

ATTACHMENT C

**PASADENA COMMUNITY
DEVELOPMENT COMMISSION**

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

Basic Financial Statements

Year Ended June 30, 2008

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

Basic Financial Statements

Year Ended June 30, 2008

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

Basic Financial Statements

Year Ended June 30, 2008

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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, 2008, 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, 2007 and, in our report dated November 26, 2007, 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, 2008 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 12, 2008 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 McCann P.C.

Irvine, California
December 12, 2008

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, 2008.

FINANCIAL HIGHLIGHTS:

The net assets of the Commission exceeded its liabilities at the close of the fiscal year 2008 by \$13,114,284. Of this amount, the restricted net assets are for Low Moderate Housing of \$38,009,322 and unrestricted long-term of (\$24,895,038).

The Commission's net asset's for Low Moderate Housing has increased by \$3,053,496 over the previous fiscal year.

The Commission's total debt increased by \$815,354 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 \$13,114,284 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 \$3,798,741 or 13.24 percent. 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 \$6,852,237 or 21.97 percent from the prior year. During 2008 fiscal year, the key factors in this gain are as follows:

The Special Revenue Fund fund balance increased by \$3,053,496 or 8.74 percent from prior year.

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

The Commission's net assets increased by \$6,852,237 in comparison to an increase of \$8,939,273 in the prior year. The key elements of this increase are as follows:

Program revenues decreased by \$2,226,243 or 17 percent. The largest change related to a decrease in housing in lieu fees of \$1,976,243 or 52 percent.

Tax revenue increased by \$454,552 or 1.7 percent from fiscal year 2008. This increase was due to primarily to an increase assessed valuation for the current fiscal year.

There was an overall increase of \$895,617 in total expenditures and decrease of \$1,191,419 in total revenue over the previous fiscal year.

Attachment C – Comparative Schedule of Outstanding Debt:

The Commission's total debt increased by \$815 for the current fiscal year, due to an increase in advances and notes payable of \$2,189,344 and repayment of bonded debt, advances, and notes payable of \$2,303,990.

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 and 2008.

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 approved extending the plan effectiveness dates and the debt repayment and receipt of tax increment dates by two years in all project areas. 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. The City is in the process of extending these dates.

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. The City is in the process of merging these funds.

In fiscal year 2009 Assembly Bill (AB 1389), a trailer bill to the State's adopted budget, was passed. The provision pertaining to redevelopment in the bill included a loss of \$350 million in fiscal year 2009 to provide a shift of annual property tax revenue from special districts to the Educational Revenue Augmentation Fund (ERAF). The PCDC will deposit into the ERAF \$2,232,491 in fiscal years 2009 to meet this provision.

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.

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ATTACHMENT A

PASADENA COMMUNITY DEVELOPMENT COMMISSION
Comparative Statement of Net Assets

	<u>2008</u>	<u>2007</u>	Amount of Increase (Decrease)	Percent of Increase (Decrease)
<u>Assets</u>				
Cash and investments	\$ 35,232,806	\$ 35,162,903	69,903	0.20
Cash and investments with fiscal agents	1,255,424	1,211,116	44,308	3.66
Other assets	<u>31,367,535</u>	<u>24,091,144</u>	<u>7,276,391</u>	<u>30.20</u>
Total Assets	<u>67,855,765</u>	<u>60,465,163</u>	<u>7,390,602</u>	<u>12.22</u>
<u>Liabilities</u>				
Other liabilities	1,483,944	1,760,933	(276,989)	(15.73)
Long-term liabilities outstanding	<u>53,257,537</u>	<u>52,442,183</u>	<u>815,354</u>	<u>1.55</u>
Total Liabilities	<u>54,741,481</u>	<u>54,203,116</u>	<u>538,365</u>	<u>0.99</u>
<u>Net assets</u>				
Restricted for:				
Low and Moderate	30,043,984	26,642,152	3,401,832	12.77
Downtown	8,162,985	8,370,223	(207,238)	(2.48)
Villa Parke	2,853,548	1,864,388	989,160	53.06
Old Pasadena	5,133,070	3,305,261	1,827,809	55.30
Halstead Sycamore	50,669	-	50,669	100.00
Affordable Housing	122,322	89,773	32,549	36.26
Unrestricted	<u>(33,252,294)</u>	<u>(34,009,750)</u>	<u>757,456</u>	<u>(2.23)</u>
Total net assets	<u>\$ 13,114,284</u>	<u>6,262,047</u>	<u>6,852,237</u>	<u>252.68</u>

ATTACHMENT B

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

	<u>2008</u>	<u>2007</u>	<u>Amount of Increase (Decrease)</u>	<u>Percent of Increase (Decrease)</u>
Revenues:				
Program revenues:				
Operating contributions and grants	\$ 1,754,161	3,730,404	(1,976,243)	(52.98)
Capital grants and contributions	558,000	808,000	(250,000)	(30.94)
General revenues:				
Incremental property tax	27,221,645	26,767,093	454,552	1.70
Grants and contributions not restricted to specific programs				
Rental income	1,108,179	1,143,295	(35,116)	(3.07)
Investment earnings	1,586,040	1,829,091	(243,051)	(13.29)
Other revenues	1,280,725	422,503	858,222	203.13
Total revenues	<u>33,508,750</u>	<u>34,700,386</u>	<u>(1,191,636)</u>	<u>(3.43)</u>
Expenses:				
Administration overhead	3,149,999	2,927,549	222,450	7.60
Redevelopment activities	2,970,380	2,906,927	63,453	2.18
Property tax pass-thru'	518,082	-	518,082	100.00
Interest expense	19,915,642	19,926,637	(10,995)	(0.06)
Total Expenses	<u>26,554,103</u>	<u>25,761,113</u>	<u>792,990</u>	<u>3.08</u>
Increase in net assets	6,954,647	8,939,273	(1,984,626)	22.20
Net assets (deficit) at beginning of year	<u>6,262,047</u>	<u>(2,677,226)</u>	<u>8,939,273</u>	<u>333.90</u>
Net assets (deficit) at end of year	<u>\$ 13,216,694</u>	<u>6,262,047</u>	<u>6,954,647</u>	<u>(111.06)</u>

ATTACHMENT C

PASADENA COMMUNITY DEVELOPMENT COMMISSION
Comparative Schedule of Outstanding Debt

	<u>Initial Amount</u>	<u>Interest Rate</u>	<u>Balance 06/30/07</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance 06/30/08</u>
<u>Bonded debt</u>						
Fair Oaks Project						
2006 Tax Allocation Refunding Bonds	2,470,000	3.8%-4.9%	2,470,000	-	(120,000)	2,350,000
Orange Grove						
2000 Tax Allocation Refunding Bonds	2,801,000	4.35-5.50%	1,650,000	-	(195,000)	1,455,000
Villa Parke						
2000 Tax Allocation Refunding Bonds	1,814,000	4.35-5.50%	1,067,000	-	(126,000)	941,000
2006 Tax Allocation Refunding Bonds	710,000	3.8%-4.5%	630,000	-	(85,000)	545,000
Lake Washington						
2006 Tax Allocation Refunding Bonds	805,000	3.8%-4.7%	805,000	-	(60,000)	745,000
Low Moderate Housing						
1991 Tax Allocation Bonds	4,540,000	6%	1,371,550	-	(313,525)	1,058,025
2006 Tax Allocation Refunding Bonds	1,935,000	3.8%-4.3%	<u>1,935,000</u>	<u>-</u>	<u>(210,000)</u>	<u>1,725,000</u>
Total tax allocation bonds payable			9,928,550	-	(1,109,525)	8,819,025
Advances payable - City			37,448,008	1,189,344	(402,253)	38,235,099
Notes Payable - Other			<u>5,065,625</u>	<u>1,000,000</u>	<u>(792,212)</u>	<u>5,273,413</u>
Total outstanding debt			<u>\$52,442,183</u>	<u>2,189,344</u>	<u>(2,303,990)</u>	<u>52,327,537</u>

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

Statement of Net Assets

June 30, 2008

	Governmental Activities	
	2008	2007
Assets:		
Cash and investments (note 3)	\$ 35,232,806	35,162,903
Accounts receivable	955,263	223,376
Interest receivable	169,446	151,068
Taxes receivable	484,679	737,836
Notes receivable (note 4)	25,179,033	23,747,387
Allowance for uncollectible long-term receivables (note 4)	(7,510,087)	(7,510,087)
Advance to City of Pasadena Del Mar Garage	2,959,136	-
Property held for resale (note 7)	9,130,065	6,741,564
Restricted assets:		
Cash and investments with fiscal agents (note 3)	1,255,424	1,211,116
Total assets	67,855,765	60,465,163
Liabilities:		
Accounts payable	940,437	943,629
Due to the City of Pasadena	89,918	528,488
Interest payable	453,589	288,816
Unearned revenue	930,000	-
Noncurrent liabilities (notes 8 to 11):		
Due within one year	1,996,876	1,901,737
Due in more than one year	50,330,661	50,540,446
Total liabilities	54,741,481	54,203,116
Net assets (deficit):		
Restricted:		
Low and Moderate	30,043,984	26,642,152
Downtown	8,162,985	8,370,223
Villa Parke	2,853,548	1,864,388
Old Pasadena	5,133,070	3,305,261
Halstead Sycamore	50,669	-
Affordable Housing	122,322	89,773
Unrestricted	(33,252,294)	(34,009,750)
Total net assets (deficit)	\$ 13,114,284	6,262,047

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, 2008

	Program Revenues			Net		
	Expenses	Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants	Governmental Activities	
					2008	2007
Governmental activities:						
Administrative overhead costs	\$ 3,149,999	-	-	-	(3,149,999)	(2,927,549)
Legal and financial services	144,491	-	-	-	(144,491)	(2,500)
Planning	500,462	-	-	-	(500,462)	(511,871)
Project Management	905,820	-	-	-	(905,820)	(785,020)
Real estate acquisition	66,765	-	-	-	(66,765)	(34,492)
Emergency shelter service	166,609	-	-	-	(166,609)	(162,333)
Operation of acquired properties	20,354	-	-	-	(20,354)	(8,169)
Public improvement	904,441	-	-	-	(904,441)	(934,905)
Relocation	85,399	-	-	-	(85,399)	(376,281)
Rehabilitation	322,553	1,108,179	347,531	558,000	1,691,157	2,246,545
Redevelopment activities	11,875	-	-	-	(11,875)	-
Affordable housing assistance	113,803	-	1,406,630	-	1,292,827	3,394,878
Sales tax rebate - City of Pasadena	-	-	-	-	-	(51,080)
Property tax pass-thru'	518,082	-	-	-	(518,082)	-
Interest expense	19,915,642	-	-	-	(19,915,642)	(19,926,637)
Total governmental activities	<u>\$ 26,826,295</u>	<u>1,108,179</u>	<u>1,754,161</u>	<u>558,000</u>	<u>(23,405,955)</u>	<u>(20,079,414)</u>
General revenues:						
Taxes:						
Incremental property taxes					27,221,645	26,767,093
Investment earnings					1,586,040	1,545,070
Net change in fair value of investments					169,782	284,021
Other revenues					<u>1,280,725</u>	<u>422,503</u>
Total general revenues					<u>30,258,192</u>	<u>29,018,687</u>
Change in net assets					6,852,237	8,939,273
Net assets at beginning of year					<u>6,262,047</u>	<u>(2,677,226)</u>
Net assets at end of year					<u>\$ 13,114,284</u>	<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 Funds - Balance Sheet
June 30, 2008

	<u>Special Revenue</u>	<u>Debt Service</u>	
	<u>Low & Moderate / Inclusionary Housing</u>	<u>Downtown</u>	<u>Fair Oaks</u>
<u>Assets</u>			
Cash and investments (note 3)	\$ 11,664,343	1,716	2,515,118
Cash and investments with fiscal agents (note 3)	-	-	249,881
Accounts receivable	816,896	-	-
Interest receivable	12,514	-	11,752
Taxes receivable	-	96,935	47,769
Notes receivable (note 4)	17,668,949	-	-
Due from other funds (note 5)	91,100	-	-
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)	9,130,065	-	-
	<hr/>	<hr/>	<hr/>
Total assets	<u>\$ 39,383,867</u>	<u>98,651</u>	<u>2,824,520</u>
<u>Liabilities and Fund Balances</u>			
Liabilities:			
Accounts payable	\$ 353,445	-	53,818
Due to City of Pasadena	-	89,918	-
Due to other funds (note 5)	-	-	11,276
Advances from other funds (note 6)	-	-	-
Deferred revenue	930,000	-	-
	<hr/>	<hr/>	<hr/>
Total liabilities	<u>1,283,445</u>	<u>89,918</u>	<u>65,094</u>
Fund balances (deficit)			
Reserved for:			
Property held for resale	9,130,065	-	-
Notes receivable	17,668,949	-	-
Encumbrances	1,864,606	-	-
Debt service	-	8,733	2,759,426
Unreserved, reported in:			
Special revenue fund	9,436,802	-	-
Capital project funds	-	-	-
	<hr/>	<hr/>	<hr/>
Total fund balances (deficit)	<u>38,100,422</u>	<u>8,733</u>	<u>2,759,426</u>
	<hr/>	<hr/>	<hr/>
Total liabilities and fund balances	<u>\$ 39,383,867</u>	<u>98,651</u>	<u>2,824,520</u>

See accompanying notes to the basic financial statements.

Debt Service	Capital Projects			Other Governmental Funds	Totals	
	Lake/Washington	Downtown	Fair Oaks		Old Pasadena	2008
1,739,336	5,992,473	64,345	5,248,388	8,007,087	35,232,806	35,162,903
83,780	-	-	-	921,763	1,255,424	1,211,116
-	138,367	-	-	-	955,263	223,376
13,295	54,133	-	23,844	53,908	169,446	151,068
6,566	-	-	102,147	231,262	484,679	737,836
-	4,311,680	2,110,595	-	1,087,809	25,179,033	23,747,387
-	1,466,264	-	-	-	1,557,364	1,690,559
-	1,479,568	-	1,479,568	-	2,959,136	-
-	767,158	-	-	189,485	956,643	956,643
-	(5,078,841)	(2,110,595)	-	(1,277,294)	(8,466,730)	(8,466,730)
-	-	-	-	-	9,130,065	6,741,564
<u>1,842,977</u>	<u>9,130,802</u>	<u>64,345</u>	<u>6,853,947</u>	<u>9,214,020</u>	<u>69,413,129</u>	<u>62,155,722</u>
16,853	330,227	270	-	185,824	940,437	943,629
-	-	-	-	-	89,918	528,488
1,313	-	1,466,264	30,978	47,533	1,557,364	1,690,559
767,158	-	-	189,485	-	956,643	956,643
-	-	-	-	-	930,000	-
<u>785,324</u>	<u>330,227</u>	<u>1,466,534</u>	<u>220,463</u>	<u>233,357</u>	<u>4,474,362</u>	<u>4,119,319</u>
-	-	-	-	-	9,130,065	6,741,564
-	-	-	-	-	17,668,949	16,237,303
-	88,261	-	-	-	1,952,867	2,068,057
1,057,653	-	-	-	6,226,479	10,052,291	8,324,066
-	-	-	-	-	9,436,802	10,283,176
-	8,712,314	(1,402,189)	6,633,484	2,754,184	16,697,793	14,382,237
<u>1,057,653</u>	<u>8,800,575</u>	<u>(1,402,189)</u>	<u>6,633,484</u>	<u>8,980,663</u>	<u>64,938,767</u>	<u>58,036,403</u>
<u>1,842,977</u>	<u>9,130,802</u>	<u>64,345</u>	<u>6,853,947</u>	<u>9,214,020</u>	<u>69,413,129</u>	<u>62,155,722</u>

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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, 2008

Fund balances of governmental funds	\$ 64,938,767
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.	(52,327,537)
Accrued interest payable for the current portion of interest due on Long term debt has not been reported in the governmental funds.	(453,589)
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>\$ 13,114,284</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, 2008

	<u>Special Revenue</u>	<u>Debt Service</u>	
	Low & Moderate / Inclusionary Housing	<u>Downtown</u>	<u>Fair Oaks</u>
Revenues:			
Incremental property taxes	\$ -	18,938,766	866,081
Intergovernmental	-	-	-
Rental income	71,839	-	-
Investment earnings	520,323	-	94,172
Net changes in fair value of investments	63,580	-	17,687
Reimbursement from developers	-	-	52,493
Sales tax	-	-	-
Housing in lieu fees	1,406,630	-	-
Other revenue	1,158,052	-	-
Total revenues	<u>3,220,424</u>	<u>18,938,766</u>	<u>1,030,433</u>
Expenditures:			
Current:			
Administrative overhead costs (note 13)	758,449	-	-
Legal and financial services	34,516	7,017	-
Planning	163,145	-	-
Project Management	905,820	-	-
Real estate acquisition	36,908	-	-
Emergency shelter service	166,609	-	-
Operation of acquired properties	12,256	-	-
Public improvement	-	-	-
Relocation	85,399	-	-
Rehabilitation	322,553	-	-
Disposition	113,803	-	-
Affordable Housing	11,875	-	-
Sales tax rebate - City of Pasadena	-	-	-
Property tax pass-thru'	-	263,869	27,725
Debt service:			
Principal	-	38,100	172,493
Interest and fiscal charges	-	17,890,455	735,128
Total expenditures	<u>2,611,333</u>	<u>18,199,441</u>	<u>935,346</u>
Excess (deficiency) of revenues over (under) expenditures	<u>609,091</u>	<u>739,325</u>	<u>95,087</u>
Other financing sources (uses):			
Issuance of notes	1,000,000	-	-
Proceeds of advances from the City of Pasadena	-	-	618,240
Transfers from the City of Pasadena	-	-	-
Transfers to the City of Pasadena	(376,901)	-	-
Transfers in (note 12)	2,903,896	67,000	-
Transfers out (note 12)	(1,049,991)	(800,000)	(268,843)
Total other financing sources (uses)	<u>2,477,004</u>	<u>(733,000)</u>	<u>349,397</u>
Change in fund balances	3,086,095	6,325	444,484
Fund balances (deficit) at beginning of year	<u>35,014,327</u>	<u>2,408</u>	<u>2,314,942</u>
Fund balances (deficit) at end of year	<u>\$ 38,100,422</u>	<u>8,733</u>	<u>2,759,426</u>

See accompanying notes to the basic financial statements.

Debt Service		Capital Projects		Other	Totals	
Lake/ Washington	Downtown	Fair Oaks	Old Pasadena	Governmental Funds	2008	2007
365,265	-	-	4,473,212	2,578,321	27,221,645	26,767,093
-	-	-	-	558,000	558,000	808,000
-	1,001,732	34,608	-	-	1,108,179	1,143,295
67,493	298,473	-	231,274	374,305	1,586,040	1,545,070
8,004	33,574	-	16,817	30,120	169,782	284,021
237,335	-	57,703	-	-	347,531	335,526
-	-	-	-	263,801	263,801	469,816
-	-	-	-	-	1,406,630	3,394,878
-	-	121,806	-	867	1,280,725	422,503
<u>678,097</u>	<u>1,333,779</u>	<u>214,117</u>	<u>4,721,303</u>	<u>3,805,414</u>	<u>33,942,333</u>	<u>35,170,202</u>
-	1,811,816	98,495	424,643	370,461	3,463,864	3,362,495
-	-	1,470	101,488	-	144,491	2,500
-	287,940	-	-	49,377	500,462	511,871
-	-	-	-	-	905,820	785,020
-	-	29,857	-	-	66,765	34,492
-	-	-	-	-	166,609	162,333
-	6,823	-	1,275	-	20,354	8,169
-	-	-	904,441	-	904,441	934,905
-	-	-	-	-	85,399	376,281
-	-	-	-	-	322,553	40,276
-	-	-	-	-	113,803	-
-	-	-	-	-	11,875	-
-	-	-	-	161,172	161,172	520,896
6,506	-	-	75,782	144,200	518,082	-
311,736	-	-	-	1,781,663	2,303,992	1,750,037
474,692	-	-	43,908	606,684	19,750,867	19,769,994
<u>792,934</u>	<u>2,106,579</u>	<u>129,822</u>	<u>1,551,537</u>	<u>3,113,557</u>	<u>29,440,549</u>	<u>28,259,269</u>
<u>(114,837)</u>	<u>(772,800)</u>	<u>84,295</u>	<u>3,169,766</u>	<u>691,857</u>	<u>4,501,784</u>	<u>6,910,933</u>
-	-	-	-	-	1,000,000	-
429,552	-	-	43,908	97,644	1,189,344	1,189,344
-	800,000	-	-	-	800,000	800,000
-	(211,863)	-	-	-	(588,764)	(344,992)
-	-	95,627	-	1,320,446	4,386,969	4,195,036
<u>(73,053)</u>	<u>(67,000)</u>	<u>-</u>	<u>(1,341,964)</u>	<u>(786,118)</u>	<u>(4,386,969)</u>	<u>(4,195,036)</u>
<u>356,499</u>	<u>521,137</u>	<u>95,627</u>	<u>(1,298,056)</u>	<u>631,972</u>	<u>2,400,580</u>	<u>1,644,352</u>
241,662	(251,663)	179,922	1,871,710	1,323,829	6,902,364	8,555,285
<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>1,057,653</u>	<u>8,800,575</u>	<u>(1,402,189)</u>	<u>6,633,484</u>	<u>8,980,663</u>	<u>64,938,767</u>	<u>58,036,403</u>

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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, 2008

Net changes in fund balances - total governmental funds	\$ 6,902,364
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.	2,303,992
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.	(2,189,344)
The statement of net assets includes accrued interest on long term debt.	<u>(164,775)</u>
Changes in net assets of governmental activities	<u>\$ 6,852,237</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, 2008

(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, 2008

(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, 2008

(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, 2008

(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.

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

Notes to the Basic Financial Statements

Year Ended June 30, 2008

(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.