

PASADENA COMMUNITY  
DEVELOPMENT COMMISSION

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

Basic Financial Statements

For the Seven Months Ended January 31, 2012

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

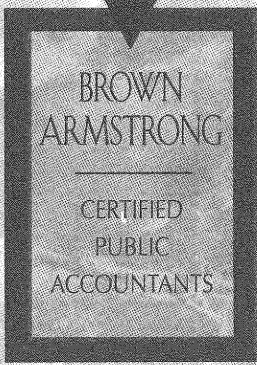
**Basic Financial Statements**

**For the Seven Months Ended January 31, 2012**

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# BROWN ARMSTRONG

*Certified Public Accountants*

## INDEPENDENT AUDITOR'S REPORT

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

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 (the Commission), a component unit of the City of Pasadena, California, as of and for the seven months ended January 31, 2012, and for the fiscal year ended June 30, 2011, which collectively comprise the basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Commission's management. Our responsibility is to express opinions on these financial statements based on our audit.

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 opinion.

As discussed in Note 1 to the basic financial statements, the Commission ceased operations as an entity as of January 31, 2012, due to the passage of a law and the results of an unsuccessful court ruling against similar entities throughout the State of California. By the nature of the law and the ruling, as of the date of this report, the Commission is no longer a going concern. All operations were transferred to a successor agency which is not legally separate from the City of Pasadena. The successor agency's purpose is to liquidate assets and pay the former allowable debts of the Commission in accordance with the updated law.

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 Commission, as of January 31, 2012 and June 30, 2011, and for the seven months then ended in conformity with accounting principles generally accepted in the United States of America.

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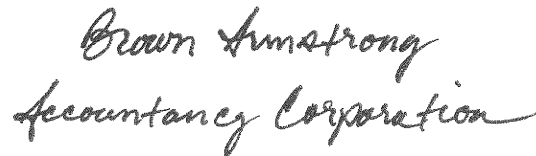


REGISTERED with the Public Company Accounting Oversight Board and MEMBER of the American Institute of Certified Public Accountants

Management has not presented a management's discussion and analysis that governmental accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it an essential part of financial reporting for the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information. Accounting principles generally accepted in the United States of America also require that budgetary comparison information on pages 51 through 52 be presented to supplement the basic financial statements. Such information, also although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 11, 2012, on our consideration of the 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. That 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.

BROWN ARMSTRONG  
ACCOUNTANCY CORPORATION

A handwritten signature in cursive script that reads "Brown Armstrong Accountancy Corporation". The signature is written in black ink and is positioned below the printed name of the corporation.

Pasadena, California  
September 11, 2012

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

**Statement of Net Assets**

**January 31, 2012**

	Governmental Activities 2012
<b>Assets:</b>	
Cash and investments (note 3)	\$ 9,781,952
Accounts receivable	31,663
Interest receivable	69,190
Notes receivable (note 4)	22,976,431
Prepaid Rent	2,934
Allowance for uncollectible long-term receivables (note 4)	(7,331,501)
Advance to City of Pasadena Del Mar Garage	2,959,136
Property held for resale (note 7)	1,400,000
<b>Restricted assets:</b>	
Cash and investments with fiscal agents (note 3)	1,233,236
<b>Total assets</b>	<b>31,123,041</b>
<b>Liabilities:</b>	
Accounts payable	264,996
Interest payable	772,757
<b>Noncurrent liabilities (notes 8 to 11):</b>	
Due within one year	975,000
Due in more than one year	66,482,575
<b>Total liabilities</b>	<b>68,495,328</b>
<b>Net assets (deficit):</b>	
<b>Restricted:</b>	
Low and Moderate Income Housing	17,743,660
Villa Parke	654,307
Lake Washington	53,233
Lincoln	1,188,187
Affordable Housing	380,564
<b>Unrestricted</b>	<b>(57,392,238)</b>
<b>Total net assets (deficit)</b>	<b>\$ (37,372,287)</b>

See accompanying notes to the basic financial statements.

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

**Statement of Activities**

**For the Seven Months Ended January 31, 2012**

	Program Revenues				Net
Expenses	Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants	Governmental Activities	2012
Governmental activities:					
Administrative overhead costs	\$ 1,574,117	-	-	-	\$ (1,574,117)
Planning	176,819	-	-	-	(176,819)
Project Management	414,196	-	-	-	(414,196)
acquired properties	22,181	-	-	-	(22,181)
Public improvement	8,047,139	-	-	-	(8,047,139)
Relocation	69,866	-	-	-	(69,866)
Rehabilitation	-	512,515	-	-	512,515
Property tax pass-through	569,804	-	-	-	(569,804)
Interest expense	5,520,316	-	-	-	(5,520,316)
<b>Total governmental activities</b>	<b>\$ 16,394,438</b>	<b>512,515</b>	<b>-</b>	<b>-</b>	<b>(15,881,923)</b>
General revenues:					
Taxes:					
Incremental property taxes					12,944,985
Investment Gain (Loss)					86,559
Other revenues					221,894
<b>Total general revenues</b>					<b>13,253,438</b>
Extraordinary Gain (Loss)					103,852,920
Change in net assets					101,224,435
Net assets at beginning of year, as previous stated					4,527,416
Prior Year Adjustment					(143,124,138)
Net assets at beginning of year, as restated					(138,596,722)
Net assets (deficit) at end of period					<b>\$ (37,372,287)</b>

See accompanying notes to the basic financial statements.

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**PASADENA COMMUNITY DEVELOPMENT COMMISSION**  
**(A Component Unit of the City of Pasadena, California)**  
**Governmental Funds - Balance Sheet**  
**January 31, 2012**

	<u>Special Revenue</u>	<u>Debt Service</u>	
	<u>Low &amp; Moderate Income Housing</u>	<u>Downtown</u>	<u>Fair Oaks</u>
<u>Assets</u>			
Cash and investments (note 3)	\$ 3,926,392	4,959	1,697,882
Cash and investments with fiscal agents (note 3)	-	-	241,459
Accounts receivable	-	-	-
Interest receivable	39,719	-	1,081
Notes receivable (note 4)	15,644,933	-	-
Prepaid Rent	-	-	-
Due from other funds (note 5)	-	-	-
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)	1,400,000	-	-
	<u>1,400,000</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 21,011,044</u>	<u>4,959</u>	<u>1,940,422</u>
<u>Liabilities and Fund Balances</u>			
Liabilities:			
Accounts payable	\$ 46,662	-	-
Due to other funds (note 5)	-	-	-
Advances from other funds (note 6)	-	-	-
	<u>46,662</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>46,662</u>	<u>-</u>	<u>-</u>
Fund balances (deficit)			
Nonspendable	17,044,933	-	-
Restricted	3,919,449	4,959	1,940,422
Unassigned	-	-	-
	<u>20,964,382</u>	<u>4,959</u>	<u>1,940,422</u>
Total fund balances (deficit)	<u>20,964,382</u>	<u>4,959</u>	<u>1,940,422</u>
Total liabilities and fund balances	<u>\$ 21,011,044</u>	<u>4,959</u>	<u>1,940,422</u>

See accompanying notes to the basic financial statements.

Debt Service	Capital Projects			Other	Totals
Lake/ Washington	Downtown	Fair Oaks	Old Pasadena	Governmental Funds	2012
346,752	257,727	-	675,949	2,872,291	\$ 9,781,952
80,925	-	-	-	910,852	1,233,236
-	31,663	-	-	-	31,663
6,157	-	-	8,254	13,979	69,190
-	4,211,680	2,059,876	-	1,059,942	22,976,431
-	-	2,934	-	-	2,934
970,398	-	-	107,992	7,912	1,086,302
-	1,479,568	-	1,479,568	-	2,959,136
-	767,158	-	-	189,485	956,643
-	(4,978,841)	(2,059,876)	-	(1,249,427)	(8,288,144)
-	-	-	-	-	1,400,000
<u>1,404,232</u>	<u>1,768,955</u>	<u>2,934</u>	<u>2,271,763</u>	<u>3,805,034</u>	<u>\$ 32,209,343</u>
-	210,058	-	-	8,276	264,996
-	-	970,398	-	115,904	1,086,302
<u>767,158</u>	<u>-</u>	<u>-</u>	<u>189,485</u>	<u>-</u>	<u>956,643</u>
<u>767,158</u>	<u>210,058</u>	<u>970,398</u>	<u>189,485</u>	<u>124,180</u>	<u>\$ 2,307,941</u>
-	1,479,565	-	1,479,568	-	20,004,066
637,074	79,332	-	602,710	3,729,236	10,913,182
-	-	(967,464)	-	(48,382)	(1,015,846)
<u>637,074</u>	<u>1,558,897</u>	<u>(967,464)</u>	<u>2,082,278</u>	<u>3,680,854</u>	<u>29,901,402</u>
<u>1,404,232</u>	<u>1,768,955</u>	<u>2,934</u>	<u>2,271,763</u>	<u>3,805,034</u>	<u>\$ 32,209,343</u>

See accompanying notes to the basic financial statements.

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**PASADENA COMMUNITY DEVELOPMENT COMMISSION**  
**(A Component Unit of the City of Pasadena, California)**  
**Governmental Funds**  
**Reconciliation of the Balance Sheet of Governmental Funds to**  
**the Statement of Net Assets**  
**January 31, 2012**

Fund balances of governmental funds	\$ 29,901,402
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.	(67,457,575)
Accrued interest payable for the current portion of interest due on long-term debt has not been reported in the governmental funds.	(772,757)
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>\$ (37,372,287)</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**  
**For the Seven Months Ended January 31, 2012**

	Special Revenue	Debt Service	
	Low & Moderate	Fair	
	Income Housing	Downtown	Oaks
<b>Revenues:</b>			
Incremental property taxes	\$ -	9,371,995	379,330
Rental income	7,000	-	-
Investment Gain (Loss)	91,652	-	10,569
Other revenue	218,894	-	-
Total revenues	<u>317,546</u>	<u>9,371,995</u>	<u>389,899</u>
<b>Expenditures:</b>			
Current:			
Administrative overhead costs (note 13)	260,929	-	-
Planning	-	-	-
Project Management	414,196	-	-
Operation of acquired properties	609	-	-
Gain (Loss) on sale from Property	69,866	-	-
Property tax pass-through	-	330,403	19,790
Debt service:			
Principal	-	-	140,000
Interest and fiscal charges	-	424,215	723,898
Total expenditures	<u>745,600</u>	<u>754,618</u>	<u>883,688</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(428,054)</u>	<u>8,617,377</u>	<u>(493,789)</u>
<b>Other financing sources (uses):</b>			
Principal/Interest Payment to City Advance	-	(8,241,592)	-
Advances from the City of Pasadena	-	414,000	641,149
Write-off City Advance	-	(3,032,046)	(15,698,135)
Transfers from the City of Pasadena	287,457	-	-
Transfers to the City of Pasadena	-	-	-
Transfers in (note 12)	1,697,158	-	-
Transfers out (note 12)	(8,074,864)	(800,000)	(332,981)
Total other financing sources (uses)	<u>(6,090,249)</u>	<u>(11,659,638)</u>	<u>(15,389,967)</u>
Extraordinary Gain (Loss)	-	3,032,046	15,698,135
Change in fund balances	(6,518,303)	(10,215)	(185,621)
Fund balances (deficit) at beginning of year, as previous stated	<u>41,257,275</u>	<u>15,174</u>	<u>2,126,043</u>
Prior Year Adjustment	<u>(13,774,590)</u>	<u>-</u>	<u>-</u>
Fund balances (deficit) at end of period	<u>\$ 20,964,382</u>	<u>4,959</u>	<u>1,940,422</u>

See accompanying notes to the basic financial statements.

Debt Service Lake/ Washington	Capital Project			Other Governmental Funds	Totals 2012
	Downtown	Fair Oaks	Old Pasadena		
190,848	-	-	1,825,597	1,177,215	\$ 12,944,985
-	486,137	19,378	-	-	512,515
9,628	(75,794)	-	14,367	36,137	86,559
-	3,000	-	-	-	221,894
<u>200,476</u>	<u>413,343</u>	<u>19,378</u>	<u>1,839,964</u>	<u>1,213,352</u>	<u>13,765,953</u>
-	1,006,225	33,115	163,287	110,561	1,574,117
-	54,514	-	76,864	45,441	176,819
-	-	-	-	-	414,196
-	-	21,572	-	-	22,181
-	-	-	-	-	69,866
11,557	-	-	64,226	143,828	569,804
70,000	-	-	-	245,000	455,000
<u>397,093</u>	<u>-</u>	<u>-</u>	<u>2,938,265</u>	<u>1,036,845</u>	<u>5,520,316</u>
<u>478,650</u>	<u>1,060,739</u>	<u>54,687</u>	<u>3,242,642</u>	<u>1,581,675</u>	<u>8,802,299</u>
<u>(278,174)</u>	<u>(647,396)</u>	<u>(35,309)</u>	<u>(1,402,678)</u>	<u>(368,323)</u>	<u>4,963,654</u>
-	-	-	(1,833,594)	-	(10,075,186)
382,141	-	-	2,938,265	964,815	5,340,370
(14,166,428)	-	-	(51,260,088)	(19,696,223)	(103,852,920)
-	466,665	-	-	-	754,122
-	-	-	(1,007,572)	(2,530)	(1,010,102)
488,055	-	257,115	-	387,320	2,829,648
(38,170)	-	-	(547,679)	(827,113)	(10,620,807)
<u>(13,334,402)</u>	<u>466,665</u>	<u>257,115</u>	<u>(51,710,668)</u>	<u>(19,173,731)</u>	<u>(116,634,875)</u>
14,166,428	-	-	51,260,088	19,696,223	103,852,920
553,852	(180,731)	221,806	(1,853,258)	154,169	(7,818,301)
<u>83,222</u>	<u>4,939,628</u>	<u>(1,189,270)</u>	<u>3,935,536</u>	<u>3,673,218</u>	<u>54,840,826</u>
<u>-</u>	<u>(3,200,000)</u>	<u>-</u>	<u>-</u>	<u>(146,533)</u>	<u>(17,121,123)</u>
<u>637,074</u>	<u>1,558,897</u>	<u>(967,464)</u>	<u>2,082,278</u>	<u>3,680,854</u>	<u>\$ 29,901,402</u>

See accompanying notes to the basic financial statements.

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**PASADENA COMMUNITY DEVELOPMENT COMMISSION**  
**(A Component Unit of the City of Pasadena, California)**  
**Reconciliation of the Statement of Revenues, Expenditures,**  
**and Changes in Fund Balances of Governmental Funds**  
**to the Statement of Activities**  
**For the Seven Months Ended January 31, 2012**

Net changes in fund balances - total governmental funds	\$ (7,818,301)
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.	455,000
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.	<u>108,587,736</u>
Changes in net assets of governmental activities	<u>\$ 101,224,435</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**

**For the Seven Months Ended January 31, 2012**

**(1) Organization**

The purpose of these financial statements is disclosure of the closing activities of the Pasadena Community Development Commission (Commission) for the period July 1, 2011 to January 31, 2012 and its ending balances as of January 31, 2012. The Commission ceases to exist as of January 31, 2012 and becomes the City of Pasadena as the Successor Agency (Successor Agency) effective February 1, 2012 for the purpose of wrapping up the activities of the Commission pursuant to the requirements of AB 1X 26 which is discussed further in Note 18.

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

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

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

**(a) Basis of Presentation**

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

- Government-wide financial statements
- Fund financial statements

**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

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

**Notes to the Basic Financial Statements**

**For the Seven Months Ended January 31, 2012**

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

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

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 ultimately 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.

As the Commission finances assets that will ultimately be owned by the City, no capital assets are recognized related to this activity. Instead, property held for resale is recognized. 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.

**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 comprise of its assets, liabilities, fund equity, revenues and expenditures. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. Fund financial statements for the primary government's governmental funds are presented after the government-wide financial statements. These statements display information about major funds individually and non-major funds in the aggregate.

**Governmental Funds**

In the fund financial statements, governmental funds are presented using the *modified accrual basis of accounting*. Their revenues are recognized when they become

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

**For the Seven Months Ended January 31, 2012**

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

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

*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. These requirements may cause a difference between what is reported as received for federal purposes and what is reported for financial reporting purposes.

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

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

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

Amounts expended to acquire capital assets are recorded as *expenditures* in the year that resources were expended, rather than as fund assets. The proceeds of long-term

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

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

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.

In the fund financial statements, governmental fund balance is made up of the following components:

- Nonspendable fund balance is the portion of fund balance that cannot be spent due to form. Examples include inventories, prepaid amounts, long-term loans, notes receivable, and property held for resale, unless the proceeds are restricted, committed or assigned. Also, amounts that must be maintained intact legally or contractually, such as the principal of a permanent fund are reported within the nonspendable category.
- Restricted fund balance is the portion of fund balance that is subject to externally enforceable limitations by law, enabling legislation or limitations imposed by creditors or grantors.
- Committed fund balance is the portion of fund balance that is subject to self-imposed constraints due to formal action of the City Council, as they have the highest level of decision-making authority.
- Assigned fund balance is the portion of fund balance that is constrained by the City's intent to utilize fund balance for a specific purpose. The authority to assign fund balance has been delegated by City Council to the finance director.
- Unassigned fund balance is the residual classification that includes all spendable amounts in the General Fund not contained in other classifications. Unassigned fund balances also include amounts that are in Special Revenue, Capital Projects, Debt Service and Permanent Funds in excess of assigned amounts.

The accounting policies of the City consider restricted fund balance to have been spent first when expenditures are incurred for purposes for which both the restricted and unrestricted fund balance is available. Similarly, when expenditures are incurred for purposes for which amounts in any of the unrestricted classifications of fund balance could be used, the City considers committed amounts to be reduced first, followed by assigned and then unassigned amounts.

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

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

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.

Debt Service, Downtown Project Area Fund – To account for tax increment, investment revenue, and the payment of interest and principal on 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) Investment**

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.

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**For the Seven Months Ended January 31, 2012**

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

**(e) Encumbrances**

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

**(f) Incremental Property Taxes**

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

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

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

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

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

The disbursement of property taxes after January 2012 will be subject to the new requirements of AB 1X 26 and only disbursed twice a year to the Successor Agency.

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**Notes to the Basic Financial Statements**

**For the Seven Months Ended January 31, 2012**

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

**(g) Use of Estimates**

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

**(3) Cash and Investments**

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

Cash and investments at January 31, 2012 are reflected on the Statement of Net Assets as follows:

Cash and investments	\$ 9,781,952
Cash and investments with fiscal agents	<u>1,233,236</u>
Total cash and investments	<u>\$ 11,015,188</u>

Cash and investments at January 31, 2012 consist of the following:

Investment in City of Pasadena Pool	\$ 3,757,167
Investments	<u>7,258,021</u>
Total cash and investments	<u>\$ 11,015,188</u>

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**Notes to the Basic Financial Statements**

**For the Seven Months Ended January 31, 2012**

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

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

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

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

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

+ With the exception of the Power Reserve and Bond Reserve Funds with consent of the bond insurers, these types of investments can mature for more than 5 years.



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**Notes to the Basic Financial Statements**

**For the Seven Months Ended January 31, 2012**

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

**Investments Authorized by Debt Agreements**

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

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

**Disclosures Relating to Interest Rate Risk**

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

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**Notes to the Basic Financial Statements**

**For the Seven Months Ended January 31, 2012**

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

**Disclosures Relating to Interest Rate Risk, (Continued)**

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

<u>Investment Type</u>	<u>Total</u>	<u>12 Months Or Less</u>	<u>13 to 24 Months</u>	<u>25-60 Months</u>
Money market funds	\$6,024,785	6,024,785	-	-
Held by bond trustee:				
Federal agency securities	987,146	-	-	987,146
Money market funds	<u>246,090</u>	<u>246,090</u>	<u>-</u>	<u>-</u>
 Total	 <u>\$7,258,021</u>	 <u>6,270,875</u>	 <u>-</u>	 <u>987,146</u>

**Disclosures Relating to Credit Risk**

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

<u>Investment Type</u>	<u>Total</u>	<u>Minimum Legal Rating</u>	<u>Rating as of Year End</u>	
			<u>AAA</u>	<u>Not Rated</u>
Money market funds	\$6,024,785	N/A	-	6,024,785
Held by bond trustee:				
Federal agency securities	987,146	N/A	987,146	-
Money market funds	<u>246,090</u>	N/A	<u>246,090</u>	<u>-</u>
 Total	 <u>\$7,258,021</u>		 <u>1,233,236</u>	 <u>6,024,785</u>

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**Notes to the Basic Financial Statements**

**For the Seven Months Ended January 31, 2012**

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

**Concentration of Credit Risk**

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

<u>Issuer</u>	<u>Investment Type</u>	<u>Reported Amount</u>	
Goldman Sachs Financial Square Prime Obligations Fund	Money Market Funds	\$ 246,090	20%
Federal National Mortgage Assoc	Federal agency securities	462,588	38%
Federal Farm Credit Bank	Federal agency securities	<u>524,558</u>	43%
Total held by Trustee Fiscal agents		<u>\$ 1,233,236</u>	
Bank of America Merrill Lynch	Money Market Funds	\$ 20,632	0%
East West Bank	Money Market Funds	<u>6,004,153</u>	100%
Total Investments held by the Commission		<u>\$ 6,024,785</u>	

**Custodial Credit Risk**

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

**Investment in City of Pasadena Investment Pool**

The Commission is a voluntary participant in the City of Pasadena's investment pool managed by the City of Pasadena. This pool is governed by and under the regulatory oversight of the Investment Policy adopted by the City Council of the City of Pasadena. The Commission has not adopted an investment policy separate from that of the City of

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**Notes to the Basic Financial Statements**

**For the Seven Months Ended January 31, 2012**

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

**Investment in City of Pasadena Investment Pool, (Continued)**

Pasadena. The fair value of the Commission's investment in this pool is reported in the accompanying financial statements at amounts based upon the Commission's pro-rata share of the fair value calculated by the City for the entire City portfolio. This pool is unrated. Further information about the composition, maturities, and concentrations associated with this pool can be found in the Comprehensive Annual Financial Report of the City.

**Investment in State Investment Pool**

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

**(4) Notes Receivable**

The Commission has notes receivable arising from the sale of land to project developers and various other agencies, subject to approved redevelopment plans. These notes have various terms, including maturities ranging from 2 to 30 years and interest rates ranging from 3.5% to 11%. Due to the uncertainty of their collectibility, at January 31, 2012, the Commission has recorded in the accompanying balance sheet an allowance for uncollectible long-term receivables of \$7,331,498 related to certain notes receivable balances. The balance of notes receivable net of allowances for uncollectibility at January 31, 2012 was \$15,644,933.

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

Interfund receivable and payable balances at January 31, 2012 are as follows:

<u>Due from Other Funds</u>	<u>Due to Other Funds</u>	<u>Amount</u>
Debt Service, Lake Washington	Capital Projects, Fair Oaks	\$ 970,398 (1)
Capital Projects, Old Pasadena	Other Governmental Funds	107,992 (2)
Other Governmental Funds	Other Governmental Funds	<u>7,912 (2)</u>
Total Due From and To Other Funds		<u>\$ 1,086,302</u>

- (1) The Commission has amounts due from the Lake Washington Debt Service Fund and due to Fair Oaks Capital Project Fund to finance overrun of costs during the litigation and purchase of land within the Fair Oaks redevelopment project.
- (2) \$107,992 due from the Old Pasadena Capital Project Fund and \$7,912 due from Other Government Funds due to Other Government Funds is to cover a negative cash balance at the end of the fiscal year.

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**Notes to the Basic Financial Statements**

**For the Seven Months Ended January 31, 2012**

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

Long-term inter-fund receivable and payable balances at January 31, 2012 are as follows:

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

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

**(7) Property Held for Resale**

Property held for resale is generally acquired under disposition and development agreements in the normal course of redevelopment activity. These agreements generally provide for transfer of the property to developers after certain redevelopment obligations have been fulfilled. As of January 31, 2012 the Commission's total property held for resale is \$1,400,000.

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**Notes to the Basic Financial Statements**

**For the Seven Months Ended January 31, 2012**

**(8) Long-Term Liabilities**

Changes in long-term liabilities for the year ended January 31, 2012 are as follows:

	<u>Balance at June 30, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at January 31, 2012</u>	<u>Due Within One Year</u>
<b>Tax Allocation Bonds:</b>					
<b>Fair Oaks Project:</b>					
2006 Tax Allocation Revenue Bonds (Fair Oaks Redevelopment Project and Public Improvement Program Refunding)	\$ 1,960,000	-	(140,000)	1,820,000	145,000
<b>Orange Grove Project:</b>					
2000 Tax Allocation Refunding Revenue Bonds (Orange Grove Redevelopment Project)	795,000	-	-	795,000	249,000
<b>Villa Parke Project:</b>					
2000 Tax Allocation Refunding Revenue Bonds (Villa-Parke Redevelopment Project)	514,000	-	-	514,000	161,000
2006 Tax Allocation Revenue Bonds (Villa- Parke Redevelopment Project Refunding)	280,000	-	-	280,000	90,000
<b>Lake Washington Project:</b>					
2006 Tax Allocation Revenue Bonds (Lake/ Washington Redevelopment Project and Public Improvement Program Refunding)	555,000	-	(70,000)	485,000	75,000
<b>Affordable Housing Projects:</b>					
2006 Tax Allocation Revenue Bonds (Housing Set Aside Revenues Townhouse Project Refunding)	<u>1,045,000</u>	-	<u>(245,000)</u>	<u>800,000</u>	<u>255,000</u>
Total Tax Allocation Bonds	5,149,000	-	(455,000)	4,694,000	975,000
Advances Payable – City	168,930,589	5,340,370	(113,928,106)	60,342,853	-
Notes Payable	<u>2,420,722</u>	-	-	<u>2,420,722</u>	-
Total Long-Term Liabilities	<u>\$176,500,311</u>	<u>5,340,370</u>	<u>(114,383,106)</u>	<u>67,457,575</u>	<u>975,000</u>

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**Notes to the Basic Financial Statements**

**For the Seven Months Ended January 31, 2012**

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

- (a) The Commission negotiated certain advances with the City for the purchase of four different properties. These advances have been written off by the Commission as of January 31, 2012 because they have not received approval from the Department of Finance. However, the City believes that some if not all of the City-PCDC advances remain valid enforceable agreements and reserves the right to reinstate them at a future date. Interest on these advances ranges from 5.00% to 8.00%. No interest payments were made as of January 31, 2012.

<u>Project</u>	<u>Balance at June 30, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at January 31, 2012</u>
Fair Oaks	\$ 3,055,529	129,667	(3,185,196)	-
Lake Washington	13,647,477	375,679	(14,023,156)	-
Lincoln	<u>2,885,290</u>	<u>150,336</u>	<u>(3,035,626)</u>	-
Total	<u>\$19,588,296</u>	<u>655,682</u>	<u>(20,243,978)</u>	<u>-</u>

- (b) The City advanced certain amounts to the Commission to assist in funding administrative and other expenses necessary or incidental to the implementation of redevelopment plans. Some of these advances have been written off by the Commission as of January 31, 2012 because they have not received approval from the Department of Finance. However, the City believes that some of the written off City-PCDC advances, if not all remain valid enforceable agreements and reserves the right to reinstate them at a future date. Interest on advances ranges from 5.25% to 12.00%. The remaining City-PCDC advance balances were approved by Department of Finance and the aggregate principal outstanding balance at January 31, 2012 is \$2,531,717.

<u>Project</u>	<u>Balance at June 30, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at January 31, 2012</u>
Downtown	\$ 532,938	12,686	(212,062)	333,562
Fair Oaks	13,584,202	511,483	(12,512,940)	1,582,745
Orange Grove	258,356	-	-	258,356
Villa Parke	258,356	-	-	258,356
Old Pasadena	1,755,503	96,121	(1,851,624)	-
Lake Washington	235,509	6,461	(143,272)	98,698
Lincoln	<u>1,968,239</u>	<u>91,379</u>	<u>(2,059,618)</u>	-
Total	<u>\$18,593,103</u>	<u>718,130</u>	<u>(16,779,516)</u>	<u>2,531,717</u>

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**Notes to the Basic Financial Statements**

**For the Seven Months Ended January 31, 2012**

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

- (c) The City constructed certain public improvement 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 costs of these improvements from any funds legally available to the Commission. Some of these agreements have been written off by the Commission as of January 31, 2012 because they have not received approval from the Department of Finance. However, the City believes that some, if not all of the City-PCDC agreements remain enforceable and the City reserves the right to reinstate them at a future date. Interest ranges from 0.00% to 10.00% No interest payments were made as of January 31, 2012. The remaining City-PCDC advance balances were approved by Department of Finance and the aggregate principal outstanding balance at January 31, 2012 is \$57,811,136.

<u>Project</u>	<u>Balance at June 30, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at January 31, 2012</u>
Downtown	\$ 57,646,399	401,314	(11,061,577)	46,986,136
Villa Parke	13,877,879	723,099	(14,600,978)	-
Old Pasadena	<u>59,224,914</u>	<u>2,842,143</u>	<u>(51,242,057)</u>	<u>10,825,000</u>
Total	<u>\$130,749,192</u>	<u>3,966,556</u>	<u>(76,904,612)</u>	<u>57,811,136</u>

**(10) Notes Payable**

**Outstanding at  
January 31, 2012**

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

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

Total primary government notes payable \$2,420,722



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

**For the Seven Months Ended January 31, 2012**

**(10) Notes Payable, (Continued)**

As of January 31, 2012, total future debt payments for the notes payable, including interest thereon, are as follows:

Year Ending June 30	Notes Payable		
	Principal	Interest	Total
2012 (Feb-June)	\$ -	42,363	42,363
2013	-	72,622	72,622
2014	-	72,622	72,622
2015	1,420,722	43,078	1,463,800
2016	<u>1,000,000</u>	<u>26,548</u>	<u>1,026,548</u>
	<u>\$2,420,722</u>	<u>257,233</u>	<u>2,677,955</u>

As these notes appear on the state approved Recognized Obligation Payment Schedule (ROPs), they will assumed by the successor agency after February 1, 2012.

**(11) Tax Allocation Bonds Payable**

**Outstanding at  
January 31, 2012**

**Fair Oaks Project**

On May 17, 2006 the Commission issued \$2,470,000, 2006 Tax Allocation Bonds (Fair Oaks Refund and Public Improvement Program) for the refunding of the 1993 Tax Allocation Bonds and to finance redevelopment activities within the Fair Oaks Project Area. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the statement of net asset. Interest on the bonds is payable semiannually on January 1 and July 1, commencing January 1, 2007. The rate of interest varies from 3.800% to 4.900% per annum. Principal is payable in annual installments ranging from \$120,000 to \$225,000 commencing July 1, 2007 and ending July 1, 2021. The legal reserve requirement is \$230,815. As of January 31, 2012 the balance held in reserve account is \$240,283.

\$ 1,820,000

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**Notes to the Basic Financial Statements**

**For the Seven Months Ended January 31, 2012**

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

**Outstanding at  
January 31, 2012**

**Orange Grove Project**

On October 17, 2000, the Commission issued \$2,801,000, 2000 Tax Allocation Refunding Bonds (Orange Grove Redevelopment Project) for refunding of the 1985 Tax Allocation Refunding Bonds and 1989 Subordinate Tax Allocation Bonds. Interest on the bonds is payable semi-annually on December 1 and June 1, commencing June 1, 2001. The rate of interest varies from 4.35% to 5.50% per annum. Principal is payable in annual installments ranging from \$137,000 to \$282,000 commencing June 1, 2001 and ending June 1, 2014. The legal reserve requirement is \$280,100. The balance held in the reserve account as of January 31, 2012 was \$280,100.

795,000

**Villa Parke Project**

On October 17, 2000, the Commission issued \$1,814,000, 2000 Tax Allocation Refunding Bonds (Villa Parke Redevelopment Project) for the refinancing of the 1985 Subordinate Tax Allocation Bonds. Interest on the bonds is payable semi-annually on December 1 and June 1 commencing June 1, 2001. The rate of interest varies from 4.35% to 5.50% per annum. Principal is payable in annual installments ranging from \$89,000 to \$182,000 commencing June 1, 2001 and ending June 1, 2014. The legal reserve requirement combined with the 2006 Villa Parke Tax Allocation Bond is \$188,790. The balance held in the reserve account as of January 31, 2012 for both Villa Parke 2000 and 2006 Tax Allocation Bonds was \$190,266.

514,000

**Villa Parke Project**

On May 17, 2006 the Commission issued \$710,000 Tax Allocation Bonds Series 2006 (Villa Parke Redevelopment Project Refunding) for the refunding of the 1993 Tax Allocation Bonds and to finance redevelopment activities within the Villa Project Area. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the statement of net assets. Interest on the bonds is payable semi-annually on June 1 and December 1, commencing December 1, 2006. The rate of interest varies from 3.800% to 4.500% per annum. Principal is payable in annual installments ranging from \$80,000 to \$100,000 commencing June 1, 2007 and ending June 1, 2014. The legal reserve requirement combined with the 2000 Villa Parke Tax Allocation Bond is \$188,790,000. As of January 31, 2012 the balance held in reserve account is \$190,266.

280,000

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

**For the Seven Months Ended January 31, 2012**

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

**Outstanding at  
January 31, 2012**

**Lake/Washington Project**

On May 17, 2006 the Commission issued \$805,000, 2006 Tax Allocation Bonds (Lake/Washington Refunding and Public Improvement Program) for the purpose of reimbursing City Advances, financing certain redeveloping activities and refunding of the outstanding 1993 Tax Allocation Bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the statement of net assets. Interest on the bonds is payable semi-annually on January 1 and July 1, commencing January 1, 2007. The rate of interest varies from 3.800% to 4.700% per annum. Principal is payable in annual installments ranging from \$60,000 to \$90,000 commencing July 1, 2007 and ending July 1, 2018. The legal reserve requirement is \$80,500. As of January 31, 2012 the balance held in reserve account is \$80,500.

485,000

**Affordable Housing Project**

On May 17, 2006 the Commission issued \$1,935,000, 2006 Tax Allocation Bonds (Housing Set-Aside Revenue-Townhouse Project) for the financing of residential housing redevelopment. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the statement of net assets. Interest on the bonds is payable semi-annually on February 1 and August 1, commencing August 1, 2007. The rate of interest varies from 3.800% to 4.300% per annum. Principal is payable in annual installments ranging from \$210,000 to \$275,000 commencing August 1, 2007 and ending August 1, 2015. The legal reserve requirement is \$193,500. As of January 31, 2012 the balance held in reserve account is \$195,435.

800,000

Total Tax Allocation Bonds Payable

\$ 4,694,000

As these notes appear on the state approved Recognized Obligation Payment Schedule (ROPs), they will assumed by the successor agency after February 1, 2012.

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**Notes to the Basic Financial Statements**

**For the Seven Months Ended January 31, 2012**

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

As of January 31, 2012, total future debt payments for the bonds payable, including interest thereon, are as follows:

Year Ending June 30	Bonds Payable		
	Principal	Interest	Total
2012 (Feb-June)	\$ 500,000	65,350	565,350
2013	1,000,000	197,443	1,197,443
2014	1,064,000	144,564	1,208,564
2015	510,000	88,020	598,020
2016	250,000	71,070	321,070
Thereafter	<u>1,370,000</u>	<u>188,775</u>	<u>1,558,775</u>
	<u>\$4,694,000</u>	<u>755,222</u>	<u>5,449,222</u>

A total of \$975,000 of Bonds Payable is due within one year from January 31, 2012. \$500,000 is due in February and June of 2012 in fiscal year 2012, and \$475,000 is due in July and August of 2012 in fiscal year 2013.

**Pledged Revenue**

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

<u>Description of Pledged Revenue</u>	<u>Annual Amount of Pledged Revenue (net of expenses, where required)</u>	<u>Annual Debt Service Payments (of all debt secured by this revenue)</u>	<u>Debt Service as a Percentage of Pledged Revenue</u>
Tax Increment (Downtown)	\$9,371,995	8,241,592	88%
Tax Increment (Other Projects)	3,572,990	636,696	18%

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**Notes to the Basic Financial Statements**

**For the Seven Months Ended January 31, 2012**

**(12) Transfers In and Out**

The following is a summary of transfers in and out for the year ended January 31, 2012:

<u>Transfers Out</u>	<u>Transfers In</u>	<u>Amount</u>
Special Revenue	Other City Government Fund	\$ 7,791,159 (1)
	Other Government	283,705 (1)
Debt Service:		
Downtown	Special Revenue	800,000
Fair Oaks	Special Revenue	75,866
Lake/Washington	Special Revenue	38,170
Fair Oaks	Fair Oaks Capital Project	257,115
Capital Projects:		
Old Pasadena	Other City Government Fund	1,007,572 (2)
Old Pasadena	Special Revenue	547,679
Other Government	Special Revenue	235,443
	Lake Washington Debt Service	488,055
	Other Government	103,615
	Other City Government Fund	2,530
Other City Government Fund	Downtown Capital Project	466,665
	Special Revenue	<u>287,457</u>
		<u>\$12,385,031</u>

Transfers from Special Revenue, Debt Service and Capital Project – Old Pasadena consist in part of the following:

- (1) \$283,705 transferred to Debt Service fund – Affordable Housing for the Affordable Housing portion of debt service payment on 2006 Tax Allocation Bonds, \$7,791,159 transferred to Other Governments after determining these revenues were not tax increment related, but in fact other State of California grants.
- (2) \$1,007,572 transferred to Other City Governments to fund various capital improvement projects.

**(13) Administrative Overhead Costs**

During the year ending January 31, 2012, the Commission paid the City \$1,574,117 for services provided by City employees.

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

**For the Seven Months Ended January 31, 2012**

**(14) Extraordinary Gain / (Loss)**

During its operations, the Commission negotiated certain advances with the City by resolution, reimbursement agreements and issuance of bonds to purchase properties, to construct certain public improvement and to assist in funding administrative and other expenses for the implementation of redevelopment plans. Some of these advances have been written off by the Commission as of January 31, 2012 as they were not approved by the Department of Finance. This resulted in an extraordinary gain of \$103,852,920 on the Commission's books. The City believes that some, if not all of the City-PCDC agreements remain enforceable and the City reserves the right to reinstate them at a future date.

**(15) 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, except as disclosed below, is expected to have a material adverse effect on the Commission's financial statements.

**Contingencies**

As previously disclosed in the previous annual financial statements of the Commission, 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 the beginning of the year, pursuant to the terms of these agreements, outstanding amounts were as follows:

<u>Project Area</u>	<u>Principal</u>	<u>Interest</u>	<u>Outstanding at beginning of the year</u>
Downtown	\$24,017,712	31,911,038	55,928,750
Villa Parke	4,205,418	9,672,461	13,877,879
Old Pasadena	<u>30,555,410</u>	<u>28,669,504</u>	<u>59,224,914</u>
	<u>\$58,778,540</u>	<u>70,253,003</u>	<u>129,031,543</u>

Due to the subordinate nature of the commitment and the unlikelihood of the availability of funds for future payment, the Commission had not recorded these obligations in prior years or at June 30, 2011. Additionally, the City had not recorded a receivable for the balance due to the City in prior years or at June 30, 2011.

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**Notes to the Basic Financial Statements**

**For the Seven Months Ended January 31, 2012**

**(15) Commitments and Contingencies, (Continued)**

However, upon the enactment of AB 1X 26 and with the submission of the required Enforceable Obligation Payment Schedule, the Commission and the City recorded these and other obligations it believed to be enforceable obligations as of July 1, 2011. Due to the implementation of AB 1X 26 and subsequently AB 1484, it is believed that the City and the Commission are required to write off balances as of January 31, 2012 that have not received California Department of Finance approval. The City maintains that these and other City-Commission agreements were legally entered into prior to this legislation and actually are enforceable obligations which may in the future be recognized as such by the California Department of Finance. This could happen as the result of protest and appeal to the California Department of Finance, approval by the Oversight Board, through legal action, through the processes laid out in AB 1484, and/or operation of law. The City and Successor Agency reserve the right to pursue any and all actions available to it.

**(16) Accumulated Fund Deficits**

At January 31, 2012, the Fair Oaks Capital Project Fund had an accumulated deficit of \$967,464. 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.

At January 31, 2012, the Orange Grove Project Fund had an accumulated deficit of \$48,239. The deficit exists primarily due to the consultation fees for the merger process to combine the five redevelopment project areas in Northwest Pasadena.

All deficit fund balances will be cured via subsequent receipts by the Successor Agency.

**(17) Restatement of Beginning Net Asset and Fund Balance**

The accompanying financial statements reflect adjustments that resulted in the restatement of beginning net assets.

Net Assets at June 30, 2011	\$ 4,527,416
Halstead Sycamore - non-property tax related (1)	(146,533)
Other Housing Fund- non-property tax related (2)	(13,774,590)
Advances Payable – Includes contingency loans (3)	(131,735,543)
Prior year adjustments (4)	<u>2,532,528</u>
Restated Net Assets at June 30, 2011	<u>\$138,596,722</u>
Fund Balance at June 30, 2011	\$54,840,826
Halstead Sycamore - non-property tax related (1)	(146,533)
Other Housing Fund- non-property tax related (2)	(13,774,590)
Prior year adjustments - reclassification (5)	<u>(3,200,000)</u>
Restated Fund Balance at June 30, 2011	<u>\$37,719,703</u>

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**Notes to the Basic Financial Statements**

**For the Seven Months Ended January 31, 2012**

**(17) Restatement of Beginning Net Asset and Fund Balance, (Continued)**

- (1) Halstead Sycamore was excluded from this financial statement because it was determined that these revenues were City, not Commission sales tax revenues.
- (2) Other Housing Fund is excluded from this financial statement because it was determined that these revenues were not Commission or tax increment related, but in fact other State of California grants related to Housing.
- (3) Prior to AB 1X 26 a portion of Advances Payable was disclosed in the footnotes and not in the body of the financial statements due to the uncertainty of payment. They have been fully disclosed since inception in the footnotes and on the annual Statement of Indebtedness filed with both the County and State. As these are legal agreements and the City maintains that they should qualify as enforceable obligations, their balances have been booked to reflect these facts. Subsequently, per our understanding of Department of Finance requirements, those that have not received Department of Finance approval have been written off. See footnote 20 Reservation of Rights.
- (4) Prior year adjustments are net of a reclassification of \$3.2 million and correction of differences between supporting documentation and amounts recorded in the financial system.
- (5) Prior period adjustment of \$3.2 million is a correction in the recording of May 17, 2010 Council action. Initially, this was included as land held for resale when it should have been recorded as a transfer to the City to provide funding for the purchase of a property the City acquired for historic preservation purposes.

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**Notes to the Basic Financial Statements**

**For the Seven Months Ended January 31, 2012**

**(18) Fund Balance and Net Assets**

**Fund balances, Governmental Funds**

On the Balance Sheet - Governmental Funds, the fund balances are reported in the aggregate in the classifications defined by Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. Fund balances by classification for the year ended January 31, 2012, were as follows:

	Special Revenue	Debt Service			Capital Projects			Other Governmental Funds
	Low & Moderate / Inclusionary Housing	Downtown	Fair Oaks	Lake/ Washington	Downtown	Fair Oaks	Old Pasadena	
Fund Balances								
Nonspendable for:	\$ -	-	-	-	-	-	1,479,568	-
City/Agency Advances	-	-	-	-	1,479,565	-	-	-
Notes receivable	15,644,933	-	-	-	-	-	-	-
Property held for resale	1,400,000	-	-	-	-	-	-	-
Restricted for:								
Capital projects	-	-	-	-	79,332	-	602,710	1,261,195
Debt service	-	4,959	1,940,422	637,074	-	-	-	2,468,041
Low and Mod Housing	3,919,449	-	-	-	-	-	-	-
Committed to:								
Unassigned:	-	-	-	-	-	(967,464)	-	(48,382)
Total fund balances	<u>\$20,964,382</u>	<u>4,959</u>	<u>1,940,422</u>	<u>637,074</u>	<u>1,558,897</u>	<u>(967,464)</u>	<u>2,082,278</u>	<u>3,680,854</u>

Per GASB 54, in a governmental fund other than the general fund, expenditures incurred for a specific purpose might exceed the amounts in the fund that are restricted, committed, and assigned to that purpose and a negative residual balance for that purpose may result. If that occurs, amounts assigned to other purposes in that fund should be reduced to eliminate the deficit. If the remaining deficit eliminates all other assigned amounts in the fund, or if there are no amounts assigned to other purposes, the negative residual amount should be classified as unassigned fund balance.

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

**For the Seven Months Ended January 31, 2012**

**(18) Fund Balance and Net Assets, (Continued)**

**Net Assets**

On the government-wide Statement of Net Assets, the net assets are reported in one of two classifications; Restricted or Unrestricted. Net assets by classification as of January 31, 2012 are

	Primary Government
	Governmental <u>Activities</u>
Restricted:	
Low and Moderate	\$17,743,660
Villa Parke	654,307
Lake Washington	53,233
Lincoln	1,188,187
Affordable Housing	380,564
Unrestricted	<u>(57,392,238)</u>
Total net assets	<u>\$(37,372,287)</u>

**(19) State Assembly Bills 1X 26 and 27**

On December 29, 2011, the California Supreme Court upheld Assembly Bills 1X 26 (“the Bill”) that provides for the dissolution of all redevelopment agencies in California. The Bill provides that upon dissolution of a redevelopment agency, either the city or another unit of local government will agree to serve as the “successor agency” to hold the assets until they are distributed to other units of state and local government. The City Council elected to become the Successor Agency on January 30, 2012 with resolution 9173.

After enactment of the law, which occurred on June 28, 2011, redevelopment agencies in the State of California cannot enter into new projects, obligations or commitments. Subject to the control of a newly established oversight board, remaining assets can only be used to pay enforceable obligations in existence at the date of dissolution (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments).

In future fiscal years, successor agencies will only be allocated revenue in an amount that is necessary to pay the estimated annual installment payments on enforceable obligations of the former redevelopment agency until all enforceable obligations of the prior redevelopment agency have been paid in full and all assets have been liquidated.

**PASADENA COMMUNITY DEVELOPMENT COMMISSION**  
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**For the Seven Months Ended January 31, 2012**

**(19) State Assembly Bills 1X 26 and 27, (Continued)**

In accordance with the timeline set forth in the Bill (as modified by the California Supreme Court on December 29, 2011) all redevelopment agencies in the State of California are to be dissolved and cease to operate as a legal entity as of February 1, 2012.

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

**For the Seven Months Ended January 31, 2012**

**(20) Transfer of Commission Assets to the City of Pasadena**

Assembly Bill 1X 26 (Health and Safety Code Section 34167.5) also directs the Controller of the State of California to review the activities of redevelopment agencies to determine whether any asset transfer has occurred between redevelopment agencies and other public bodies after January 1, 2011. If such an asset transfer did occur and the public body that received such transfer is not contractually committed to a third party for the expenditure or encumbrance of those assets, the Controller is directed to order the available assets to be transferred to the Successor Agency, to the extent not prohibited by state or federal law.

The following real property asset transfers occurred on or about March 10, 2011 from the Commission to the City:

<u>Name/Description</u>	<u>Address</u>	<u>APN No.</u>
Armory Center for the Art Lease	145 N. Raymond Avenue	5723-021-901
Vacant Lot No of Washington Theater	1383 Prime Court	5848-028-900
Portion of Defenders Park	550 W. Colorado Boulevard	5714-016-901
Orange Grove Gardens	252 E. Orange Grove Boulevard	5725-019-900
Glorita Pump, Kings Village	40 W. Claremont Street	5728-023-911
Armory Center for the Arts License	733 N. Fair Oaks Avenue	5726-003-900
Robinson Park	1081 N. Fair Oaks Avenue	5728-005-909
Jackie Robinson Center	1020 N. Fair Oaks Avenue	5728-006-912
Fire Station 36 (Tenant Interest)	1140 N. Fair Oaks Avenue	5728-007-036
Vacant Lot	136-138 W. Howard Street	5728-014-900
Washington Park Parking Lot	734 E. Washington Boulevard	5730-029-902
Singer Park	280 W. California Boulevard	5719-001-900
Paseo Colorado Lease	155 & 371 E. Green Street, 234 E. Colorado 300 & 350 E. Green Street - 128 S. Marengo Avenue	5722-036-926, 5722- 025-915, 916 & 917 5722-027-910, 911 & 912
Convention Center Lease		
Los Robles Parking Garage	400 E. Green Street	5722-030-904
Plaza las Fuentes Lease	399 E. Union Street, 99, 111, 135 & 191 N. Los Robles Avenue	5723-017-911 to 915
Heritage Square	710-790 N. Fair Oaks Avenue, 19-25 E. Orange Grove Boulevard	5725-002-903 to 914
Street Right of Way Adjacent to Throop Lumber	30 E. Villa Street	5725-003-903
Condominium	736 N. Garfield Avenue, #204	5725-028-900
Villa Park & Villa Well	397, 496-574 N. Garfield Avenue, 325-363 E. Villa Street	5725-032-903, 5725- 030-903 to 914, 916

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**Notes to the Basic Financial Statements**

**For the Seven Months Ended January 31, 2012**

**(20) Transfer of Commission Assets to the City of Pasadena, (Continued)**

The City has not transferred the above real property assets to the Successor Agency as of January 31, 2012. The City and the Successor Agency believe that the real property asset transfers were legal and valid in March of 2011 when the transfers occurred. It has disclosed such real property asset transfers to the Oversight Board of the Successor Agency. As of January 31, 2012, the details of the law are unclear as to asset transfers. It is unclear whether the State of California may, through the Oversight Board of the Successor Agency or the Department of Finance, reclaim the transferred properties, and as of the effective date of this report, the real property asset transfers are under review by the City.

In addition to the above property asset transfers, on January 31, 2012, the Commission made payments to the City in partial repayment of loans. These liabilities remain in the Commission's books and will be transferred to the Successor Agency. Below is the list of approved liabilities:

<u>Project Area</u>	<u>Description of Obligation</u>	<u>Balance at January 31, 2012</u>
Downtown	Certificate of Participation 1996	\$ 333,562
Fair Oaks	Certificate of Participation 1996	1,582,745
Orange Grove	Certificate of Participation 1996	258,356
Villa Parke	Certificate of Participation 1996	258,356
Lake Washington	Certificate of Participation 1996	98,698
Old Pasadena	1986 COP for parking structures	10,825,000
Downtown	Senate Bill 481	<u>\$46,986,136</u>
	Total	<u>\$60,342,853</u>

As these payments have been approved by the Oversight Board and the Department of Finance as part either an Enforceable Obligation Payment Schedule (EOPS) or a ROPS no transfer to the Successor Agency is required. There are additional payments or asset transfers which the City as the Successor Agency maintains are enforceable obligations that have not received Department of Finance approval. These are described further in Note 14, Commitments and Contingencies.

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**Notes to the Basic Financial Statements**

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**(21) Reservation of Rights**

Due to the implementation of AB 1X 26 and subsequently AB 1484, it is believed that the City and the Commission are required to write off balances as of January 31, 2012 that have not received California Department of Finance approval. The City maintains that these and other City-Commission agreements were legally entered into prior to this legislation and actually are enforceable obligations which may in the future be recognized as such by the California Department of Finance. This could happen as the result of protest and appeal to the California Department of Finance, approval of the Oversight Board, through legal action, through the processes laid out in AB 1484, and/or operation of law. The City, Commission, and Successor Agency reserve the right to pursue any and all actions available.

**(22) Subsequent Events**

Subsequent to January 31, 2012, and through September 11, 2012, the date through which management evaluated subsequent events and on which the financial statements were issued, the Commission only identified the following significant subsequent events that requires disclosure.

On April 20, 2012, pursuant to Health and Safety Code Section 34167.5, the California State Controller issued an order to Cities, Counties and Agencies, directly or indirectly receiving assets from a redevelopment agency after January 1, 2011, to reverse the transfer and return assets to the Successor Agency. The Commission has complied with this order by not reflecting advances between the City and the Commission in the Commission's financial statements unless the advances were approved by California Department of Finance. However, management believes, in consultation with legal counsel, that the obligations of the former redevelopment agency due to the City are valid enforceable obligations payable by the Successor Agency. Please refer to Note 14, Commitments and Contingencies for further information.

Assembly Bill 1484, which was signed into law on June 27, 2012, significantly amended AB 1X 26. Among other things, AB 1484 declared any real property transfers between PCDC and the City occurring after January 1, 2011 to be invalid. The City and the Successor Agency are reviewing the records to determine which of these transfers may need to be reversed to comply with AB 1484 and will take action to conform to the requirements of AB 1484.

Additionally, AB 1484 imposed a requirement on Successor Agencies to cause a due diligence review to be performed to determine the unencumbered cash balances of the former redevelopment agency available for transfer to other taxing entities, in line with the purposes of AB 1X 26. AB 1484 included a catch-up provision requiring the Auditor-Controller to calculate the amount of residual property tax revenue that successor agencies owe for the 2011-2012 period. This provision was subsequently found to be vague and partially unenforceable. This amendment also states that the Department of Finance will issue a "Finding of Completion" to Successor Agencies that have remitted the amounts determined by the due diligence review of the Low and Moderate Income Housing Fund

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

**Notes to the Basic Financial Statements**

**For the Seven Months Ended January 31, 2012**

**(22) Subsequent Events, (Continued)**

and all other funds, and any amount owing to taxing entities from the December 2011 property tax payments.

Upon receiving a "Finding of Completion", proceeds on bonds issued on or before 12/31/10 shall be expended for purposes for which the bonds were sold. The Commission has no such unexpended bond proceeds.

AB 1484 also provides that once a successor agency has received a "Finding of Completion", it is allowed to prepare a long-range asset management plan in lieu of the provisions of AB 1X 26 that required disposal of assets under the direction of the Oversight Board. The asset management plan must be approved by the Oversight Board and the Department of Finance.

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PASADENA COMMUNITY  
DEVELOPMENT COMMISSION

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

Required Supplementary Information

For the Seven Months Ended January 31, 2012



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**PASADENA COMMUNITY DEVELOPMENT COMMISSION**  
**(A Component Unit of the City of Pasadena, California)**  
**Special Revenue Fund**  
**Low and Moderate Income Housing**  
**Schedule of Revenues, Expenditures and Changes**  
**in Fund Balances - Budget and Actual**  
**For the Seven Months Ended January 31, 2012**

	Original	Final	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>				
Rental income	\$ 82,556	82,556	7,000	\$ (75,556)
Investment Gain (Loss)	63,145	63,145	91,652	28,507
Other revenue	147,590	147,590	218,894	71,304
<b>Total revenues</b>	<u>293,291</u>	<u>293,291</u>	<u>317,546</u>	<u>24,255</u>
<b>Expenditures:</b>				
<b>Current:</b>				
Administrative overhead costs	506,772	506,772	260,929	245,843
Project Management	1,186,613	1,204,277	414,196	790,081
Emergency shelter service	46,301	46,301	-	46,301
Operation of acquired properties	-	-	609	(609)
Gain (Loss) on Sale from Property	-	-	69,866	(69,866)
Rehabilitation	801,823	801,823	-	801,823
Affordable housing assistance	103,029	2,743,927	-	2,743,927
<b>Total expenditures</b>	<u>2,644,538</u>	<u>5,303,100</u>	<u>745,600</u>	<u>4,557,500</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,351,247)</u>	<u>(5,009,809)</u>	<u>(428,054)</u>	<u>4,581,755</u>
<b>Other financing sources (uses):</b>				
Transfers from the City of Pasadena			287,457	287,457
Transfers in	3,488,253	3,488,253	1,697,158	(1,791,095)
Transfers out	(847,927)	(847,927)	(8,074,864)	(7,226,937)
<b>Total other financing sources (uses)</b>	<u>2,640,326</u>	<u>2,640,326</u>	<u>(6,090,249)</u>	<u>(8,730,575)</u>
Change in fund balance	289,079	(2,369,483)	(6,518,303)	(4,148,820)
Fund balances at beginning of year, as previous stated	41,257,275	41,257,275	41,257,275	-
Prior Year Adjustment	(13,774,590)	(13,774,590)	(13,774,590)	(4,148,820)
Fund balances at end of period	<u>\$ 27,771,764</u>	<u>25,113,202</u>	<u>20,964,382</u>	<u>\$ (4,148,820)</u>

See accompanying notes to the basic financial statements.

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

**Notes to Required Supplementary Information**

**Year Ended January 31, 2012**

**(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.

For the fiscal year of 2012, the Commission approved a twelve month annual budget appropriating \$6.15M to Low and Moderate Income Housing which included tax increment funds and other state funding. These financial statements reflect the period of July 1, 2011 through January 31, 2012 and only include funds receiving tax increment revenue.

Transfers out exceeded the amounts budgeted by \$7,226,937 due to the separation of revenues in the Low and Moderate Income Housing of tax increment funds from other funding sources such as CalHome, HELP, and State Begin Program; all of which are State of California housing grants.

An expenditure of \$609 under operation of acquired properties was not expected; therefore an appropriation was not made.

A loss on sale of Garfield condominium property was incurred in the amount of \$69,866 due to the U.S. mortgage meltdown which contributed to falling housing price. The sale was authorized at a price resulting in a loss.

Rental income decreased by \$75,556 because approximately 90% of the amount budgeted is not related to tax increment funds; therefore, when received through January 31, 2012 it was recorded in other funds.

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PASADENA COMMUNITY  
DEVELOPMENT COMMISSION

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

Combining Statements

For the Seven Months Ended January 31, 2012

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

**Non-Major Governmental Funds**

**Combining Balance Sheet**

**January 31, 2012**

	Debt Service Funds		
	Orange Grove	Villa Parke	Affordable Housing
<u>Assets</u>			
Cash and investments	\$ -	1,426,469	184,409
Cash and investments with fiscal agents	523,074	191,318	196,460
Interest receivable	-	9,605	-
Notes receivable	-	-	-
Due from other funds (note 5)	-	7,912	-
Advances to other funds	-	-	-
Allowance for uncollectible long-term receivables	-	-	-
Total assets	\$ 523,074	1,635,304	380,869
<u>Liabilities and Fund Balances</u>			
Liabilities:			
Accounts payable	\$ 1,587	1,649	305
Due to other funds	67,665	-	-
Total liabilities	69,252	1,649	305
Fund balances:			
Restricted	453,822	1,633,655	380,564
Unassigned	-	-	-
Total fund balances	453,822	1,633,655	380,564
Total liabilities and fund balances	\$ 523,074	1,635,304	380,869

Capital Projects Funds				
Orange Grove	Villa Parke	Lake/ Washington	Lincoln	Totals 2012
-	77,564	-	1,183,849	\$ 2,872,291
-	-	-	-	910,852
-	-	-	4,374	13,979
230,000	829,942	-	-	1,059,942
-	-	-	-	7,912
189,485	-	-	-	189,485
(419,485)	(829,942)	-	-	(1,249,427)
<u>-</u>	<u>77,564</u>	<u>-</u>	<u>1,188,223</u>	<u>\$ 3,805,034</u>
-	4,556	143	36	\$ 8,276
48,239	-	-	-	115,904
<u>48,239</u>	<u>4,556</u>	<u>143</u>	<u>36</u>	<u>124,180</u>
-	73,008	-	1,188,187	3,729,236
(48,239)	-	(143)	-	(48,382)
<u>(48,239)</u>	<u>73,008</u>	<u>(143)</u>	<u>1,188,187</u>	<u>3,680,854</u>
<u>-</u>	<u>77,564</u>	<u>-</u>	<u>1,188,223</u>	<u>\$ 3,805,034</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**

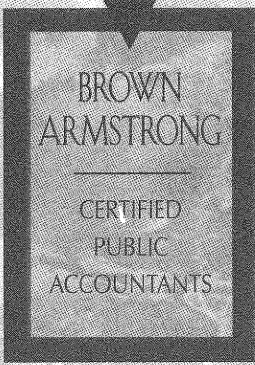
**For the Seven Months Ended January 31, 2012**

	Debt Service Funds		
	Orange Grove	Villa Parke	Affordable Housing
Revenues:			
Incremental property taxes	\$ 326,790	722,007	-
Investment Gain (Loss)	9,661	16,792	2,811
Total revenues	336,451	738,799	2,811
Expenditures:			
Current:			
Administrative overhead costs	-	-	-
Planning	-	-	-
Property tax pass-through	26,133	112,921	-
Debt service:			
Principal	-	-	245,000
Interest and fiscal charges	36,018	757,111	2,000
Total expenditures	62,151	870,032	247,000
Excess (deficiency) of revenues over (under) expenditures	274,300	(131,233)	(244,189)
Other financing sources (uses):			
Advance from the City of Pasadena	-	723,099	-
Write-off City Advance	-	(14,600,978)	-
Transfer to City of Pasadena	-	-	-
Transfers in	-	-	283,705
Transfers out	(110,514)	(202,860)	-
Total other financing sources (uses)	(110,514)	(14,080,739)	283,705
Extraordinary Gain (Loss)	-	14,600,978	-
Change in fund balances	163,786	389,006	39,516
Fund balances (deficit) at beginning of year, as previous stated	290,036	1,244,649	341,048
Prior Year Adjustment	-	-	-
Fund balances (deficit) at end of period	\$ 453,822	1,633,655	380,564

Capital Projects Funds					
<u>Orange Grove</u>	<u>Villa Parke</u>	<u>Lake/Washington</u>	<u>Lincoln</u>	<u>Halstead/Sycamore</u>	<u>Totals 2012</u>
-	-	-	128,418	-	\$ 1,177,215
-	(287)	(23)	7,183	-	36,137
-	(287)	(23)	135,601	-	1,213,352
27,829	58,459	13,765	10,508	-	110,561
6,792	5,076	5,130	28,443	-	45,441
-	-	-	4,774	-	143,828
-	-	-	-	-	245,000
-	-	-	241,716	-	1,036,845
34,621	63,535	18,895	285,441	-	1,581,675
(34,621)	(63,822)	(18,918)	(149,840)	-	(368,323)
-	-	-	241,716	-	964,815
-	-	-	(5,095,245)	-	(19,696,223)
-	(2,530)	-	-	-	(2,530)
45,156	58,459	-	-	-	387,320
-	-	(488,055)	(25,684)	-	(827,113)
45,156	55,929	(488,055)	(4,879,213)	-	(19,173,731)
-	-	-	5,095,245	-	19,696,223
10,535	(7,893)	(506,973)	66,192	-	154,169
(58,774)	80,901	506,830	1,121,995	146,533	3,673,218
-	-	-	-	(146,533)	(146,533)
(48,239)	73,008	(143)	1,188,187	-	\$ 3,680,854



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# BROWN ARMSTRONG

*Certified Public Accountants*

## **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

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

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We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Pasadena Community Development Commission (the Commission), as of and for the seven months ended January 31, 2012 which collectively comprise the Commission's basic financial statements and have issued our report thereon dated September 11, 2012. 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.

### Internal Control Over Financial Reporting

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

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.



REGISTERED with the Public Company Accounting Oversight Board and MEMBER of the American Institute of Certified Public Accountants

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission's financial statements are free of material misstatement, 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. 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.

As discussed in Note 1 to the basic financial statements, the Commission ceased operations as an entity as of January 31, 2012 due to the passage of a law and the results of an unsuccessful court ruling against similar entities throughout the State of California. By the nature of the law and the ruling, as of the date of this report, the Commission is no longer a going concern. All operations were transferred to a successor agency which is not legally separate from the City of Pasadena. The successor agency's purpose is to liquidate assets and pay the former allowable debts of the Commission in accordance with the updated law.

We noted certain other matters that we reported to management of the City of Pasadena in a separate later dated September 11, 2012.

This report is intended solely for the information and use of management, the City of Pasadena, the Mayor and the City Council and is not intended to be, and should not be, used by anyone other than these specified parties.

BROWN ARMSTRONG  
ACCOUNTANCY CORPORATION

*Brown Armstrong  
Accountancy Corporation*

Pasadena, California  
September 11, 2012

