



**YORBA LINDA REDEVELOPMENT AGENCY  
YORBA LINDA, CALIFORNIA**

**FINANCIAL STATEMENTS**

**JUNE 30, 2010**

**Lance Soll & Lunghard, LLP**

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CERTIFIED PUBLIC ACCOUNTANTS

- Brandon W. Burrows, CPA
- Donald L. Parker, CPA
- Michael K. Chu, CPA
- David E. Hale, CPA, CFP  
A Professional Corporation
- Donald G. Slater, CPA
- Richard K. Kikuchi, CPA
- Susan F. Matz, CPA
- Shelly K. Jackley, CPA

## 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, 2010, 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 *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, each major fund and the aggregate remaining fund information of the Yorba Linda Redevelopment Agency as of June 30, 2010, 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 17, 2010, 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, 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 Agency has not presented a management's discussion and analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.



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, Solt & Lingham, LLP*

December 17, 2010



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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 (the Agency) as of and for the year ended June 30, 2010, which collectively comprise the Agency's basic financial statements and have issued our report thereon dated December 17, 2010. 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 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 Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Agency'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 misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Agency'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.



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 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 the following instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* issued by the Comptroller General of the United States:

#### **Redevelopment Agency Five-Year Implementation Plan**

During our review of redevelopment agency compliance, we noted that the Agency had not adopted a Five-Year Implementation Plan (Plan), as required by Health and Safety Code Section 33490. This was required to be adopted by City Council by December 31, 2009. This non-compliance is considered a major violation under the Health and Safety Code and would require follow-up with the State Controller's and/or Attorney General's Offices. The Agency subsequently corrected this non-compliance on June 1, 2010.

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

*Lance, Soll & Lughard, LLP*

December 17, 2010

**YORBA LINDA REDEVELOPMENT AGENCY**

**STATEMENT OF NET ASSETS  
JUNE 30, 2010**

	<u>Governmental Activities</u>
<b>Assets:</b>	
Cash and investments	\$ 38,381,644
Receivables:	
Tax increment	\$ 290,043
Interest receivable	35,243
Loans	22,705,718
Total Receivables	<u>23,031,004</u>
Due from other governments	507,809
Land held for resale (net)	19,454,204
Deferred charges	464,848
Restricted assets:	
Cash and investments	7,500
Cash and investments with trustees	21
Capital assets (Net of Depreciation):	
Land and improvements	364,593
Total Capital Assets	<u>364,593</u>
<b>Total Assets</b>	<u>82,211,623</u>
<b>Liabilities:</b>	
Accounts payable and accrued expenses	767,746
Due to other governments	3,253,011
Other current liabilities	133,119
Long-term liabilities:	
Due within one year	2,655,000
Due in more than one year	80,029,063
Total Long-Term Liabilities	<u>82,684,063</u>
<b>Total Liabilities</b>	<u>86,837,939</u>
<b>Net Assets:</b>	
Invested in capital assets, net of related debt	364,593
Restricted for:	
Community development	48,275,488
Debt service	7,715,331
Unrestricted	<u>(60,981,728)</u>
<b>Total Net Assets</b>	<u><u>\$ (4,626,316)</u></u>

YORBA LINDA REDEVELOPMENT AGENCY

STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Expenses	Program Revenues		Net (Expense) Revenues and Changes in Net Assets Governmental Activities	
		Charges for Services	Operating Contributions and Grants		Capital Contributions and Grants
<b>Functions/Programs</b>					
<b>Governmental Activities:</b>					
General government	\$ 1,534,074	\$ -	\$ -	\$ -	\$ (1,534,074)
Community development	215,212	-	-	-	(215,212)
Interest on long-term debt	5,093,485	-	-	-	(5,093,485)
Contributions to other governments	5,723,780	-	-	-	(5,723,780)
Other	133,551	-	-	-	(133,551)
<b>Total Governmental Activities</b>	<b>\$ 12,700,102</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>(12,700,102)</b>
<b>General Revenues:</b>					
Taxes (net of pass-through payments)					12,569,063
Use of money and property					742,763
<b>Total General Revenues</b>					<b>13,311,826</b>
Change in Net Assets					611,724
Net Assets at Beginning of Year					(5,238,040)
<b>Net Assets at End of Year</b>					<b>\$ (4,626,316)</b>

YORBA LINDA REDEVELOPMENT AGENCY

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2010**

	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	
<b>Assets:</b>				
Cash and investments	\$ 10,876,183	\$ 11,614,463	\$ 15,890,998	\$ 38,381,644
Cash and investments with trustee	-	-	21	21
Receivables:				
Tax increment	-	-	290,043	290,043
Interest receivable	10,090	15,206	9,947	35,243
Loans	-	22,705,718	-	22,705,718
Due from other governments	-	-	507,809	507,809
Restricted cash	-	7,500	-	7,500
Advances to Tax Increment Fund	-	5,723,780	-	5,723,780
Land held for resale	11,103,962	8,350,242	-	19,454,204
<b>Total Assets</b>	<b>\$ 21,990,235</b>	<b>\$ 48,416,909</b>	<b>\$ 16,698,818</b>	<b>\$ 87,105,962</b>
<b>Liabilities and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 54,538	\$ 44,729	\$ 6,696	\$ 105,963
Due to other governments	-	-	3,253,011	3,253,011
Advances from Low and Moderate Housing Funds	-	-	5,723,780	5,723,780
Due to City	36,427	-	-	36,427
OPA/DDA Payable	-	96,692	-	96,692
<b>Total Liabilities</b>	<b>90,965</b>	<b>141,421</b>	<b>8,983,487</b>	<b>9,215,873</b>
<b>Fund Balances:</b>				
Reserved:				
Encumbrances	181,759	190,240	-	371,999
Land held for resale	11,103,962	8,350,242	-	19,454,204
Restricted cash	-	7,500	-	7,500
Long-term receivables	-	22,705,718	-	22,705,718
Advances	-	5,723,780	-	5,723,780
Unreserved:				
Designated:				
Debt service	-	-	7,715,331	7,715,331
Continuing projects	10,613,549	11,298,008	-	21,911,557
<b>Total Fund Balances</b>	<b>21,899,270</b>	<b>48,275,488</b>	<b>7,715,331</b>	<b>77,890,089</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 21,990,235</b>	<b>\$ 48,416,909</b>	<b>\$ 16,698,818</b>	<b>\$ 87,105,962</b>

**YORBA LINDA REDEVELOPMENT AGENCY**

**GOVERNMENTAL FUNDS  
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2010**

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**Fund balances of governmental funds** **\$ 77,890,089**

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 464,848

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 (59,424,531)

    Loans from City (6,015,560)

    Other debt (17,195,028)

    Unamortized net original issue discounts and (premiums) (48,944)

Accrued interest payable for the current portion of interest due on Tax Allocation Bonds has not been reported in the governmental funds. (661,783)

**Net assets of governmental activities** **\$ (4,626,316)**

YORBA LINDA REDEVELOPMENT AGENCY

STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	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	
<b>Revenues:</b>				
Taxes and assessments	\$ -	\$ 4,326,682	\$ 17,306,725	\$ 21,633,407
Use of money and property	267,179	314,469	161,115	742,763
Other revenue	6,065	-	-	6,065
<b>Total Revenues</b>	<b>273,244</b>	<b>4,641,151</b>	<b>17,467,840</b>	<b>22,382,235</b>
<b>Expenditures:</b>				
Current:				
General government	775,891	557,005	201,178	1,534,074
Community development	-	118,205	-	118,205
Capital outlay	97,007	-	-	97,007
Debt service	-	-	7,651,474	7,651,474
<b>Total Expenditures</b>	<b>872,898</b>	<b>675,210</b>	<b>7,852,652</b>	<b>9,400,760</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>(599,654)</b>	<b>3,965,941</b>	<b>9,615,188</b>	<b>12,981,475</b>
<b>Other Financing Sources (Uses):</b>				
Long-term debt issued	-	-	2,999,705	2,999,705
Pass-through agreement payments	-	-	(9,064,344)	(9,064,344)
Payment to Educational Revenue Augmentation Fund	-	-	(5,723,780)	(5,723,780)
Miscellaneous	(139,616)	-	-	(139,616)
<b>Total Other Financing Sources (Uses):</b>	<b>(139,616)</b>	<b>-</b>	<b>(11,788,419)</b>	<b>(11,928,035)</b>
<b>Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses</b>	<b>(739,270)</b>	<b>3,965,941</b>	<b>(2,173,231)</b>	<b>1,053,440</b>
<b>Fund Balances:</b>				
Beginning of Year	22,638,540	44,309,547	9,888,562	76,836,649
<b>End of Year</b>	<b>\$ 21,899,270</b>	<b>\$ 48,275,488</b>	<b>\$ 7,715,331</b>	<b>\$ 77,890,089</b>

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, 2010**

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<b>Net change in fund balances - total governmental funds</b>	<b>\$ 1,053,440</b>
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.	2,535,000
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	(21,997)
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.	(2,999,705)
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	(661,783)
Prior year accrual of interest due on bonds	704,453
	<hr/>
<b>Change in net assets of governmental activities</b>	<b>\$ 611,724</b>

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.

**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)  
JUNE 30, 2010

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**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)  
JUNE 30, 2010

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**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.

**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).

YORBA LINDA REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2010

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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	\$ 38,381,644
Restricted cash	7,500
Cash and investments with fiscal agent	21
	<hr/>
	\$ 38,389,165
	<hr/>

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, 2010, was \$929,440.

Habitat for Humanity of Orange County Inc.

In July 2008, the Agency entered into a Disposition and Development Agreement (DDA) with Habitat for Humanity of Orange County Inc. for the sale of real property and the development of three affordable units. To assist the developer in the acquisition of the property, the Agency provided a loan in the amount not to exceed \$800,000 from the Agency to the Developer, the proceeds of which are to be used and applied solely to pay the reasonable costs of the construction project at zero percent (0%) interest for the term of the loan, to be paid in three (3) separate payments, each equal to one-third (1/3) of the total agency loan, at the close of escrow on the initial sale by Developer of each Restricted Home to a Qualified Household. . The balance outstanding at June 30, 2010, was \$596,410.

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

**YORBA LINDA REDEVELOPMENT AGENCY**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2010**

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**Note 4: Loans Receivable (Continued)**

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, 1/55<sup>th</sup> 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 1/55<sup>th</sup> 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, 2010, the balance outstanding was \$3,100,000.

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 15<sup>th</sup> 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, 2010, 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 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

**YORBA LINDA REDEVELOPMENT AGENCY**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2010**

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**Note 4: Loans Receivable (Continued)**

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, 2010, is \$12,438,765.

Affordable Housing Agreement

Evergreen Villas LP

In December 2009, the Agency entered into an Affordable Housing Agreement (AHA) with Evergreen Villas, LP (Owner) for the purchase and rehabilitation of a multi-family condominium complex commonly known as "Evergreen Condominiums". The project will consist of rehabilitating all twenty-six (26) condominium units and offer them at rents affordable to and to be occupied by very low-income occupants. The Agency desires to assist in the development of the Project by providing financial assistance in the form of a subordinate financing loan in the amount not to exceed Three Million Two Hundred Fifty-Four Thousand Two Hundred Dollars (\$3,254,200) consisting of the agreed upon value of the Property of Three Million One Hundred Sixty-Nine Thousand Five Hundred Dollars (\$3,169,500) plus an amount not to exceed Eighty-Four Thousand Seven Hundred Dollars (\$84,700) cash, for certain property acquisition and development expense associated with the Project. The loan will bear no interest and will be repaid over the 55 year covenant period from the close of escrow. In June 2010, the Agency provided further financial assistance in the form of a subordinate financing Loan in the amount of One Hundred Ninety Six Thousand One Hundred Forty Dollars (\$196,140) for the developers acquisition and rehabilitation of the additional unit. The outstanding balance at June 30, 2010, is \$196,140. The total outstanding balance at June 30, 2010, for Evergreen Villas is \$3,441,103.

Total loans receivable at June 30, 2010, amounted to \$22,705,718.

**YORBA LINDA REDEVELOPMENT AGENCY**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2010**

**Note 5: Capital Assets**

An analysis of capital assets as of June 30, 2010, follows:

	Balance July 1, 2009	Additions	Deletions	Balance June 30, 2010
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	<u>\$ 364,593</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 364,593</u>

**Note 6: Long-Term Debt**

A description of long-term debt outstanding (excluding defeased debt) of the Agency as of June 30, 2010, 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 \$100,570,781 payable through 2033. For the current year, principal and interest paid and total property tax increment revenues were \$4,612,608 and \$21,633,407, 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)**  
**JUNE 30, 2010**

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**Note 6: Long-Term Debt (Continued)**

Bonds outstanding at June 30, 2010, total \$38,328,583 which includes the accreted value of the capital appreciation bonds in the amount of \$8,112,581.

**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, 2010, total \$8,445,948, which includes the accreted value of the capital appreciation bonds in the amount of \$3,959,445.

**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, 2010, amounts to \$9,505,000.

**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)**  
**JUNE 30, 2010**

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**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, 2010, including unamortized bond premium of \$48,944, is \$3,145,000.

Total bonds payable at June 30, 2010, amounted to \$59,424,531.

**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 2009-2010, an additional \$1,820,283 was added with zero payments made. As of June 30, 2010, the balance outstanding was \$17,195,028.

**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, .651% at June 30, 2010) on the unpaid balance. There were no principal repayments made during fiscal year 2009-2010. However, the current year's accrued interest of \$8,238 was paid as of June 30, 2010. 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, 2010, was \$1,265,560.

During June 2004, the City and Agency entered into a loan agreement whereby the City advanced 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 (.651% at June 30, 2010). As of June 30, 2010, the principal balance outstanding was \$4,750,000 and the annual accrued interest of \$30,923 had been paid.

Total Advances from City at June 30, 2010, amounted to \$6,015,560.

**YORBA LINDA REDEVELOPMENT AGENCY**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2010**

**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, 2009	Additions	Repayments	Balance June 30, 2010	Due Within One Year
<b>Yorba Linda Redevelopment Project Area</b>					
City Loans - Principal	\$ 6,015,560	\$ -	\$ -	\$ 6,015,560	\$ -
Deferred Pass-Through Payments - PYLUSD	15,374,745	1,820,283	-	17,195,028	-
1993 Tax Allocation Bonds (2121)	31,346,002	-	1,130,000	30,216,002	2,560,000
1993 Capital Appreciation (2126)	7,369,760	742,821	-	8,112,581	-
1998 Tax Allocation Parity Refunding (2122)	5,811,503	-	1,325,000	4,486,503	-
1998 Capital Appreciation (2127)	3,522,844	436,601	-	3,959,445	-
2005 Subordinate Tax Allocation Bonds - Series A	9,585,000	-	80,000	9,505,000	95,000
2005 Subordinate Tax Exempt Bonds - Series B	3,145,000	-	-	3,145,000	-
<b>Total</b>	<b>82,170,414</b>	<b>2,999,705</b>	<b>2,535,000</b>	<b>82,635,119</b>	<b>2,655,000</b>
<b>Total - All Project Areas</b>					
City Loans - Principal	\$ 6,015,560	\$ -	\$ -	\$ 6,015,560	\$ -
Deferred Pass-Through Payments - PYLUSD	15,374,745	1,820,283	-	17,195,028	-
Bonds Payable	60,780,109	1,179,422	2,535,000	59,424,531	2,655,000
<b>Total</b>	<b>\$ 82,170,414</b>	<b>\$ 2,999,705</b>	<b>\$ 2,535,000</b>	<b>\$ 82,635,119</b>	<b>\$ 2,655,000</b>
Adjustments:					
Unamortized net original issue (discount) or premium				48,944	
Net Long-term Debt				<u>\$ 82,684,063</u>	

**e. 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
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 - 2014	2,985,000	1,931,594	-	-	85,000	522,364
2014 - 2015	1,003,525	3,002,326	-	-	355,000	510,814
2015 - 2020	4,137,477	14,570,405	-	-	390,000	2,451,096
2020 - 2025	14,000,000	1,517,250	996,572	2,978,428	80,000	2,387,066
2025 - 2030	-	-	3,489,931	12,410,069	3,550,000	2,242,603
2030 - 2035	-	-	-	-	4,770,000	275,793
<b>Totals</b>	<b>\$ 30,216,002</b>	<b>\$ 24,348,238</b>	<b>\$ 4,486,503</b>	<b>\$ 15,388,497</b>	<b>\$ 9,505,000</b>	<b>\$ 9,984,916</b>

**YORBA LINDA REDEVELOPMENT AGENCY**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2010**

**Note 6: Long-Term Debt (Continued)**

	2005 Subordinate Tax Exempt Tax Allocation Bonds, Series B		Total	
	Principal	Interest	Principal	Interest
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 - 2014	-	157,250	3,070,000	2,611,208
2014 - 2015	-	157,250	1,358,525	3,670,390
2015 - 2020	-	786,250	4,527,477	17,807,751
2020 - 2025	-	786,250	15,076,572	7,668,994
2025 - 2030	135,000	782,875	7,174,931	15,435,547
2030 - 2035	3,010,000	355,000	7,780,000	630,793
Totals	<u>\$ 3,145,000</u>	<u>\$ 3,496,625</u>	<u>\$ 47,352,505</u>	<u>\$ 53,218,276</u>

**IV. OTHER DISCLOSURES**

**Note 7: Interfund Receivables, Payables, and Transfer**

Advances To/From Other Funds consisted of the following:

Funds	Advance to Other Funds Tax Increment
Advance from Other Funds	
Low and Moderate Housing	\$ 5,723,780
Total	<u>\$ 5,723,780</u>

During the current fiscal year, the Low and Moderate Housing Fund made a loan to the Tax Increment Fund for \$5,723,780 to make the SERAF payment that was due on May 10, 2010. The loan is to be repaid by June 30, 2015, based on legislation that was passed.

**Note 8: 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.

**Note 9: 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.

**YORBA LINDA REDEVELOPMENT AGENCY**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2010**

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**Note 10: Transaction with the State of California**

SERAF Shift for fiscal year 2009-2010 and 2010-2011

On July 23, 2009, the State adopted legislation, requiring a shift of monies during fiscal years 2009-2010 and 2010-2011 to be deposited into the County "Supplemental" Educational Revenue Augmentation Fund (SERAF). These monies were to be distributed to meet the State's Prop 98 obligations to schools. The California Redevelopment Association (CRA) and its member agencies filed a legal action in an attempt to stop these amounts from having to be paid; however, in May 2010 the Sacramento Superior Court upheld the legislation. This decision is in the process of being appealed by CRA and its member agencies.

The payment of the SERAF was due on May 10, 2010, for fiscal year 2009-2010 and it was made in the amount of \$5,723,780. The legislation allowed this payment to be made from any available monies present in any project area(s). Subsequent legislation was passed which even allowed the funding for this payment to be borrowed from the Low and Moderate Income Housing Fund with appropriate findings from its legislative body.

Any amounts borrowed from Low and Moderate Income Housing (including any suspended set-aside amounts) are to be repaid by June 30, 2015. If those amounts are not repaid, by that date, then the set-aside percentage to Low and Moderate Income Housing will increase from 20% to 25% for the remainder of the life of the Agency.

To accomplish the payment, the Agency borrowed \$5,723,780 from the Low and Moderate Income Housing Fund (after adopting appropriate findings of necessity). In the accompanying financial statements, the amount paid to the County has been reported as a use of current year resources. Borrowings and/or suspended set-aside amounts relating to the Low and Moderate Income Housing Fund have been reflected as inter-fund advances between the accounting funds of the Agency.

It is estimated that the Agency's share of the SERAF shift for fiscal year 2010-2011 will amount to approximately \$1,177,341 and this amount will be payable in May 2011 if the appeal is not successful.

YORBA LINDA REDEVELOPMENT AGENCY

COMBINING PROJECT AREA BALANCE SHEET  
 ALL GOVERNMENTAL FUNDS  
 JUNE 30, 2010

	Yorba Linda Redevelopment Project Area			TOTALS	
	Debt Service	Capital Projects	Capital Projects	Debt Service	Capital Projects
	Tax Increment	Project	Low and Moderate Housing	Funds	Funds
<b>ASSETS</b>					
Cash and investments	\$ 15,890,998	\$ 10,876,183	\$ 11,614,463	\$ 15,890,998	\$ 22,490,646
Cash and investments with trustee	21	-	-	21	-
Receivables:					
Tax increment	290,043	-	-	290,043	-
Interest receivable	9,947	10,090	15,206	9,947	25,296
Loans	-	-	22,705,718	-	22,705,718
Due from other governments	507,809	-	-	507,809	-
Restricted cash	-	-	7,500	-	7,500
Advances to Tax Increment Fund	-	-	5,723,780	-	5,723,780
Land held for resale	-	11,103,962	8,350,242	-	19,454,204
<b>Total Assets</b>	<b>\$ 16,698,818</b>	<b>\$ 21,990,235</b>	<b>\$ 48,416,909</b>	<b>\$ 16,698,818</b>	<b>\$ 70,407,144</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 6,696	\$ 54,538	\$ 44,729	\$ 6,696	\$ 99,267
Due to other governments	3,253,011	-	-	3,253,011	-
Advances from Low and Moderate Housing Funds	5,723,780	-	-	5,723,780	-
Due to City	-	36,427	-	-	36,427
OPA/DDA Payable	-	-	96,692	-	96,692
<b>Total Liabilities</b>	<b>8,983,487</b>	<b>90,965</b>	<b>141,421</b>	<b>8,983,487</b>	<b>232,386</b>
<b>Fund Balances:</b>					
Reserved:					
Encumbrances	-	181,759	190,240	-	371,999
Land held for resale	-	11,103,962	8,350,242	-	19,454,204
Restricted cash	-	-	7,500	-	7,500
Long-term receivables	-	-	22,705,718	-	22,705,718
Advances	-	-	5,723,780	-	5,723,780
Unreserved:					
Designated:					
Debt service	7,715,331	-	-	7,715,331	-
Continuing projects	-	10,613,549	11,298,008	-	21,911,557
<b>Total Fund Balances</b>	<b>7,715,331</b>	<b>21,899,270</b>	<b>48,275,488</b>	<b>7,715,331</b>	<b>70,174,758</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 16,698,818</b>	<b>\$ 21,990,235</b>	<b>\$ 48,416,909</b>	<b>\$ 16,698,818</b>	<b>\$ 70,407,144</b>

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, 2010

	Yorba Linda Redevelopment Project Area			T O T A L S	
	Debt Service	Capital Projects	Capital Projects	Debt Service	Capital Projects
	Tax Increment	Project	Low and Moderate Housing	Funds	Funds
<b>Revenues:</b>					
Taxes and Assessments:					
Tax increment	\$ 17,306,725	\$ -	\$ 4,326,682	\$ 17,306,725	\$ 4,326,682
Use of Money and Property:					
Interest income	161,115	170,455	242,561	161,115	413,016
Rental income	-	96,724	71,908	-	168,632
Other revenue:					
Miscellaneous reimbursements	-	6,065	-	-	6,065
<b>Total Revenues</b>	<b>17,467,840</b>	<b>273,244</b>	<b>4,641,151</b>	<b>17,467,840</b>	<b>4,914,395</b>
<b>Expenditures:</b>					
Current:					
General Government:					
Administrative costs	175,205	424,299	443,826	175,205	868,125
Professional services	25,973	351,592	113,179	25,973	464,771
Community Development:					
Subsidy to low and moderate housing	-	-	118,205	-	118,205
Capital Outlay:					
Project improvement costs	-	97,007	-	-	97,007
Debt Service:					
Interest expense	5,116,474	-	-	5,116,474	-
Long-term debt repayments	2,535,000	-	-	2,535,000	-
<b>Total Expenditures</b>	<b>7,852,652</b>	<b>872,898</b>	<b>675,210</b>	<b>7,852,652</b>	<b>1,548,108</b>
<b>Excess of Revenues over (under) Expenditures</b>	<b>9,615,188</b>	<b>(599,654)</b>	<b>3,965,941</b>	<b>9,615,188</b>	<b>3,366,287</b>
<b>Other Financing Sources (Uses)</b>					
Long-term debt issued	2,999,705	-	-	2,999,705	-
Pass through agreement payments	(9,064,344)	-	-	(9,064,344)	-
Payment to Educational Revenue Augmentation Fund	(5,723,780)	-	-	(5,723,780)	-
Contribution to City	-	(139,616)	-	-	(139,616)
<b>Total Other Financing Sources (Uses)</b>	<b>(11,788,419)</b>	<b>(139,616)</b>	<b>-</b>	<b>(11,788,419)</b>	<b>(139,616)</b>
<b>Excess of Revenues and Other Sources over (under) Expenditures and Other Uses</b>	<b>(2,173,231)</b>	<b>(739,270)</b>	<b>3,965,941</b>	<b>(2,173,231)</b>	<b>3,226,671</b>
<b>Fund Balances</b>					
Beginning of Year	9,888,562	22,638,540	44,309,547	9,888,562	66,948,087
End of Year	<b>\$ 7,715,331</b>	<b>\$ 21,899,270</b>	<b>\$ 48,275,488</b>	<b>\$ 7,715,331</b>	<b>\$ 70,174,758</b>

YORBA LINDA REDEVELOPMENT AGENCY

COMPUTATION OF LOW AND MODERATE  
INCOME HOUSING FUNDS  
EXCESS/SURPLUS

	Low and Moderate Housing Funds - All Project Areas July 1, 2009	Low and Moderate Housing Funds - All Project Areas July 1, 2010
Opening Fund Balance	\$ 44,309,547	\$ 48,275,488
Less Unavailable Amounts:		
Land held for resale	\$ (11,147,184)	\$ (8,350,242)
Restricted Cash	-	(7,500)
ERAF loans	-	(5,723,780)
Encumbrances (Section 33334.12 (g)(2))	-	(190,240)
Long-term loans receivable	(18,865,062)	(22,705,718)
	<u>(30,012,246)</u>	<u>(36,977,480)</u>
Available Low and Moderate Income Housing Funds	14,297,301	11,298,008
Limitation (greater of \$1,000,000 or four years set-aside)		
Set-Aside for last four years:		
2009 - 2010	-	4,326,682
2008 - 2009	4,349,578	4,349,578
2007 - 2008	4,588,981	4,588,981
2006 - 2007	3,970,267	3,970,267
2005 - 2006	3,722,925	-
<b>Total</b>	<b><u>\$ 16,631,751</u></b>	<b><u>\$ 17,235,508</u></b>
<b>Base Limitation</b>	<b><u>\$ 1,000,000</u></b>	<b><u>\$ 1,000,000</u></b>
Greater amount	<u>16,631,751</u>	<u>17,235,508</u>
<b>Computed Excess/Surplus</b>	<b><u>None</u></b>	<b><u>None</u></b>