivable	151,068	140,130
Taxes receivable	737,836	3,301,102
Notes receivable (note 4)	23,747,387	23,197,338
Allowance for uncollectible long-term receivables (note 4)	(7,510,087)	(7,511,332)
Property held for resale (note 7)	6,741,564	5,322,588
<b>Restricted assets:</b>		
Cash and investments with fiscal agents (note 3)	1,211,116	1,110,669
 Total assets	 60,465,163	 54,299,469
<b>Liabilities:</b>		
Accounts payable	943,629	688,024
Due to the City of Pasadena	528,488	3,173,684
Interest payable	288,816	112,111
<b>Noncurrent liabilities (notes 8 to 11):</b>		
Due within one year	1,901,737	1,430,808
Due in more than one year	50,540,446	51,572,068
 Total liabilities	 54,203,116	 56,976,695
<b>Net assets (deficit):</b>		
Restricted for low/moderate housing	34,955,826	30,443,555
Unrestricted	(28,693,779)	(33,120,781)
 Total net assets (deficit)	 \$ 6,262,047	 (2,677,226)

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, 2007**

	Program Revenues			Net		
	Expenses	Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants	Governmental Activities	
					2007	2006
Governmental activities:						
Administrative overhead costs	\$ 2,927,549	-	-	-	(2,927,549)	(2,383,593)
Legal and financial services	2,500	-	-	-	(2,500)	(212,936)
Planning	511,871	-	-	-	(511,871)	(727,688)
Project Management	785,020	-	-	-	(785,020)	(437,985)
Real estate acquisition	34,492	-	-	-	(34,492)	(33,055)
Emergency shelter service	162,333	-	-	-	(162,333)	(172,847)
Operation of acquired properties	8,169	-	-	-	(8,169)	(14,407)
Public improvement	934,905	-	-	-	(934,905)	(869,319)
Relocation	376,281	-	-	-	(376,281)	(1,183,955)
Rehabilitation	40,276	1,143,295	335,526	808,000	2,246,545	1,844,215
Affordable housing assistance	-	-	3,394,878	-	3,394,878	4,915,344
Sales tax rebate - City of Pasadena	51,080	-	-	-	(51,080)	(35,514)
ERAF Expense	-	-	-	-	-	(1,777,086)
Interest expense	<u>19,926,637</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(19,926,637)</u>	<u>(16,345,675)</u>
<b>Total governmental activities</b>	<b><u>\$ 25,761,113</u></b>	<b><u>1,143,295</u></b>	<b><u>3,730,404</u></b>	<b><u>808,000</u></b>	<b><u>(20,079,414)</u></b>	<b><u>(17,434,501)</u></b>
General revenues:						
Taxes:						
Incremental property taxes					26,767,093	22,993,833
Investment earnings					1,545,070	1,004,104
Net change in fair value of investments					284,021	(233,673)
Other revenues					<u>422,503</u>	<u>1,205,913</u>
<b>Total general revenues</b>					<u>29,018,687</u>	<u>24,970,177</u>
<b>Change in net assets</b>					8,939,273	7,535,676
<b>Net assets (deficit) at beginning of year</b>					<u>(2,677,226)</u>	<u>(10,212,902)</u>
<b>Net assets (deficit) at end of year</b>					<u>\$ 6,262,047</u>	<u>(2,677,226)</u>

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, 2007

		Debt Service	
	Special	Downtown	Fair Oaks
<u>Assets</u>	<u>Revenue</u>		
Cash and investments (note 3)	\$ 12,604,230	2,408	2,096,152
Cash and investments with fiscal agents (note 3)	-	-	242,570
Accounts receivable	41,500	-	-
Interest receivable	24,118	-	8,761
Taxes receivable	-	528,488	18,375
Notes receivable (note 4)	16,237,303	-	-
Due from other funds (note 5)	58,501	-	-
Advances to other funds (note 6)	-	-	-
Allowance for uncollectible long-term receivables	-	-	-
Property held for resale (note 7)	<u>6,510,064</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 35,475,716</u>	<u>530,896</u>	<u>2,365,858</u>
<u>Liabilities and Fund Balances</u>			
Liabilities:			
Accounts payable	\$ 461,389	-	46,935
Due to City of Pasadena	-	528,488	-
Due to other funds (note 5)	-	-	3,981
Advances from other funds (note 6)	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>461,389</u>	<u>528,488</u>	<u>50,916</u>
Fund balances (deficit)			
Reserved for:			
Property held for resale	6,510,064	-	-
Notes receivable	16,237,303	-	-
Encumbrances	1,983,784	-	-
Debt service	-	2,408	2,314,942
Unreserved, reported in :			
Special revenue fund	10,283,176	-	-
Capital project funds	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances (deficit)	<u>35,014,327</u>	<u>2,408</u>	<u>2,314,942</u>
Total liabilities and fund balances	<u>\$ 35,475,716</u>	<u>530,896</u>	<u>2,365,858</u>

See accompanying notes to the basic financial statements.

Debt Service Lake/ Washington	Capital Projects		Other Governmental Funds	Totals		
	Downtown	Fair Oaks		Old Pasadena	2007	2006
1,504,073	7,158,124	-	4,839,424	6,958,492	35,162,903	28,326,582
81,268	-	-	-	887,278	1,211,116	1,110,669
-	136,929	44,947	-	-	223,376	412,392
10,672	46,012	-	16,942	44,563	151,068	140,130
2,907	-	-	138,594	49,472	737,836	3,301,102
-	4,311,680	2,110,595	-	1,087,809	23,747,387	23,197,338
-	1,632,058	-	-	-	1,690,559	1,763,041
-	767,158	-	-	189,485	956,643	956,643
-	(5,078,841)	(2,110,595)	-	(1,277,294)	(8,466,730)	(8,467,975)
-	231,500	-	-	-	6,741,564	5,322,588
<u>1,598,920</u>	<u>9,204,620</u>	<u>44,947</u>	<u>4,994,960</u>	<u>7,939,805</u>	<u>62,155,722</u>	<u>56,062,510</u>
15,181	152,382	-	-	267,742	943,629	688,024
-	-	-	-	-	528,488	3,173,684
590	-	1,627,058	43,701	15,229	1,690,559	1,763,041
767,158	-	-	189,485	-	956,643	956,643
<u>782,929</u>	<u>152,382</u>	<u>1,627,058</u>	<u>233,186</u>	<u>282,971</u>	<u>4,119,319</u>	<u>6,581,392</u>
-	231,500	-	-	-	6,741,564	5,322,588
-	-	-	-	-	16,237,303	15,686,009
-	75,773	-	8,500	-	2,068,057	2,671,651
815,991	-	-	-	5,190,725	8,324,066	6,654,364
-	-	-	-	-	10,283,176	7,093,487
-	8,744,965	(1,582,111)	4,753,274	2,466,109	14,382,237	12,053,019
<u>815,991</u>	<u>9,052,238</u>	<u>(1,582,111)</u>	<u>4,761,774</u>	<u>7,656,834</u>	<u>58,036,403</u>	<u>49,481,118</u>
<u>1,598,920</u>	<u>9,204,620</u>	<u>44,947</u>	<u>4,994,960</u>	<u>7,939,805</u>	<u>62,155,722</u>	<u>56,062,510</u>



(This page intentionally left blank)

**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, 2007**

Fund balances of governmental funds	\$ 58,036,403
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.	(52,442,183)
Accrued interest payable for the current portion of interest due on Long term debt has not been reported in the governmental funds.	(288,816)
Interfund balances are eliminated in the statements of net assets. This amount relates to the allowance for those interfund balances.	<u>956,643</u>
Net assets of governmental activities	<u>\$ 6,262,047</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, 2007**

	Special Revenue	Debt Service	
		Downtown	Fair Oaks
<b>Revenues:</b>			
Incremental property taxes	\$ -	18,608,184	819,485
Intergovernmental	250,000	-	-
Rental income	98,847	-	-
Investment earnings	530,675	-	69,962
Net changes in fair value of investments	115,527	-	13,143
Reimbursement from developers	-	-	31,265
Sales tax	-	-	-
Housing in lieu fees	3,394,878	-	-
Other revenue	<u>377,503</u>	-	-
Total revenues	<u>4,767,430</u>	<u>18,608,184</u>	<u>933,855</u>
<b>Expenditures:</b>			
<b>Current:</b>			
Administrative overhead costs (note 13)	1,078,713	-	-
Legal and financial services	-	-	-
Planning	-	-	-
Project Management	785,020	-	-
Real estate acquisition	-	-	-
Emergency shelter service	162,333	-	-
Operation of acquired properties	3,316	-	-
Public improvement	-	-	-
Relocation	376,281	-	-
Rehabilitation	40,000	-	-
Affordable housing assistance	-	-	-
Sales tax rebate - City of Pasadena	-	-	-
ERAF expense	-	-	-
<b>Debt service:</b>			
Principal	-	36,322	31,265
Interest and fiscal charges	-	17,839,629	731,968
Payment to refunded bonds escrow agent	-	-	-
Cost of issuance and bond discount	-	-	-
Total expenditures	<u>2,445,663</u>	<u>17,875,951</u>	<u>763,233</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,321,767</u>	<u>732,233</u>	<u>170,622</u>
<b>Other financing sources (uses):</b>			
Issuance of long term debt	-	-	-
Payment to refunded bond escrow agent	-	-	-
Issuance of notes	-	-	-
Proceeds of advances from the City of Pasadena	-	-	618,240
Transfers from the City of Pasadena	-	-	-
Transfers to the City of Pasadena	-	-	-
Transfers in (note 12)	2,940,278	60,786	-
Transfers out (note 12)	<u>(789,953)</u>	<u>(800,000)</u>	<u>(256,150)</u>
Total other financing sources (uses)	<u>2,150,325</u>	<u>(739,214)</u>	<u>362,090</u>
Change in fund balances	4,472,092	(6,981)	532,712
Fund balances (deficit) at beginning of year	<u>30,542,235</u>	<u>9,389</u>	<u>1,782,230</u>
Fund balances (deficit) at end of year	<u>\$ 35,014,327</u>	<u>2,408</u>	<u>2,314,942</u>

See accompanying notes to the basic financial statements.

Debt Service	Capital Projects			Other Governmental Funds	Totals	
	Lake/ Washington	75,865 Downtown	Fair Oaks		Old Pasadena	2007
379,324	-	-	4,585,924	2,374,176	26,767,093	22,993,833
-	-	-	-	558,000	808,000	558,000
-	1,014,882	29,566	-	-	1,143,295	1,121,202
55,529	315,476	-	182,763	390,665	1,545,070	1,004,104
11,938	53,871	-	28,121	61,421	284,021	(233,673)
180,785	-	123,476	-	-	335,526	177,818
-	-	-	-	469,816	469,816	627,362
-	-	-	-	-	3,394,878	4,987,558
-	-	-	-	45,000	422,503	1,205,913
<u>627,576</u>	<u>1,384,229</u>	<u>153,042</u>	<u>4,796,808</u>	<u>3,899,078</u>	<u>35,170,202</u>	<u>32,442,117</u>
-	1,451,546	83,025	401,506	347,705	3,362,495	2,757,344
-	-	2,500	-	-	2,500	212,936
-	251,222	-	89,204	171,445	511,871	727,688
-	-	-	-	-	785,020	437,985
-	-	34,492	-	-	34,492	33,055
-	-	-	-	-	162,333	172,847
-	4,853	-	-	-	8,169	14,407
-	-	-	934,905	-	934,905	869,319
-	-	-	-	-	376,281	1,183,955
-	276	-	-	-	40,276	12,805
-	-	-	-	-	-	72,214
-	-	-	-	520,896	520,896	662,876
-	-	-	-	-	-	1,777,086
194,513	-	-	-	1,487,937	1,750,037	1,955,434
476,317	-	-	43,908	678,172	19,769,994	16,703,979
-	-	-	-	-	-	1,409,028
-	-	-	-	-	-	176,281
<u>670,830</u>	<u>1,707,897</u>	<u>120,017</u>	<u>1,469,523</u>	<u>3,206,155</u>	<u>28,259,269</u>	<u>29,179,239</u>
<u>(43,254)</u>	<u>(323,668)</u>	<u>33,025</u>	<u>3,327,285</u>	<u>692,923</u>	<u>6,910,933</u>	<u>3,262,878</u>
-	-	-	-	-	-	5,920,000
-	-	-	-	-	-	(5,185,701)
-	-	-	-	-	-	1,267,620
429,552	-	-	43,908	97,644	1,189,344	1,189,344
-	800,000	-	-	-	800,000	800,000
-	(344,992)	-	-	-	(344,992)	(70,233)
-	-	90,416	-	1,103,556	4,195,036	3,488,821
<u>(78,022)</u>	<u>(60,786)</u>	<u>-</u>	<u>(1,398,174)</u>	<u>(811,951)</u>	<u>(4,195,036)</u>	<u>(3,488,821)</u>
<u>351,530</u>	<u>394,222</u>	<u>90,416</u>	<u>(1,354,266)</u>	<u>389,249</u>	<u>1,644,352</u>	<u>3,921,030</u>
308,276	70,554	123,441	1,973,019	1,082,172	8,555,285	7,183,908
<u>507,715</u>	<u>8,981,684</u>	<u>(1,705,552)</u>	<u>2,788,755</u>	<u>6,574,662</u>	<u>49,481,118</u>	<u>42,297,210</u>
<u>815,991</u>	<u>9,052,238</u>	<u>(1,582,111)</u>	<u>4,761,774</u>	<u>7,656,834</u>	<u>58,036,403</u>	<u>49,481,118</u>

(This page intentionally left blank)

**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, 2007**

Net changes in fund balances - total governmental funds \$ 8,555,285

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. 1,750,037

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)

The statement of net assets includes accrued interest on long term debt. This is the net change in inveteres payable expense for the current period. (176,705)

Changes in net assets of governmental activities \$ 8,939,273

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, 2007**

**(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 new 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 Ralph M. Parsons Company's world headquarters building, the Pasadena Playhouse, Laemmle's Theatres, regional headquarters for SBC, and the Plaza Las Fuentes, a mixed use project that includes a Westin Hotel, a Class A office building and some 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 Agency 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, 2007**

**(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, 2007

**(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 nonmajor 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, 2007**

**(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 noncurrent receivables are deferred until they become current receivables. Noncurrent 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 noncurrent 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.