

YORBA LINDA REDEVELOPMENT AGENCY
YORBA LINDA, CALIFORNIA

FINANCIAL STATEMENTS

JUNE 30, 2008

YORBA LINDA REDEVELOPMENT AGENCY

JUNE 30, 2008

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INDEPENDENT AUDITORS' REPORT

To the Honorable Chair and Members of the Governing Board
Yorba Linda Redevelopment Agency, California

We have audited the accompanying financial statements of the governmental activities and each major fund of the Yorba Linda Redevelopment Agency, a component unit of the City of Yorba Linda, California, as of and for the year ended June 30, 2008, which collectively comprise the Agency's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Yorba Linda Redevelopment Agency'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 misstatements. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly in all material respects, the respective financial position of the governmental activities and each major fund of the Yorba Linda Redevelopment Agency as of June 30, 2008, and the respective changes in financial position thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards* issued by the Comptroller General of the United States, we have also issued our report dated December 15, 2008, on our consideration of the Yorba Linda Redevelopment Agency'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.

The accompanying management's discussion and analysis is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.





To the Honorable Chair and Members of the Governing Board
Yorba Linda Redevelopment Agency, California

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency's basic financial statements. The combining project area schedules and the computation of low and moderate income housing funds excess/surplus are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Lance, Soll & Lunghard, LLP

December 15, 2008



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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

To the Honorable Chair and Members of the Governing Board
Yorba Linda Redevelopment Agency, California

We have audited the financial statements of the governmental activities and each major fund of the Yorba Linda Redevelopment Agency as of and for the year ended June 30, 2008, which collectively comprise the Yorba Linda Redevelopment Agency's basic financial statements and have issued our report thereon dated December 15, 2008. 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 Yorba Linda Redevelopment Agency'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 Yorba Linda Redevelopment Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Yorba Linda Redevelopment Agency's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Yorba Linda Redevelopment Agency's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Yorba Linda Redevelopment Agency's financial statements that is more than inconsequential will not be prevented or detected by the Yorba Linda Redevelopment Agency's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Yorba Linda Redevelopment Agency's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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.





To the Honorable Chair and Members of the Governing Board
Yorba Linda Redevelopment Agency, California

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of the Yorba Linda Redevelopment Agency are free of material misstatements, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. Such provisions included those provisions of laws and regulations identified in the Guidelines for Compliance Audits of California Redevelopment Agencies, issued by the State Controller and as interpreted in the Suggested Auditing Procedures for Accomplishing Compliance Audits of California Redevelopment Agencies, issued by the Governmental Accounting and Auditing Committee of the California Society of Certified Public Accountants. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* issued by the Comptroller General of the United States and under the Guidelines for Compliance Audits of California Redevelopment Agencies, issued by the State Controller.

The Agency did not produce and submit one of the required annual reports, the Blight Progress Report, to its legislative body on a timely basis, as required by California Health and Safety Code Section 33080.7. All other required reports were timely submitted to its legislative body and the State Controller.

This report is intended for the information of the Audit committee, management and the State Controller. However, this report is a matter of public record and its distribution is not limited.

Lance, Soll & Loughard, LLP

December 15, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Yorba Linda Redevelopment Agency's financial performance provides an overview of the Agency's financial activities for the fiscal year ended June 30, 2008. Please read it in conjunction with the accompanying transmittal letter and the accompanying basic financial statements.

Financial Highlights

- ❖ During the year, the Agency's Low and Moderate Housing Fund had revenues of \$5,171,976, operating expenses of \$374,099 and has \$737,235 pledged towards a multi-family housing project.
- ❖ The Agency's Project's Fund had revenues of \$579,661 total expenditures of \$650,362 and currently holds unspent bond proceeds totaling \$7,030,183.
- ❖ The Agency's Tax Increment Fund had revenues of \$18,624,429 (net of housing set-a-side), operating expenses of \$175,049, debt service payments of \$5,923,808, and pass-through expenses of \$11,538,972.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Agency's basic financial statements. The Agency's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the Agency's finances, in a manner similar to a private-sector business.

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

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The government-wide financial statements distinguish functions of the Agency that are principally supported by taxes. The governmental activities of the Agency include general government, public safety, and capital projects. The Agency is a component unit of the City of Yorba Linda and its financial transactions are included in the comprehensive annual financial report of the City. The government-wide financial statements can be found on pages 9 and 10 of this report and the basic Governmental Fund financial statements can be found on pages 11 through 14.

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Agency, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Unlike the City's financial report that has three categories of funds, the Agency has only one fund type, called Governmental Funds, which is discussed below.

Governmental Funds. *Governmental Funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide statements, Governmental Fund financial statements focus on *near-term and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

**Yorba Linda Redevelopment Agency
Management's Discussion and Analysis (Continued)**

Since the focus of Governmental Funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *Governmental Funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. The Governmental Fund Balance Sheet and the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between *Governmental Funds* and *governmental activities*.

The Agency maintains four individual Governmental Funds. For financial statement purposes, two of these funds are combined and thus only three Funds are reflected in these financial statements. Information is presented separately in the Governmental Fund Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances for the all three of these funds, since they are considered to be major funds.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statement. The notes to the financial statements can be found on pages 15 through 27 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Agency, in order to receive Tax Increment, the Redevelopment Agency must have long-term debt. At June 30, 2008, liabilities exceed assets by \$11,963,863 a reduction of \$12,784,125 from the prior year.

Yorba Linda Redevelopment Agency Net Assets

	Governmental Activities	
	2008	2007
Current and other assets	\$ 71,816,864	\$ 62,882,655
Capital assets	364,593	364,593
Total Assets	72,181,457	63,247,248
Long-term debt outstanding	81,744,037	81,182,186
Other liabilities	2,401,283	6,813,051
Total liabilities	84,145,320	87,995,237
Net assets:		
Invested in capital assets, net of debt	364,593	364,593
Restricted	46,364,437	32,862,028
Unrestricted	(58,692,893)	(57,974,610)
Total net assets	<u>\$ (11,963,863)</u>	<u>\$ (24,747,989)</u>

Cash and cash held by trustee increased by \$3,571,027 which is primarily due to housing set-aside receipts that were not spent during the year and interest earnings. The remaining increase in total assets of \$5,363,182 is primarily due to a loan made on a multi-family housing project. Long-term debt increased by \$561,851 which is the difference between annual debt service payments and deferred pass-through payments. Other liabilities decreased by \$4,411,768 primarily due to the payment on the multi-family housing project that was recorded as a receivable. The \$13,502,409 increase in restricted net assets is the buildup of housing set-aside balances and interest earnings on restricted funds. Overall, total net assets increased \$8,934,209 or 14% and total liabilities decreased \$3,849,917.

Governmental Activities. Shown in the table below are the revenues and expenses for the year ending June 30, 2008. Governmental activities revenues increased by \$5,758,464 and expenses decreased by \$92,502.

**Yorba Linda Redevelopment Agency
Management's Discussion and Analysis (Continued)**

Yorba Linda Redevelopment Agency Changes in Net Assets

	Governmental Activities	
	2008	2007
Revenues		
Program revenues:	\$ -	\$ -
General revenues:		
Tax Increment (net of pass-through's)	11,405,934	9,564,696
Use of money & property	1,422,755	1,550,816
Other	4,745,287	700,000
Total Revenues	17,573,976	11,815,512
Expenses		
General Government	981,872	828,562
Community Development	217,637	329,570
Interest on long-term debt	3,590,341	3,708,283
Other	-	15,938
Total Expenses	4,789,850	4,882,353
Change in Net Assets	12,784,126	6,933,159
Net Assets at Beginning of Year	(24,747,989)	(31,681,148)
Net Assets at End of Year	<u>\$ (11,963,863)</u>	<u>\$ (24,747,989)</u>

Tax Increment received in 2007-08 was \$22,944,906 which was \$3,093,571 more than received in 2006-7. After normal pass-through's, net tax increment reflected an increase of \$1,841,238. Use of money & property decreased \$128,061 due primarily to lower interest rates. Other revenues increased \$4,045,287 due to an increase in loans receivable. Total expenses decreased by \$92,502.

Financial Analysis of the Agency's Funds

The Agency uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the Agency's Governmental Funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Agency's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the Agency's Governmental Funds reported net capital assets of \$364,593 and \$46,364,437 in restricted net assets. There is also a negative \$58,692,893 in unrestricted net assets, which is related to long-term debt. As discussed earlier, Redevelopment Agencies must have long-term debt in order to receive Tax Increment revenues, so the negative Net Asset amount is not inconsistent with other Redevelopment Agencies.

Capital Asset and Debt Administration

Capital Assets. At the end of the current year, the Agency had \$364,593 invested in land and office equipment. This is net of accumulated depreciation of \$10,878 in the furniture and equipment asset classification. There is no change in capital assets from the prior year.

**Yorba Linda Redevelopment Agency
Management's Discussion and Analysis (Continued)**

**Yorba Linda Redevelopment Agency Capital Assets
(Net of Depreciation)**

	Governmental Activities	
	2008	2007
Land	\$ 364,593	\$ 364,593
Furniture and Equipment	-	-
Total	\$ 364,593	\$ 364,593

Long-term debt. At the end of the current fiscal year, total outstanding debt in the Agency Governmental Funds, totaled \$81,744,037 and is detailed below.

Yorba Linda Redevelopment Agency Outstanding Debt

	Governmental Activities	
	2008	2007
Tax Allocation Bonds	\$ 62,089,688	\$ 63,349,787
Due to other Governments	13,585,213	11,760,947
Notes/Agreements Payable	-	-
City Loans - Principal	6,015,560	6,015,560
Unamortized Discount	53,576	55,892
Total	\$ 81,744,037	\$ 81,182,186

During the year, there was a reduction of \$1,260,099 in tax allocation bond debt and an increase of \$1,824,266 in due to other government debt which reflects the increase in deferred debt due the Placentia-Yorba Linda School District.

Economic Factors and Next Year's Budgets and Rates

The economic climate in Yorba Linda is good. Even though high-end home construction significantly decreased in 2005-06 and continues at a reduced rate, tax increment increased significantly in 2007-08. Tax increment is projected to be lower in 2008-09 due to property reassessments and lower property turnover. State ERAF shifts will reduce revenues by approximately \$1.1 million which will impact revenues available for future bond issues.

Contacting the Agency's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the Agency's finances and to show the Agency's accountability for the money it receives. If you have questions about this report or would like financial information, contact the Finance Department at the City of Yorba Linda, 4845 Casa Loma (P.O. Box 87014), Yorba Linda, California, 92885-8714, phone number (714) 961-7140, visit our website at www.yorba-linda.org or send us an e-mail at gracious@yorba-linda.org.

YORBA LINDA REDEVELOPMENT AGENCY

**STATEMENT OF NET ASSETS
JUNE 30, 2008**

	<u>Governmental Activities</u>
Assets:	
Cash and investments	\$ 26,589,168
Receivables:	
Tax increment	\$ 429,000
Interest receivable	138,199
Loans	18,865,062
Total Receivables	<u>19,432,261</u>
Land held for resale (net)	22,123,975
Deferred charges	508,841
Restricted assets:	
Cash and investments	7,500
Cash and investments with trustees	3,155,119
Capital assets (Net of Depreciation):	
Land and improvements	364,593
Total Capital Assets	<u>364,593</u>
Total Assets	<u>72,181,457</u>
Liabilities:	
Accounts payable and accrued expenses	817,522
Due to other governments	811,428
Deposits from others	8,467
Other current liabilities	763,866
Long-term liabilities:	
Due within one year	2,425,000
Due in more than one year	79,319,037
Total Long-Term Liabilities	<u>81,744,037</u>
Total Liabilities	<u>84,145,320</u>
Net Assets:	
Invested in capital assets, net of related debt	364,593
Restricted for:	
Community development	39,906,838
Debt service	6,457,599
Unrestricted	<u>(58,692,893)</u>
Total Net Assets	<u>\$ (11,963,863)</u>

YORBA LINDA REDEVELOPMENT AGENCY

**STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenues and Changes in Net Assets Governmental Activities</u>
		<u>Charges for Services</u>	<u>Operating Contributions and Grants</u>	
Functions/Programs				
Governmental Activities:				
General government	\$ 981,872	\$ -	\$ -	\$ (981,872)
Community development	217,637	-	-	(217,637)
Interest on long-term debt	3,590,341	-	-	(3,590,341)
Total Governmental Activities	\$ 4,789,850	\$ -	\$ -	(4,789,850)
General Revenues:				
Taxes (net of pass-through payments)				11,405,934
Use of money and property				1,422,755
Other				4,745,287
Total General Revenues				17,573,976
Change in Net Assets				12,784,126
Net Assets at Beginning of Year				(24,747,989)
Net Assets at End of Year				\$ (11,963,863)

YORBA LINDA REDEVELOPMENT AGENCY

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2008**

	<u>Capital Projects</u>	<u>Capital Projects</u>	<u>Debt Service</u>	
	<u>Yorba Linda Redevelopment Project Area</u>	<u>Yorba Linda Redevelopment Project Area</u>	<u>Yorba Linda Redevelopment Project Area</u>	<u>Total Governmental Funds</u>
	<u>Project</u>	<u>Low and Moderate Housing</u>	<u>Tax Increment</u>	
Assets:				
Cash and investments	\$ 9,093,951	\$ 10,721,141	\$ 6,774,076	\$ 26,589,168
Cash and investments with trustee	3,132,980	-	22,139	3,155,119
Receivables:				
Tax increment	-	-	429,000	429,000
Interest receivable	45,986	48,401	43,812	138,199
Loans	-	18,865,062	-	18,865,062
Restricted cash	-	7,500	-	7,500
Land held for resale	11,103,962	11,020,013	-	22,123,975
Total Assets	\$ 23,376,879	\$ 40,662,117	\$ 7,269,027	\$ 71,308,023
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ 66,781	\$ 9,577	\$ -	\$ 76,358
Deposits from others	-	8,467	-	8,467
Due to other governments	-	-	811,428	811,428
Due to City	26,631	-	-	26,631
OPA/DDA Payable	-	737,235	-	737,235
Total Liabilities	93,412	755,279	811,428	1,660,119
Fund Balances:				
Reserved:				
Land held for resale	11,103,962	11,020,013	-	22,123,975
Restricted cash	-	7,500	-	7,500
Long-term receivables	-	18,865,062	-	18,865,062
Unreserved:				
Designated:				
Debt service	-	-	6,457,599	6,457,599
Continuing projects	12,179,505	10,014,263	-	22,193,768
Total Fund Balances	23,283,467	39,906,838	6,457,599	69,647,904
Total Liabilities and Fund Balances	\$ 23,376,879	\$ 40,662,117	\$ 7,269,027	\$ 71,308,023

YORBA LINDA REDEVELOPMENT AGENCY

**GOVERNMENTAL FUNDS
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2008**

Fund balances of governmental funds \$ **69,647,904**

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds 364,593

Bond issuance costs is an expenditure in the governmental funds, but it is deferred charges in the statement of net assets:

Unamortized debt issuance costs - amortized over life of new bonds 508,841

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds

Bonds payable (62,089,688)

Loans from City (6,015,560)

Other debt (13,585,213)

Unamortized net original issue discounts and (premiums) (53,576)

Accrued interest payable for the current portion of interest due on Tax Allocation Bonds has not been reported in the governmental funds.

(741,164)

Net assets of governmental activities \$ **(11,963,863)**

YORBA LINDA REDEVELOPMENT AGENCY

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Capital Projects	Capital Projects	Debt Service	
	Yorba Linda Redevelopment Project Area	Yorba Linda Redevelopment Project Area	Yorba Linda Redevelopment Project Area	Total Governmental Funds
	Project	Low and Moderate Housing	Tax Increment	
Revenues:				
Taxes and assessments	\$ -	\$ 4,588,981	\$ 18,355,925	\$ 22,944,906
Use of money and property	572,321	581,930	268,504	1,422,755
Other revenue	7,340	1,065	-	8,405
Total Revenues	579,661	5,171,976	18,624,429	24,376,066
Expenditures:				
Current:				
General government	433,129	373,694	175,049	981,872
Community development	1,250	405	-	1,655
Capital outlay	215,982	-	-	215,982
Debt service	-	-	5,923,808	5,923,808
Total Expenditures	650,361	374,099	6,098,857	7,123,317
Excess (Deficiency) of Revenues Over (Under) Expenditures	(70,700)	4,797,877	12,525,572	17,252,749
Other Financing Sources (Uses):				
Long-term debt issued	-	-	2,879,167	2,879,167
Pass-through agreement payments	-	-	(11,538,972)	(11,538,972)
Miscellaneous	(101,883)	4,838,765	-	4,736,882
Total Other Financing Sources (Uses):	(101,883)	4,838,765	(8,659,805)	(3,922,923)
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(172,583)	9,636,642	3,865,767	13,329,826
Fund Balances:				
Beginning of Year	23,456,050	30,270,196	2,591,832	56,318,078
End of Year	\$ 23,283,467	\$ 39,906,838	\$ 6,457,599	\$ 69,647,904

YORBA LINDA REDEVELOPMENT AGENCY

**GOVERNMENTAL FUNDS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

Net change in fund balances - total governmental funds **\$ 13,329,826**

Amounts reported for governmental activities in the statement of activities differ because:

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 2,315,000

Bond issuance costs is an expenditure in the governmental funds, but it is deferred charges in the statement of net assets:
Amortization for current fiscal year (21,996)

Unamortized premium or discounts on bonds issued are revenue or expenditures in the governmental funds, but these are spread to future periods over the life of the new bonds:
Amortization for current fiscal year 2,316

Proceeds of debt is revenue in the governmental funds, but these are additions to the statement of net assets. (2,879,167)

Expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:
Current accrual of interest due on bonds (741,164)
Prior year accrual of interest due on bonds 779,311

Change in net assets of governmental activities **\$ 12,784,126**

YORBA LINDA REDEVELOPMENT AGENCY

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

I. SIGNIFICANT ACCOUNTING POLICIES

Note 1: Organization and Summary of Significant Accounting Policies

a. Description of the Reporting Entity

The Yorba Linda Redevelopment Agency is a component unit of a reporting entity, which consists of the following primary, and component units:

Reporting Entity:

Primary Government:

City of Yorba Linda

Component Units:

Yorba Linda Redevelopment Agency
Yorba Linda Public Financing Authority

The attached basic financial statements contain information relative only to the Yorba Linda Redevelopment Agency as one component unit that is an integral part of the total reporting entity. They do not contain financial data relating to the other component units.

The Yorba Linda Redevelopment Agency (Agency) was established May 2, 1983, pursuant to the Community Redevelopment laws of the State of California. The Agency has established one redevelopment project area known as Project Area No. 1 (Yorba Linda Redevelopment Project Area), encompassing approximately 2,640 acres in the eastern portion of the City of Yorba Linda. The Project Area was amended on July 17, 1990, to include 344 acres in the commercial town center of the City. The total acreage in the project area is 2,984 acres. The City Council members act as the Agency directors, designate management and have full accountability for the Agency's fiscal matters.

The general objectives of the Agency are to eliminate and mitigate existing and anticipated blight within the Project Area. These objectives are to be attained by the development or encouragement thereof of residential, commercial, industrial, open space, recreational and public facilities in the Project Area. Projects undertaken by the Agency currently include economic development, recreational improvement projects, housing projects and other miscellaneous projects.

The Agency is a component unit of the City of Yorba Linda and its financial transactions are included in the comprehensive annual financial report of the City.

**Yorba Linda Redevelopment Agency
Notes to Financial Statements (Continued)**

Note 1: Organization and Summary of Significant Accounting Policies (Continued)

b. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities and changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are normally supported by taxes and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Major individual governmental funds are reported as separate columns in the fund financial statements.

c. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

**Yorba Linda Redevelopment Agency
Notes to Financial Statements (Continued)**

Note 1: Organization and Summary of Significant Accounting Policies (Continued)

The Agency reports the following major governmental funds:

Governmental Fund Types:

- The Debt Service Fund accounts for the accumulation of funds for interest and principal payments on general long-term obligations.
- The Capital Projects Funds were established to account for loans and advances from the City of Yorba Linda, bond proceeds available for project improvements, interest income on invested funds and certain miscellaneous income any. The funds are expended primarily for administrative, housing and community development costs.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, and then unrestricted resources as they are needed.

d. Assets, Liabilities and Net Assets or Equity

1. Investments

Investments for the Agency are reported at fair value. The State Treasurer's Investment Pool operates in accordance with appropriate State laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

2. Receivables and Payables

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as either "due to/due from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/due from other funds."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade and property tax receivables are shown net of an allowance for uncollectible accounts.

Property tax revenue is recognized in the fiscal year for which the taxes have been levied providing they become available. Available means then due or past due and receivable within the current period, and collected within the current period or expected to be collected soon enough thereafter (not to exceed 60 days) to be used to pay liabilities of the current period. The County of Orange collects property taxes for the Agency. Tax liens attach annually as of 12:01 A.M. on the first day in January preceding the fiscal year for which the taxes are levied. The tax levy covers the fiscal period July 1 to June 30. All secured personal property taxes and one-half of the taxes on real property are due November 1; the second installment is due February 1. All taxes are delinquent if unpaid on December 10 and April 10, respectively. Unsecured personal property taxes become due on the first of March each year and are delinquent on August 31.

**Yorba Linda Redevelopment Agency
Notes to Financial Statements (Continued)**

Note 1: Organization and Summary of Significant Accounting Policies (Continued)

3. Capital Assets

Capital assets which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental columns in the government-wide financial statements. Capital assets are defined by the Agency as assets with an initial, individual cost of more than \$2,000 to \$100,000, dependent on asset class type (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment of the Agency are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Building and building improvements	7 - 50
Improvements other than building	7 - 50
Machinery and equipment	5 - 7
Furniture, fixtures and computers	1 - 10
Vehicles	5 - 10
Infrastructure	5 - 100

4. Land Held for Resale and Prepaid Costs

Land held for resale is valued at cost. The Agency expects to sell this land with no decline in value and thus, no deduction in its value has been reflected in the financial statements.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

5. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net assets. Bond premiums and discounts as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

**Yorba Linda Redevelopment Agency
Notes to Financial Statements (Continued)**

Note 1: Organization and Summary of Significant Accounting Policies (Continued)

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

6. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

II. STEWARDSHIP

Note 2: Stewardship, Compliance and Accountability

a. Budgetary Data

General Budget Policies

The Governing Board approves each year's budget submitted by the Executive Director prior to the beginning of the new fiscal year. The Board conducts public meetings prior to its adoption. The budget is prepared by fund, function and activity, and includes information on the past year, current year estimates and requested appropriations for the next fiscal year. Supplemental appropriations, when required during the period, are also approved by the Board. Intradepartmental budget changes are approved by the Executive Director. In most cases, expenditures may not exceed appropriations at the departmental level. At fiscal year-end all operating budget appropriations lapse. During the year, supplementary appropriations were necessary.

Encumbrances

Encumbrances are estimations of costs related to unperformed contracts for goods and services. These commitments are recorded for budgetary control purposes in the governmental funds. Encumbrances outstanding at year-end are reported as a reservation of fund balance. They represent the estimated amount of the expenditure ultimately to result if unperformed contracts in process at year-end are completed. They do not constitute expenditures or estimated liabilities.

Budget Basis of Accounting

Budgets for governmental funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).

III. DETAILED NOTES ON FUNDS

Note 3: Cash and Investments

Cash and investments reported in the accompanying financial statements consisted of the following:

Cash and investments pooled with the City	\$ 26,589,168
Restricted cash	7,500
Cash and investments with fiscal agent	<u>3,155,119</u>
	<u>\$ 29,751,787</u>

The Agency's funds are pooled with the City of Yorba Linda's cash and investments in order to generate optimum interest income. GASB Statement No. 40 establishes and modifies disclosure requirements related to deposit and investment risks. The information required by GASB Statement No. 40 related to authorized investments, credit risk, etc. is available in the annual report of the City.

Note 4: Loans Receivable

Disposition and Development Agreement

Southern California Housing Development Corporation

In March 1997, the Agency entered into a Disposition and Development Agreement (DDA) with Southern California Housing Development Corporation (the Corporation) for the sale of real property and the rehabilitation of a 70-unit apartment complex. To assist the developer in the acquisition of the property, the Agency provided a loan in the amount of \$2,418,000, which accrues interest at the rate of 10% per annum. The Corporation began making payments on this note in 2000-2001. The balance outstanding at June 30, 2008, was \$1,126,297.

Owner Participation Agreements

AHP Parkwood, L.P.

During fiscal year 2002-2003, the Agency entered into an Owner Participation Agreement (OPA) and Regulatory Agreement with developer AHP Parkwood, L.P. (AHP) for the development of a 101-unit housing project designed for low-income senior citizens. Ninety-nine of the units will be rent-restricted for 55 years. The Agency is providing \$3,100,000 toward the total development cost of \$11,570,000. In return, the Agency is granted a security interest pursuant to a deed of trust in the property where the project will be constructed. The developer is required to pay 12.75% of its net cash flow to the Agency over the 55 year covenant period; however, 1/55th of the debt and any accrued interest under this Residual Receipts Promissory note shall be forgiven each year provided AHP continues to operate the project as defined in the OPA. The documents were amended in April 2003 to defer the forgiveness of any debt during the first 15 years, thereby avoiding classification of the forgiveness as income under Internal Revenue Service regulations. Following this period, the amount due under the note during the first 15 years shall be forgiven and an additional 1/55th of the subsidy is forgiven each year thereafter at the request of AHP. During fiscal year 2003-2004, the Agency adopted a resolution approving the subordination of the Agency's trust deed, OPA, and Regulatory Agreement in order to facilitate obtaining construction financing by the developer. At June 30, 2008, the balance outstanding was \$3,100,000.

**Yorba Linda Redevelopment Agency
Notes to Financial Statements (Continued)**

Note 4: Loans Receivable (Continued)

Yorba Linda Family Partners, L.P.

In March 2004, the Agency entered into an Owner Participation Agreement (OPA) with Yorba Linda Family Partners, L.P. (Owner) for the construction of a 44-unit apartment complex designed for low-income families. The property is not located within the boundaries of the Project Area, but is located adjacent to the Project Area. The Redevelopment Plan is incorporated by reference and this OPA is subject to the provisions of the Redevelopment Plan. Subject to the terms, conditions and limitations of the Agreement, the Agency will provide the Owner with financial assistance in the form of a loan up to the maximum amount of \$2,200,000 toward the total development cost of \$11,025,000. This loan will bear simple interest at 3% per annum. In return, the Agency will be granted a security interest pursuant to a subordinated deed of trust in the property where the project will be constructed. The Owner will be required to pay 15% of all Residual Receipts (net cash flow) to the Agency over the 55 year covenant period. However, at any time on or after the 15th anniversary date of the Residual Receipts Promissory Note, the Owner may request that the Agency forgive all then-unpaid and accrued principal and interest of the note. At June 30, 2008, the outstanding balance was \$2,200,000.

Yorba Linda Housing Partners, L.P.

In May 2006, the Agency entered into an Owner Participation Agreement (OPA) and Affordable Housing Agreement with Yorba Linda Housing Partners, L.P. (Owner) for the purchase and rehabilitation of a multi-family apartment complex commonly known as "Linda Gardens Apartments." The Project will consist of substantially rehabilitating and developing the Property in order to create a 76-unit multi-family affordable rental housing comprised of a new community center, 52 two-bedroom units and 24 three-bedroom units subject to affordable housing restrictions. The Property is adjacent to the Project Area and the Agency has determined that the Project will be of benefit to the Project Area for affordable housing and therefore the Agency will use its Low and Moderate Income Housing Funds for this purpose. Subject to the terms, conditions and limitations of the Agreement, the Agency will provide the Owner with financial assistance by providing: (1) a loan of \$7,400,000 to assist the Developer in financing the acquisition of the Property (Agency Acquisition Loan), and (2) a loan not to exceed \$5,376,000 to assist the Developer in financing the development of the Project (Agency Development Loan). In June 2008, the Owner was granted an additional \$200,000 in loan proceeds from the Agency to comply with additional requirements placed upon the project by the City relating to ADA accessibility requirements. This brings the total maximum loan to \$12,976,406. The Acquisition Loan will be rolled into the Development Loan. The loan will bear simple interest at 3% per annum and will be repaid over the 55 year covenant period. The Agreement also provides that payments toward principal and interest shall not commence until the operation of the Project has generated Residual Receipts calculated annually. The outstanding balance at June 30, 2008, is \$12,438,765.

Total loans receivable at June 30, 2008, amounted to \$18,865,062.

**Yorba Linda Redevelopment Agency
Notes to Financial Statements (Continued)**

Note 5: Capital Assets

An analysis of capital assets as of June 30, 2008 follows:

	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008
Depreciable Assets:				
Office equipment and furnishings	\$ 10,878	\$ -	\$ -	\$ 10,878
Nondepreciable Assets:				
Land - parking lot	364,593	-	-	364,593
Total Capital Assets	375,471	-	-	375,471
Less Accumulated Depreciation	(10,878)	-	-	(10,878)
Net Fixed Assets	\$ 364,593	\$ -	\$ -	\$ 364,593

Note 6: Long-Term Debt

A description of long-term debt outstanding (excluding defeased debt) of the Agency as of June 30, 2008, follows:

a. Tax Allocation Bonds Payable

The Agency has pledged a portion of the future property tax increment revenue, including Low and Moderate Income Housing set-aside, which it receives to repay tax allocation bonds that were issued to provide financing for various capital projects, accomplish Low and Moderate Income Housing projects and to defease previously issued bonds. The bonds are payable solely from the property tax increment generated by the Agency. The Agency has committed to appropriate each year, from these resources, amounts sufficient to cover the principal and interest requirements on the debt. Total principal and interest remaining on the debt is \$109,806,710 payable through 2033. For the current year, principal and interest paid and total property tax increment revenues were \$5,923,808 and \$22,944,906, respectively.

1993 Tax Allocation Bonds

On December 15, 1993, the Yorba Linda Redevelopment Agency issued \$35,686,002 in 1993 Tax Allocation Bonds with interest rates ranging from 3.50% to 5.25% to advance refund \$17,115,000, which represented a portion of the outstanding 1989 Tax Allocation Bonds and \$1,825,000 principal amount of 1986 Certificates of Participation.

Serial bonds totaling \$4,340,000 are payable in amounts ranging from \$265,000 to \$545,000 per year on September 1 of each year, commencing September 1, 1996 through September 1, 2008, and bear interest at rates from 3.50% to 5.10%. Term bonds totaling \$12,205,000 and \$14,000,000 are due on September 1, 2013 and 2023, respectively, at an interest rate of 5.25%.

Capital appreciation serial bonds with an original amount totaling \$2,826,489 are due on each September 1, commencing September 1, 2014 through 2016. Capital appreciation term bonds with an original amount totaling \$2,314,513 are due on September 1, 2019.

**Yorba Linda Redevelopment Agency
Notes to Financial Statements (Continued)**

Note 6: Long-Term Debt (Continued)

Bonds outstanding at June 30, 2008, total \$38,329,443 which includes the accreted value of the capital appreciation bonds in the amount of \$6,668,441.

1998 Tax Allocation Parity Refunding Bonds

On June 18, 1998, the Yorba Linda Redevelopment Agency issued \$17,131,503 in 1998 Tax Allocation Parity Refunding Bonds Series A, with interest rates ranging from 4.050% to 5.000% to advance refund the remaining \$15,890,000 of outstanding 1989 Tax Allocation Bonds with interest rates ranging from 6.750% to 7.125%. Current interest serial bonds totaling \$12,645,000 are payable in amounts ranging from \$1,030,000 to \$2,025,000 per year on September 1 of each year, commencing September 1, 2002 through September 1, 2009, and bear interest at rates from 4.000% to 5.000%. Capital appreciation serial bonds with an original amount totaling \$4,486,503 are due on each September 1, commencing September 1, 2024 through 2028.

Bonds outstanding at June 30, 2008, total \$10,945,245, which includes the accreted value of the capital appreciation bonds in the amount of \$3,108,742.

2005 Taxable Tax Allocation Bonds (Subordinate Lien), Series A

On April 1, 2005, the Yorba Linda Redevelopment Agency issued \$9,855,000 in Taxable Tax Allocation Term Bonds (Subordinate Lien), Series A with interest rates at 5.25% for bonds maturing September 1, 2015, and 5.71% for bonds maturing September 1, 2031. The Bonds are special obligations of the Agency and are payable solely from and secured by a parity pledge of certain tax increment revenues of the Project Area on a basis subordinate to certain outstanding obligations of the Agency and a pledge of amounts in certain funds and accounts established under the Indenture of Trust. The bonds were issued to finance redevelopment activities of the Agency.

The Series A Term Bonds maturing on September 1, 2015, are subject to mandatory redemption, in part by lot, on September 1, in each year beginning September 1, 2007 through 2015 from mandatory annual sinking payments ranging from \$85,000 to \$355,000 per year.

The Series A Term Bonds maturing on September 1, 2031, are also subject to mandatory redemption, in part by lot, on September 1 in each year beginning September 1, 2016 through 2031, from mandatory sinking payments ranging from \$10,000 to \$3,340,000 per year.

The balance of the Series A bonds at June 30, 2008, amounts to \$9,670,000.

2005 Tax-Exempt Tax Allocation Bonds (Subordinate Lien), Series B

On April 1, 2005, the Yorba Linda Redevelopment Agency issued \$3,145,000 in Tax Exempt Tax Allocation Term Bonds (Subordinate Lien), Series B with interest at 5.00% for bonds maturing September 1, 2032. The Bonds are special obligations of the Agency and are payable solely from and secured by a parity pledge of certain tax increment revenues of the Project Area on a basis subordinate to certain outstanding obligations of the Agency, and a pledge of amounts in certain funds and accounts established under the Indenture of Trust. The Tax Exempt Bonds were issued to

**Yorba Linda Redevelopment Agency
Notes to Financial Statements (Continued)**

Note 6: Long-Term Debt (Continued)

finance redevelopment activities of the Agency, specifically to fund a fire station. The Series B Term Bonds maturing on September 1, 2032, are subject to mandatory redemption, in part by lot, on September 1 in each year beginning September 1, 2029 through 2032, from mandatory annual sinking payments ranging from \$135,000 to \$2,725,000 per year. In addition, the Series B bonds include an Original Issue Bond Premium of \$61,107. The balance of the Series B bonds at June 30, 2008, including unamortized bond premium of \$53,576 is \$3,198,576.

Total bonds payable at June 30, 2008, amounted to \$62,143,264.

b. Due to Government Agencies

Placentia-Yorba Linda Unified School District

On December 5, 1983, the Agency entered into a pass-through agreement with the Placentia Unified School District, predecessor of the Placentia-Yorba Linda Unified School District, whereby the Agency agreed to pass-through to the District certain tax increment revenue the Agency received as a result of the formation of the Agency and the adoption of its Redevelopment Plan.

In October 1999, a dispute regarding the pass-through agreement arose. In June 2004, the Agency and the Placentia-Yorba Linda Unified School District settled their dispute with the Agency agreeing to a settlement amount of \$6,569,106, which is to be paid as tax increment is available. Based on the annual pass-through calculation, there may be additional amounts deferred each year (added to this obligation). During fiscal year 2007-2008, an additional \$1,824,266 was added with zero payments made. As of June 30, 2008, the balance outstanding was \$13,585,213.

c. Advances from City

The City advanced the Agency funds for operations at various times since the establishment of the Redevelopment Agency on May 2, 1983. These advances are payable upon demand with interest accruing at the current investment rate (blended average LAIF yield rate, 4.019% at June 30, 2008) on the unpaid balance. There were no principal repayments made during fiscal year 2007-2008. However, the current year's accrued interest of \$50,863 was paid as of June 30, 2008. The Agency expects to repay these advances from future tax increment funds when such funds become available; therefore, no retirement schedule has been prepared for repayment of these advances. The principal balance outstanding at June 30, 2008, was \$1,265,560.

During June 2004, the City and Agency entered into a loan agreement whereby the City will advance to the Agency funds to pay the County of Orange settlement, which was paid in full as of June 30, 2006, up to a maximum of \$6,750,000. Interest accrues on this advance based on the blended average LAIF yield rate (4.019% at June 30, 2008). As of June 30, 2008, the principal balance outstanding was \$4,750,000 and the annual accrued interest of \$190,903 had been paid.

Total Advances from City at June 30, 2008, amounted to \$6,015,560.

**Yorba Linda Redevelopment Agency
Notes to Financial Statements (Continued)**

Note 6: Long-Term Debt (Continued)

d. Schedule of changes in long-term debt

The following is a schedule of changes in long-term debt of the Agency for the fiscal year ended June 30:

	Balance July 1, 2007	Additions	Repayments	Balance June 30, 2008	Due Within One Year
<u>Yorba Linda Redevelopment Project Area</u>					
City Loans - Principal	\$ 6,015,560	\$ -	\$ -	\$ 6,015,560	\$ -
Loans - Other Governments	11,760,947	1,824,266	-	13,585,213	-
Bonds - 1993 Tax Allocation	31,961,002	-	300,000	31,661,002	315,000
Bonds - 1993 Capital Appreciation	6,006,349	662,092	-	6,668,441	-
Bonds - 1998 Tax Allocation Parity Refunding	9,756,503	-	1,920,000	7,836,503	2,025,000
Bonds - 1998 Capital Appreciation	2,715,933	392,809	-	3,108,742	-
Bonds - 2005 Subordinate TAB, Series A	9,765,000	-	95,000	9,670,000	85,000
Bonds - 2005 Subordinate Tax Exempt, Series B	3,145,000	-	-	3,145,000	-
Total	\$ 81,126,294	\$ 2,879,167	\$ 2,315,000	\$ 81,690,461	\$ 2,425,000
<u>Total - All Project Areas</u>					
City Loans - Principal	\$ 6,015,560	\$ -	\$ -	\$ 6,015,560	\$ -
Loans - Other Governments	11,760,947	1,824,266	-	13,585,213	-
Bonds Payable	63,349,787	1,054,901	2,315,000	62,089,688	2,425,000
Total	\$ 81,126,294	\$ 2,879,167	\$ 2,315,000	81,690,461	\$ 2,425,000
Adjustments:					
Unamortized net original issue (discount) or premium				53,576	
Net Long-term Debt				\$ 81,744,037	

**Yorba Linda Redevelopment Agency
Notes to Financial Statements (Continued)**

Note 6: Long-Term Debt (Continued)

f. Debt service requirements

The following schedule illustrates the debt service requirements to maturity for long-term debt outstanding as of June 30:

	1993 Tax Allocation Bonds, Series A		1998 Tax Allocation Parity Refunding Bonds, Series A		2005 Subordinate Taxable Tax Allocation Bonds, Series A	
	Principal	Interest	Principal	Interest	Principal	Interest
2008 - 2009	\$ 315,000	\$ 1,383,795	\$ 2,025,000	\$ 111,813	\$ 85,000	\$ 545,464
2009 - 2010	1,130,000	1,346,100	1,325,000	33,125	80,000	541,133
2010 - 2011	2,560,000	1,249,238	-	-	95,000	536,539
2011 - 2012	2,695,000	1,111,294	-	-	90,000	531,683
2012 - 2013	2,835,000	966,131	-	-	90,000	526,958
2013 - 2018	6,628,310	14,293,567	-	-	690,000	2,517,000
2018 - 2023	11,722,692	6,628,913	-	-	195,000	2,402,911
2023 - 2028	3,775,000	99,094	3,684,388	12,215,612	190,000	2,361,942
2028 - 2033	-	-	802,115	3,172,885	8,155,000	1,107,883
Totals	\$ 31,661,002	\$ 27,078,132	\$ 7,836,503	\$ 15,533,435	\$ 9,670,000	\$ 11,071,513

	2005 Subordinate Tax Exempt Tax Allocation Bonds, Series B		Total	
	Principal	Interest	Principal	Interest
2008 - 2009	\$ -	\$ 157,250	\$ 2,425,000	\$ 2,198,322
2009 - 2010	-	157,250	2,535,000	2,077,608
2010 - 2011	-	157,250	2,655,000	1,943,027
2011 - 2012	-	157,250	2,785,000	1,800,227
2012 - 2013	-	157,250	2,925,000	1,650,339
2013 - 2018	-	786,250	7,318,310	17,596,817
2018 - 2023	-	786,250	11,917,692	9,818,074
2023 - 2028	-	786,250	7,649,388	15,462,898
2028 - 2033	3,145,000	666,125	12,102,115	4,946,893
Totals	\$ 3,145,000	\$ 3,811,125	\$ 52,312,505	\$ 57,494,205

IV. OTHER DISCLOSURES

Note 7: Other Special Obligations

During fiscal year 2000-2001, the Agency issued the Yorba Linda Redevelopment Agency Multi-Family Housing Revenue Bonds 2000 Series A in the principal amount of \$2,754,321. These bonds are not reflected in the financial statements because they are special obligations payable solely from and secured by specific revenue sources described in the resolution and official statement of the issue. Neither the faith and credit nor the taxing power of the City, the Redevelopment Agency, the State of California or any political subdivision thereof, is pledged for the payment of these bonds. The balance of these bonds as of June 30, 2008, amounts to \$2,460,704.

**Yorba Linda Redevelopment Agency
Notes to Financial Statements (Continued)**

Note 8: Insurance Coverage

Insurance coverage has been obtained by the City of Yorba Linda for the City and all authorities under its control. Information related to the Agency's insurance coverage can be obtained by contacting the City.

Note 9: Other Information

a. Ordinance to amend the Redevelopment Plan in accordance with Senate Bill 53

On September 18, 2007, Ordinance Number 2007-905 was adopted containing a description of the Agency's program to acquire real property by eminent domain within the redevelopment project area within the City and authorizing the recording of a Revised Statement of Proceedings for the project area, as required by Senate Bills (SB) 53 and 1809. SB 53 amends Health and Safety Code Sections 33333.2 and 33333.4 and adds Sections 33342.5 and 33342.7 relating to redevelopment.

These sections require that the legislative body must adopt an ordinance on or before July 1, 2007, that contains a description of the redevelopment agency's program to acquire real property by eminent domain, including any restrictions on the power of eminent domain to acquire real property. Pursuant to Resolution Numbers 2006-197 and 2006-198, the Agency is not authorized to acquire real property in the Project Area by eminent domain.

Note 10: Subsequent Events

a. Subsequent Redevelopment Agency Legislation

On September 30, 2008, the California Legislature passed AB 1389, requiring a shift in tax increment revenues during fiscal year 2008-2009 to the state Educational Revenue Augmentation Fund (ERAF). It is estimated that the Agency's share of the ERAF shift for fiscal year 2008-2009 will amount to approximately \$1,183,217.

YORBA LINDA REDEVELOPMENT AGENCY

COMBINING PROJECT AREA BALANCE SHEET

ALL GOVERNMENTAL FUNDS

JUNE 30, 2008

	Yorba Linda Redevelopment Project Area			TOTALS	
	Debt Service	Capital Projects	Capital Projects	Debt Service Funds	Capital Projects Funds
	Tax Increment	Project	Low and Moderate Housing		
ASSETS					
Cash and investments	\$ 6,774,076	\$ 9,093,951	\$ 10,721,141	\$ 6,774,076	\$ 19,815,092
Cash and investments with trustee	22,139	3,132,980	-	22,139	3,132,980
Receivables:					
Tax increment	429,000	-	-	429,000	-
Interest receivable	43,812	45,986	48,401	43,812	94,387
Loans	-	-	18,865,062	-	18,865,062
Restricted cash	-	-	7,500	-	7,500
Land held for resale	-	11,103,962	11,020,013	-	22,123,975
Total Assets	\$ 7,269,027	\$ 23,376,879	\$ 40,662,117	\$ 7,269,027	\$ 64,038,996
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ -	\$ 66,781	\$ 9,577	\$ -	\$ 76,358
Deposits from others	-	-	8,467	-	8,467
Due to other governments	811,428	-	-	811,428	-
Due to City	-	26,631	-	-	26,631
OPA/DDA Payable	-	-	737,235	-	737,235
Total Liabilities	811,428	93,412	755,279	811,428	848,691
Fund Balances:					
Reserved:					
Land held for resale	-	11,103,962	11,020,013	-	22,123,975
Restricted cash	-	-	7,500	-	7,500
Long-term receivables	-	-	18,865,062	-	18,865,062
Unreserved:					
Designated:					
Debt service	6,457,599	-	-	6,457,599	-
Continuing projects	-	12,179,505	10,014,263	-	22,193,768
Total Fund Balances	6,457,599	23,283,467	39,906,838	6,457,599	63,190,305
Total Liabilities and Fund Balances	\$ 7,269,027	\$ 23,376,879	\$ 40,662,117	\$ 7,269,027	\$ 64,038,996

YORBA LINDA REDEVELOPMENT AGENCY

COMBINING PROJECT AREA STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Yorba Linda Redevelopment Project Area			TOTALS	
	Debt Service	Capital Projects	Capital Projects	Debt Service Funds	Capital Projects Funds
	Tax Increment	Project	Low and Moderate Housing		
Revenues:					
Taxes and Assessments:					
Tax increment	\$ 18,355,925	\$ -	\$ 4,588,981	\$ 18,355,925	\$ 4,588,981
Use of Money and Property:					
Interest income	268,504	486,775	446,895	268,504	933,670
Rental income	-	85,546	135,035	-	220,581
Other revenue:					
Miscellaneous revenue	-	-	1,000	-	1,000
Miscellaneous reimbursements	-	7,340	65	-	7,405
Total Revenues	18,624,429	579,661	5,171,976	18,624,429	5,751,637
Expenditures:					
Current:					
General Government:					
Administrative costs	152,651	357,836	327,067	152,651	684,903
Professional services	22,398	75,293	46,627	22,398	121,920
Community Development:					
Real estate acquisitions	-	1,250	405	-	1,655
Capital Outlay:					
Project improvement costs	-	215,982	-	-	215,982
Debt Service:					
Interest expense	3,608,808	-	-	3,608,808	-
Long-term debt repayments	2,315,000	-	-	2,315,000	-
Total Expenditures	6,098,857	650,361	374,099	6,098,857	1,024,460
Excess of Revenues over (under) Expenditures	\$ 12,525,572	\$ (70,700)	\$ 4,797,877	\$ 12,525,572	\$ 4,727,177
Other Financing Sources (Uses)					
Long-term debt issued	\$ 2,879,167	\$ -	\$ -	\$ 2,879,167	\$ -
Pass through agreement payments	(11,538,972)	-	-	(11,538,972)	-
Developer participation	-	-	4,838,765	-	4,838,765
Contribution to City	-	(101,883)	-	-	(101,883)
Total Other Financing Sources (Uses)	(8,659,805)	(101,883)	4,838,765	(8,659,805)	4,736,882
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	3,865,767	(172,583)	9,636,642	3,865,767	9,464,059
Fund Balances					
Beginning of Year	2,591,832	23,456,050	30,270,196	2,591,832	53,726,246
End of Year	\$ 6,457,599	\$ 23,283,467	\$ 39,906,838	\$ 6,457,599	\$ 63,190,305

YORBA LINDA REDEVELOPMENT AGENCY

**COMPUTATION OF LOW AND MODERATE
INCOME HOUSING FUNDS
EXCESS/SURPLUS**

	<u>Low and Moderate Housing Funds - All Project Areas July 1, 2007</u>	<u>Low and Moderate Housing Funds - All Project Areas July 1, 2008</u>
Opening Fund Balance	\$ 30,270,196	\$ 39,906,838
Less Unavailable Amounts:		
Land held for resale	\$ (10,594,013)	\$ (11,020,013)
Long-term loans receivable	<u>(13,963,167)</u>	<u>(18,865,062)</u>
	<u>(24,557,180)</u>	<u>(29,885,075)</u>
Available Low and Moderate Income Housing Funds	5,713,016	10,021,763
Limitation (greater of \$1,000,000 or four years set-aside)		
Set-Aside for last four years:		
2007 - 2008	-	4,588,981
2006 - 2007	3,970,267	3,970,267
2005 - 2006	3,722,925	3,722,925
2004 - 2005	3,351,498	3,351,498
2003 - 2004	<u>3,192,259</u>	<u>-</u>
Total	<u>\$ 14,236,949</u>	<u>\$ 15,633,671</u>
Base Limitation	<u>\$ 1,000,000</u>	<u>\$ 1,000,000</u>
Greater amount	<u>14,236,949</u>	<u>15,633,671</u>
Computed Excess/Surplus	<u>None</u>	<u>None</u>